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USPS-T-1

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

RENEWAL OF EXPERIMENTAL
CLASSIFICATION AND FEES
FOR WEIGHT-AVERAGED
NONLETTER-SIZE BUSINESS
REPLY MAIL, 1999

DOCKET NO. MC99-1

DIRECT TESTIMONY
OF
JAMES M. KIEFER
ON BEHALF OF
UNITED STATES POSTAL SERVICE

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AUTOBIOGRAPHICAL SKETCH

My name is James M. Kiefer. I am an Economist in the Office of Pricing, Marketing Systems, at the United States Postal Service. Since joining the Postal Service in 1998, I have worked on issues related to Special Standard and Library Mail, Special Services and nonletter-size Business Reply Mail.

Prior to joining the Postal Service I worked for the Vermont Department of Public Service, first as Power Cost Analyst, and later as Planning Econometrician, where I investigated utility costs, rates, load forecasts and long term plans. I also developed long-range electric generation expansion plans for the State, performed economic impact studies, and contributed to a long-term energy use plan for Vermont. I have testified as an expert witness before the Vermont Public Service Board on many occasions on economic issues involving cost of power, generation expansion plans, least cost integrated planning, load forecasts, and electric utility rates.

Before working in Vermont, I was a Principal Analyst with the Congressional Budget Office. Past work experience also includes work with the U.S. Department of Commerce and work in production management in private industry.

I earned a BA in Chemistry in 1971 from the Johns Hopkins University. In 1980 I earned an MBA from Rutgers University, and in 1981 an MA degree in International Relations from the Nitze School of Advanced International Studies. I then returned to Johns Hopkins in Baltimore to study Economics where I earned an MA in 1983 and a PhD in 1986.



My appearances in this docket and in Docket MC99-2 represent my first appearances before the Postal Rate Commission.

1 **I. Purpose of Testimony**

2 The purpose of my testimony is to propose that the Postal Rate Commission
3 recommend re-establishment of the experimental classification and fees for
4 nonletter-size Business Reply Mail (BRM) which is subject to the weight
5 averaging accounting method. The Postal Service proposes that the weight
6 averaging classification and fees, which are in effect through June 7, 1999,
7 remain in effect until implementation of the permanent classification and fees
8 requested in Docket No. MC99-2, or until the end of February 29, 2000,
9 whichever occurs first. My testimony will discuss how this renewal of a portion of
10 the current nonletter-size BRM experiment meets the Postal Rate Commission's
11 requirements for experimental changes set forth in 39 C.F.R. §3001.67 and how
12 the proposed continuation of the experimental weight averaging classification
13 and fees meets the requirements of 39 U.S.C. sections 3623(c) and 3622(b).

14

15 **II. Background**

16 **A. Experimental Methods for Nonletter-Size BRM Accounting.**

17 To explore ways to reduce the cost of nonletter-size BRM accounting, and to
18 speed up the release of this mail to its BRM customers, the Postal Service
19 requested in December 1996, that the Commission in Docket No. MC97-1
20 recommend two experimental classifications for nonletter-size BRM. The
21 Commission recommended these experimental classifications (with
22 corresponding fees) for a period of two years. They were approved by the USPS
23 Governors and implemented beginning on June 8, 1997. In the first

1 experimental accounting method, reverse manifesting, the Postal Service made
2 use of a customer-generated incoming mail manifest to calculate postage due.

3 In the second method, weight averaging, Postal Service personnel weigh
4 each participating customer's incoming BRM in bulk and then apply a conversion
5 factor to the net bulk weight received to calculate postage and fees due. The
6 Postal Service periodically samples each customer's BRM mailstream to update
7 the conversion factors.

8

9 **B. The Weight Averaging Experiment.**

10 The Postal Service was initially able to recruit three participants for the
11 weight averaging experiment. Despite efforts to recruit participants from a
12 spectrum of industries,¹ all of the mailers who eventually participated in the
13 experiment came from the film processing industry.

14 As part of the experimental protocol, the Postal Service developed and
15 executed a Data Collection Plan which was described in the Docket No. MC97-1
16 testimony of USPS witness Fronk (USPS-T-3, Appendix B). This plan called for
17 collecting information on the times and costs of setting up and conducting all
18 aspects of the weight averaging methodology. In her Docket No. MC99-2
19 testimony (USPS-T-3), Postal Service witness Schenk presents the results of
20 this cost study. The plan also called for a market survey to measure the
21 potential market response to a new classification and fees for nonletter-size

¹ These efforts are described in Docket No. MC99-2, USPS-T-4, at 4-6.

1 Business Reply Mail. The Docket No. MC99-2 testimony of Postal Service
2 witness Timothy Ellard (USPS-T-2) describes this market research and presents
3 its results. My testimony in Docket No. MC99-2 (USPS-T-4) also provides a
4 more detailed report on the experiment, including the reverse manifesting
5 portion.

6

7 **III. Request for Renewal**

8 Under the terms of the nonletter-size BRM experiment approved in Docket
9 No. MC97-1, the Postal Service has been monitoring weight averaging
10 operations at four field sites.² The current experiment has yielded much useful
11 information that supports the establishment of a permanent weight averaging
12 classification and fees for certain BRM. Accordingly, in a companion docket, the
13 Postal Service presents this information and requests that the Commission
14 recommend a permanent classification and fees to the Postal Service
15 Governors.

16 Due to the investigative nature of the ongoing Docket No. MC97-1
17 experiment, the Postal Service has focused its efforts on the fine-tuning of the
18 weight averaging method at the test sites, as well as on collection and analysis
19 of data. Although the data compiled thus far provide a solid basis for requesting
20 the establishment of a permanent classification and fees, our experience with the

² These sites are: New London, CT, Seattle, WA, Washington, DC and Parkersburg, WV. Originally, Parkersburg employed the reverse manifesting method, but after the reverse manifesting participant in Parkersburg, WV was acquired by another film processing company, it requested that the Parkersburg post office process its nonletter-size BRM using the weight averaging methodology.

1 experiment has demonstrated that additional effort is necessary to complete the
2 development of the technical resources and the organization of the appropriate
3 management oversight structure that will ensure proper implementation of a
4 permanent classification and fees. These efforts currently are ongoing, but we
5 do not anticipate that the full implementation package will be ready for roll-out,
6 even for the ten potential customers identified in USPS witness Ellard's Docket
7 No. MC99-2 testimony (USPS-T-2), before the experiment expires on June 7,
8 1999, or immediately thereafter.

9 Accordingly, the Postal Service requests that the Commission recommend
10 continuation of the experiment. Such an extension would preserve the
11 environment in which the Postal Service can best complete the tasks and deploy
12 the technical resources necessary to ensure that permanent nonletter-size BRM
13 weight-averaging accounting operations are implemented in a manner which
14 reflects the necessary level of administrative coordination and technical
15 safeguards.

16

17 **A. Technical Issues.**

18 Much of the additional work that needs to be done relates to the computer
19 software which has been utilized during the current experiment. At each
20 experimental site, weight averaging relies largely upon computer software
21 resident on a personal computer connected to a scale in the postage due unit.
22 Docket No. MC99-2 witness Schenk has supervised the installation and use of
23 this software at the experimental sites and her testimony in that proceeding

1 (USPS-T-3) describes the operation and oversight of the software in greater
2 detail. The opportunity to monitor, refine and improve the software has been a
3 critical part of the current experiment.

4 The Postal Service has determined that the experimental software shows
5 great potential, although we do not expect, by June 7, 1999, that we will have
6 completed all of the refinements necessary for permanent implementation, or
7 that they will have been adequately tested and documented by that date.³

8 Resolving some of these technical issues will be relatively straightforward.
9 Others will require considerably more time and effort, and their completion is
10 seen by Postal Service management as critical to successful implementation of
11 the permanent classification. For example, recent experience has revealed that
12 the weight averaging software has some vulnerability to certain operator errors.
13 Although various security measures have been designed into the program, the
14 software in its current configuration cannot protect the databases in all situations.
15 Because the software at the experimental sites exists as a stand-alone PC
16 application, certain operator errors, some of which have already occurred at
17 different sites, can potentially have a number of harmful effects, including:

- 18 • inadvertent deletion of the database containing the sampling information
19 used to perform weight averaging,
- 20 • incorrect adjustment of the computer calendar/clock in such a way as to
21 result in inadvertent application of outdated conversion factors to count and

³ An additional project that must be completed is an update of the software users' manual.

1 rate the mail, or
2 • accidental deletion of the entire weight averaging sampling and bulk weighing
3 program.

4 Solutions to these problems exist, but implementing them requires changes
5 to system hardware and/or software. One solution that the Postal Service is
6 currently considering would relocate the databases from the individual local PCs
7 to a network, possibly to a national postal network. We believe that this
8 relocation would protect the data from accidental corruption arising from operator
9 errors like those encountered during the experiment. The reconfiguration and
10 redeployment of the software to implement a network-based solution will require
11 significant rewriting of the software, followed by thorough testing. In particular,
12 we will need to test the software for reliability and compatibility with existing
13 network software.

14 Alternatively, the Postal Service could maintain the local PC-based system,
15 but increase security through software and hardware changes at the local weight
16 averaging sites. Given that some of the potential weight averaging sites may be
17 in small post offices with little or no technical support, we cannot always rely on
18 the availability of sufficient on-site PC expertise to troubleshoot these problems.
19 Hence, it still would be necessary to revise the hardware and software to allow
20 remote access and off-site troubleshooting by the system administrator.

21 These and other needed software and/or hardware fixes will require time to
22 resolve, but they must be complete and operationally secure before the Postal
23 Service can begin the national implementation of weight averaging.

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B. Administrative Issues.

Postal management oversight of the nonletter-size BRM experiment has been coordinated at USPS Headquarters in conjunction with Docket No. MC99-2 witness Schenk (USPS-T-3). Presently, the Postal Service is determining how best to manage a national roll-out of nonletter-size BRM weight averaging. A number of objectives must be completed in order to insure that the "handoff" to the appropriate management function occurs as professionally and competently as possible. These objectives include the following:

- To develop and document standard operating procedures for implementation, reporting, accounting and oversight for the new permanent classification similar in intent to those described in the Draft Publication 405 (Docket No. MC97-1 USPS Library Reference EBR-3);
- To refine and implement supervisor and postage due clerk training procedures for the national roll-out of the weight averaging methodology;
- To determine the system/database administrator for the program, and the software, hardware, and training needed to set up remote access to all weight averaging sites;
- To establish the appropriate channels of communication and management responsibility and control and test these out before national roll-out;
- To develop a process for monitoring the weight averaging results, especially the precision of the revenue estimates.

1

2 C. Duration of the Extension.

3 Postal management considers that it most likely will need at least several
4 months beyond June 7th to be ready for national roll-out. Accordingly, we
5 request that the weight averaging experiment be renewed beyond June 7, 1999,
6 in order to provide postal management with the laboratory within which to resolve
7 these challenges. The Postal Service requests in the present docket that the
8 Commission renew the current experimental weight averaging classification and
9 fee structure for a period to be terminated upon implementation of the permanent
10 classification and fees requested in Docket No. MC99-2, or at the end of
11 February 29, 2000, whichever occurs first. Although we have requested that the
12 experiment be renewed for a period that could expire as late as February 29,
13 2000, we do not anticipate needing that much time to be ready to implement the
14 permanent classification and fees, which we anticipate may be recommended in
15 Docket No. MC99-2.

16

17 D. Additional Considerations.

18 There are a number of additional reasons why the Commission should
19 recommend a temporary renewal of the weight averaging portion of the
20 experiment.

21 Approval of the requested renewal will permit the Postal Service to work
22 carefully, and without any risk associated with undue haste, in the establishment
23 of its implementation plans. It also would permit the Commission to conduct the

1 litigation of the concurrent Docket No. MC99-2 request for a permanent
2 classification and fees on a schedule that is not unduly influenced by any party's
3 concerns about the consequences which would result if there were a time lag
4 between June 7, 1999, and the date on which permanent nonletter-size BRM
5 weight averaging fees were implemented.

6 Extending the experiment will protect its participants from suffering
7 significant "rate shock" if the Commission recommends a permanent
8 classification and fees for weight averaging in Docket No. MC99-2 which cannot
9 be implemented until after the authorized term for the current experiment. The
10 four postal facilities now rating the experiment participants' BRM would probably
11 continue to utilize the cost-effective weight averaging technology in the interim,
12 so any adverse consequences of a gap between the end of the experiment and
13 the start of a permanent classification would fall entirely on these customers, in
14 the form of temporary, but significantly higher, accounting fees.⁴ It is likely that
15 the participants have already factored the existing lower experimental fees into
16 their financial planning. A temporary period of "rate shock" would be unfairly and
17 extremely disruptive to the experiment participants and should be avoided under
18 the present circumstances.

19 In Docket No. MC97-1, the Postal Service requested creation of new,
20 experimental classifications and fees. The present docket seeks no new
21 classification or fee changes, only a partial renewal of the existing experiment at

⁴ They would revert to paying the standard applicable per-piece accounting fee, eight cents.

1 the current classification and fees.⁵ In Docket No. MC97-1, witness Fronk
2 showed how the experimental changes complied with the Commission's rules for
3 experimental changes (39 C.F.R. §3001.67). These conditions still hold and will
4 do so for the duration of the proposed extension. In particular, given the limited
5 number of participants and the brevity of the requested extension, witness
6 Fronk's Docket No. MC97-1 (USPS-T-3) demonstration that the revenue and
7 cost impacts would be quite small relative to overall Postal Service revenues and
8 costs should hold *a fortiori*.⁶

9 Whether viewed in relation to witness Schenk's Docket No. MC97-1 (USPS-
10 T-2) cost estimates, or her more recent Docket No. MC99-2 (USPS-T-3) cost
11 estimates, the current experimental accounting fees more than cover the Postal
12 Service's costs of counting, rating and billing for this BRM. Thus, if re-
13 established at current levels, the fees adequately protect the Postal Service's net
14 revenue.

15

16 **IV. Classification Criteria**

17 Section 3623(c) of title 39 U.S.C. requires the Commission to make its
18 recommendation regarding the establishment of a new classification in
19 accordance with the following factors:

- 20 (1) the establishment and maintenance of a fair and equitable
21 classification system for all mail;

⁵ Appendix B shows DMCS Fee Schedule 931, revised to show the classification and fees requested in the present docket. The Postal Service proposes that the reverse manifest experiment, classification and fees be allowed to sunset as scheduled on June 7, 1999.
⁶ The Postal Service does not anticipate receiving any additional applications for participation in the experiment.

- 1
- 2 (2) the relative value to the people of the kinds of mail matter entered
- 3 into the postal system and the desirability and justification for special
- 4 classifications and services of mail;
- 5
- 6 (3) the importance of providing classifications with extremely high
- 7 degrees of reliability and speed of delivery;
- 8
- 9 (4) the importance of providing classifications which do not require an
- 10 extremely high degree of reliability and speed of delivery;
- 11
- 12 (5) the desirability of special classifications from the point of view of both
- 13 the user and of the Postal Service; and
- 14
- 15 (6) such other factors as the Commission may deem appropriate.
- 16

17 *Discussion.* The following discussion shows how the proposed renewal of the
18 current weight-averaging classification for nonletter-size BRM is in accord with
19 the section 3623(c) factors, which are referenced below as Criteria 1 through 6.

20 On the basis of the current experiment, the Postal Service has concluded
21 that weight averaging lowers costs, compared to the standard piece-by-piece
22 BRM rating procedure.⁷ The proposal for a renewal of the experimental weight
23 averaging classification also offers recipients of nonletter-size BRM the
24 opportunity to pay an accounting fee that is much more in line with Postal
25 Service accounting costs than if this weight-averaged mail had to pay the
26 otherwise applicable 8-cent per piece accounting fee. The cost savings and the
27 lower fees make renewal of the weight averaging classification desirable to both
28 the Postal Service and the BRM recipients, furthering the goals of Criterion 5.

⁷ The standard procedure was described by USPS witness Joe DeMay in Docket No. MC97-1 (USPS-T-1); it is also described by USPS witness Rometta Shields in Docket No. MC99-2 (USPS-T-1).

1 BRM offers a valuable service to businesses and their customers. It gives
2 customers convenient access to products and services available through the
3 mail. It also provides businesses with a more cost-effective means than prepaid
4 postage envelopes to offer postage-paid communication to their customers. This
5 is especially true in the case of nonletter-size BRM, which often varies in weight.
6 To ensure fully postage-paid return mail for heavy as well as light pieces,
7 businesses would have to offer envelopes with excess postage affixed, or set up
8 arrangements to refund additional postage paid by customers. Either way would
9 likely prove cumbersome and expensive. The Postal Service's proposed
10 renewal of the weight-averaged nonletter-size BRM classification maintains the
11 valuable advantages of BRM for both businesses and for their customers who
12 send them nonletter-size mail, while reducing the costs of offering this service
13 (Criterion 2 and Criterion 5).

14 All BRM travels as First-Class Mail or Priority Mail. For many companies the
15 prompt turnaround of customer orders is of obvious business importance. By
16 keeping the cost of mailing nonletter-size BRM down, the current weight
17 averaging classification, if continued, would maintain the practical availability of a
18 speedy delivery option for businesses. The time saved by using weight
19 averaging should also allow nonletter-size BRM recipients to receive their mail
20 more expeditiously than if this mail were individually counted and rated
21 (Criterion 3). Criterion 4 does not apply in this case.

22 Our proposal for the temporary re-establishment of the weight averaging
23 classification for nonletter-size BRM reflects a balanced consideration of all

1 relevant criteria. Our proposal meets the needs of customers by providing a
2 relatively low-cost option for receiving BRM and compensates the Postal Service
3 for the activities it undertakes in counting and rating this BRM, without adversely
4 affecting the public, businesses, or other mail classes. In sum, our proposal is
5 fair and equitable (Criterion 1).

6

7 **V. Pricing Criteria**

8 Section 3622(b) of title 39 U.S.C. requires the Commission to make its
9 decision on changes in rates and fees for each class of mail or type of service in
10 accordance with the following factors:

- 11 (1) the establishment and maintenance of a fair and equitable schedule;
- 12
- 13 (2) the value of the mail service actually provided each class or type of
14 mail service to both the sender and the recipient, including but not
15 limited to the collection, mode of transportation, and priority of
16 delivery;
- 17
- 18 (3) the requirement that each class of mail or type of mail service bear
19 the *direct and indirect postal costs* attributable to that class or type
20 plus that portion of all other costs of the Postal Service reasonably
21 assignable to such class or type;
- 22
- 23 (4) the effect of rate increases upon the general public, business mail
24 users, and enterprises in the private sector of the economy engaged
25 in the delivery of mail matter other than letters;
- 26
- 27 (5) the available alternative means of sending and receiving letters and
28 other mail matter at reasonable costs;
- 29
- 30 (6) the degree of preparation of mail for delivery into the postal system
31 performed by the mailer and its effect upon reducing costs to the
32 Postal Service;
- 33

- 1 (7) simplicity of structure for the entire schedule and simple, identifiable
- 2 relationships between the rates or fees charged the various classes
- 3 of mail for postal services;
- 4
- 5 (8) the educational, cultural, scientific, and informational value to the
- 6 recipient of mail matter; and
- 7
- 8 (9) such other factors as the Commission deems appropriate.
- 9

10 *Discussion.* The following discussion shows how the proposed renewal is in
11 accord with the Section 3622(b) factors, which are referenced below as Criteria 1
12 through 9.

13 The proposal for renewing the experimental weight averaging classification
14 and fees offers recipients of nonletter-size BRM the opportunity to pay fees that
15 are much more in line with Postal Service accounting methods and costs than if
16 such mail had to pay the otherwise applicable 8-cent fee for BRM accounting.

17 As discussed above in reference to the §3623(c) classification criteria, BRM
18 offers a highly valuable service to its recipients and their customers. It gives
19 customers convenient access to companies offering products and services
20 available through the mail. It also provides recipients with a more cost-effective
21 way than prepaid postage envelopes to serve the public by offering them a
22 postage-paid mechanism for correspondence or shipment. Renewing the
23 experimental weight averaging classification maintains these valuable
24 advantages of BRM for both businesses and for their clients who send them
25 nonletter-size mail, while reducing the costs of offering this service (Criterion 2
26 and Criterion 5).

1 The Postal Service proposes to maintain the current experimental fees in
2 place during the renewal period. Docket No. MC97-1 witnesses Fronk (USPS-T-
3 3) and Schenk (USPS-T-2) testified that the experimental fees covered the costs
4 of weight averaging as they were then known. In its Opinion, the Commission
5 agreed, stating that "... the proposed fees satisfy the requirements of
6 §3622(b)(3) by recovering estimated attributable costs and making a reasonable
7 contribution to institutional costs."⁸ PRC Op. MC97-1 at 27. As demonstrated by
8 witness Schenk's testimony in Docket No. MC99-2 (USPS-T-3), the current
9 monthly and per-piece fees for nonletter-size BRM accounting will continue to
10 satisfy Criterion 3.

11 Retention of existing weight averaging fees for nonletter-size BRM would not
12 adversely affect the general public, business mail users or postal competitors
13 (Criterion 4).

14 There are a number of non-postal alternatives for transmitting
15 communications and other matter commonly sent by letter size BRM: toll-free
16 telephone numbers, fax, e-mail, wire transfers, and credit cards, to name
17 several. These alternative means do not appear relevant for much of the
18 material currently or potentially sent as nonletter-size BRM: exposed film, large

⁸ In Docket No. MC99-2, witness Schenk reports (USPS-T-3 at 13) that the costs of weight averaging are lower than the estimates reported in Docket No. MC97-1. Since the Commission found that experimental fees were sufficient to cover the higher Docket No. MC97-1 cost estimates, the evidence presented in Docket No. MC99-2 only strengthens the conclusion that the existing experimental fees meet the requirements of Criterion 3.

1 documents, photographs, videos, and similar materials.⁹ There are few, if any,
2 alternatives that allow the mailer to send this kind of nonletter-size matter free of
3 charge, and none that offer a price that is similar to the postage and fees paid by
4 the typical nonletter-size BRM piece.¹⁰ Establishing this new BRM classification
5 will have negligible impact on alternative means of sending nonletter-size BRM
6 (Criterion 5).

7 *Criterion 6 does not appear to be relevant in this case.*

8 Criterion 7, in and of itself, would appear to suggest that the number of rate
9 and fee alternatives be kept to a minimum. On the other hand, the second part
10 of Criterion 7 concerns itself with maintaining identifiable relationships between
11 rates or fees for various postal products, suggesting more, rather than fewer,
12 rates and fees. A higher degree of complexity is not unusual for classification
13 and fee schedules likely to be used by sophisticated businesses or other
14 institutional customers. By definition, BRM is a service of this type. In this
15 instance, pursuit of simplicity needs to be balanced with recognition of cost
16 savings and the goal of maintaining more complex fee relationships that are
17 identifiable. Bulk BRM recipients, already responsible for maintaining advance
18 deposit accounts, should not regard temporary re-establishment of the current
19 weight averaging BRM classification and fee schedule as inordinately complex.

⁹ This list is not exhaustive. See the testimony of USPS witness Fronk in Docket MC97-1 (USPS-T-3 at 7), and the testimony of USPS witness Ellard in this docket (USPS-T-2) for descriptions of the kinds of materials that commonly are mailed as nonletter-size BRM.

¹⁰ Some express and courier services allow the sender to charge the cost of sending an item to the recipient's billing number. These high-priced expedited delivery services do not appear to represent a realistic alternative to BRM for most recipients of nonletter-size BRM.

1 BRM is not a primary means for the transfer of information normally
2 considered to be of scientific, educational, or cultural content (Criterion 8).

3 Our proposal for the temporary re-establishment of the weight averaging
4 fees for nonletter-size BRM reflects a balanced consideration of all relevant
5 criteria. Our proposal meets the needs of customers by providing a relatively
6 low-cost option for receiving BRM and compensates the Postal Service for the
7 activities it undertakes in counting and rating this BRM. In sum, our proposal is
8 fair and equitable (Criterion 1).

9

10 **VI. Conclusion**

11 Extending the weight averaging experiment for the period requested by the
12 Postal Service will cause no harm to net revenues or operations. It merely
13 continues temporarily to provide a sharing of the benefits of a promising new
14 technology as the technology is being refined for national implementation. The
15 Postal Service recognizes that experimental classifications are not intended to
16 substitute for permanent classifications, nor does it seek, through this request for
17 a renewal, to avoid or postpone the detailed scrutiny that the Commission rightly
18 gives any request for permanent classification or fees. The Postal Service's
19 concurrent filing in Docket No. MC99-2 shows that it stands ready to make its
20 case for a permanent classification and fees now.

21 The Commission found in its Docket No. MC97-1 Opinion that the weight
22 averaging experiment met the necessary requirements for an experimental
23 change in classification and fees. That Opinion also noted that the requested

1 experimental classification would be particularly desirable to both the user and
2 the Postal Service. PRC Op. MC97-1 at 25. The Postal Service is seeking no
3 change in the substance of the weight averaging experiment, so the reasoning of
4 the Commission in that docket continues to stand.

5 The Postal Service considers that its request for a renewal of the weight
6 averaging experiment is justified. It is based on the need to gain further
7 information that will help the Postal Service to do a better job implementing a
8 permanent classification, should the Commission recommend one and the
9 Governors approve it. Accordingly, we request that the proposed experiment
10 extension be recommended to the Governors for approval.

Existing and Proposed DMCS Language

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931 BUSINESS REPLY MAIL

931.1 Definitions

931.11 Business reply mail is a service whereby business reply cards, envelopes, cartons and labels may be distributed by or for a business reply distributor for use by mailers for sending First-Class Mail without prepayment of postage to an address chosen by the distributor. A distributor is the holder of a business reply license.

931.12 A business reply mail piece is nonletter-size for purposes of this section if it meets addressing and other preparation requirements, but does not meet the machinability requirements specified by the Postal Service for mechanized or automated letter sortation.

This provision expires June 7, 1999 February 29, 2000, or upon implementation of permanent fees for weight-averaged nonletter-size business reply mail, whichever comes first.

931.2 Description of Service

931.21 The distributor guarantees payment on delivery of postage and fees for all returned business reply mail. Any distributor of business reply cards, envelopes, cartons and labels under any one license for return to several addresses guarantees to pay postage and fees on any returns refused by any such addressee.

931.3 Requirements of the Mailer

931.31 Business reply cards, envelopes, cartons and labels must be preaddressed and bear business reply markings.

931.32 Handwriting, typewriting or handstamping are not acceptable methods of preaddressing or marking business reply cards, envelopes, cartons, or labels.

931.4 Fees

931.41 The fees for business reply mail are set forth in Fee Schedule 931.

- 1 931.42 To qualify as an active business reply mail advance deposit trust
2 account, the account must be used solely for business reply mail and
3 contain sufficient postage and fees due for returned business reply
4 mail.
5
- 6 931.43 An accounting fee as set forth in Fee Schedule 931 must be paid each
7 year for each advance deposit business reply account at each facility
8 where the mail is to be returned.
9
- 10 ~~931.5 Experimental Reverse Manifest Fees~~
- 11
- 12 ~~931.51 A set-up/qualification fee as set forth in Fee Schedule 931 must be~~
13 ~~paid by each business reply mail advance deposit trust account holder~~
14 ~~at each destination postal facility at which it applies to receive~~
15 ~~nonletter-size business reply mail for which the postage and fees will~~
16 ~~be accounted for through a reverse manifest method approved by the~~
17 ~~Postal Service for determining and verifying postage.~~
- 18
- 19 ~~A distributor must pay this fee for each business reply mail advance~~
20 ~~deposit trust account for which participation in the nonletter-size~~
21 ~~business reply mail experiment is requested.~~
- 22
- 23 ~~This provision expires June 7, 1999.~~
- 24
- 25 ~~931.52 A nonletter-size reverse manifest monthly fee as set forth in Fee~~
26 ~~Schedule 931 must be paid each month during which the distributor's~~
27 ~~reverse manifest account is active.~~
- 28
- 29 ~~This fee applies to the (no more than) 10 advance deposit account~~
30 ~~holders which are selected by the Postal Service to participate in the~~
31 ~~reverse manifest nonletter-size business reply mail experiment and~~
32 ~~which utilize reverse manifest accounting methods approved by the~~
33 ~~Postal Service for determining and verifying postage and fees.~~
- 34
- 35 ~~This provision expires June 7, 1999.~~
- 36
- 37 931.6 Experimental Weight Averaging Fees
- 38
- 39 931.61 A set-up/qualification fee as set forth in Fee Schedule 931 must be
40 paid by each business reply mail advance deposit trust account holder
41 at each destination postal facility at which it applies to receive
42 nonletter-size business reply mail for which the postage and fees will
43 be accounted for through a weight averaging method approved by the
44 Postal Service for determining and verifying postage.
45

1 A distributor must pay this fee for each business reply mail advance
2 deposit trust account for which participation in the nonletter-size
3 business reply mail experiment is requested.
4

5 This provision expires ~~June 7, 1999~~ February 29, 2000, or upon
6 implementation of permanent fees for weight-averaged nonletter-size
7 business reply mail, whichever comes first.
8

9
10 **931.62** A nonletter-size weight averaging monthly fee as set forth in Fee
11 Schedule 931 must be paid each month during which the distributor's
12 weight averaging account is active.
13

14 This fee applies to the (no more than) 10 advance deposit account
15 holders which are selected by the Postal Service to participate in the
16 weight averaging nonletter-size business reply mail experiment.
17

18 This provision expires ~~June 7, 1999~~ February 29, 2000, or upon
19 implementation of permanent fees for weight-averaged nonletter-size
20 business reply mail, whichever comes first.
21

22
23 **931.7 Authorizations and Licenses**
24

25 **931.71** In order to distribute business reply cards, envelopes, cartons or
26 labels, the distributor must obtain a license or licenses from the Postal
27 Service and pay the appropriate fee as set forth in Fee Schedule 931.
28

29 **931.72** Except as provided in section 931.73, the license to distribute business
30 reply cards, envelopes, cartons, or labels must be obtained at each
31 office from which the mail is offered for delivery.
32

33 **931.73** If the business reply mail is to be distributed from a central office to be
34 returned to branches or dealers in other cities, one license obtained
35 from the post office where the central office is located may be used to
36 cover all business reply mail.
37

38 **931.74** The license to mail business reply mail may be canceled for failure to
39 pay business reply postage and fees when due, and for distributing
40 business reply cards or envelopes that do not conform to prescribed
41 form, style or size.
42

43 **931.75** Authorization to pay experimental nonletter-size business reply mail
44 fees as set forth in Fee Schedule 931 may be canceled for failure of a
45 business reply mail advance deposit trust account holder to meet the

1 standards specified by the Postal Service for the applicable reverse
2 ~~manifest or~~ weight averaging accounting method.

3
4 This provision expires ~~June 7, 1999~~ February 29, 2000, or upon
5 implementation of permanent fees for weight-averaged nonletter-size
6 business reply mail, whichever comes first.

Existing and Proposed Fee Schedule 931

FEE SCHEDULE 931

BUSINESS REPLY MAIL

	Fee
Active business reply advance deposit account:	
Per piece	
Qualified	\$0.05
Nonletter-size, using reverse manifest (experimental)	\$0.02
Nonletter-size, using weight averaging (experimental)	\$0.03
Other	\$0.08
Payment of postage due charges if active business reply mail advance deposit account not used:	
Per piece	\$0.30
Annual License and Accounting Fees:	
Accounting Fee for Advance Deposit Account	\$300
Permit fee (with or without Advance Deposit Account)	\$100
Monthly Fees for customers using a reverse manifest or weight averaging for nonletter-size business reply	
Nonletter-size, using reverse manifest (experimental)	\$1,000
Nonletter-size, using weight averaging (experimental)	\$3,000
Set-up/Qualification fee for customers using a reverse manifest or weight averaging for nonletter-size business reply	
Nonletter-size, using reverse manifest (experimental)	\$1,000
Nonletter-size, using weight averaging (experimental)	\$3,000

1 Experimental per piece, monthly, and set-up/qualification fees are applicable only to participants selected by the Postal Service for the nonletter-size business reply mail experiment. The experimental fees expire ~~June 7, 1999; February 29, 2000, or upon implementation of permanent fees for weight-averaged nonletter-size business reply mail, whichever comes first.~~