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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Mickey Lass
Vice President,
Operations

May 21, 1998

Hon. Sam Winters
Chairman, Board of Governors
U.S. Postal Service
475 L'Enfant Plaza, S.W.
Room 10300
Washington DC 20260-1000

Re: Postal Rate Commission
Opinion and Recommended Decision
Docket No. R97-1

Dear Chairman Winters:

I am writing on behalf of Seattle FilmWorks, Inc., one of the country's largest mail order photofinishers with respect to the Postal Rate Commission's Opinion and Recommended Decision in Docket No. R97-1.

It is important to understand that our photofinishing company is competing in an industry of which only 7 percent is mail order. The overwhelming proportion of the industry is made up of retail and wholesale photofinishers. The mail order segment is not in a position to pass on to its customers the recently approved postal rates, and any effort to do so will make it even less competitive with the rest of the industry. This will not only mean lost business to our company but also to the Postal Service as people move to other non mail-order sources for photofinishing. For this reason, Seattle FilmWorks requests that the new rates not be implemented until late January 1999, at the earliest.

Under the Commission's recommendation, based on our combined usage of First-Class Priority Mail, and Standard A Mail (especially the residual surcharge), our company is faced with a 14 percent increase in postal rates. This is much higher than the average rate increase faced by most major mailers. In fact, the only major increases incurred over the last few years to our industry have been postal rates. These are the very costs which are not incurred by our non-mail order competitors. Again, we are not in a position to be able to pass these increases on to our customers.



Almost all major mailers were faced with a budgeting problem in the later part of 1997. New rates had been requested, but there was nothing definite. There was also the issue of the implementation date, and the uncertainty about the Standard A residual surcharge (which we believe was improperly recommended, which is the subject of a separate letter from the photofinisher intervenors in this docket). With a postponement until at least late January 1999, mailers would have a better opportunity to budget for the increased rates and plan a reasoned implementation.

The Postal Service is charged with breaking even over a period of time by law. If the Postal Service is generating a sizeable surplus now, and most projections indicate that it will continue to do so, any increase in rates will increase this surplus even more. It is evident that increased rates are not needed at this time.

In the past when rates have increased, to obtain the additional revenue there have been massive efforts by the Postal Service to implement the new rates as quickly as possible. This has led to many inefficiencies and problems for the mailers as well as the Postal Service. With a deferral of implementation, the training and preparation can be performed more thoroughly and more efficiently. There is no compelling reason to implement immediately that could possibly overcome the problems associated with a rushed implementation.

The fall and Christmas mailing season would be negatively impacted if the rate changes are implemented later this year. When mail volume is at its peak and resources are already strained, adding the additional variable of the new rates for both the mailers and the Postal Service could be disastrous.

As a major mailer that relies on the Postal Service for its very existence, the implementation of the new rates are very critical. Timing is critical for both our business and the Postal Service. Seattle FilmWorks implores that the above issues be given the utmost consideration. A timely implementation in January or later is the only reasonable approach to take.

Sincerely,

Seattle FilmWorks, Inc.

A handwritten signature in black ink, appearing to read "Mickey Lass", with a long horizontal flourish extending to the right.

Mickey Lass