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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

SPECIAL SERVICES REFORM, 1996

Docket No. MC96-3

STATUS REPORT OF UNITED STATES POSTAL SERVICE
ON IMPLEMENTATION OF SPECIAL SERVICES REFORM PROPOSALS
(October 23, 1996)

The United States Postal Service hereby provides its first status report on the implementation of the special services reform proposals under consideration in this docket. This status report reflects input from a cross-functional implementation team, including individuals with operations, delivery, retail, and field expertise. Should questions arise concerning this status report, the Postal Service is willing to make an additional witness available to respond to questions.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

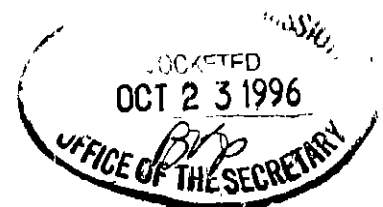
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475 L'Enfant Plaza West, S.W.
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October 23, 1996



FIRST STATUS REPORT: IMPLEMENTATION OF NEW BOX FEE SCHEDULE

This reports on the ongoing development of plans to implement the new post office box fee schedule and classifications proposed in Docket No. MC96-3. Of necessity, matters reported herein are preliminary because the Commission has yet to render its Opinion and Recommended Decision, and the Governors have yet to act upon any such decision. Finalization of appropriate proposed DMM regulations must await those events. Furthermore, the rulemaking process -- including public comments on proposed rules published in the *Federal Register* -- could affect the final rules.

The Postal Service has organized a multi-functional team involving participation by several parts of the organization to assist the implementation effort. In particular, input is being obtained from persons with detailed knowledge of operations, delivery, retail, and field conditions and expected customer reactions. The following can be reported at this time:

Non-Resident Fee and Multi-ZIP Code Post Offices

The Postal Service has determined as part of its implementation effort that a boxholder who is eligible for delivery from one facility of a multi-ZIP Code post office will be treated as a resident at any facility assigned to that post office. This eliminates the possibility that many residents of multi-ZIP Code offices will find their choice of facilities at which to obtain box service severely limited if they wish to avoid the non-resident fee, and prevents the assignment of carriers among facilities of a post office from determining residency status.

In some cases, box service is available within one ZIP Code while carrier delivery is available only within a different one. When both are administered by a single post office, the customers who reside within the delivery ZIP Code area(s) served by that office would be eligible for box service as residents. Many larger post offices also have multiple facilities, and a resident of any one of them would not be subject to the non-resident fee if box service is obtained at other facilities administered by that post office.

Overlapping Service Areas

Overlapping service areas create problems in determining residency status. In some more rural areas, for example, routes emanating from several offices may travel down a single roadway resulting in overlapping or commingled service areas. The implementation team has yet to identify and address all variations of this situation, but the general solution would be that each customer would be assigned to a single carrier route and thus to a single post office. Therefore they would be considered "residents" of the post office that actually provides delivery service. This general solution is animated by the interest in enhancing the efficiency of postal delivery operations.

Residence Status at Non-Delivery Offices

The determination of residency status for box customers at non-delivery offices has also received preliminary consideration. The issue can be re-phrased as who is a resident of a non-existent delivery service area. Generally, because all customers are entitled to one form of free delivery, those customers who receive service from a Group E (non-delivery) office, and who are not offered carrier or free box service by the Postal Service from another office, would be offered free delivery via post office boxes at the Group E office. Thus, these customers form the *de facto* "residents" of this nondelivery office and are charged the Group E fee. The implementation group believes this approach may satisfy most situations.

Non-Domestic Customers

Residents of Mexico and Canada are not eligible for any form of free delivery from the United States Postal Service. Exemptions from the non-resident fee would be available only for residents of the Postal Service's domestic service area.

Box Fees at Contract-Operated Facilities

Under the existing fee schedule, contractor-operated facilities are treated inconsistently. Under DMM § D910.4.1, the general rule is that contract facilities apply the same fee schedule as their administering offices. This rule is only applied, however, when the administering office is a Group I office. If the administering office instead applies Group II fees, then contract facilities charge Group III fees under DMM §D910.4.5.

The implementation team has decided to rectify this inconsistency by having all contract facilities, including community post offices, charge the same fees as their administering post offices.¹ Group E offices would thus include only postal-operated non-delivery offices. As discussed in the following paragraph, customers ineligible for carrier delivery by operation of the quarter-mile rule would not be entitled to a Group E box.

The Quarter-Mile Rule

The Postal Service continues to consider the merits of eliminating the quarter-mile rule, which operates to make customers of non-city delivery post offices ineligible for carrier delivery if they live within .25 miles of the post office. No decision to alter the status quo has been reached; accordingly, there is no current decision to provide a Group E box to customers ineligible for carrier delivery because of this rule.

¹This answers the question expressly reserved in the second paragraph of the Response to POIR No. 2, question 4.

Multiple Fee Schedules at Single Offices

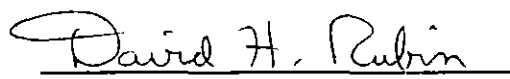
The Postal Service proposal in this case, if implemented, requires multiple fee schedules at Group E offices. Decisions reported in this Attachment would, by extending Group E fees to customers ineligible for delivery, also require other offices to apply multiple fee schedules. Thus a given office may have three fees: one each for residents and non-residents, plus a Group E fee. (As a practical matter, there may be no customers ineligible for carrier delivery at new Group A and B offices.) This decision extends the principle underlying DMM § D910.4.3a to all offices at the cost of administrative burdens that the implementation team will seek to minimize.

Permanent General Delivery Service

Existing postal regulations provide customers of Group II offices the right to permanent general delivery which is free; this option is expected to be eliminated as a general entitlement thus eliminating an unwarranted distinction between the successors to Group I and II offices. If a free delivery option is to be available at the post office, the Postal Service would prefer that it be box service since it is administratively simpler to handle. However, the option of the Postal Service to provide service via general delivery may need to be retained at offices that have no available post office boxes.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


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