

COMMISSIONER W.H. "TREY" LEBLANC

of the

POSTAL RATE COMMISSION

Remarks

before the

NATIONAL ASSOCIATION OF PRESORT MAILERS

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3 p.m.

The Renaissance Hotel

Washington, DC

Good afternoon, ladies and gentlemen. Thank you for inviting me to join you during your Association's general membership meeting here in Washington. My thanks, in particular, to Joel Thomas. Hello to Dennis MacHarg, as well as to those of you I recognize from previous meetings. I appreciate the turnout on this [^muggy, sunny, rainy] late August afternoon.

Joel said a logical topic for this gathering would be First-Class presort discounts. So I've set aside the comedy scripts I've been working on in my spare time. Instead, I'll concentrate primarily on the crossroads where *your* livelihoods, *my* job, and the

institutional interests of the Postal Service often intersect — and sometimes collide.

As some of you may know, I have taken a special interest in First-Class presort discounts during my time as a Commissioner. However, I don't plan to be citing any numbers today. For those of you who would like to look at some underlying data, I can refer you to a technical paper prepared by a Commission staffer. I have some copies here with me, and can provide more if there's a big demand.

What I thought might be of more interest today is a general theme that emerged in the last case in our area of mutual interest. There's a catchphrase that I think sums it up pretty accurately -- it goes like

this: “Sometimes, it’s a matter of degree, not a material difference.”

I also thought I might touch on the subject of regulations, such as “move update” requirements and those that were put in as part of the big “re-class” case a few years ago. For the most part, this topic has taken a backseat to other, more pressing, concerns during our cases. However, this whole area may deserve closer attention, as your organization urged in the testimony it filed with the Commission.

Finally, I would like to talk briefly about some transitions that are occurring in postal leadership positions. But I will stick to the “agency” level — primarily the Commission, and leave any discussion

of changes in the makeup of Congressional committees to others. Here goes.

A few weeks after the Commission's decision in the recent omnibus rate case, the Governors of the Postal Service — to their credit — quickly resolved key matters. They also “bit the bullet” and delayed the effective date of new rates until January. Many in the industry lobbied for an even later date, but that did not transpire. I am sure you -- and your clients -- are well aware of that.

We still face the reality that a few aspects of the rate case will drag on in the form of court appeals. For the most part, however, the Governors' disposition of the case has allowed many of us in the professional postal community here in Washington

to say “**NEXT**” — and to turn our attention to new matters.

At the Commission, this means that proceedings are already underway in another, smaller case — referred to as “Mailing Online.” I am the presiding officer in that docket, which entails the Service’s request to experiment with an intriguing combination of the old and the new: the Internet and traditional printing and postage.

However, my colleagues and I are keenly aware that others — especially those of you on the front-lines in the presorting business — do not share the luxury of putting Docket No. R97-1 behind you. Instead, you are busy working on the details of

implementing a rate case that has been openly referred to in one newsletter as “an ugly baby.”

When I first heard that description, I wanted to shake the author’s hand. I found the candor of the remark highly refreshing after all the “legalese” I’d been reading. It certainly seemed to capture the essence of the circumstances surrounding the case.

However, clever as the remark is, it really doesn’t apply to some individual elements of Docket No. R97-1 — including First-Class presort discounts. In fact, as between the approach the Service asked for and the approach the Commission recommended, the opposite may be true. Some might even say things ultimately turned out to be a

“beauty contest” between several acceptable choices.

Frankly, this doesn’t always happen.

Sometimes the alternatives are light years apart.

The final vote is not a close call, once overall policy has been decided or the numbers have been run.

At other times, however, the discussion focuses along a spectrum of acceptability. In other words, we’re not faced with the classic “apples versus oranges” situation — instead, we’re deciding which apple to select, from among several varieties of pretty decent apples.

This scenario is often a lot more enjoyable to deal with than the “either/or” situation. In fact, in my earlier days at the Commission, I probably thought it

would cut down on discussion time. To my surprise, however, I have found that it generally doesn't. I think this is because all the "shades of grey" have to be distinguished, and in our proceedings, they are filtered primarily through the lens of testimony, cross-examination, and legal briefs.

In Docket No. R97-1, our first look through the lens revealed a basically sound situation in First-Class presort discounts. No "material disagreement" there.

We were also pleased to see that the Service's proposal reflected the benchmark we had suggested previously — that is, bulk metered mail. No "material disagreement" there, at least with the Postal Service.

I know that NAPM — and some other participants — argued for a different standard. But “it was a matter of degree” that led us to the new benchmark. Moreover, the direction we were heading was signaled over the course of a proceeding or two, and was not an abrupt departure.

We differed with the Service on using 3-digit mail as the “key” for developing Automation letter rates. The Service is right that the majority of the prebarcoded volume is in this category, but we were not convinced, as yet, that this was reason enough to depart from the prevailing system, which begins with basic mail. Again, however, I would categorize this as “a matter of degree, not a material disagreement.”

As you know, we also concluded that we shouldn't jettison the "heavy piece" discount. This is where we get a **whole lot** closer, on my sliding scale, to a genuine "material disagreement."

However, we stopped far short of saying this discount should remain a permanent part of the structure. Instead, at least for now, we found that the evidence just didn't support eliminating it.

Conclusion: probably a "matter of degree" after all.

Before going much further, I should probably tell you that I am well aware that there's a time-honored tradition in the postal world of declaring certain participants "winners" in the areas where we differ

with the Service. But as the ratemaking process evolves and issues grow more complex, this may be too simplistic, in many instances.

In fact, in looking back over the Opinion recently, a fair reading is that we found a lot of common ground with the Service in the area of First-Class presort discounts. In addition to what I've already mentioned, the Opinion is shot through with other illustrations of how the catchphrase I've been using applies.

Consider, for example, that we said our recommendations were largely “an endorsement” of the Service's approach to developing worksharing discounts.

We also said we were attempting to reflect, in those discounts, “cooperation” with the Service’s interest in promoting an automated mailstream. Obviously, no “material disagreement” there, on either count.

There are a few more issues I could mention. For example, we think our recommended array of discounts more closely follows costs. In fairness, however, the Service’s were not completely off the mark. Instead, it was a “matter of degree” that led to the Commission’s alternative.

Obviously, we also found that the 2-cent discount the Service proposed for Basic Presorted mail was not enough to reflect mailers’ worksharing efforts -- we bumped it up to two and a half cents.

Getting closer to a “disagreement” here, but in the final analysis, I’d still chalk it up to a “difference in degree.”

That pretty much sums up my perspective on the discount issues. Now I’ll say a word or two about regulations. This is a topic you generally don’t hear too much about from anyone at the Commission. This is because there is a longstanding division of labor that leaves most of “the details” to the Postal Service. The details, in this business, involve regulations.

This is probably a pretty good idea most of the time, since the people over there are closer to the nitty gritty of moving the mail. At the same time, I am concerned that some of the regulations that are

developed may have the potential to **materially** affect rates and discounts. It is my understanding that one of the Service's rebuttal witnesses in the rate case promised that they would be studying the move update requirements and some related forwarding- and-return regulations. I hope they follow through with this, so we can all get a better handle on whether there are significant costs or savings that should be taken into consideration.

Now for my last topic: changes in some of the postal policy jobs. Briefly, it seems to me that the consensus among my colleagues at the Commission is that the new Postmaster General — and the seasoned team he has put in place — are achieving

a smooth transition from the “Marvin Runyon era.”

It’s not yet clear what the final legacy of the Runyon years will be — or where the new leadership will go.

You probably have formed an opinion about

Runyon’s efforts . . . and you obviously have an important stake in the new corporate vision.

Over at the Commission, a quieter transition is also underway. And you have a stake in this as well, since these changes may contain the seeds of a new “Commission” vision. Commissioner Ruth Goldway, for example, is relatively new to the scene. So new, in fact, that she did not vote in the recent rate case, having come on board near the end of the proceeding. However, she’s a quick study, and is

becoming quite well-versed in postal issues. She will be ready to vote in upcoming cases.

Also, current Vice Chairman Haley will be leaving soon for his new post as Ambassador to The Gambia, in Africa. This is a compelling new chapter in his personal and professional life, and we are wishing him well in his new role. I have kidded him that his experience in postal ratemaking should give him a little edge over his new ambassador buddies in terms of diplomatic skills. After all, I told him, it's been said that some of the Commission's decisions have succeeded in making everyone involved "equally unhappy" with the outcome.

Ambassador Haley's departure, of course, is expected to create the next vacancy at the Commission. However, unlike the situation Ruth Goldway faced, his successor (unknown to me at this point) should have plenty of time to prepare for participation as a voting Commissioner before any major cases affecting your interests are docketed.

In the postal community, NAPM members are known as a pragmatic bunch. So what these changes mean for you is that the next Commission decision — simply by virtue of the transitions I've mentioned — will reflect votes cast by at least two members who did not participate in Docket No. R97-1 or in previous rate cases. Thus, even though it's not that long since our decision came out, I may be

appearing here in the unlikely role of a history professor. Things could change — by degrees or by a big difference — the next time around.

Obviously, these new faces will mean that the “Commission watchers” at your association and among your membership may need to rethink their assumptions or predictions about the outcome of critical decisions — at least until the new members’ positions become apparent, or new voting alliances form. Some might consider this the fun part, but I imagine it can be pretty nerve-wracking in a lot of respects, being on the outside, looking in.

Wherever things head, however, the history of the early days of presorting — when the Service was actively courting your cooperation — will be

“acquired knowledge” for the new Commissioners, much like it was for me. And this will be just one chunk of a mountain of data and information they will have to absorb and process. If past is prologue, I think you can rest assured that they will try to make sure that none of your concerns get lost in the shuffle.

Let’s see -- I’ve covered Discounts Regulations . . . and Leadership Changes. I hope what I have had to say has been of some interest to you. If not, you can blame Joel for the discount part, since that was his suggestion, and I’ll take the blame for the other stuff.

Finally, as some of you already know, I have a habit of closing presentations with a favorite saying from my home state of Louisiana. You may have heard me say it before — “Laissez les bon temps roulez” — “Let the good times roll.”

Recently, however, some of the Commission staff — even my kids — have strongly hinted that I should find something new to say. So I challenged them to come up with something else, on the condition that it was still “me.”

We kicked around a postal joke or two, but they were pretty lame. One staffer suggested a closing prayer, but I thought you might want someone more — well, more reserved — to handle that kind of thing. Finally, someone came up with a limerick or

little poem that was just about right. In fact, I only tinkered with the last line, since I thought it needed a little help. So here it is, with my refinement:

Presort mailers sometimes say
“Move Update” rules don’t make our day
But ForwardingFast
Is such a Blast
We just “laissez les bon temps roulez.”

Sorry, just couldn’t help myself. Goodbye, ladies and gentlemen. Thanks again, Joel. If there’s time for a few questions, I’ll stick around and try to answer them. Otherwise, have a great meeting.