

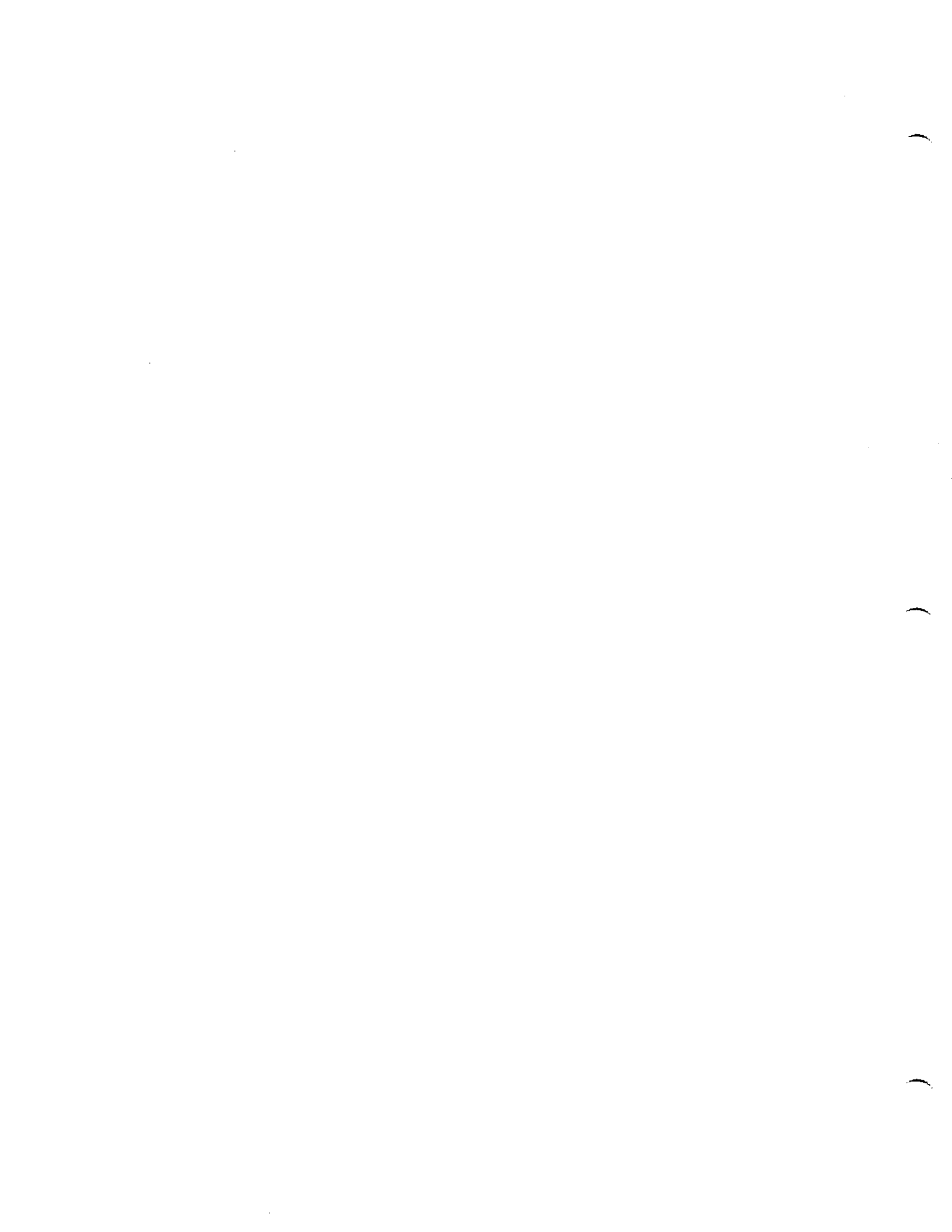
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BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

DIRECT TESTIMONY  
OF  
SUSAN W. MAYO  
ON BEHALF OF  
UNITED STATES POSTAL SERVICE



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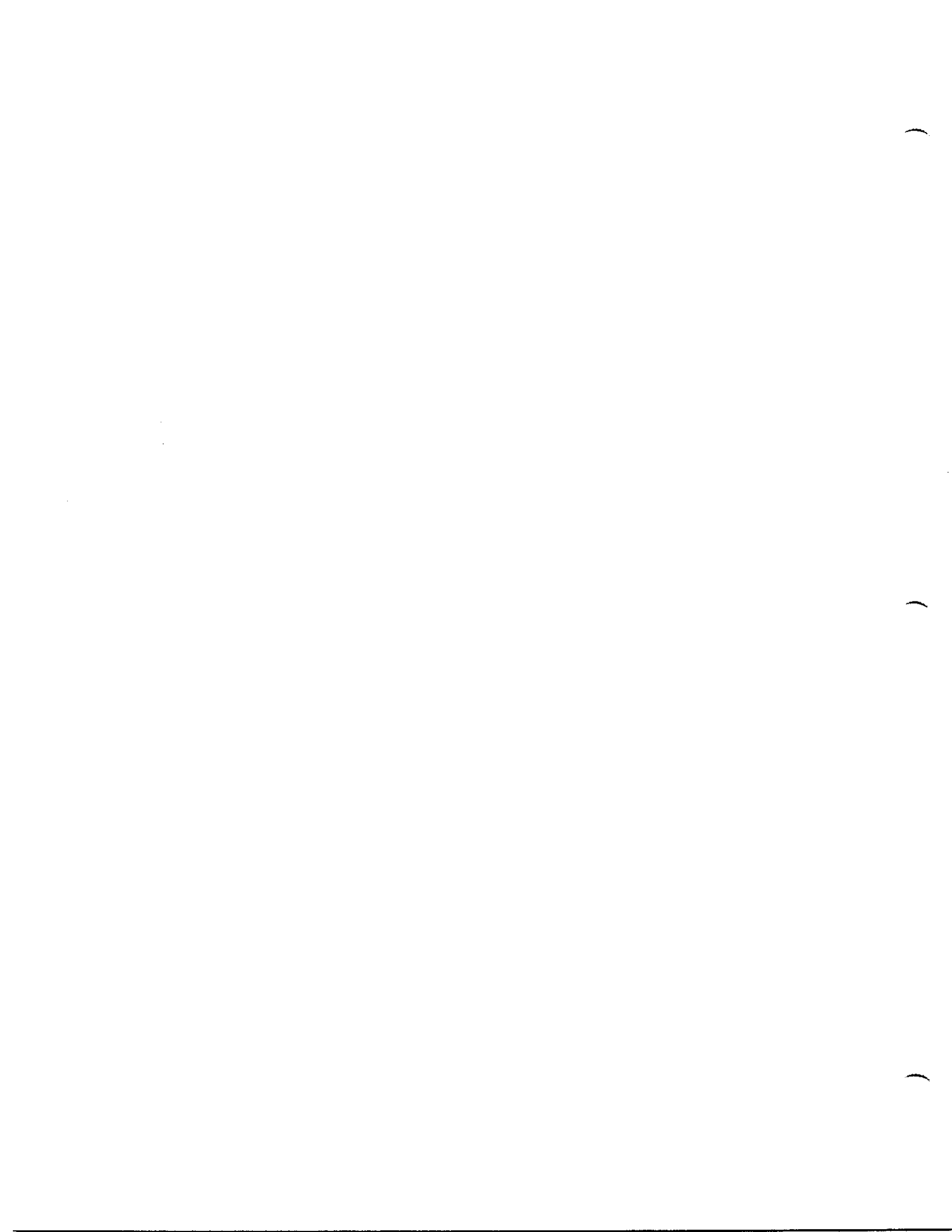
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## AUTOBIOGRAPHICAL SKETCH

1  
2  
3 My name is Susan W. Mayo. I am currently an economist in Pricing at  
4 Postal Service Headquarters. I began working for the Postal Service in 1981 as  
5 a letter carrier at the McLean, Virginia post office. From 1983 to 1986, I worked  
6 at the Research and Development Laboratories, the National Test Administration  
7 Center, and the Headquarters Personnel Division before joining the Pricing Office  
8 in 1986. I provided substantial technical support for Dockets No. R87-1, R90-1,  
9 and R94-1. I provided two direct testimonies and one rebuttal testimony in  
10 Docket No. MC96-3. I also provide direct and rebuttal testimony in Docket R97-  
11 1. Since 1991, I have been the special services pricing expert and in 1996  
12 became the project manager for special services pricing. This is my sixth  
13 appearance before the Commission. I formerly appeared as witness Susan W.  
14 Needham.

15  
16 Prior to joining the Postal Service, I was a financial analyst for SYSCON  
17 Corporation of America. My responsibilities there included financial database  
18 maintenance for a shipbuilding project, and development and preparation of  
19 Department of Defense budgets.

20  
21 I received a bachelor's degrees in business administration and economics  
22 from Catawba College, Salisbury, North Carolina. I worked on a master's degree  
23 in business administration at Marymount University, Arlington, Virginia.



1 **I. PURPOSE AND SCOPE**

2

3 The purpose of my testimony is to propose fee changes, both increases and  
4 decreases, and a substantial number of classification changes for the Postal  
5 Service's special services. The special services covered in this testimony are  
6 address changes for election boards, address correction, bulk parcel return  
7 service (BPRS), business reply mail (BRM), carrier sequencing of address cards,  
8 certificates of mailing, certified mail, collect-on-delivery (C.O.D.), correction of  
9 mailing lists, delivery confirmation, insurance, merchandise return, money orders,  
10 on-site meter settings, parcel airlift, periodicals application fees, permit fees, post  
11 office boxes (including caller service and reserve call numbers), registered mail,  
12 restricted delivery and return receipts, shipper paid forwarding service, signature  
13 confirmation, special handling, stamped cards, stamped envelopes, and ZIP  
14 Coding of mailing lists.

15

16 The classification changes proposed in my testimony affect BPRS, BRM,  
17 certified mail, C.O.D., delivery confirmation, insurance, merchandise return, on-  
18 site meter settings, parcel airlift, permits, post office boxes, return receipts,  
19 shipper paid forwarding service, signature confirmation and stamped envelopes.  
20 Finally, I am proposing a general rewrite of the special services DMCS sections,  
21 including some classification changes applicable to many of the special services.

22

1           This testimony will demonstrate the need for the fee and classification  
2 changes by showing how each of the proposals meets or exceeds the respective  
3 criteria, where applicable.<sup>1</sup> This testimony will further demonstrate how most of  
4 the special services add a high value of service either by themselves or to the  
5 various mail classes.

6

---

<sup>1</sup> Where no fee changes are proposed, the pricing criteria are not discussed in detail.

1 **II. GUIDE TO TESTIMONY AND SUPPORTING DOCUMENTATION**

2

3 In addition to my testimony, I provide supporting spreadsheets, in hard copy  
4 and electronic format, in Library Reference I-168. I also prepared the special  
5 services fee history in Library Reference I-124, and the special service portion of  
6 the FY 98 billing determinants in Library Reference I-125. Finally, I prepared the  
7 special services revenue and volume history in Library Reference I-117.

1 **III. PRICING AND CLASSIFICATION CRITERIA**

2  
3 Proposed fee changes presented in this testimony were designed using the  
4 following pricing criteria from Section 3622(b) of Title 39, United States Code:

- 5 1. the establishment and maintenance of a fair and equitable schedule;
- 6 2. the value of the mail service actually provided each class or type of  
7 mail service to both the sender and the recipient, including but not  
8 limited to, the collection, mode of transportation, and priority of  
9 delivery;
- 10  
11 3. the requirement that each class of mail or type of mail service bear the  
12 direct and indirect postal costs attributable to that class or type plus  
13 that portion of all other costs of the Postal Service reasonably  
14 assignable to such class or type;
- 15  
16 4. the effect of rate increases upon the general public, business mail  
17 users, and enterprises in the private sector of the economy engaged in  
18 the delivery of mail matter other than letters;
- 19  
20 5. the available alternative means of sending and receiving letters and  
21 other mail matter at reasonable costs;
- 22  
23 6. the degree of preparation of mail for delivery into the postal system  
24 performed by the mailer and its effect upon reducing costs to the  
25 Postal Service;
- 26  
27 7. simplicity of structure for the entire schedule and simple, identifiable  
28 relationships between the rates or fees charged the various classes of  
29 mail for postal services;
- 30  
31 8. the educational, cultural, scientific, and informational value to the  
32 recipient of mail matter; and
- 33  
34 9. such other factors as the Commission deems appropriate.  
35



1

2

Proposed classification changes presented in this testimony were

3

developed using the following classification criteria from Section 3623(c) of Title

4

39, United States Code:

5

6

1. the establishment and maintenance of a fair and equitable classification system for all mail;

7

8

9

2. the relative value to the people of the kinds of mail matter entered into the postal system and the desirability and justification for special classifications and services of mail;

10

11

12

13

3. the importance of providing classifications with extremely high degrees of reliability and speed of delivery;

14

15

16

4. the importance of providing classifications which do not require an extremely high degree of reliability and speed of delivery;

17

18

19

5. the desirability of special classifications from the point of view of both the user and the Postal Service; and

20

21

22

6. such factors as the Commission may deem appropriate.

23

1 **IV. PROPOSALS**

2  
3 **A. Address Changes for Election Boards**

4  
5 1. Proposal

6  
7 I am proposing to increase the current fee of 17 cents to 24 cents for the  
8 address changes for election boards special service, resulting in a 41 percent  
9 increase to the current fee. The proposed cost coverage is 104 percent. Table 1  
10 below presents the current and proposed fees for address changes for election  
11 boards.

12  
13 **Table 1 - Address Changes for Election Boards**

<b><u>Description</u></b>	<b><u>Current Fee</u></b>	<b><u>Proposed Fee</u></b>	<b><u>Percentage Change From Current to Proposed Fee</u></b>
Per Change of Address	\$0.17	\$0.24	41%

14  
15 2. Description

16  
17 When election boards or voter registration commissions opt not to use  
18 the National Change of Address system or a return service endorsement to  
19 update current address lists, they can receive change-of-address information via  
20 this special service from individual post offices. An official of the election board  
21 or voter registration commission submits a written request to the district

1 manager for address management systems asking for change-of-address  
2 information from specific post offices. If the request is granted, an agreement is  
3 signed by the board or commission official outlining the conditions under which  
4 the change-of-address information can be released. The postmasters of the  
5 individual offices in the request are responsible for providing the change-of-  
6 address information to the boards and commissions. The boards and  
7 commissions pay the post offices performing the service directly. The current  
8 fee of 17 cents is charged per address card changed, regardless of the number  
9 of changes made on the card and whether or not the individual is on the board's  
10 or commission's established list.

### 11 12 3. Revenue Trends

13  
14 Since 1980, revenue for election board changes has both increased and  
15 decreased significantly. The annual revenue of \$1 million in 1980 rose fairly  
16 steadily to nearly \$4 million in 1994, before plummeting to \$241 thousand in  
17 1998. Over the past 10 years, election board change revenue decreased 89  
18 percent, and over the past five years, revenue decreased 94 percent. From 1997  
19 to 1998, election board change revenue decreased 50 percent. A detailed  
20 revenue history for election board changes is presented in Library Reference  
21 I-117.

#### 4. Fee History

The fee for address changes furnished to election boards and registration commissions has increased four times since Postal Reorganization. In 1976, the fee increased 100 percent over the initial fee of five cents, in place since the origin of the service in 1961. In 1981, the fee increased 30 percent, and in 1985 the fee increased 15 percent. As a result of Docket No. R94-1, in 1995 the fee increased 13 percent to its current 17 cents. A detailed fee history for address changes for election boards is presented in Library Reference I-124.

#### 5. Fee Design

The proposed fee of 24 cents was designed by marking up the per piece correction of mailing lists cost of 23.2 cents<sup>2</sup>. The correction of mailing lists cost with contingency, which is used as a proxy for this special service, was rounded up to the nearest whole cent, thereby conforming to a penny constraint.

#### 6. Pricing Criteria

The major consideration in developing the fee for address changes for election boards was applying the lowest possible markup over the cost of the service (Criterion 3). Pricing this special service just above the cost, of the service mitigates the effect of this fee increase upon election boards (Criterion 4).

1 Also, fundamental in keeping a low markup over costs for address changes is the  
2 consideration that accurate addresses reduce costs for the Postal Service  
3 (Criterion 6). Based on the aforementioned criteria, the proposed fee for address  
4 changes for election boards is fair and equitable (Criterion 1).

5

---

<sup>2</sup> Cost from USPS-T-29, page 26 plus contingency.

1 **B. Address Correction**  
2

3 1. Proposal  
4

5 I am proposing one change to the current address correction fees. The  
6 manual address correction fee of 50 cents is proposed to increase by 20 percent  
7 to 60 cents. The automated address correction fee is proposed to remain at 20  
8 cents. The proposed implicit cost coverages are 108 percent for manual  
9 corrections and 149 percent for automated corrections. The proposed overall  
10 cost coverage for address correction is 124 percent. Table 2 below presents the  
11 current and proposed address correction fees.  
12

13 **Table 2 - Address Correction**

<b><u>Description</u></b>	<b><u>Current Fee</u></b>	<b><u>Proposed Fee</u></b>	<b><u>Percentage Change From Current to Proposed Fee</u></b>
Per manual correction	\$0.50	\$0.60	20%
Per automated correction	\$0.20	\$0.20	0%

14  
15  
16  
17 2. Description

18  
19 Address correction service provides mailers with a forwarding address,  
20 correct address, or a reason why the mailpiece cannot be delivered. Address  
21 correction service is available by itself or in conjunction with forwarding and  
22 return service. In order to receive address correction service, mailpieces must  
23 bear a preprinted endorsement. Address corrections are provided on the

1 mailpieces whenever possible for First-Class Mail, Express Mail, Priority Mail,  
2 and Standard Mail. There is no charge for "on-piece" corrections; however,  
3 depending upon the mail class, return postage can be assessed. Periodicals  
4 mailers may request either on-piece address corrections or separate notices of  
5 address corrections (for a fee). Address correction service is automatically  
6 provided for periodicals for 60 days after a change-of-address order is filed.

7

8 In 1998, 25 percent of address corrections were manual and 75 percent  
9 were automated. Also in 1998, of the individual subclass address corrections,  
10 Standard Mail (A) bulk automated corrections accounted for 42 percent, First-  
11 Class manual corrections accounted for 19 percent and Periodicals automated  
12 corrections accounted for 20 percent of the total address correction volume.

13

### 14 3. Volume Trends

15

16 Address correction volume has fluctuated substantially since Postal  
17 Reorganization. However, over the past few years, volume has climbed  
18 tremendously. This increase, in part, can be attributed increased awareness of  
19 automated address corrections that were introduced in 1991. Address correction  
20 volume increased 119 percent over the past 10 years and 88 percent over the  
21 past 5 years. However, from 1997 to 1998, address correction volume increased  
22 only one percent. A detailed volume history for address corrections is presented  
23 in Library Reference I-117.

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#### 4. Revenue Trends

Address correction revenue has increased fairly consistently since Postal Reorganization. Address correction revenue increased 100 percent over the past 10 years and 83 percent over the past 5 years. From 1997 to 1998, revenue decreased seven percent, because of a shifting of volume from manual to lower fee automated address corrections. A detailed revenue history for address correction service is presented in Library Reference I-117.

#### 5. Fee History

The fee for manual address corrections has increased five times since Postal Reorganization. In 1976, the fee changed twice, representing a 30 percent increase and a 92 percent increase, respectively. In 1985, the fee increased 20 percent and in 1991, the fee increased 17 percent. As a result of Docket No. R94-1, in 1995 the fee increased 43 percent. The fee for automated address corrections has remained the same since its introduction in 1991. A detailed fee history for address corrections is presented in Library Reference I-124.



## 6. Fee Design

The proposed fee for automated address corrections was designed by marking up the 13.4 cent cost<sup>3</sup> and rounding to 20 cents. At a proposed 20 cents per automated address correction, this fee would remain unchanged since its inception. The proposed fee for manual address corrections was developed the same way as the proposed fee for automated address corrections. The 55.8 cent cost<sup>4</sup> was marked up and rounded to 60 cents.

## 7. Pricing Criteria

Maintaining a fee structure for address correction service priced at dime increments promotes continued fee simplicity (Criterion 7). Additionally, proposing a fee for automated address corrections which is the same as the current fee makes it simpler by making it easier for customers to remember. Using this criterion as a starting point in the fee design, the costs of the service are covered while providing adequate implicit cost coverages at the proposed fees and a modest overall cost coverage of 124 percent (Criterion 3). Also considered in the fee design was the fact that correct addresses as a result of efficient mailer preparation of the mail reduce costs to the Postal Service (Criterion 6). Since the fees were designed by marking the costs up to the

---

<sup>3</sup> Cost from USPS-T-29, page 5 plus contingency.

<sup>4</sup> Cost from USPS-T-29, page 5 plus contingency.

- 1 closest dime increments, and based on the other criteria discussed, the proposed
- 2 fees are fair and equitable (Criterion 1).

1 **C. Bulk Parcel Return Service**

2  
3 1. Proposal

4  
5 The Postal Service is proposing one classification change and one fee  
6 change for bulk parcel return service (BPRS). The proposed classification  
7 change is to establish an annual advance deposit account fee similar to the  
8 accounting fee for Business Reply Mail (BRM). The proposed fee change is to  
9 reduce the current fee of \$1.75 by six percent to \$1.65. With a test year cost of  
10 \$1.13<sup>5</sup> per piece, the proposed cost coverage is 146 percent. Table 3 below  
11 presents the current and proposed fees and the percentage change.

12  
13 **Table 3 – Bulk Parcel Return Service**

14

<u>Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change From Current to Proposed Fee</u>
Per returned piece	\$1.75	\$1.65	(6%)
Accounting Fee	N/A	\$375.00	N/A

15  
16  
17 2. Description

18  
19 BPRS is a special service that provides a method for returning  
20 undeliverable or refused machinable parcels. This service allows high volume

<sup>5</sup> Cost from USPS-T-26, pages 41-44, plus contingency.

1 Regular or Nonprofit Standard Mail parcel mailers to pick up their undeliverable  
2 or refused parcels at a postal facility or have the Postal Service return the parcels  
3 in bulk. In any event, the Postal Service makes the determination of how often  
4 the bulk parcels are delivered or how often the mailer may pick up the bulk  
5 parcels. In addition to an annual permit fee, mailers pay a per-piece fee for the  
6 returned parcels. This per-piece fee is deducted from a centralized advance  
7 deposit account. BPRS is restricted to those mailers who can demonstrate they  
8 either have a high probability of receiving, or do, in fact, receive 10,000 returned  
9 machinable parcels per year. BPRS can be used in conjunction with shipper  
10 paid forwarding service.

11

### 12 3. Fee Design

13

14 The proposed BPRS fee was designed by marking up the \$1.13<sup>6</sup> per  
15 piece cost to arrive at a fee with a resulting cost coverage close to, yet below, the  
16 systemwide average. A nickel rounding constraint was applied.

17

18 The proposed BPRS annual advance deposit account fee was designed  
19 by marking up the BRM annual advance deposit account fee cost of \$323.06<sup>7</sup> to  
20 produce a modest cost coverage. The BRM annual advance deposit account fee  
21 cost was used as a proxy. A five-dollar rounding constraint was applied.

22

---

<sup>6</sup> Cost from USPS-T-26, pages 41-44, plus contingency.

<sup>7</sup> Cost from USPS-T-29, page 21 plus contingency.

#### 1           4. Pricing Criteria

2

3           Although other factors were considered, the major consideration in

4 developing the proposed BPRS per piece fee was maintaining a cost coverage

5 close to the systemwide average (Criterion 3), similar to the intention at inception

6 of the service. BPRS provides a fairly high value of service to the companies

7 receiving the returned parcels (Criterion 2). The proposed reduction in the fee

8 would be favorable for the users of this service by allowing shippers and

9 receivers of parcels a lower cost means to conduct business (Criterion 4). The

10 proposed fee is simple (Criterion 7). Taking into consideration the criteria

11 discussed above and the fact that I am proposing a reduction, the proposed fee

12 is fair and equitable (Criterion 1).

13

14           The proposed BPRS annual advance deposit account fee bears the cost

15 of the accounting service and contributes modestly to covering other costs

16 (Criterion 3). Having a uniform accounting fee for the applicable special services

17 using advance deposit accounts (BRM, BPRS, merchandise return and shipper

18 paid forwarding) promotes not only simplicity of the entire special services fee

19 schedule, but also promotes simple, identifiable relationships between the

20 special services fees (Criterion 7). The effect of the new fee was considered

21 carefully and was mitigated (Criterion 4). In fact, when combining the accounting

22 fee (on a per-piece basis) with the piece fee, customers will see an absolute

23 reduction in the total charges they pay. The BPRS accounting function is a high

1 value aspect of the overall service and probably could even justify a larger than  
2 proposed cost coverage (Criterion 2). Based on the aforementioned criteria, the  
3 proposed BPRS annual accounting fee is fair and equitable (Criterion 1).

4

#### 5 5. Classification Criteria

6

7 In this case, I am proposing to create an annual advance deposit  
8 account fee classification, similar to the annual advance deposit account fee  
9 classification for BRM, for BPRS and all other services that involve the use of an  
10 advance deposit account. Like BRM recipients, BPRS recipients have the  
11 postage and fees for returned parcels automatically deducted from their  
12 accounts. Maintaining the advance deposit account entails certain costs that are  
13 not directly related to the number of pieces returned and these costs can be  
14 appropriately recovered in an annual fee. The overall BPRS classification meets  
15 the needs of certain large-volume mailers of Standard Mail (A) parcels, and is  
16 desirable from the point of view of both the Postal Service and these mailers  
17 (Criterion 5). Since maintaining the advance deposit account is integral to BPRS,  
18 Criterion 5 applied to the accounting fee classification as well. Also, fairness and  
19 equity (Criterion 1) is served by treating all services that involve an advance  
20 deposit account similarly in the use of an annual fee to recover the costs of  
21 maintaining the account.

22

1           **D. Business Reply Mail**

2  
3           1. Proposal  
4

5           I am proposing two classification changes and several fee changes for  
6 Business Reply Mail (BRM). The first classification change involves a proposal  
7 to split Qualified BRM (QBRM) into two fee categories. The first category would  
8 resemble the current QBRM fee category with all costs paid by a per piece fee.  
9 The other category would recognize that, for large volume users, certain BRM  
10 costs are relatively fixed, rather than varying with marginal volume. The second  
11 classification change is a proposal to establish a quarterly fee category for the  
12 fixed billing costs that would apply to the new QBRM fee category.

13  
14           The per piece fee for the first QBRM category, currently 5 cents, is  
15 proposed to increase by 20 percent to 6 cents, which produces a 122 percent  
16 implicit cost coverage. The proposed QBRM per piece fee for those mailers  
17 using the new QBRM category is 3 cents, yielding a 146 percent implicit cost  
18 coverage. The new quarterly billing fee for the new category is proposed to be  
19 \$850, resulting in a 119 percent implicit cost coverage. Both of the QBRM  
20 categories would qualify for the proposed QRBM postage discount.<sup>8</sup> The current  
21 BRM fee of 8 cents per piece for regular BRM with an advance deposit account  
22 is proposed to increase by 25 percent to 10 cents, with a resulting 132 percent

---

<sup>8</sup> Since mail paying this fee will also receive a three-cent discount off the First-Class first ounce letter rate and the basic postcard rate, the actual proposed decrease in per piece postage and fees combined is 3 percent for letters and 9 percent for cards for QBRM with the quarterly fee. The actual proposed increase in per piece postage and fees combined is 9 percent for letters and 15 percent for cards for QBRM without the quarterly fee.

1 implicit cost coverage. The current fee of 30 cents per piece for non-advance  
2 deposit account BRM is proposed to increase by 17 percent to 35 cents, yielding  
3 a 128 percent implicit cost coverage. The weight averaging nonletter-size BRM  
4 monthly fee of \$600 is proposed to remain at \$600, resulting in a 117 percent  
5 implicit cost coverage. The weight averaging nonletter-size BRM per piece fee of  
6 one cent is also proposed to be unchanged with a 173 percent implicit cost  
7 coverage. The annual advance deposit accounting fee for BRM is proposed to  
8 increase from \$300 to \$375, a 25 percent increase. The resulting implicit cost  
9 coverage is 116 percent. The annual permit fee for BRM is proposed to increase  
10 from \$100 to \$125, a 25 percent increase. The resulting implicit cost coverage is  
11 117 percent. The overall cost coverage for Business Reply Mail is 123 percent.  
12 Table 4 presents the current and proposed BRM fees.



1  
2**Table 4 - Business Reply Mail (BRM)**

<u>Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change From Current to Proposed Fee</u>
Qualified BRM (without quarterly fee) per piece fee	\$ 0.05	\$ 0.06	20%
Qualified BRM (with quarterly fee):			
Quarterly fee	N/A	\$ 850.00	N/A
Per piece fee	N/A	\$ 0.03	N/A
Regular BRM with advanced deposit account (per piece)	\$ 0.08	\$ 0.10	25%
Regular BRM without an advanced deposit account (per piece)	\$ 0.30	\$ 0.35	17%
Weight Averaged Nonletter-Size BRM:			
Monthly fee	\$ 600.00	\$ 600.00	0%
Per piece fee	\$ 0.01	\$ 0.01	0%
Annual Accounting Fee	\$ 300.00	\$ 375.00	25%
Annual Permit Fee	\$ 100.00	\$ 125.00	25%

3

1           2. Description

2

3           Business Reply Mail (BRM) is a special service that permits a mailer to  
4 receive First-Class and Priority Mail from customers by paying a fee plus the  
5 postage only on the mail returned to the mailer from its original distribution.  
6 Business reply cards, envelopes, self-mailers, cartons, and labels may be  
7 distributed by a valid BRM permit holder in any quantity for return to any address.  
8 No special services are eligible to be used in conjunction with BRM.

9

10           There are four types of BRM: Qualified BRM (QBRM), other BRM with  
11 an advanced deposit account, non-advance-deposit BRM, and non-letter size  
12 weight averaged BRM. QBRM, formerly BRMAS, is First-Class mail that is letter-  
13 size, automated, and bears a unique ZIP+4 barcode. Unlike BRMAS, however, a  
14 rate discount for the First-Class mail postage is given to QBRM pieces. Other  
15 BRM (with and without an advanced deposit account) pays the full First-Class or  
16 Priority Mail postage, plus the applicable BRM fee.

17

18           In addition to the applicable postage and BRM per piece fees, BRM  
19 mailers pay an annual permit fee and those mailers with advanced deposit  
20 accounts also pay an annual accounting fee. An advanced deposit account  
21 affords mailers the opportunity to have the postage and fees automatically  
22 deducted from their accounts as mailpieces are delivered, and consequently,  
23 allows these mailers to take advantage of lower BRM fees.

1

2

### 3. Volume Trends

3

4

BRM volume has increased modestly since Postal Reorganization with various fluctuations throughout the years. Until the past decade it was difficult to ascertain any sort of trend with respect to BRM volume due to the many fluctuations between the lowest volume of 733 million pieces and the highest volume of 1.25 billion pieces. However, BRM volume decreased 20 percent over the past 10 years and 39 percent over the past 5 years. From 1997 to 1998, BRM volume decreased 10 percent. A detailed volume history for BRM is presented in Library Reference I-117.

12

13

### 4. Revenue Trends

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Until recently, BRM revenue increased fairly steadily since Postal Reorganization, despite volume fluctuations. The last few years have seen a drop in the BRM revenue directly related to the drop in BRM volume. BRM revenue decreased 9 percent over the past 10 years and 11 percent over the past 5 years. From 1997 to 1998, BRM revenue decreased 9 percent. A detailed revenue history for BRM is presented in Library Reference I-117.

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## 5. Fee History

Since its introduction in August 1958, Business Reply Mail (BRM) fees have changed nine times. The original fee structure for BRM included a per piece fee for pieces weighing two ounces or less and a per piece fee for pieces weighing over two ounces.

In 1976, the BRM fee structure was redesigned due to the introduction of advance deposit, with the fee no longer based on the weight of the piece but rather on whether or not the mailer had established a trust fund. In 1976, the annual accounting and permit fees were introduced to accommodate the advance deposit accounts. In 1988, a pre-barcoded (BRMAS) per piece fee was introduced for mailers using the advance deposit; the regular advance deposit per piece fee increased 14 percent; and the non-advance deposit per piece fee increased 74 percent. Also in 1988, the accounting and permit fees were combined to form one fee with an implicit fee increase of 24 percent. In 1991, the regular advance deposit per piece fee increased 13 percent, the pre-barcoded advance deposit per piece fee decreased 60 percent, and the accounting and permit fees were split into two fees again with no fee increase. In 1995, the regular advance deposit per piece fee increased 11 percent, the non-advance deposit per piece fee increased 10 percent, the accounting fee increased 11 percent, and the permit fee increased 13 percent. As a result of

1 Docket No. R97-1, in 1999 the per piece fee for regular BRM with an advance  
2 deposit decreased 20 percent, the per piece fee for regular BRM without an  
3 advance deposit decreased 32 percent, a Qualified BRM category with reduced  
4 postage was introduced, the per piece fee for Qualified BRM increased 150  
5 percent compared to the old BRMAS fee, the accounting fee increased 46  
6 percent, and the annual permit fee increased 18 percent. A detailed fee history  
7 for BRM is presented in Library Reference I-124.

8

## 9 6. Fee Design

10

11 The proposed fees were designed with consideration to attaining an  
12 overall cost coverage in the moderate range, with fluctuations ranging from low to  
13 high for the individual cost coverages. The proposed QBRM with the quarterly  
14 fee cost of 2.05 cents<sup>9</sup> was marked up to the nearest whole cent, as was the  
15 nonletter-size per piece cost of .58 cent<sup>10</sup>. The proposed QBRM without the  
16 quarterly fee cost of 4.9 cents<sup>11</sup> was marked up two cents as was the non-QBRM  
17 advance deposit per piece cost of 7.6 cents<sup>12</sup>. The nonadvance per piece cost of  
18 27.4 cents<sup>13</sup> was set at eight cents above the cost. A five-cent rounding  
19 constraint was applied. The accounting fee cost of \$323.06<sup>14</sup> was increased \$52  
20 and a five-dollar rounding constraint was applied. The nonletter-size monthly fee

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<sup>9</sup> Cost from USPS-T-29, page 17 plus contingency.

<sup>10</sup> Cost from LR-I-160, Section K, page 1 plus contingency.

<sup>11</sup> Cost from USPS-T-29, page 19 plus contingency.

<sup>12</sup> Cost from USPS-T-29, page 20 plus contingency.

<sup>13</sup> Cost from USPS-T-29, page 21 plus contingency.

<sup>14</sup> Cost from USPS-T-29, page 21 plus contingency.

1 cost of \$510.86<sup>15</sup> was increased \$89 and the QBRM quarterly fee cost of  
2 \$237.93<sup>16</sup> was increased \$45. A ten-dollar rounding constraint was applied to  
3 both. The fee for a permit was designed with a resultant minimal cost coverage  
4 in mind. The unit cost of \$106.65<sup>17</sup> was marked up \$18 and a five-dollar rounding  
5 constraint was applied.

6

## 7 7. Pricing Criteria

8

9 BRM (including QBRM) is a high value special service (Criterion 2).  
10 BRM offers advantages over return envelopes and cards due to the accounting,  
11 billing and automation services. The major advantage of BRM to fund-raising  
12 organizations, utilities, magazine subscription and renewal services, and other  
13 users is the mailer only incurs the cost of postage for mailpieces that are  
14 returned. This is advantageous to organizations that are unsure of the response  
15 rate to a mailing. BRM also makes a good impression on potential or existing  
16 customers since it demonstrates a company is willing to pick up the tab for the  
17 postage.

18

19 The proposed BRM fees individually and as a whole cover their costs  
20 and contribute to other costs, modestly to moderately (Criterion 3). In fact, with  
21 the exception of the proposed nonletter-size piece fee, none of the individual

---

<sup>15</sup> Cost from LR-I-160, Section K, page 1 plus contingency.

<sup>16</sup> Cost from USPS-T-29, page 16 plus contingency.

<sup>17</sup> Cost from USPS-T-29, page 30 plus contingency.

1 BRM fees produces an implicit cost coverage as high as the systemwide  
2 average.

3

4 The effect of the proposed fee increases was considered (Criterion 4)  
5 and it was determined that even at the highest increases of 25 percent, there  
6 should be no real adverse impact on users of this service. This is especially true  
7 when considering that QBRM users that would be paying 25 percent more for the  
8 annual permit also receive a postage discount.

9

10 There are several alternatives to BRM (Criterion 5) including no cost  
11 800, 888 and 877 toll-free phone numbers. There are also company-supplied  
12 envelopes with pre-affixed postage.

13

14 The proposed BRM fee structure is simple (Criterion 7). The proposed  
15 permit and accounting fees promote identifiable relationships with other fees in  
16 the special services schedule. Taking into consideration all of the criteria  
17 discussed above, the proposed BRM fee schedule is fair and equitable (Criterion  
18 1).

19

20 With respect to QBRM specifically, the proposed fees cover the cost of  
21 performing the rating and billing functions associated with this service (Criterion  
22 3). The cost of the rating function is closely related to the number of pieces that  
23 must be rated, while the cost of the billing function is largely independent of the

1 number of pieces but rather is driven by the number of bills that must be  
2 prepared. Once the volume received reaches a level that requires a bill to be  
3 prepared essentially every business day, further increases in volume have, at  
4 most, minimal effects on billing costs. In the past, the costs of these two  
5 functions have been combined and recovered through a per piece rating and  
6 billing fee. This has the virtue of simplicity, however it does not accurately reflect  
7 the costs of QBRM, especially for large volume recipients. Therefore, the Postal  
8 Service is proposing to offer QBRM recipients a choice of fee structures  
9 (Criterion 5). Under the proposed classification, QBRM users will be able to  
10 choose either a simple per piece fee covering both the rating and the billing  
11 costs, or a two-part fee structure combining a quarterly fee to cover the billing  
12 costs and a lower per piece fee to cover the rating costs. Smaller volume users  
13 will find the per piece fee both simple and financially advantageous, while larger  
14 volume users will find their total QBRM fees to be lower if they choose the two-  
15 part structure. At the proposed fees, the volume at which it will pay to switch to  
16 the two-part fee structure is approximately 9,400 pieces per month or 113,000  
17 pieces per year.<sup>18</sup>

18

## 19 8. Classification Criteria

20

21 I am proposing two classification changes to BRM. The first  
22 classification change is a proposal to split QBRM into two categories: one  
23 category for those mailers paying a newly proposed quarterly fee and the second

---

<sup>18</sup> Library Reference I-168, WP-5.



1 category for those mailers not paying the newly proposed quarterly fee. QBRM  
2 provides a high value of service (Criterion 2). Not only do QBRM mailers pay a  
3 low fee, they also receive a postage discount. The value of QBRM would be  
4 enhanced for those mailers paying a quarterly fee in terms of an even lower than  
5 current QBRM fee. The new structure, with its better reflection of costs and new  
6 opportunity for piece fee reductions is more fair and equitable (Criterion 1). The  
7 addition of the two-part fee schedule provides a better reflection of the costs  
8 imposed by larger volume QBRM users while maintaining the simple per piece  
9 fee structure preserves a simplicity of use that addresses the interests of smaller  
10 users. QBRM is a service that offers a high degree of reliability and speed of  
11 delivery (Criterion 3). It would undoubtedly be desirable from the point of view of  
12 the potential QBRM quarterly fee customers to have a special classification  
13 (Criterion 5).

14

15           The second classification change for BRM is a proposal to establish a  
16 fee category for the quarterly billing and rating function. As mentioned earlier,  
17 QBRM provides a high value of service (Criterion 2). QBRM mailers pay a low  
18 fee and receive a postage discount. The value of QBRM would be enhanced for  
19 those mailers paying a quarterly fee in terms of an even lower than current  
20 QBRM fee. Paying a quarterly fee for the benefit of a reduced QBRM fee is a  
21 concept based on fairness and equity (Criterion 1). QBRM (encompassing a  
22 quarterly fee) is a service that offers a high degree of reliability and speed of

- 1 delivery (Criterion 3). From the point of view of the potential QBRM quarterly fee
- 2 customers a special classification would be highly desirable (Criterion 5).

3

1           **E. Carrier Sequencing of Address Cards**

2  
3           1. Proposal

4  
5           I am proposing an increase to the fee for the carrier sequencing of  
6 address cards service. The current 20-cent fee for chargeable corrections is  
7 proposed to increase by 25 percent to 25 cents. This proposal results in a 108  
8 percent cost coverage. Table 5 below presents the current and proposed carrier  
9 sequencing of address cards fee.

10  
11                           **Table 5 - Carrier Sequencing of Address Cards**  
12

<b><u>Description</u></b>	<b><u>Current Fee</u></b>	<b><u>Proposed Fee</u></b>	<b><u>Percentage Change From Current to Proposed Fee</u></b>
Per correction	\$0.20	\$0.25	25%

13  
14           2. Description

15  
16           The carrier sequencing of address cards special service allows mailers  
17 to submit address cards to be sequenced. Cards are separated into their  
18 respective route once they arrive at the post office and given to a postal  
19 employee knowledgeable about a specific route to perform the requested  
20 sequencing services. After sequencing, the post offices return the cards to the  
21 mailer and bills them for the applicable fees.

22

1 The Postal Service offers three levels of address card sequencing:

- 2
- 3 1) basic sequencing in the same order as the carrier case or box  
4 section, with cards with incorrect or undeliverable addresses  
5 removed and gathered together in a separate bundle to be returned  
6 to the customer with the sequenced cards; and new address cards  
7 are provided for rural route deliveries that have been converted to  
8 city deliveries;
  - 9
  - 10 2) the sequencing in 1) above plus the insertion of blank cards to  
11 denote missing addresses;
  - 12
  - 13 3) the sequencing in 2) above plus the inclusion of completed cards  
14 providing new or omitted addresses.  
15

16 No charge is made for sequencing the cards in carrier route walk  
17 sequence, inserting blank cards to show a missing address or range of  
18 addresses, converting a rural address to a city delivery address, or for limited  
19 address corrections.<sup>19</sup> A per card fee is assessed for each card removed due to  
20 an incorrect or undeliverable address and for each card added with a new  
21 address.

### 22

### 23 3. Fee History

### 24

25 Beginning August 15, 1961, the fee for card sequencing chargeable  
26 corrections (including deletions and insertions) was 5 cents per card changed.  
27 After no increase for 15 years, the fee was increased 100 percent in 1976. In  
28 1981, the fee was increased by 30 percent, in 1985, the fee was increased by 15

1 percent, and in 1995, the fee was increased by 13 percent. As a result of Docket  
2 No. R97-1, in 1999, the fee increased by 18 percent. A detailed fee history for  
3 carrier sequencing of address cards is presented in Library Reference I-124.

#### 4 5 4. Fee Design

6  
7 The proposed fee for carrier sequencing of address cards chargeable  
8 corrections was developed by marking up the per piece correction of mailing lists  
9 cost of 23.2 cents<sup>20</sup>. The correction of mailing lists cost per correction was used  
10 as a proxy and a nickel rounding constraint was applied.

#### 11 12 5. Pricing Criteria

13  
14 The proposed fee of 25 cents per chargeable correction covers the cost  
15 of the service and makes a small contribution to other costs (Criterion 3). The  
16 value of carrier sequencing of address cards is somewhat high to the users of the  
17 service (Criterion 2), yet the proposed fee increase was kept to a minimum  
18 (Criterion 4). The fee increase was mitigated upon consideration that this service  
19 reduces costs for the Postal Service (Criterion 6) by promoting improved address  
20 hygiene. Maintaining the same fee for carrier sequencing of address cards and  
21 correction of mailing lists keeps the fee structure simple and provides for an

---

<sup>19</sup>If obvious omissions or errors (not those omissions or errors that would affect delivery) are noticed during sequencing, corrections are allowed to be made free-of-charge. Otherwise, an incorrect address would not be corrected free-of-charge.

<sup>20</sup> Cost from USPS-T-29, page 26 plus contingency.

1 identifiable fee relationship between the two special services (Criterion 7). Based  
2 on the aforementioned criteria, the proposed fee is fair and equitable (Criterion  
3 1).

## 1           **F. Certificates of Mailing**

### 2 3           1. Proposal

4  
5           I am proposing to increase three certificate of mailing fees and maintain  
6 the current fees for the other three types of certificates of mailing. Specifically,  
7 the original certificate of mailing is proposed to increase by 25 percent to 75  
8 cents resulting in a proposed 124 percent implicit cost coverage. The firm  
9 mailing book fee of 25 cents, having a 122 percent implicit cost coverage, is  
10 proposed to remain unchanged. The fee for an additional copy of a certificate of  
11 mailing, like an original certificate of mailing, is also proposed to increase by 25  
12 percent to 75 cents. The resulting implicit cost coverage for an additional copy is  
13 156 percent. The fee for a bulk certificate of mailing is proposed to increase by  
14 17 percent to \$3.50, yielding a 118 percent implicit cost coverage. The fee for a  
15 certificate for each additional 1,000 pieces after the first 1,000 pieces is proposed  
16 to remain at 40 cents, resulting in a 135 percent implicit cost coverage. The fee  
17 for a duplicate bulk certificate of mailing is also proposed to increase by 25  
18 percent to 75 cents yielding a 188 percent implicit cost coverage. The overall  
19 cost coverage for certificates of mailing is 123 percent. Table 6 presents the  
20 current and proposed certificates of mailing fees.

21

**Table 6 - Certificates of Mailing**

<u>Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change From Current to Proposed Fee</u>
<b><u>Individual Pieces</u></b>			
Original Certificate	\$0.60	\$0.75	25%
Firm Mailing Book	\$0.25	\$0.25	0%
Each Additional Copy	\$0.60	\$0.75	25%
<b><u>Bulk Pieces</u></b>			
Up to 1,000 pieces	\$3.00	\$3.50	17%
Each additional 1,000 Pieces or fraction	\$0.40	\$0.40	0%
Duplicate Copy	\$0.60	\$0.75	25%

2. Description

Mailers who wish to retain an independent verification of the mailing of their mailpiece(s) can request a certificate of mailing. This service serves only as evidence of mailing. No proof of delivery is obtained and no insurance is provided. There are three types of certificates of mailing: 1) Form 3817 for verification of individual pieces and mailings; 2) Form 3877 for verification of mailings of three or more pieces recorded in a firm book or customer manifest, and 3) Form 3606 for verification of a bulk mailing.



### 3. Volume Trends

Certificate of mailing volume has declined from an average of 30 million pieces annually during the 1980s to volumes averaging under 20 million pieces annually since 1992. Over the past 10 years, certificate of mailing volume decreased 24 percent; however, over the past 5 years certificate of mailing volume increased 27 percent, due in a large part to the 1998 volume being the highest since 1991. From 1997 to 1998, certificate of mailing volume increased 59 percent. A detailed volume history for certificates of mailing is presented in Library Reference I-117.

### 4. Revenue Trends

Certificate of mailing revenue increased slowly during the 1970s, and substantially during the 1980s, but has declined considerably since 1991. Over the past 10 years, certificate of mailing revenue decreased 47 percent, and over the past 5 years, certificate of mailing revenue decreased 5 percent. However, from 1997 to 1998, certificate of mailing revenue increased 21 percent. The revenue increase was attributable to the large volume increase during the same period. A detailed revenue history for certificates of mailing is presented in Library Reference I-117.

## 5. Fee History

The fees for certificates of mailing have changed eight times since Postal Reorganization, in 1976, 1978, 1981, 1985, 1988, 1991, 1995, and 1999. In 1985 a 15-cent fee for a firm mailing book was introduced. As a result of Docket No. R97-1, in 1999 the fee for an original certificate or copy increased 9 percent, the fee for a bulk certificate increased 9 percent, the fee for an additional bulk certificate increased 14 percent and the fee for a firm mailing book increased 25 percent. A detailed fee history for certificates of mailing is presented in Library Reference I-124.

## 6. Fee Design

The proposed fees for certificates of mailing were all designed to result in a moderate cost coverage individually and as a whole while maintaining nickel and dime rounding constraints. The individual fee cost of 60 cents<sup>21</sup> was marked up 15 cents and the firm book mailing fee cost of 21 cents<sup>22</sup> was marked up four cents. The first 1,000 bulk cost of \$2.96<sup>23</sup> was marked up forty-four cents and the additional 1,000 bulk cost of 30 cents<sup>24</sup> was marked up 10 cents.

---

<sup>21</sup> Cost from USPS-T-30, page 14 plus contingency.

<sup>22</sup> Cost from USPS-T-30, page 14 plus contingency.

<sup>23</sup> Cost from USPS-T-30, page 14 plus contingency.

<sup>24</sup> Cost from USPS-T-30, page 14 plus contingency.

1           7. Pricing Criteria

2

3           Certificates of mailing provide a high value of service to individuals

4 requiring proof of mailing (Criterion 2). The proposed fees cover the costs of the

5 service individually and as a whole, and result in a moderate cost coverage

6 which is low for a high value service (Criterion 3). The overall fee increase is

7 reasonable and should not have an adverse effect on customers (Criterion 4).

8 The proposed fees are simple and maintain identifiable relationships (Criterion

9 7). This is especially true when considering my proposal to keep the same fee

10 for an original certificate and a duplicate copy. Based on the criteria previously

11 discussed, the proposed certificate of mailing fees are fair and equitable .

12 (Criterion 1).

1           **G. Certified Mail**

2

3           1. Proposal

4

5           I am proposing to increase the current certified mail fee by 50 percent,  
6           from \$1.40 to \$2.10. The proposed increase provides revenue adequate to cover  
7           incremental costs and results in a 125 percent cost coverage using volume  
8           variable costs. I also propose a classification change to certified mail. DMCS  
9           references to keeping delivery records at the "office of delivery" are proposed to  
10          be deleted or changed to "retention of delivery records by the Postal Service".  
11          This reflects the change to electronic signature capture for accountable mail  
12          services, whereby the Postal Service will be scanning signatures for a certified  
13          database, rather than storing hard copy signatures at each office of delivery.  
14          Table 7 below presents the current and proposed certified mail fee.

15

16

**Table 7 - Certified Mail**

<b><u>Description</u></b>	<b><u>Current Fee</u></b>	<b><u>Proposed Fee</u></b>	<b><u>Percentage Change From Current to Proposed Fee</u></b>
Certified Mail	\$1.40	\$2.10	50%

17

1           2. Description

2

3           Certified mail is a special service for First-Class and Priority Mail that  
4 requires accountability, but has no monetary value. It is a valuable vehicle for  
5 important correspondence, and is frequently used by law firms, police  
6 departments, banks, mortgage institutions and real estate companies. A  
7 signature is collected upon delivery, and a mailing receipt is provided when the  
8 mail is entered into the mailstream via a post office window or rural carrier.  
9 Certified mail is treated as ordinary mail with respect to dispatch and handling.  
10 The signed delivery records for certified mail pieces are retained by the Postal  
11 Service.

12

13           Certified mail can be used in conjunction with return receipt service and  
14 restricted delivery service. The majority of certified mail customers choose return  
15 receipt as an adjunct service since return receipt service automatically provides  
16 tangible proof of delivery in the form of the recipient's signature to the mailer. In  
17 1998, 82 percent of all certified mail articles had return receipts attached to them.  
18 Only one percent of all certified mail articles had restricted delivery attached to  
19 them in 1998.

20

### 3. Volume Trends

Certified mail volume has increased most years since Postal Reorganization. Certified mail volume increased 57 percent over the past 10 years and 17 percent over the past 5 years. From 1997 to 1998, certified mail volume actually decreased two percent. A detailed volume history for certified mail is presented in Library Reference I-117.

### 4. Revenue Trends

Certified mail revenue has increased almost every year since Postal Reorganization. Certified mail revenue increased 166 percent over the past 10 years, and 61 percent over the past 5 years. From 1997 to 1998, certified mail revenue increased 12 percent. A detailed revenue history for certified mail is presented in Library Reference I-117.

### 5. Fee History

Since Postal Reorganization, the fee for certified mail has been increased seven times in 1976, 1978, 1988, 1991, 1995, 1997, and 1999. The certified mail fee was decreased once in 1981. As a result of Docket No. R97-1, the fee increased four percent. A detailed fee history for certified mail is presented in Library Reference I-124.

1

2

## 6. Fee Design

3

4

The proposed fee for certified mail was designed to cover the incremental cost. A nickel rounding constraint was applied.

6

7

## 7. Pricing Criteria

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9

In developing the certified mail fee all applicable pricing criteria were reviewed, yet primary consideration was given to covering the incremental cost for the service (Criterion 3). There is no question that a fee increase of this magnitude will have an adverse impact on users (Criterion 4). However, an increase of this size was necessary to meet the constraints of Criterion 3.

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Although certified mail is a high value of service product (Criterion 2), the effect of the fee increase on users was minimized to the degree possible (Criterion 4) by setting the proposed fee just above the incremental per piece cost<sup>25</sup>.

17

18

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22

Available alternatives to certified mail (Criterion 5) are still more expensive, with the exception of Delivery Confirmation and Signature Confirmation services, which accompany frequently higher priced items. These services, in some respects, provide similar services to certified mail. The proposed fee is simple (Criterion 7). When considering the criteria discussed above, it is demonstrated that the proposed fee for certified mail is fair and equitable (Criterion 1).

---

<sup>25</sup> The incremental per piece cost of \$2.00 was calculated by taking the test year incremental cost (USPS-T-23, page 22) divided by the test year volumes (Library Reference I-168, WP-32).

1           **H. Collect-On-Delivery**

2

3           1. Proposal

4

5           I am proposing one classification change to Collect-on-Delivery (C.O.D.)  
6 and an across-the-board fee increase. The proposed classification change is to  
7 increase the maximum C.O.D. value level from \$600 to \$1,000. The C.O.D. fees  
8 are proposed to increase by 50 cents per value level resulting in increases  
9 ranging from 5 percent to 13 percent. The registered C.O.D. fee of \$4.00 is  
10 proposed to remain the same, as are the \$3.00 fees for a notice of non-delivery  
11 and a C.O.D. alteration. The proposed cost coverage for C.O.D. service is 133  
12 percent and the total percentage fee increase for C.O.D. service is 10 percent.  
13 Table 8 presents the current and proposed C.O.D. fees.



**Table 8 - Collect-on-Delivery (C.O.D.)**

<u>Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change From Current to Proposed Fee</u>
Amount to be collected, or insurance coverage desired:			
Value up to \$50	\$4.00	\$4.50	13%
\$100	\$5.00	\$5.50	10%
\$200	\$6.00	\$6.50	8%
\$300	\$7.00	\$7.50	7%
\$400	\$8.00	\$8.50	6%
\$500	\$9.00	\$9.50	6%
\$600	\$10.00	\$10.50	5%
\$700	N/A	\$11.50	N/A
\$800	N/A	\$12.50	N/A
\$900	N/A	\$13.50	N/A
\$1,000	N/A	\$14.50	N/A
Registered C.O.D.	\$4.00	\$4.00	0%
Notice of Non-Delivery	\$3.00	\$3.00	0%
Alteration of C.O.D.	\$3.00	\$3.00	0%
Restricted Delivery	\$2.75	\$3.20	16%

2

3

4       2. Description

5

6           C.O.D. is a special service whereby mailers send merchandise before

7 the addressee has paid for it. Upon delivery, the recipient pays by cash, check,

8 or postal money order, for the merchandise plus the C.O.D. fee. The fee is

9 based on the monetary value of the merchandise. If the recipient pays by cash,

10 the Postal Service pays the mailer with a postal money order.

1 C.O.D. is available for First-Class Mail, Express Mail, Priority Mail and  
2 Standard Mail (B). The current maximum value for C.O.D. is \$600. Registry and  
3 restricted delivery services are available for C.O.D., except restricted delivery is  
4 not allowable for Express Mail C.O.D. C.O.D. mailers may alter the C.O.D.  
5 charges or direct delivery to a new addressee by filling out a request and paying  
6 an additional fee. Also, for an additional fee, mailers may request a notice when  
7 C.O.D. mail is not delivered.

8

### 9 3. Volume Trends

10

11 C.O.D. volume has declined steadily since Postal Reorganization. Over  
12 the past 10 years, C.O.D. volume decreased 60 percent and over the past 5  
13 years C.O.D. volume decreased 43 percent. From 1997 to 1998, C.O.D. volume  
14 decreased 18 percent. A detailed volume history for C.O.D. is presented in  
15 Library Reference I-117.

16

### 17 4. Revenue Trends

18

19 C.O.D. revenue has not varied much since Postal Reorganization,  
20 ranging between \$14 and \$27 million. Over the past 10 years, C.O.D. revenue  
21 decreased 14 percent, and over the past 5 years, C.O.D. revenue decreased 12  
22 percent. From 1997 to 1998, C.O.D. revenue decreased 18 percent. A detailed  
23 revenue history for C.O.D. is presented in Library Reference I-117.

1           5. Fee History

2

3           The fees for C.O.D. have been increased eight times since Postal  
4 Reorganization. In 1974, the maximum value for C.O.D. increased from \$200 to  
5 \$300. In 1976, C.O.D. fees increased an average of 33 percent. In 1978, the  
6 maximum value increased to \$400 and the fees increased by an average of 32  
7 percent. In 1981 and 1985, C.O.D. fees increased by 10 percent and 1 percent,  
8 respectively. Also, in 1985, the maximum value increased to \$500. In 1988 and  
9 1991, C.O.D. fees increased 39 percent and 9 percent, respectively. The  
10 maximum value level was increased to \$600 in 1991. In 1995, C.O.D. fees  
11 increased by an average of 39 percent. As a result of Docket No. R97-1, in 1999  
12 C.O.D. fees increased by an average of 12 percent. A detailed fee history for  
13 C.O.D. is presented in Library Reference I-124.

14

15           6. Fee Design

16

17           The C.O.D. fees were developed with an eye towards producing a  
18 moderate cost coverage. Also inherent to the fee design was maintaining one-  
19 dollar fee increments and adhering to 50-cent rounding constraints. As a starting  
20 point, the up to \$50 value level current fee of \$4.00 was increased by 50 cents.  
21 Increasing each value level fee by \$1.00 resulted in a total cost coverage in the  
22 moderate range.

23

## 7. Pricing Criteria

C.O.D. provides a rather high value of service to its customers (Criterion 2). Customers are able to have merchandise sent to them before actually paying for it, and businesses may find an increased customer base consisting of those individuals who otherwise would not have ordered from the company if they were not able to use C.O.D. In addition, more and more merchandise is sold over the Internet to purchasers who are hesitant or who may be unwilling to use their credit card for security reasons, or by sellers who are unable to accept credit cards. C.O.D. may prove a more important payment vehicle in these instances.

The proposed C.O.D. fees were designed to cover their costs and make a moderate contribution to other costs (Criterion 3). The proposed C.O.D. fee increases range from 5 to 13 percent and should not have an adverse effect on customers (Criterion 4). The simplicity of the fee structure is promoted by maintaining the identifiable \$1.00 per \$100 value level fee increments (Criterion 7). When considering the criteria already discussed, the proposed fee schedule for C.O.D. is fair and equitable (Criterion 1).

## 8. Classification Criteria

I am proposing an increase to the C.O.D. value level from the current \$600 to \$1,000. There is a potentially new faction of the customer base for

1 C.O.D. that is being considered in this classification request. As previously  
2 discussed, for those Internet users who are purchasing products and do not wish  
3 to divulge credit card information over the Internet, C.O.D. service provides an  
4 opportunity to receive merchandise quickly. Also, small businesses without  
5 credit cards purchasing goods through the mail would also be able to obtain  
6 these goods quicker than if paying by check and having to wait until the check  
7 clears before the merchandise is sent. Finally, sellers over the Internet may not  
8 accept credit cards. For all customers of C.O.D., however, there is a high value  
9 to having the opportunity to obtain merchandise without paying up front and sell  
10 merchandise without requiring payment up front. If the merchandise is valued  
11 over \$600 up to \$1,000, the proposed classification is desirable (Criterion 2).  
12 Therefore, this proposed classification would be useful for the senders and  
13 recipients and would facilitate commerce through the mail (Criterion 5). All of the  
14 previously mentioned criteria demonstrate the proposed classification change to  
15 increase the value level of C.O.D. from \$600 to \$1,000 is fair and equitable  
16 (Criterion 1).

17

1           **I. Correction of Mailing Lists**  
2

3           1. Proposal  
4

5           I am proposing to increase the current fee of 20 cents per correction to  
6 25 cents per address submitted, with a minimum of \$7.50 per list. This proposal  
7 results in 25 percent increase to the current fee. The proposed cost coverage is  
8 108 percent. Table 9 below presents the current and proposed fee for correction  
9 of mailing lists.  
10

11                           **Table 9 - Correction of Mailing Lists**<sup>26</sup>

<b><u>Description</u></b>	<b><u>Current Fee</u></b>	<b><u>Proposed Fee</u></b>	<b><u>Percentage Change from Current to Proposed Fee</u></b>
Per submitted address	\$0.20	\$0.25	25%

12  
13  
14           2. Description  
15

16           For a fee per correction with a minimum fee per list, mailers can submit a  
17 mailing list to be corrected and updated in a number of ways. The corrections  
18 and updates include crossing out names of people to whom the mail can neither  
19 be delivered nor forwarded, providing new addresses when a permanent  
20 forwarding order is on file, correcting misspelled addressee names and street

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<sup>26</sup> The current fee structure requires a minimum charge per list of 35 addresses. The proposal in this testimony is to reduce the number required for a minimum charge from 35 to 30 addresses.

1 names, correcting ZIP Codes and post office box or rural box numbers, and, if  
2 known, providing the name of the head of the household when two or more  
3 names with the same address appear on the list. When an occupant list is  
4 submitted, the corrections and updates include deleting invalid addresses,  
5 providing the number of units in multiple unit dwellings, correcting ZIP Codes,  
6 ZIP Coding business and rural addresses, correcting street names, and placing  
7 directional signals to indicate carrier route information.

8

### 9 3. Revenue Trends

10

11 The revenue for correction of mailing lists (combined with the revenue  
12 for ZIP Coding of mailing lists) rose fairly steadily from 1980 to the mid-1990's  
13 before experiencing a sharp decline over the last few years. The lowest  
14 recorded revenue of \$343,000 occurred in 1998 and was almost \$3 million less  
15 than the highest recorded revenue of \$3.3 million in 1993. Over the past 10  
16 years, revenue decreased 85 percent, and over the past 5 years revenue  
17 decreased 90 percent. From 1997 to 1998, revenue decreased one percent. A  
18 detailed revenue history for correction of mailing lists and ZIP Coding of mailing  
19 lists is presented in Library Reference I-117.

20

#### 4. Fee History

The fee for correction of mailing lists (per correction) has increased five times since Postal Reorganization, in 1976, 1981, 1985, 1995, and 1999. As a result of Docket No. R97-1, in 1999 the fee increased 18 percent. A detailed fee history for correction of mailing lists is presented in Library Reference I-124.

#### 5. Fee Design

The proposed fee for correction of mailing lists was developed by marking up the fee above the cost and applying a nickel rounding constraint. A markup to the nearest nickel above the 23.2<sup>27</sup>cent cost resulted in a proposed 25-cent fee. The minimum per list fee was designed by calculating the per address fee for 30 addresses<sup>28</sup>.

#### 6. Pricing Criteria

The proposed fee of 25 cents per address submitted covers the cost of the service and makes a small contribution to other costs (Criterion 3). The value of correction of mailing lists is somewhat high to the users of the service (Criterion 2), yet the proposed fee increase was kept to a minimum (Criterion 4). The fee increase was mitigated upon consideration that this service reduces

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<sup>27</sup> Cost from USPS-T-29, page 26 plus contingency.

<sup>28</sup> The current fee structure requires a minimum charge per list of 35 addresses. The proposal in



1 costs for the Postal Service (Criterion 6) by promoting improved address  
2 hygiene. Maintaining the same fee for correction of mailing lists and carrier  
3 sequencing of address cards keeps the fee structure simple and provides for an  
4 identifiable fee relationship between the two special services (Criterion 7). Based  
5 on the aforementioned criteria, the proposed fee is fair and equitable (Criterion  
6 1).

7

---

this testimony is to reduce the number required for a minimum charge from 35 to 30 addresses.

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1           **J. Delivery Confirmation**

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3           1. Proposal

4

5           I am proposing two fee increases for Delivery Confirmation. Specifically,  
6 the current 35-cent Delivery Confirmation fee for Priority manual is proposed to  
7 be increased by 14 percent to 40 cents. The proposed implicit cost coverage is  
8 112 percent. The current 60-cent Delivery Confirmation fee for Standard Mail (B)  
9 manual is proposed to be increased by 8 percent to 65 cents. This proposed fee  
10 yields a 122 percent implicit cost coverage. The current fee of 25 cents for  
11 Standard Mail (B) electronic Delivery Confirmation is proposed to remain the  
12 same. The 25-cent fee produces an implicit cost coverage of 147 percent. The  
13 proposed overall cost coverage for Delivery Confirmation is 112 percent. Table  
14 10 presents the current and proposed fees for Delivery Confirmation.

15

16           I am also proposing a classification to extend Delivery Confirmation to  
17 the Regular and Nonprofit subclasses of Standard Mail. Delivery Confirmation  
18 service for these subclasses will be limited to parcels subject to the residual  
19 shape surcharge. The proposed fee would be the same 25-cent proposed fee for  
20 Standard Mail (B) electronic Delivery Confirmation.

1

**Table 10 – Delivery Confirmation**

<b><u>Description</u></b>	<b><u>Current Fee</u></b>	<b><u>Proposed Fee</u></b>	<b><u>Percentage Change From Current to Proposed Fee</u></b>
Priority Mail Manual	\$0.35	\$0.40	14%
Standard Mail (A) Electronic	N/A	\$0.25	N/A
Standard Mail (B): Electronic	\$0.25	\$0.25	0%
Manual	\$0.60	\$0.65	8%

2

3

4

**2. Description**

5

6

Delivery Confirmation is a special service that provides customers with the date and time of delivery and the date and time of the attempted delivery, if appropriate. Delivery Confirmation is available for Priority and Standard Mail (B), either manually or electronically. When using manual Delivery Confirmation, the customer receives a receipt with the Delivery Confirmation number which allows the customer to access the delivery information from either a toll-free telephone number or the Internet. Manual Delivery Confirmation is geared towards individual customers. Electronic Delivery Confirmation, on the other hand, is geared towards higher volume mailers who apply their own barcodes and provide electronic manifests of their Delivery Confirmation pieces on the days of mailing. Electronic Delivery Confirmation customers are limited to electronic access of the delivery information.

17

1 Delivery Confirmation may be used with insurance, registered mail,  
2 parcel airlift, C.O.D., and special handling. Restricted delivery is also available to  
3 be used in conjunction with Delivery Confirmation as long as the restricted  
4 delivery service is for numbered insurance, C.O.D., or registered mail.

### 6 3. Fee Design

7  
8 The Delivery Confirmation fee for Priority Mail manual was developed by  
9 increasing the 36-cent per piece cost<sup>29</sup> four cents to arrive at a low implicit cost  
10 coverage. The Standard Mail (B) manual per piece cost of 53 cents<sup>30</sup> was  
11 increased 12 cents to result in a modest cost coverage. Finally, the Standard  
12 Mail electronic 17-cent cost per piece<sup>31</sup> was increased eight cents to arrive at a  
13 moderate-to-systemwide-average implicit cost coverage. A nickel rounding  
14 constraint was applied to all the proposed fee designs.

### 16 4. Pricing Criteria

17  
18 In some respects Delivery Confirmation has a relatively high value of  
19 service (Criterion 2). Depending on the option, delivery information may be  
20 accessed conveniently either electronically or manually through the Internet or a  
21 toll-free telephone call. At the same time it is still relatively untested as it was  
22 implemented in 1999. It also does not provide a signature and other information

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<sup>29</sup> Cost from USPS-T-30, page 30 plus contingency.

<sup>30</sup> Cost from USPS-T-30, page 30 plus contingency.

1 as in the case of return receipt. Delivery Confirmation also must be considered  
2 in light of other objectives. It may encourage usage of parcel services such as  
3 Priority Mail and dropshipped parcel post and thereby provide additional  
4 contribution. In addition, the Delivery Confirmation data, while not statistically  
5 valid, provide an additional management diagnostic tool in assessing parcel  
6 delivery and areas for improvement.

7

8 Postal alternatives to Delivery Confirmation are costly (Criterion 5).  
9 Specifically, return receipt for merchandise is proposed to be nearly \$2.00 higher  
10 than the proposed Priority Mail manual fee. However, return receipt for  
11 merchandise provides a signature, and therefore is more valuable. If a mailer  
12 just needs confirmation of delivery, Delivery Confirmation would be economically  
13 preferable. Another postal alternative to Delivery Confirmation would be certified  
14 mail with return receipt which, at the proposed fees, would be over \$3.00 higher  
15 than the proposed Priority Mail manual fee. At the same time private delivery  
16 firms provide alternatives to Delivery Confirmation which may be built into the  
17 base prices of their services.

18

19 The proposed fees for Delivery Confirmation cover the costs of the  
20 service and contribute slightly to other costs (Criterion 3). The proposed Delivery  
21 Confirmation fee schedule is simple and there is an identifiable relationship  
22 between the proposed electronic categories (Criterion 7). The highest fee  
23 percentage increase of 14 percent (from 35 cents to 40 cents) should not have

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<sup>31</sup> Cost from USPS-T-30, page 30 plus contingency.

1 an adverse impact on users of this service (Criterion 4). Based on the above  
2 criteria, the proposed fees and cost coverages are fair and equitable (Criterion  
3 1).

4

#### 5 5. Classification Criteria

6

7 I am proposing to extend electronic Delivery Confirmation service to  
8 Standard Mail Regular and Nonprofit pieces that pay the residual shape  
9 surcharge. Some mailers of these parcels are believed to have an interest in  
10 knowing if their parcels have been delivered. Mailers, as well as the Postal  
11 Service, would find the enhancement to Standard Mail Regular and Nonprofit  
12 parcels desirable (Criterion 5). Based on the aforementioned criteria, the  
13 proposed classification change to extend electronic Delivery Confirmation to  
14 Standard Mail Regular and Nonprofit residual shape pieces is fair and equitable  
15 (Criterion 1).

1           **K. Insurance**

2  
3           1. Proposal

4  
5           I am proposing both classification changes and fee changes for  
6 insurance. The first proposed classification change is to offer separate bulk  
7 discounts for unnumbered and numbered insurance. The second proposed  
8 classification change involves extending bulk insurance to Standard Mail (A).

9  
10          The fee changes proposed in this testimony include fee increases for  
11 unnumbered and all numbered insurance pieces. The current incremental fee of  
12 95 cents between value levels is proposed to increase to \$1.00. This proposed  
13 incremental fee increase also applies to Express Mail insurance \$100 value  
14 levels above \$500. Percentage increases for the proposed fees over the current  
15 fees range from 6 percent to 17 percent for numbered and 59 percent for  
16 unnumbered. Also being proposed is a larger discount for bulk insurance over  
17 the current discount, and an even larger discount for numbered insured, as part  
18 of the proposed classification change for two bulk discounts. The proposed bulk  
19 discounts are \$0.75 for unnumbered and \$1.00 for numbered. The proposed  
20 implicit cost coverage is 105 percent for unnumbered insurance, and the overall  
21 cost coverage for insurance is 138 percent. Table 11 presents the current and  
22 proposed insurance fees and the subsequent percentage changes.

**Table 11 – Insurance**

<u>Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change From Current to Proposed Fee</u>
Unnumbered to \$50	\$0.85	\$1.35	59%
\$50.01 to \$100	\$1.80	\$2.10	17%
\$100.01 to \$5,000	\$1.80 plus \$0.95 per \$100 or fraction thereof over \$100	\$2.10 plus \$1.00 per \$100 or fraction thereof over \$100	17% 5%
Express Mail \$500.01 to \$5,000	\$0.95 per \$100 or fraction thereof over \$500	\$1.00 plus \$100 or fraction thereof over \$500	5%
Bulk Discount: Unnumbered	\$0.40	\$0.75	88%
Numbered	\$0.40	\$1.00	150%

## 2. Description

For a fee based on the value of an article, the Postal Service provides up to \$5,000 in indemnity coverage for lost, rifled, or damaged articles. Insurance is available for Express Mail, Standard Mail (B), Standard Mail matter mailed at First-Class Mail or Priority Mail rates, and government mail. Express Mail provides for \$500 of indemnity coverage free-of-charge. Above \$500, insurance



1 fees for Express Mail are charged based on each \$100 increment, or fraction  
2 thereof, in value over \$500. For Standard Mail (B) and Standard Mail matter  
3 mailed at First-Class Mail and Priority Mail rates, no automatic insurance is  
4 provided; hence, any level of indemnity coverage from \$.01 to \$5,000 is  
5 assessed a fee. A per-piece discount is available for bulk mailers who mail a  
6 minimum of 10,000 insured mail pieces annually.

7

8 Insurance for less than \$50 in value is unnumbered and no delivery  
9 record is obtained. Insurance for over \$50 in value is numbered and a delivery  
10 record is obtained. Special handling, parcel airlift, and merchandise return are  
11 special services that can be used with insurance. Numbered insurance permits  
12 the use of return receipt service and restricted delivery service.

13

### 14 3. Volume Trends

15

16 Insurance volumes decreased steadily from Postal Reorganization until  
17 the 1990s when volume leveled off at an average of 32 million pieces annually.  
18 However, in 1998 the volume was the highest it had been since 1985, directly  
19 attributable to the indemnity level increase to \$5,000 in late FY 1997. Over the  
20 past 10 years volume increased 16 percent, and over the past 5 years volume  
21 increased 33 percent. From 1997 to 1998, volume increased 21 percent. A  
22 detailed volume history for insurance is presented in Library Reference I-117.

23

#### 1           4. Revenue Trends

2

3           Insurance revenues increased significantly in the mid 1970s and virtually  
4 leveled off until recently. Beginning in 1997, revenues increased significantly, as  
5 a result of the increased volume from the substantial indemnity level increase.  
6 Over the past 10 years revenue increased 51 percent, and over the past 5 years  
7 revenue increased 39 percent. From 1997 to 1998, revenue increased 20  
8 percent. A detailed revenue history for insurance is presented in Library  
9 Reference I-117.

10

#### 11           5. Fee History

12

13           Insurance fees have changed nine times since Postal Reorganization,  
14 twice in 1976, 1978, 1981, 1985, 1988 (the only decrease), 1991, 1995, and  
15 1999. The indemnity limit was raised in 1978, 1985, 1991, and 1997, most  
16 recently from \$600 to \$5000. As a result of Docket No. R97-1, in 1999 insurance  
17 fees increased by an average of 10 percent, and a per-piece bulk discount was  
18 introduced. A detailed fee history for insurance is presented in Library Reference  
19 I-124.

## 6. Fee Design

The fee for unnumbered insurance was developed by slightly increasing the per-piece cost and applying a nickel rounding constraint. The fees for numbered insurance were developed by increasing the first value level by 30 cents and applying \$1.00 incrementally to each value level over the first \$100 in value. A ten-cent rounding constraint was used for numbered insurance.

## 7. Pricing Criteria

The value of service to insurance customers is very high as these customers can receive reimbursement for lost, stolen or damaged articles (Criterion 2). At the same time, the value of service should be considered in light of frequently lower priced private alternatives (Criterion 5). Especially adding to the high value of service is the large indemnity limit for insurance.

As a whole, insurance covers its own costs and makes a contribution to other costs with a resultant moderate cost coverage (Criterion 3). The fee for unnumbered insurance was designed to just cover the cost of the service and not make any significant contribution to other costs. In developing a fee just above the cost, the adverse effect of the large fee increase for unnumbered insurance is kept to a minimum (Criterion 4). For numbered insurance customers the fee increases are modest and should not have a negative impact. When considering

1 the fee increases for both unnumbered and numbered insurance customers it is  
2 important to bear in mind that the discounts for bulk insurance in both categories  
3 are proposed to increase significantly. Therefore, for bulk insurance mailers, the  
4 fee increases, even for unnumbered, are more bearable.

5

6 There are many alternatives to insurance such as insurance offered by  
7 Postal Service competitors and private insurance companies (Criterion 5). The  
8 proposed \$1.00 fee increment per \$100 value level promotes simplicity and  
9 identifiable fee relationships (Criterion 7). Considering all of the criteria  
10 discussed above, the proposed insurance fees are fair and equitable (Criterion  
11 1).

12

## 13 8. Classification Criteria

14

15 The first proposed classification change to insurance is a proposal to  
16 offer two separate discounts for bulk insurance – one for unnumbered and one  
17 for numbered. Since there are two distinctly different cost avoidances for  
18 unnumbered and numbered bulk insurance<sup>32</sup>, it is fair and equitable to have two  
19 separate discounts (Criterion 1). Insurance provides a high value of service, and  
20 more specifically, discounts for large insurance mailers provide a high value  
21 (Criterion 2). The proposed classification change affecting bulk insurance relates  
22 to the insurance classification that provides a high degree of reliability (Criterion  
23 3). It should be very desirable from the point of view of the bulk insurance

1 customer to take advantage of a discount that passes through cost savings  
2 (Criterion 5).

3

4           The second proposed classification change to insurance is a proposal to  
5 extend bulk insurance to Standard Mail Regular and Nonprofit pieces that pay  
6 the residual shape surcharge. The intent is to meet the needs of more Standard  
7 Mail parcel mailers for insurance. As noted above in the Pricing Criteria section,  
8 insurance (including bulk insurance) provides a high value of service to its users  
9 (Criterion 2). Bulk insurance would provide a classification with a high degree of  
10 reliability to a mail class that does not have a high degree of speed of delivery  
11 (Criteria 3 and 4 combined). Mailers, as well as the Postal Service, would find an  
12 enhancement to the service for Regular and Nonprofit Standard Mail residual  
13 shape pieces desirable (Criterion 5). Based on the aforementioned criteria, the  
14 proposed classification change to extend bulk insurance to Standard Mail  
15 Regular and Nonprofit residual shape pieces is fair and equitable (Criterion 1).

16

1           **L. Merchandise Return**

2

3           1. Proposal

4

5           I am proposing three classification changes to merchandise return. The

6 first proposed classification change is to eliminate the prohibition on customers

7 who return a parcel to the shipper using merchandise return service from

8 purchasing. The second proposed classification change is to eliminate the

9 current per piece fee category for merchandise returns.<sup>33</sup> This proposal is based

10 on witness Eggleston's cost study<sup>34</sup> that demonstrates that merchandise return

11 items do not incur additional processing costs. The third proposed classification

12 change is to establish an annual advance deposit account fee similar to the one

13 for Business Reply Mail. Table 12 below presents the proposed accounting fee

14 for merchandise return.

15

16           **Table 12 – Merchandise Return Annual Accounting Fee**

<b><u>Description</u></b>	<b><u>Current Fee</u></b>	<b><u>Proposed Fee</u></b>	<b><u>Percentage Change from Current to Proposed Fee</u></b>
Accounting Fee	N/A	\$375	N/A

17

---

<sup>33</sup> The annual permit fee would still be charged to mailers with merchandise return permits, along with the proposed annual accounting fee.

<sup>34</sup> USPS-T-26, pages 41-44.

1

2

## 2. Description

3

4

For a per piece fee in addition to postage, merchandise return service

5

permits a merchandise return permit holder to receive parcels from a mailer

6

without the mailer having to pay the postage at the time of mailing. The

7

merchandise return fee and applicable postage are either paid by the permit

8

holder at the time of delivery or prior to delivery from an advance deposit

9

account. Merchandise return service is available for parcels mailed at the First-

10

Class, Priority, and Standard Mail (B) rates. Registry service, insurance, and

11

special handling are allowed to be used in conjunction with merchandise return.

12

A permit is required to use this service.

13

14

## 3. Volume Trends

15

16

Since 1995, merchandise return volume has had two substantial volume

17

fluctuations. From 1995 to 1996, volume dropped 37 percent and from 1997 to

18

1998, volume increased 45 percent. A detailed volume history for merchandise

19

return is presented in Library Reference I-117.

#### 4. Revenue Trends

Since 1995, merchandise return revenue has varied consistent with the volume fluctuations. From 1995 to 1996, revenue decreased 42 percent, and from 1997 to 1998, revenue increased 49 percent. A detailed revenue history for merchandise return is presented in Library Reference I-117.

#### 5. Fee History

Since its introduction in mid-1980, the fee for merchandise return has changed four times. The initial fee of 20 cents increased by 50 percent in 1985 and was decreased back to 20 cents in 1988. In 1991, the fee increased 25 percent. As a result of Docket No. R94-1, in 1995 the fee increased 20 percent. A detailed fee history for merchandise return is presented in Library Reference I-124.

#### 6. Fee Design

The proposed merchandise return service annual accounting fee was designed by increasing the \$323.06<sup>35</sup> annual advance deposit account cost to produce a modest cost overage. The BRM annual advance deposit account fee cost was used as a proxy. A five-dollar rounding constraint was applied.



## 7. Pricing Criteria

The proposed merchandise return service annual advance deposit account fee bears the cost of the service and contributes modestly to covering other costs (Criterion 3). Having a uniform advance deposit account fee for the applicable special services (BPRS, BRM, merchandise return and shipper paid forwarding service) promotes not only simplicity of the entire special services fee schedule, but also promotes simple, identifiable relationships between the special services fees (Criterion 7). The effect of the new fee was considered carefully and was mitigated by using a relatively low cost (Criterion 4). Based on the aforementioned criteria, the proposed merchandise return service annual advance deposit account fee is fair and equitable (Criterion 1).

## 8. Classification Criteria

I am proposing three classification changes to merchandise return service. The first proposed classification change is to create an annual advance deposit account fee classification for merchandise return service, similar to the accounting fee classification for BRM. Like BRM recipients, merchandise return recipients have the postage and fees for returned parcels automatically deducted from their accounts. Maintaining the advance deposit account entails certain costs that are not directly related to the number of pieces returned and these costs can be appropriately recovered in an annual fee. The overall merchandise

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<sup>35</sup> Cost from USPS-T-29, page 21 plus contingency.

1 return classification meets the needs of mailers and is desirable from the point of  
2 view of both the Postal Service and these mailers (Criterion 5). Since  
3 maintaining the advance deposit account is integral to merchandise return,  
4 Criterion 5 applied to the accounting fee classification as well. Also, fairness and  
5 equity (Criterion 1) is served by treating all services that involve an advance  
6 deposit account similarly in the use of an annual fee to recover the costs of  
7 maintaining the account.

8

9       The second proposed classification change for merchandise return  
10 service is to allow merchandise recipients to purchase insurance to use with  
11 merchandise return when mailing back merchandise. When merchandise return  
12 service was originally proposed in Docket No. MC79-4, the Postal Service  
13 requested that customers returning merchandise be prohibited from purchasing  
14 insurance. The request was based on two reasons. First, since merchandise  
15 return is designed to return the original shipper's property to the original shipper,  
16 presumably the recipient would not have an insurable interest in the property.  
17 Second, merchandise return was to provide shippers, rather than recipients, with  
18 a new service. Allowing recipients to use insurance in tandem with merchandise  
19 return may have appeared to be more beneficial for the recipient.

20

21       The classification case was settled and the prohibition was approved  
22 and retained in the settlement. The settlement agreement included the following  
23 paragraph:

1 After merchandise return service has been in  
2 existence a sufficient time to allow operations  
3 personnel to become familiar with the procedures  
4 involved in computing and collecting postage and fees  
5 for the service, Postal Service will carefully examine  
6 the feasibility of allowing customers to purchase  
7 insurance for merchandise return parcels when the  
8 shipper has not done so. If this service option is  
9 deemed feasible by the Postal Service, signatories will  
10 not oppose a request to amend the Domestic Mail  
11 Classification Schedule to make insurance available to  
12 customers using merchandise return.<sup>36</sup>  
13

14 The signatories were the Postal Service, the Office of the Commission  
15 (now known as the Office of the Consumer Advocate), UPS, and the Association  
16 of American Publishers.  
17

18 When merchandise return service began in 1979, shippers bore the risk  
19 if a returned parcel was lost or damaged, because either the recipient had not yet  
20 paid for the merchandise when it was being sent back or the shipper agreed to  
21 refund the money paid before the merchandise was returned. Twenty years  
22 later, the direct mail industry operates differently. Now, more and more  
23 recipients bear the risk if a parcel they return is lost or damaged. Unlike 1979,  
24 recipients currently have insurable interests in merchandise return parcels. The  
25 Postal Service therefore proposes that when the permit holder does not purchase  
26 insurance the customer returning the parcel may. The proposed DMCS  
27 language indicates generally that other services may be available to the  
28 customer, as specified by the Postal Service, but the Postal Service's current  
29 plan is to offer insurance only.

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<sup>36</sup> PRC Op., MC79-4, App. A, p.7

1           Allowing recipients to purchase insurance to use in conjunction with  
2 merchandise return is responsive to customer needs and fair and equitable  
3 (Criterion 1). In purchasing insurance, customers would be demonstrating both  
4 the high value of the classification (Criterion 2), as well as the importance of a  
5 classification that requires an extremely high degree of reliability (Criterion 3).  
6 Also, by purchasing insurance to be used with merchandise return service  
7 customers would be exhibiting the desirability of a special classification from the  
8 point of view of the customer (Criterion 5). The Postal Service would also find  
9 this classification desirable (Criterion 5).

10  
11           The third proposed classification change is the elimination of the per  
12 piece fee for merchandise return. As discussed earlier, merchandise return  
13 pieces do not incur any additional processing costs. As such, eliminating the  
14 piece fee is consistent with a classification goal of fairness and equity (Criterion  
15 1). Moreover, the elimination of the fee should foster additional commerce  
16 between shippers and recipients. As such, it is desirable by customers and the  
17 Postal Service (Criterion 5).

18  
19           In general, the classification change would make parcel service more  
20 user-friendly and allow the Postal Service to better serve its customers. In  
21 particular, it would facilitate the use of the parcel mailstream by individuals who  
22 need to return items.

1 **M. Money Orders**

2 1. Proposal

3 I am proposing increases to the current money order fees. The  
 4 APO/FPO fee of 30 cents is proposed to increase by 17 percent to 35 cents. The  
 5 domestic money order fee of 80 cents is proposed to increase by 13 percent to  
 6 90 cents. The inquiry fee of \$2.75 is proposed to increase by 9 percent to \$3.00.  
 7 While the volume variable cost coverage is 198 percent, calculated using non-fee  
 8 revenue in addition to fee revenue, the ratio of this revenue to incremental costs  
 9 is only 142 percent.<sup>37</sup> Table 13 presents the current and proposed money order  
 10 fees.

11  
 12 **Table 13 - Money Orders**

<b><u>Description</u></b>	<b><u>Current Fee</u></b>	<b><u>Proposed Fee</u></b>	<b><u>Percentage Change From Current to Proposed Fee</u></b>
APO/FPO	\$0.30	\$0.35	17%
Domestic	\$0.80	\$0.90	13%
Inquiry Fee	\$2.75	\$3.00	9%

<sup>37</sup> The ratio of revenue to incremental costs is calculated by dividing total revenue of \$305,488,000 (USPS-LR-I-168, WP-32) by incremental costs of \$214,999,000 (USPS-T-23, page 22). However, if the ratio of just fee revenue to volume variable costs is 136 percent, and to incremental costs is only 97 percent.

1           2. Description

2

3           Money orders were first introduced by the Post Office Department during

4 the Civil War so soldiers could send the equivalent of money home to their

5 families without having to mail cash. Today money orders are mainly used to

6 purchase goods and services and to pay bills. Consumers with modest incomes

7 who may not have a checking account and/or credit card are likely money order

8 purchasers. Also, as was the case in the Civil War, money orders are also used

9 to send money through the mail without having to send cash. Finally, as

10 discussed below, money orders are a popular means of payment for many

11 Internet transactions.

12

13           Money orders may be purchased at post offices or from rural carriers.

14 Postal money orders are popular in rural areas where other money orders are

15 generally not readily available. A money order customer pays the face value of

16 the money order in cash or traveler's checks plus a fee for the administration and

17 processing of the money order. Postal money orders may be cashed at any

18 bank or post office for the face value.

19

20           Postal money orders were required for payment of postal collect-on-

21 delivery items until 1987. In 1988, a \$10,000 daily limitation on money order

22 purchases per customer went into effect, as a method of preventing money

23 laundering from sales of illegal drugs.

1           For an additional fee, money order customers may purchase inquiry  
2 service. Inquiry service verifies whether or not the customer's postal money  
3 order was cashed.

### 4 5           3. Volume Trends

6  
7           Since Postal Reorganization, money order volume gradually declined  
8 until the early 1980s and then gradually increased to exceed the 1970 volume  
9 every year since 1993. Money order volume increased 45 percent over the past  
10 10 years and 12 percent over the past 5 years. From 1997 to 1998, money order  
11 volume increased one percent. A detailed history of money order volume is  
12 presented in Library Reference I-117.

### 13 14           4. Revenue Trends

15  
16           Total money order revenue<sup>38</sup> has grown fairly steadily since Postal  
17 Reorganization. Money order revenue increased 40 percent over the past 10  
18 years and 16 percent over the past 5 years. From 1997 to 1998, however,  
19 money order revenue decreased one percent. A detailed revenue history for  
20 money orders is presented in Library Reference I-117.

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<sup>38</sup> Total money order revenue includes the fee revenue plus the float from money orders until they are redeemed, revenue from money orders not redeemed, and the commission on international money orders.

## 5. Fee History

The fees for money orders have changed nine times since Postal Reorganization. In 1976, the fees were increased twice resulting in a 100 percent increase for the fees for money orders valued up to \$50, and a 125 percent increase for the fee for money orders valued over \$50 up to \$300. In 1978, the fee for money orders valued from \$.01 up to \$10 was increased 10 percent; \$10 up to \$50, 14 percent; \$50 up to \$400 (limit increased by \$100), 22 percent; and APO-FPO, 33 percent. In 1981, the minimum value level increased to \$25 and the maximum limit increased to \$500. Subsequently, the fee for money orders valued up to \$10 increased 36 percent; decreased 6 percent for \$10.01 up to \$25; increased 38 percent for \$25.01 up to \$50; increased 41 percent for \$50.01 up to \$500; and increased 25 percent for APO-FPO.

In 1985, the maximum limit increased to \$700 and the inquiry fee was introduced. The fees for money orders valued from \$25.01 up to \$700 were consolidated into one fee, representing a 9 percent decrease for \$25.01 up to \$50 and a 35 percent decrease for money orders valued from \$50.01 up to \$700. In 1988, the minimum value level increased to \$35 which represented a 25 percent fee decrease for money orders valued from \$25.01 up to \$35. The inquiry fee increased 43 percent in 1988.



1           In 1991, one value level for domestic money orders, from \$.01 to \$700  
2 was implemented. This resulted in a 25 percent decrease in the fee for money  
3 orders valued from \$35.01 up to \$700. The inquiry fee increased 25 percent in  
4 1991. In 1995 the money order fee increased 13 percent, the APO FPO fee  
5 increased 20 percent, and the inquiry fee increased 10 percent. As a result of  
6 Docket No. R97-1, in 1999 the money order fee decreased six percent. A  
7 detailed fee history for money orders is presented in Library Reference I-124.

8

## 9           6. Fee Design

10

11           The proposed money order fees were developed with a consideration of  
12 attaining a moderate overall cost coverage, while keeping the fee increases  
13 reasonable. The APO/FPO fee was increased up five cents and the domestic  
14 fee was increased 10 cents. Both fees were designed using nickel rounding  
15 constraints. The inquiry fee was increased 25 cents. This fee was designed  
16 using quarter rounding constraints.

17

## 18           7. Pricing Criteria

19

20           Money orders represent a high value of service to their users (Criterion  
21 2). Money orders can be used to purchase goods when there may not be any  
22 other method available or acceptable for payment. The proposed fees for money  
23 orders cover their costs and make a contribution to other costs (Criterion 3). It is

1 important to remember that the money order revenue used to calculate the cost  
2 coverage also includes non-fee revenue.<sup>39</sup>

3

4           Considering the fact that the domestic money order fee was decreased  
5 as a result of Docket No. R97-1 and was last increased in Docket No. R94-1, the  
6 effect of the proposed fees on money order customers should be negligible  
7 (Criterion 4). There are many widely available alternatives to postal money  
8 orders (Criterion 5). The proposed money order fees promote fee simplicity and  
9 identifiable fee relationships (Criterion 7).

10

11           I am asking the Commission to consider a ninth criterion. Although  
12 money order customers have generally been considered to be people of low  
13 income, there is a growing base of money order customers that do not  
14 necessarily fit this categorization. Specifically, with the popularity of buying  
15 products over the Internet, there is a potential for increased use of postal money  
16 orders for those people not willing to provide credit card information. Also, with  
17 some of the Internet auction sites, money orders are required for payment before  
18 an item can be sent. Personal checks may not be acceptable because individual  
19 merchandise dealers must wait for checks to clear and this potentially can lose  
20 business. Money orders provide guaranteed cash in hand.

21

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<sup>39</sup> Non-fee revenue includes money order commissions, money order float and outstanding money orders taken into revenue.

1           Based on the aforementioned criteria, the proposed fees for money  
2 orders are fair and equitable (Criterion 1). The proposed fees are reasonable  
3 and contribute to a resulting cost coverage that is well-suited to money orders.

## **N. On-Site Meter Settings**

### **1. Proposal**

I am proposing three classification changes and a fee change for on-site meter setting service. The first proposed classification change is a minor alteration to change the name of the service from on-site meter settings to on-site meter service. The second proposed classification change is replacing the single meter and unscheduled appointment categories with a new meter service category. The third proposed classification change is to replace the additional meters category with a meter reset and/or examined category. Notwithstanding the current scheduled appointment fee as opposed to the proposed meter service fee, the only actual proposed fee change is a 53 percent reduction of the fee for checking a meter in or out of service from \$8.50 to \$4.00, which results in a 159 percent implicit cost coverage. The Postal Service is also proposing that this fee will not apply to "Secured Postage" meters. The fee for a meter reset and/or examined is proposed to remain unchanged from the additional meter fee, yielding a 120 percent implicit cost coverage. The fee for meter service is proposed to be the same fee of \$31.00 as the current fee for an unscheduled appointment, a 13 percent increase for those customers currently paying for a scheduled appointment. The proposed implicit cost coverage for meter service is 122 percent. The overall proposed cost coverage for on-site meter service is 123 percent. Table 14 presents the current and proposed on-site meter service fees.

1

**Table 14 - On - Site Meter Service**

<b><u>Description</u></b>	<b><u>Current Fee</u></b>	<b><u>Proposed Fee</u></b>	<b><u>Percentage Change from Current to Proposed Fee</u></b>
Single Meter	\$27.50	N/A	N/A
Unscheduled Setting	\$31.00	N/A	N/A
Meter Service (per employee)	N/A	\$31.00	0-13% <sup>40</sup>
Additional Meter	\$4.00	N/A	N/A
Meter Reset and/or Examined (per meter)	N/A	\$4.00	N/A
Check In/Out of Service (per meter)	\$8.50	\$4.00	(53%)

2

3

## 2. Description

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12

On-site meter setting is a special service whereby postal employees travel to business locations, defined as either customer sites or meter manufacturers, to provide various services to meters. These services include resetting, examination, and checking a meter in or out of service.

There are three types of meters: 1) mechanical manual, 2) electronic manual, and 3) remote electronic. As a result of major de-certification efforts for high-speed and low-speed mechanical meters, these types of meters are

<sup>40</sup> The fee increase of 13 percent applies to those customers currently paying for a scheduled appointment. There is no proposed fee increase for those customers currently paying for an

1 virtually non-existent in the workplace. Electronic manual meters can only be  
2 set by the Postal Service. Electronic remote meters (the majority of the meters  
3 in the workplace) are never set by the Postal Service; instead these types of  
4 meters are set per agreements between the meter customers and  
5 manufacturers.

6

7           Currently the fee for a meter setting depends upon whether the meter  
8 setting is scheduled or unscheduled, with the fee for an unscheduled setting  
9 being higher. Since the basic fee allows for one meter setting, postal  
10 employees can reset additional meters during the same visit for a nominal fee.  
11 Additionally, for a fee, postal employees can check a meter in or out of service.

12

### 13           3. Revenue Trends

14

15           Revenue for on-site meter settings has remained virtually unchanged  
16 since 1980. The 1998 revenue, however, was considerably higher than ever  
17 before and skews the following trend analysis. On-site meter setting revenue  
18 increased 153 percent over the past 10 years and 149 percent over the past 5  
19 years. From 1997 to 1998, on-site meter revenue increased a substantial 71  
20 percent. A detailed revenue history for on-site meter settings is presented in  
21 Library Reference I-117.

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unscheduled appointment.

#### 1           4. Fee History

2

3           The fees for on-site meter settings have changed seven times since  
4 Postal Reorganization. In 1978, the fees for the first meter by appointment and  
5 additional meters increased 40 percent, and the fee for an unscheduled meter  
6 setting increased 60 percent. In 1981, the fee for meter company adjustments  
7 increased 70 percent, the fee for the first meter by appointment increased 100  
8 percent, the fee for an unscheduled setting increased 33 percent, and the fee for  
9 additional meters increased 14 percent. In 1985, the meter company adjustment  
10 fee increased 18 percent, the fee for the first meter by appointment increased 21  
11 percent, and the fee for unscheduled settings increased 19 percent. In 1988, the  
12 fees for the first meter by appointment and unscheduled settings increased 47  
13 percent. Also in 1988, meter company adjustments were eliminated and  
14 checking in and out of service was introduced. In 1991, the fee for additional  
15 meters decreased 31 percent and the fee for checking in and out of service  
16 increased 30 percent. In 1995 the fee for the first meter increased 10 percent,  
17 the fee for unscheduled settings increased 11 percent, the fee for additional  
18 meters increased 18 percent, and the fee for checking in and out of service  
19 increased 15 percent. As a result of Docket No. R97-1, in 1999 the fee for an  
20 additional meter increased 23 percent and the fee for checking in and out of  
21 service increased 13 percent. A detailed fee history for on-site meter settings is  
22 presented in Library Reference I-124.

23

1           5.    Fee Design

2

3           The proposed fees for meter service were developed primarily with

4 considerations of fee consolidation and enhanced simplicity. The meter access

5 \$25.50 cost<sup>41</sup> was increased \$5.50 to match the existing unscheduled

6 appointment fee and provide for a modest cost coverage. The meter reset or

7 examined cost per meter of \$3.34<sup>42</sup> was increased 66 cents to match the existing

8 fee for an additional meter and to also provide for a modest cost coverage. The

9 current meter checked in or out of service fee was reduced over 50 percent to

10 match the proposed meter reset or examined fee. The proposal that the meter

11 checked in or out of service fee not be applied to "Secured Postage" meters is

12 based on witness Davis' finding that the checking in/out costs for "Secured

13 Postage" meters are insignificant.<sup>43</sup>

14

15           6.    Pricing Criteria

16

17           On-site meter service provides a high value of service (Criterion 2). This

18 is a convenience for the businesses as they do not have to transport their meters

19 to the post office to receive service.

20

21           The proposed fees cover the costs individually and in total contribute

22 moderately to other costs (Criterion 3). The highest implicit cost coverage (for a

---

<sup>41</sup> Cost from USPS-T-30, page 18, plus contingency.

<sup>42</sup> Cost from USPS-T-30, page 18, plus contingency.



1 meter checked in or out of service) is slightly below the systemwide average,  
2 which is reasonable for this service. Moreover, this proposed implicit cost  
3 coverage reflects a 53 percent fee reduction.

4

5           The effect of the fee changes on meter customers is not detrimental  
6 (Criterion 4). This is particularly true when considering that the fee for a meter  
7 reset or examined is not being proposed to change and the fee for a meter  
8 checked in or out of service is being proposed to decrease by more than 50  
9 percent. Further, for those customers currently paying for unscheduled  
10 appointments there is proposed to be no fee increase for the new meter service  
11 category.

12

13           The proposed fee schedule is simple and promotes identifiable fee  
14 relationships between meters reset or examined and meters checked in or out of  
15 service (Criterion 7). Having one fee for meter service and another fee for both  
16 resetting/examinations and meter checking simplifies the current fee schedule  
17 from four different fees to two different fees, a 50 percent reduction in the number  
18 of fees.

19

20           Based on the aforementioned criteria, the proposed on-site meter  
21 service fees are fair and equitable (Criterion 1). The Postal Service encourages  
22 the use of on-site meter service as it is beneficial to both the customers and the

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<sup>43</sup> USPS-T-30, page 18.

1 Postal Service. The proposed fee schedule is a further attempt to encourage the  
2 use of this service.

3

#### 4 7. Classification Criteria

5

6 I am proposing three classification changes to on-site meter service.

7 The first proposed classification change is to change the name of the service  
8 from on-site meter settings to on-site meter service

9

10 The second proposed classification change is to replace the single meter  
11 and unscheduled appointment categories with a new meter service category. As  
12 has already been mentioned, on-site meter service provides a high value of  
13 service (Criterion 2). Currently, postal employees may be called to a site and if  
14 they do not set any meters, there is no fee charged even though costs are  
15 incurred. Under this proposal, the meter service fee would be assessed for going  
16 to the business site, with additional fees for servicing meters charged as  
17 necessary. This represents a more fair and equitable way of doing business  
18 (Criterion 1).

19

20 The third proposed classification change is to replace the additional  
21 meter category with a meter reset and/or examined category. The fee would be  
22 charged for each meter reset or examined, including the first meter. Like the  
23 proposal for the name on-site meter service, it reflects more accurately the

1 nature of the service performed (Criterion 1). Having a meter reset and/or  
2 examined on-site is a high value of service (Criterion 2). From the perspective of  
3 both meter customers and the Postal Service, one category for resetting and/or  
4 examining meters would be easy to understand in terms of fee assessment and  
5 what service would be provided and enhance its desirability (Criterion 5).

6

1 **O. Parcel Airlift**

2

3 **1. Proposal**

4

5 I am proposing to maintain the current fees for parcel airlift. Due to the  
 6 trend indicating substantial decline in parcel airlift volumes, and the option to use  
 7 Priority Mail instead of parcel airlift, often at lower prices, the Postal Service is  
 8 expecting no volume, and therefore no revenue, for parcel airlift during the test  
 9 year after rates. In many instances Priority Mail is less expensive than parcel  
 10 post plus the parcel airlift fee. Given both the decline in volume and the reduced  
 11 need given the relative price of Priority Mail, consideration is being given to  
 12 eventually eliminating the service. For the time being, however, the Postal  
 13 Service proposes to retain the current fees until all of the ramifications of its  
 14 elimination can be fully evaluated. Table 15 below presents the current and  
 15 proposed parcel airlift fees.

16

17

**Table 15 – Parcel Airlift**

<b><u>Description</u></b>	<b><u>Current Fee</u></b>	<b><u>Proposed Fee</u></b>	<b><u>Percentage Change from Current to Proposed Fee</u></b>
Up to two pounds	\$ .40	\$ .40	0%
Two to three pounds	\$ .75	\$ .75	0%
Three to four pounds	\$ 1.15	\$ 1.15	0%
Over four pounds	\$ 1.55	\$ 1.55	0%

## 2. Description

Parcel airlift provides air transportation for parcels destined to military post offices outside the 48 contiguous states, for onward dispatch to other overseas military post offices (MPOs), or for parcels from MPOs to post offices inside the 48 contiguous states. The air transportation is provided on a space-available basis. Parcel airlift is available for Standard Mail parcels not exceeding 30 pounds or 60 inches in length. Fees for parcel airlift vary according to the weight of the parcel.

Certificates of mailing, delivery confirmation, insurance, and special handling may be purchased for parcel airlift mail. Additionally, return receipt service and restricted delivery service can be purchased for parcel airlift if used in tandem with numbered insurance.

## 3. Volume Trends

Parcel airlift volume has all but disappeared since Postal Reorganization. In 1970, the parcel airlift volume was 6.8 million pieces compared to 45,000 pieces in 1998. From the late 1970's until 1990 parcel airlift volume remained fairly constant, hovering around 500,000 pieces. However, the last few years have seen a major decline in volume. Parcel airlift volume decreased 88 percent over the past 10 years and 78 percent over the past 5

1 years. From 1997 to 1998, parcel airlift volume decreased 27 percent. A  
2 detailed volume history for parcel airlift is presented in Library Reference I-117.

3

#### 4 4. Revenue Trends

5

6

7 Parcel airlift revenue has decreased significantly since Postal  
8 Reorganization, resulting from the substantial volume decrease. Over the past  
9 10 years, parcel airlift revenue decreased 86 percent and over the past 5 years  
10 the revenue decreased 75 percent. From 1997 to 1998, revenue decreased 40  
11 percent. A detailed revenue history for parcel airlift is presented in Library  
12 Reference I-117.

13

#### 14 5. Fee History

15

16 The fees for parcel airlift have decreased once and been increased three  
17 times since Postal Reorganization. In 1978, separate fees based on weight were  
18 established and the fee for up to 2 pounds was decreased 75 percent, the fee for  
19 over 2 up to 3 pounds was decreased 50 percent, and the fee for over 3 up to 4  
20 pounds was decreased 25 percent. In 1981, the fees increased 20 percent, and  
21 in 1991, the fees increased 17 percent. As a result of Docket No. R94-1, in 1995  
22 the fee for up to 2 pounds increased 14 percent, the fee for over 2 up to 3  
23 pounds increased 7 percent, the fee for over 3 up to 4 pounds increased 10

- 1 percent, and the fee for over 4 pounds increased 11 percent. A detailed fee
- 2 history for parcel airlift is presented in Library Reference I-124.

1           **P. Periodicals Application Fees**

2

3           1. Proposal

4

5           I am proposing one increase and two decreases to the Periodicals

6 application fees. Specifically, the original entry fee is proposed to be increased

7 15 percent, from \$305 to \$350 per year. The resulting proposed implicit cost

8 coverage is 115 percent. The additional entry fee is proposed to remain at the

9 current \$50 which yields a 120 percent implicit cost coverage. The reentry fee

10 and registration for news agents fee, both currently at \$50, are proposed to be

11 decreased by 20 percent to \$40 each. The resulting implicit cost coverages are

12 131 percent for the re-entry category and 178 percent for the registration for

13 news agents category. The overall cost coverage for Periodicals application fees

14 is 121 percent. Table 16 presents the current and proposed Periodicals

15 application fees.

16

17                           **Table 16 - Periodicals Applications**

<b><u>Description</u></b>	<b><u>Current Fee</u></b>	<b><u>Proposed Fee</u></b>	<b><u>Percentage Change from Current to Proposed Fee</u></b>
Original Entry	\$305	\$350	15%
Additional Entry	\$50	\$50	0%
Reentry	\$50	\$40	(20%)
Registration for News Agents	\$50	\$40	(20%)



## 2. Description

There are four types of Periodicals applications. First, all Periodicals mailers are required to file a Periodicals application and pay a one-time original entry fee. For those Periodicals mailers desiring to mail from offices other than where the original entry was obtained an additional entry fee may be paid to receive an additional entry. Third, mailers can obtain a re-entry when the status of the authorized publication changes due to either a name change, frequency of issues change, preferential rate status change, or office of publication change. All re-entry applications are received and processed at the original entry office. Finally, the news registration application is filed by authorized news agents who handle two or more Periodicals by different publishers.

## 3. Revenue Trends

Periodicals application revenue increased fairly steadily since Postal Reorganization before leveling off over the last few years. Over the past 10 years, Periodicals application revenue increased four percent, and over the past five years, Periodicals application revenue decreased nine percent. From 1997 to 1998, Periodicals application revenue decreased 12 percent. A detailed revenue history for Periodicals applications is presented in Library Reference I-117.

#### 4. Fee History

Periodicals application fees have changed seven times since Postal Reorganization, in 1978, 1981, 1985, 1988, 1991, 1995 and 1999. Initially, original entry fees were based on the publication circulation. In 1978, fee increases resulted in a uniform original entry fee regardless of circulation size. Also in 1978, the fee increases for the re-entry fee and the news agents registry fee resulted in these two classifications having a uniform fee. Finally in 1978, fee increases resulted in a uniform fee for additional entries regardless of zone. In 1999 the additional entry fee became uniform with the re-entry and new agents registry fee. A detailed fee history for Periodicals applications is presented in Library Reference I-124.

#### 5. Fee Design

The fees for Periodicals applications were designed with an eye towards a total cost coverage in the modest range and identifiable fee relationships and fee simplicity. The fee for an original entry applications was developed by increasing the \$305.13 per-piece cost<sup>44</sup> to the nearest \$50 increment. The fee for a re-entry was designed by increasing the \$30.50 per-piece cost<sup>45</sup> by \$9.50. A \$10 rounding constraint was applied. The fee for an additional entry was

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<sup>44</sup> Cost from USPS-T-29, pg. 29, plus contingency.

<sup>45</sup> Cost from USPS-T-29, pg. 29, plus contingency.

1 designed by increasing the \$41.51 per-piece cost<sup>46</sup> by \$8.49. A \$10 rounding  
2 constraint was applied. The fee for a news agents application was developed by  
3 increasing the \$22.43 per-piece cost<sup>47</sup> by \$17.57. A \$10 rounding constraint was  
4 applied.

5

## 6 6. Pricing Criteria

7

8 The value to mailers of being able to use lower Periodical rates should  
9 be high. The application makes it possible for periodical mailers to do business  
10 and therefore is a relatively high value service (Criterion 2). The proposed fees  
11 cover the cost of the service and make a modest contribution to other costs  
12 (Criterion 3). The effect of the fee increases on the Periodicals applications  
13 customers was carefully considered in mitigating the fee increases rather than  
14 seeking a higher total cost coverage (Criterion 4). In the instances where the  
15 proposed fee is a reduction over the current fee, there is no negative impact on  
16 the Periodicals mailers. The proposed fees are simple and maintain identifiable  
17 fee relationships for all applications (Criterion 7). Based on the previous criteria,  
18 the proposed application fees are fair and equitable (Criterion 1).

19

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<sup>46</sup> Cost from USPS-T-29, pg. 29, plus contingency.

<sup>47</sup> Cost from USPS-T-29, pg. 29, plus contingency.

1           **Q. Permit Fees**

2

3           **1. Proposal**

4

5           I am proposing a fee change and two classification changes to permits.

6           The proposed fee change is to increase the \$100 fee for annual permits by 25  
7           percent. The proposed fee of \$125 yields a 117 percent cost coverage. This  
8           proposal applies to the following permits: Business Reply Mail (BRM); bulk parcel  
9           return service; First-Class presort; merchandise return; permit imprints;  
10          destination entry Standard Mail (B); Standard Mail (A) bulk; and Standard Mail  
11          (B) special and library presort. The first proposed classification change is a  
12          proposal to change DMCS 280, 380 and 581 through 584 regarding annual  
13          mailing fees to make the language consistent among the classes and  
14          subclasses. This proposed change would have not effect on the current  
15          administration of the payment of these fees. The second proposed classification  
16          change is a proposal to list the annual presort fees for Special Standard and  
17          Library mail on separate lines in Schedule 1000. This proposed change would  
18          clarify the intent that separate fees be charged for each individual subclass.  
19          Table 17 presents the current and proposed annual permit fee.

**Table 17 - Annual Permits**

<b><u>Description</u></b>	<b><u>Current Fee</u></b>	<b><u>Proposed Fee</u></b>	<b><u>Percentage Change from Current to Proposed Fee</u></b>
Annual Permit	\$100	\$125	25%

## 2. Description

Permits allow mailers to mail pieces with indicia and a permit number in the upper right-hand corner of the mailpiece, instead of having to affix stamps or metered postage. The deposit time and place for permit mail is determined by the post office allowing the permit as a means of verifying that the correct postage is collected for the mailings. The fee for the permits is collected on an annual basis. In addition to a class/subclass-specific permit, a permit imprint fee is paid for mailings requiring permit indicia.

## 3. Fee History

Although there is a uniform fee for annual permits, not all permits have been in existence since the basic permit imprint. The basic permit imprint fee has increased eight times since Postal Reorganization. In 1976, the fee increased 100 percent; in 1978, the fee increased 50 percent; in 1981, the fee increased 33 percent; in 1985, the fee increased 25 percent; in 1988, the fee increased 20 percent; in 1991, the fee increased 25 percent; and in 1995, the fee

1 increased 13 percent. As a result of Docket No. R97-1, in 1999 the fee  
2 increased 18 percent. Detailed fee histories for permits are presented in Library  
3 Reference I-124.

4

#### 5 4. Fee Design

6

7 The fee for permits was designed with a resultant modest cost coverage  
8 in mind. A five-dollar rounding constraint was applied.

9

#### 10 5. Pricing Criteria

11

12 Although the permit is not the worksharing that provides the lower rates,  
13 the permit makes it provides access for the mailers to get lower rates and  
14 therefore is a relatively high value service (Criterion 2). The proposed fee covers  
15 the cost of the service and makes a modest contribution to other costs (Criterion  
16 3). The effect of the fee increase on the permit users was carefully considered  
17 by mitigating the fee increase rather than seeking a higher cost coverage  
18 (Criterion 4). The proposed fee is simple and maintains an identifiable fee  
19 relationship for all permits (Criterion 7). Based on the aforementioned criteria,  
20 the proposed permit fee is fair and equitable (Criterion 1).

21

1           **R. Post Office Boxes, Caller Service and Reserve Call Numbers**

2  
3           1. Proposal

4  
5           I am proposing several classification changes and numerous fee  
6 changes for post office boxes. Also being proposed are new fees for caller  
7 service and reserve numbers.

8  
9           The first proposed post office box classification change is to name the  
10 new post office box fee groups proposed by witness Kaneer (USPS-T-40). The  
11 second proposed classification change is to establish a new classification for a  
12 fee to provide more than two keys for a box, or to replace a key due to loss,  
13 damage or breakage.<sup>48</sup> The third proposed classification change is to establish a  
14 new classification for a fee for a customer initiated post office box lock change. A  
15 final proposed classification change is to eliminate the DMCS section concerning  
16 transfer of street-addressed mail to a post office box.

17  
18           I am also proposing new post office box fees that represent both  
19 increases and decreases when compared to the equivalent current fees. The  
20 total proposed cost coverage for post office boxes (including caller service and  
21 reserve number) is 138 percent. The range of the post office box fee changes in  
22 the individual fee cells is -25 percent to 73 percent. The total proposed  
23 percentage increase (including caller service and reserve number) is 11 percent.

1 Table 18 presents the current post office box fees. Table 19 presents the  
2 proposed post office box fee groups and fees and the range of potential  
3 percentage changes from the current fees to the equivalent proposed fees.  
4

5 The newly proposed classifications for post office box keys and  
6 customer initiated post office box lock changes have proposed fees of \$4.00 and  
7 \$10.00, respectively. The proposed implicit cost coverage<sup>49</sup> for additional or  
8 replacement post office box keys is 142 percent. The proposed implicit cost  
9 coverage<sup>50</sup> for a customer initiated post office box lock change is 143 percent.  
10 These fees are also presented in Table 19.  
11

12 Finally, I am proposing a fee increase for caller service and a fee  
13 decrease for reserve numbers. The caller service fee is proposed to increase by  
14 36 percent to \$375 for a six-month period. The resulting proposed implicit cost  
15 coverage is 123 percent. The reserve number fee is proposed to decrease by 17  
16 percent to \$30 per year. The resulting proposed implicit cost coverage is 177  
17 percent. Table 20 presents the current and proposed fees for caller service and  
18 reserve call numbers.

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<sup>48</sup> This fee would not apply to a key too worn by age to function.

<sup>49</sup> Calculated using cost from USPS-T-30, page 20 with contingency added.

<sup>50</sup> Calculated using cost from USPS-T-30, page 20 with contingency added.



1

**Table 18 - Post Office Box Semi-Annual Fees (Current)**

<b><u>Current Description</u></b>	<b><u>Current Fee</u></b>
<b><u>Group A</u></b>	
Size 1	\$30.00
Size 2	\$46.00
Size 3	\$80.00
Size 4	\$151.00
Size 5	\$261.00
<b><u>Group B</u></b>	
Size 1	\$27.00
Size 2	\$41.00
Size 3	\$70.00
Size 4	\$136.00
Size 5	\$217.00
<b><u>Group C</u></b>	
Size 1	\$22.00
Size 2	\$32.00
Size 3	\$57.00
Size 4	\$97.00
Size 5	\$162.00
<b><u>Group D</u></b>	
Size 1	\$7.00
Size 2	\$12.00
Size 3	\$22.00
Size 4	\$33.00
Size 5	\$52.00
<b><u>Group E</u></b>	
Sizes 1-5	\$0.00

2

1

**Table 19 - Post Office Box Semi-Annual Fees (Proposed)**

<u>Proposed Description</u>	<u>Proposed Fee</u>	<u>Range of Percentage Changes from Current Fee to Equivalent Proposed Fee</u>
<b><u>Group B2</u></b>		
Size 1	\$30.00	0% to 11%
Size 2	\$45.00	-2% to 10%
Size 3	\$85.00	6% to 21%
Size 4	\$170.00	13% to 25%
Size 5	\$300.00	15% to 38%
<b><u>Group C3</u></b>		
Size 1	\$27.50	-8% to 25%
Size 2	\$40.00	-13% to 25%
Size 3	\$75.00	-6% to 32%
Size 4	\$150.00	-1% to 55%
Size 5	\$250.00	-4% to 54%
<b><u>Group C4</u></b>		
Size 1	\$22.50	-17% to 2%
Size 2	\$32.50	-21% to 2%
Size 3	\$60.00	-14% to 5%
Size 4	\$125.00	-8% to 29%
Size 5	\$212.50	-2% to 31%
<b><u>Group C5</u></b>		
Size 1	\$19.00	-20%
Size 2	\$27.50	-22%
Size 3	\$50.00	-25%
Size 4	\$87.50	-12%
Size 5	\$150.00	-17%
<b><u>Group D6</u></b>		
Size 1	\$10.00	43%
Size 2	\$16.00	33%
Size 3	\$25.00	14%
Size 4	\$50.00	52%
Size 5	\$90.00	73%
<b><u>Group D7</u></b>		
Size 1	\$8.50	21%
Size 2	\$13.00	8%
Size 3	\$22.50	2%
Size 4	\$40.00	21%
Size 5	\$65.00	25%
<b><u>Group E</u></b>	\$0.00	N/A
<b>Additional or Replacement Key</b>	\$4.00	N/A
<b>Customer Initiated Lock Change</b>	\$10.00	N/A

2

**Table 20 - Caller Service and Reserve Number**

<u>Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change from Current fee to Proposed fee</u>
<b>Caller Service (semi-annual)</b>	<b>\$275</b>	<b>\$375</b>	<b>36%</b>
<b>Reserve Number (annual)</b>	<b>\$36</b>	<b>\$30</b>	<b>-17%</b>

2

3           2. Description

4

5           Post office box service is a premium service offered for a fee to any

6 customer requiring an alternative to free carrier delivery or general delivery.

7 However, post office box service is provided at a \$0 fee to customers not eligible

8 for carrier delivery.

9

10           Post office box service is available at most post offices. Post office

11 boxes come in five sizes, although all may not be available at each post office.

12 In some offices customers have 24-hour access to their boxes. In others,

13 whether for reasons of architecture or security, boxes may be accessed only

14 during normal hours of retail operation.

15

16           Individuals use post office box service for a variety of reasons. Some

17 individuals prefer box service near their place of employment so they can obtain

18 their mail before arriving home after work. Other individuals appreciate the

19 privacy a box provides. These customers may prefer that certain pieces of mail

20 not be delivered to their residences. Other customers prefer the security that a

1 post office box provides or desire an address within a prestigious ZIP Code area  
2 or city.

3

4 Businesses secure box service for a variety of reasons. Some  
5 businesses, like private citizens, prefer not to disclose their street addresses, or  
6 prefer the prestige of select areas or ZIP Codes. Other businesses use several  
7 boxes to separate general correspondence, billing, orders, and so forth.

8 Businesses may opt for box service to receive their mail early in the day. Early  
9 mail receipt may allow the business to process and ship orders that same day, or  
10 it may improve cash flow by allowing payments to be deposited before the close  
11 of the banking day.

12

13 Box customers and post office employees work together to determine  
14 which of the five box sizes is appropriate to the customers' needs. Customers  
15 may ask for, or be asked to move to, a larger size box if their current box is too  
16 small to handle the volume of mail received. Caller service is available for  
17 customers whose mail volume exceeds the space limitations of the largest size  
18 box.

19

20 Caller service is a premium service that allows business customers to  
21 pick up their box mail at a post office call window or loading dock during the time  
22 the office is open. Caller service customers are allowed to choose the times they  
23 want to pick up their mail as it is being cased and, therefore, can have increased

1 access to their mail if the box section is not open. Like box service, caller service  
2 enables companies to transact business early in the day.

3  
4 Reserve number is a service that allows a company to reserve a box  
5 number for future caller service use. Businesses could find this useful if they are  
6 planning a promotion, campaign or advertisement and would like to use a  
7 number that would correspond.

8  
9 Post office box fees are assessed according to group. Group A fees,  
10 which are the highest, apply to certain ZIP Code areas in New York, California  
11 and Massachusetts. Group B fees, which are the second highest, apply to  
12 specific high-cost ZIP Code areas in certain large cities and their suburbs. Group  
13 C fees are the third highest, and apply to customers eligible for delivery at all city  
14 delivery offices, except for ZIP Codes included in Groups A and B. Group D fees  
15 apply to customers at all non-city delivery offices and non-delivery offices who  
16 are eligible for carrier delivery. Group E fees apply to customers who are  
17 ineligible for carrier delivery for postal policy reasons.

### 18 19 3. Revenue Trends

20  
21 With the exception of three years, post office box revenue<sup>51</sup> has  
22 increased steadily since Postal Reorganization, and continues to be the highest  
23 revenue-generating special service. Post office box revenue increased 109

1 percent over the past 10 years and 28 percent over the past 5 years. From 1997  
2 to 1998, post office box revenue increased 7 percent. A detailed revenue history  
3 for post office boxes is presented in Library Reference I-117.

#### 4 5 4. Fee History

6  
7 Post office box fees have changed nine times since Postal  
8 Reorganization. Post office box fees increased an average of 22 percent in  
9 1975, an average of 38 percent in 1978, an average of 8 percent in 1981, an  
10 average of 15 percent in 1985, an average of 34 percent in 1988, an average of  
11 25 percent in 1991 and an average of 14 percent in 1995, and an average of 9  
12 percent in 1997. As a result of Docket No. R97-1, in 1999 post office box fees  
13 increased in 1999 by an average of 11 percent.

14  
15 Prior to 1981, post office box fees were set according to the revenue  
16 units of the particular post office. Within each of the first two groups various  
17 subgroups were established. Group III fees varied by box size until 1975. In  
18 1981, fees for post office box service were consolidated within Groups I and II  
19 and each group only had one set of fees for each box size.

20  
21 As a result of Docket No. R90-1, Group I fees were split into three  
22 subgroups; IA, IB and IC. The fees for subgroups IA and IB were higher to

---

<sup>51</sup> Box revenue includes caller service and reserve call number revenue.

1 reflect high commercial rents in selected large cities. Most Group I boxes  
2 remained in Subgroup IC.

3

4 As a result of Docket No. MC96-3, fee groups A, B, C, D, and E were  
5 created. Fee Groups A through D apply to all customers who are eligible for  
6 some form of carrier delivery. Fee Group E, for which the fees are \$0 for all box  
7 sizes, applies to customers who are ineligible for carrier delivery. Initially, fee  
8 Groups A through D have been defined similarly to old fee Groups/subgroups IA,  
9 IB, IC, and II, respectively. Fees in Groups A and B for box size 4 increased 15  
10 percent over the IA and IB size 4 fees. As a result of this post office box fee  
11 reclassification, fees in Groups A and B for box size 5 increased 20 percent over  
12 the IA and IB size 5 fees, and fees in Group D increased 50 percent over the  
13 fees in old Group II. In offices which do not provide any form of carrier delivery,  
14 Group D fees apply to customers who are eligible for carrier delivery from some  
15 other office, and Group E fees apply to customers who are ineligible for carrier  
16 delivery.

17

18 In 1975, caller service replaced call-box service. The fees for caller  
19 service decreased 14 percent in 1978, increased 58 percent in 1981, increased  
20 37 percent in 1985, and increased 31 percent in 1988. In 1991, when Group I  
21 split into three subgroups, the caller service fee for subgroup IA increased 32  
22 percent; the caller service fee for subgroup IB increased 26 percent; and the  
23 caller service fee for subgroup IC increased 19 percent over the previous uniform

1 caller service fee. In 1995, the caller service fee increased 11 percent for  
2 subgroup 1A, 12 percent for subgroup IB, and 11 percent for subgroup IC. In  
3 1997, caller service at the Group C fee was extended to Group D. As a result of  
4 Docket No. R97-1, in 1999 a uniform caller service fee was established for all  
5 Groups A, B, C, and D.

6

7           Since it was established in 1975 at an annual fee of \$10, the reserve call  
8 number fee increased 50 percent in 1985, increased 33 percent in 1988, and  
9 increased 25 percent in 1991, and increased 20 percent in 1995. As a result of  
10 Docket No. R97-1, in 1999 the reserve call number fee increased 20 percent.  
11 Detailed fee histories for post office boxes, caller service and reserved numbers  
12 are presented in Library Reference I-124.

13

#### 14           5. Fee Design – Post Office Boxes

15

16           The proposed post office box fees were designed with a consideration  
17 given to attaining an overall cost coverage in the moderate range. The following  
18 rounding constraints were used when determining annual fees: ten dollars in  
19 Group B2, five dollars in Group C3, five dollars in Group C4, and one dollar in  
20 Groups C5, D6 and D7.

21



1           6. Fee Design – Caller Service

2  
3           The proposed annual fee for caller service was designed by applying a  
4 markup over the \$610.94<sup>52</sup> cost. A ten-dollar rounding constraint was applied.

5  
6           7. Fee Design – Reserve Number

7  
8           The proposed fee for reserve number was designed by applying a  
9 markup over the per-piece cost of \$16.98<sup>53</sup>. A ten-dollar rounding constraint was  
10 applied.

11  
12           8. Pricing Criteria – Post Office Boxes

13  
14           a. Post Office Boxes

15  
16           Post office box service, for those individuals having the alternative of  
17 carrier delivery, is a premium service that offers a high value of service (Criterion  
18 2). Along with post office box service comes privacy, convenience, protection,  
19 and, in some cases, a prestigious address.

20  
21           The proposed fee revenue for post office boxes (along with caller service  
22 and reserve numbers) covers the cost of the service and contributes beneficially

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<sup>52</sup> Calculated using cost from USPS-T-29, page 24 with contingency added.

<sup>53</sup> Calculated using cost from USPS-T-29, page 24 with contingency added.

1 to other costs (Criterion 3). This is desirable considering the low cost coverages  
2 from post office boxes in the past. The overall cost coverage is proposed to be  
3 kept fairly low because the fees need to pick up costs from below-cost fee cells  
4 (mainly in Groups D and E).

5

6           The effect of the proposed fees on the various post office box customers  
7 was carefully considered (Criterion 4). The situations where the highest possible  
8 percentage increases are seen (those over 43 percent) represent a little over  
9 one-half of one percent of all boxes. 33 percent of all boxes are proposed to  
10 increase 31 to 43 percent. 15 percent of all boxes are proposed to increase 21  
11 to 30 percent. 17 percent of all boxes are proposed to increase 1 to 20 percent.  
12 Finally, 35 percent of all boxes (including Group E boxes at no fee) are proposed  
13 to decrease or have no change. Table 20-A on the next page details the effects  
14 of the proposed post office box fee changes. While some of these increases are  
15 not small, they do not represent a substantial outlay for most users. As such,  
16 they should not have a substantial impact on most users. Moreover, the  
17 alternative of free carrier delivery is an option.

Table 20-A – Effect of Proposed Post Office Box Fee Increase

		TYBR VOLUME	PERCENTAG E OF GROUP VOLUME	INCREASE OR DECREASE	PERCENTAG E OF TOTAL VOLUME
GROUP A TO GROUP B2	SIZE 1	24,239	25.24%	0%	0.13%
	SIZE 2	667	0.69%	-2%	0.00%
	SIZE 3	659	0.69%	6%	0.00%
	SIZE 4	82	0.09%	13%	0.00%
	SIZE 5	17	0.02%	15%	0.00%
GROUP A TO GROUP C3	SIZE 1	50,532	1.80%	-8%	0.28%
	SIZE 2	1,391	0.05%	-13%	0.01%
	SIZE 3	1,374	0.05%	-6%	0.01%
	SIZE 4	170	0.01%	-1%	0.00%
	SIZE 5	36	0.00%	-4%	0.00%
GROUP B TO GROUP B2	SIZE 1	54,315	56.56%	11%	0.30%
	SIZE 2	10,691	11.13%	10%	0.06%
	SIZE 3	4,683	4.88%	21%	0.03%
	SIZE 4	601	0.63%	25%	0.00%
	SIZE 5	73	0.08%	38%	0.00%
GROUP B TO GROUP C3	SIZE 1	28,074	1.00%	2%	0.16%
	SIZE 2	5,526	0.20%	-2%	0.03%
	SIZE 3	2,420	0.09%	7%	0.01%
	SIZE 4	311	0.01%	10%	0.00%
	SIZE 5	38	0.00%	15%	0.00%
GROUP B TO GROUP C4	SIZE 1	42,579	1.70%	-17%	0.24%
	SIZE 2	8,381	0.33%	-21%	0.05%
	SIZE 3	3,671	0.15%	-14%	0.02%
	SIZE 4	471	0.02%	-8%	0.00%
	SIZE 5	57	0.00%	-2%	0.00%
GROUP C TO GROUP C3	SIZE 1	1,688,233	60.08%	25%	9.38%
	SIZE 2	729,219	25.95%	25%	4.05%
	SIZE 3	237,404	8.45%	32%	1.32%
	SIZE 4	53,180	1.89%	55%	0.30%
	SIZE 5	11,843	0.42%	54%	0.07%

Table 20-A  
(continued)

GROUP C TO GROUP C4	SIZE 1	1,524,344	60.71%	2%	8.47%
	SIZE 2	658,429	26.22%	2%	3.66%
	SIZE 3	214,357	8.54%	5%	1.19%
	SIZE 4	48,018	1.91%	29%	0.27%
	SIZE 5	10,693	0.43%	31%	0.06%
GROUP C TO GROUP C5	SIZE 1	2,762,593	62.07%	-14%	15.35%
	SIZE 2	1,193,281	26.81%	-14%	6.63%
	SIZE 3	388,483	8.73%	-12%	2.16%
	SIZE 4	87,024	1.96%	-10%	0.48%
	SIZE 5	19,380	0.44%	-7%	0.11%
GROUP D TO GROUP D6	SIZE 1	3,994,888	89.76%	43%	22.20%
	SIZE 2	1,712,661	38.48%	33%	9.52%
	SIZE 3	456,001	10.25%	14%	2.53%
	SIZE 4	35,078	0.79%	52%	0.19%
	SIZE 5	2,160	0.05%	73%	0.01%
GROUP D TO GROUP D7	SIZE 1	181,895	4.09%	21%	1.01%
	SIZE 2	77,981	1.75%	8%	0.43%
	SIZE 3	20,763	0.47%	2%	0.12%
	SIZE 4	1,597	0.04%	21%	0.01%
	SIZE 5	98	0.00%	25%	0.00%
GROUP E REMAINING		1,645,182			9.14%

1           There are many available alternatives for post office box service  
2 (Criterion 5). First, for those customers eligible, there is free carrier delivery.  
3 Secondly, there are many Commercial Mail Receiving Agents that typically  
4 charge much higher box service fees than the Postal Service.

5  
6           The proposed fee schedule is simple and promotes identifiable fee  
7 relationships to the greatest extent practical (Criterion 7). Although more fees  
8 have been added, it is important to consider that these fees are based on the  
9 new cost groups and represent more fair and equitable fees (Criterion 1).

10  
11           b. Additional or Replacement Key Fee

12  
13           The ability to get a post office box key replaced is a valuable service  
14 (Criterion 2). Obviously, without direct access to the post office box, customers  
15 would have to request a box clerk to get their mail. This would be an  
16 inconvenience as it could only be done when the post office was open and the  
17 customer would have to provide identification to pick up their mail.

18  
19           The proposed additional or replacement key fee covers the cost of the  
20 service and makes a reasonable contribution to other costs (Criterion 3). The  
21 proposed 142 percent implicit cost coverage<sup>54</sup> is particularly reasonable when  
22 taking into consideration the fact that additional or replacement keys have

---

<sup>54</sup> Calculated using cost from USPS-T-30, page 20 with contingency added.

1 previously been provided free-of-charge. A refundable deposit is collected for  
2 each key provided, and would continue to be collected.

3

4           There are many competitors that provide additional or replacement keys  
5 – many at prices much higher than being proposed (Criterion 5). Also, these  
6 competitors charge higher deposits, so the total cash outlay is even greater.

7

8           The effect of this proposed fee should not present an undue hardship on  
9 the customers (Criterion 4). This fee would only be charged when necessary,  
10 and it is likely that most customers will probably never even be in the situation  
11 where they would ever have to pay this fee.

12

13           The proposed fee is simple (Criterion 7). Based on the aforementioned  
14 criteria, the proposed additional or replacement key fee is fair and equitable  
15 (Criterion 1) as the cost incurred it recovered from those who caused it.

16

#### 17           c. Customer Initiated Post Office Box Lock Change Fee

18

19           The ability to get a post office box lock changed is a highly valuable  
20 service (Criterion 2). There are many different reasons a customer could have  
21 for requesting a lock change. The ability to get this service adds greatly to the  
22 total value of the customer's box service.

23

1           The proposed post office box lock change fee covers the cost of the  
2 service and makes a reasonable contribution to other costs (Criterion 3). The  
3 proposed 143 percent implicit cost coverage<sup>55</sup> is particularly reasonable when  
4 taking into consideration that this highly valuable service has always been  
5 provided free-of-charge.

6  
7           There are many competitors that provide customer initiated post office  
8 box lock changes – many at prices much higher than the proposed fee (Criterion  
9 5). Also, these competitors charge higher deposits, so the total cash outlay is  
10 even greater.

11  
12           The effect of this proposed fee should not present an undue hardship on  
13 the customers (Criterion 4). This fee would only be charged when necessary,  
14 and it is likely that most customers will probably never even be in the situation  
15 where they would ever have to pay this fee.

16  
17           The proposed fee is simple (Criterion 7). Based on the aforementioned  
18 criteria, the customer initiated post office box lock change fee is fair and  
19 equitable (Criterion 1) as the cost incurred is recovered by those who caused it.

20

---

<sup>55</sup> Calculated using cost from USPS-T-30, page 20 with contingency added.

1           9. Pricing Criteria – Caller Service

2

3           Caller service represents a high value of service to its customers

4 (Criterion 2). Caller service customers are able to pick up their mail early in the

5 day to process orders and financial transactions and it provides them a means to

6 receive post office box type service when their volumes are too large or post

7 office boxes are not available. The proposed caller service fee revenue covers

8 the cost of the service and contributes moderately to other costs (Criterion 3).

9 Although 123 percent is not a high cost coverage for this type of service, the

10 proposed fee increase was limited to 36 percent to reduce the adverse impact on

11 caller service customers (Criterion 4).

12

13           Caller service customers have available alternatives (Criterion 5).

14 Commercial Mail Receiving Agents may charge higher fees than the Postal

15 Service for a service comparable to caller service. The proposed fee is simple

16 (Criterion 7), especially since it continues to be uniform nationwide. Based on

17 the aforementioned criteria, the proposed fee for caller service is fair and

18 equitable (Criterion 1).

19

20           10. Pricing Criteria – Reserve Number

21

22           Reserve number is a high value service (Criterion 2). Reserve number

23 customers have the advantage of reserving a number for future use. The



1 number can be useful to know well in advance when planning promotional  
2 mailings. The proposed reserve number fee revenue covers the cost of the  
3 service and contributes substantially to other costs (Criterion 3). A fee decrease,  
4 such as that proposed for reserve numbers, should be welcome by customers,  
5 and obviously should not have any adverse effect (Criterion 4). The proposed  
6 fee is simple (Criterion 7). Based on the aforementioned criteria, the proposed  
7 fee for reserve numbers is fair and equitable (Criterion 1).

8

## 9 11. Classification Criteria

10

### 11 a. Post Office Box Fee Groups

12

13 I am proposing a classification change to name the new post office box  
14 fee groups. The new fee groups are based on the new classification structure  
15 proposed by witness Kaneer<sup>56</sup>. The proposed names are B2, C3, C4, C5, D6, D7.  
16 The letter refers to the old fee group contributing the most boxes to the new  
17 group. The number represents the relative amount of fees, with low numbers  
18 indicating higher fees, and "1" reserved for future use. These names are  
19 desirable in identifying the new fee groups for both the Postal Service and  
20 customers (Criterion 5).

21

---

<sup>56</sup> See USPS-T-40.

1                   b. Additional or Replacement Key Fee

2

3                   I am proposing to establish a classification for an additional or  
4 replacement key fee. Being able to get an additional or replacement post office  
5 box key is a valuable service (Criterion 2). There are many different reasons a  
6 customer could have for requesting an additional or replacement key. The ability  
7 to get this service adds greatly to the total value of their box service.

8

9                   Post office box service (including post office box additional or  
10 replacement keys) is a classification that provides an extremely high degree of  
11 reliability. Post office box service, when compared to carrier delivery from the  
12 same post office, also offers speed of delivery (Criterion 3).

13

14                  Since it is desirable for customers to have an opportunity to obtain extra  
15 keys or have their post office box keys replaced, a special classification for this  
16 service should be desirable from the point of view of the user (Criterion 5). The  
17 additional or replacement key classification is fair and equitable as the cost is  
18 passed on to only those who incur the service (Criterion 1).

19

20                   c. Customer Initiated Post Office Box Lock Change Fee

21

22                  I am proposing a classification change to establish a classification for a  
23 customer initiated post office box lock change fee. Being able to get a post office

1 box lock changed is a highly valuable service (Criterion 2). There are many  
2 different reasons a customer could have for requesting a lock change. The  
3 ability to get this service adds greatly to the total value of their box service.  
4

5 Post office box service (including customer initiated post office box lock  
6 changes) is a classification that provides an extremely high degree of reliability.  
7 Post office box service, when compared to carrier delivery from the same post  
8 office, also offers speed of delivery (Criterion 3).  
9

10 Since it is desirable for customers to have an opportunity to have their  
11 post office box lock changed, a special classification for this service should be  
12 desirable from the point of view of the user (Criterion 5). The customer initiated  
13 post office box lock change classification is fair and equitable as the cost is  
14 passed on to only those who incur the service (Criterion 1).  
15

#### 16 d. Elimination of DMCS Section

17

18 I am proposing to eliminate the DMCS section 921.222, which provides a  
19 limited right for box customers to redirect delivery of mail from some other  
20 address to a box. Such transfers bear a resemblance to forwarding service and  
21 to withholding of delivery during a vacation, although they are treated  
22 operationally as neither. Hence, redirection of mail to a customer's post office  
23 box often depends upon the memory of specific individuals, or recognizing the

1 significance of an ad hoc handwritten note. The net result can easily be delivery  
2 of mail in a fashion contrary to a customer's intent. Section 921.222 can also  
3 conflict with current policy which calls for delivery of mail containing both street  
4 and box addresses to the one that appears directly above the city/state line. This  
5 proposed change is accordingly desirable from the point of view of both  
6 customers and the Postal Service (Criterion 5). Customers will still be able to  
7 have their mail forwarded from one address to another, including a post office  
8 box, based on current forwarding procedures.

9

1           **S. Registered Mail**

2

3

1. Proposal

4

5           I am proposing to increase all registered mail fees. Proposed individual  
6 fee increases range from 21 percent to 36 percent. The incremental fee for  
7 registered mail with postal insurance per value level is proposed to increase 36  
8 percent from 55 cents to 75 cents. The handling charge per \$1,000 in value, or  
9 fraction thereof, for items valued over \$25,000 is also proposed to increase 36  
10 percent from 55 cents to 75 cents. The total proposed percentage increase for  
11 registered mail is 23 percent. The proposed cost coverage for registered mail is  
12 111 percent. Table 21 on the next page lists the current and proposed registered  
13 mail fees and the percentage change from the current to the proposed fees.

14

1

**Table 21 - Registered Mail**

<u>Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change from Current to Proposed Fee</u>
<u>Without Postal Insurance</u>			
\$0	\$6.00	\$7.25	21%
<u>With Postal Insurance</u>			
\$0.01 to \$ 100	\$ 6.20	\$ 7.50	21%
100.01 to 500	\$ 6.75	\$ 8.25	22%
500.01 to 1,000	\$ 7.30	\$ 9.00	23%
1,000.01 to 2,000	\$ 7.85	\$ 9.75	24%
2,000.01 to 3,000	\$ 8.40	\$10.50	25%
3,000.01 to 4,000	\$ 8.95	\$11.25	26%
4,000.01 to 5,000	\$ 9.50	\$12.00	26%
5,000.01 to 6,000	\$10.05	\$12.75	27%
6,000.01 to 7,000	\$10.60	\$13.50	27%
7,000.01 to 8,000	\$11.15	\$14.25	28%
8,000.01 to 9,000	\$11.70	\$15.00	28%
9,000.01 to 10,000	\$12.25	\$15.75	29%
10,000.01 to 11,000	\$12.80	\$16.50	29%
11,000.01 to 12,000	\$13.35	\$17.25	29%
12,000.01 to 13,000	\$13.90	\$18.00	29%
13,000.01 to 14,000	\$14.45	\$18.75	30%
14,000.01 to 15,000	\$15.00	\$19.50	30%
15,000.01 to 16,000	\$15.55	\$20.25	30%
16,000.01 to 17,000	\$16.10	\$21.00	30%
17,000.01 to 18,000	\$16.65	\$21.75	31%
18,000.01 to 19,000	\$17.20	\$22.50	31%
19,000.01 to 20,000	\$17.75	\$23.25	31%
20,000.01 to 21,000	\$18.30	\$24.00	31%
21,000.01 to 22,000	\$18.85	\$24.75	31%
22,000.01 to 23,000	\$19.40	\$25.50	31%
23,000.01 to 24,000	\$19.95	\$26.25	32%
24,000.01 to 25,000	\$20.50	\$27.00	32%
Handling Charges (per \$1,000 in value for items valued over \$25,000)	\$ .55	\$.75	36%

1           2. Description

2

3           Registered mail offers the highest security method of sending valuable

4 articles through the Postal Service. All registered mail is signed for by each and

5 every employee handling this mail throughout the entire acceptance, processing

6 and delivery procedures. Registered mail is processed and kept in more secure

7 sections than other accountable mail and is transported in sealed containers. A

8 mailing receipt is provided to the registered mail customer and a delivery record

9 is kept by the Postal Service.

10

11           Fees for registered mail are based on the declared value of the article.

12 Postal insurance is automatic with any registered mail valued above \$100, but

13 the maximum insured value is \$25,000. For items valued over \$25,000, there is

14 an incremental handling charge per \$1,000 in value up to \$15 million. For items

15 valued above \$15 million, special arrangements are made, and charges are

16 determined on the basis of weight, space, and value of the article. Especially for

17 high value pieces, registered mail shipments may require additional security

18 service, such as armed guards.

19

20           In 1997 uninsured registry mail fees for articles with declared values

21 over \$100 were eliminated. In 1999 the uninsured registry mail value level was

22 reduced from \$100 to \$0 and the minimum value for insured registered mail was

23 increased from \$0 to \$0.01.

1 Collect-On-Delivery (C.O.D.), delivery confirmation and merchandise  
2 return services are available in conjunction with registered mail for an additional  
3 fee. Also, registered mail serves as a prerequisite for return receipt and  
4 restricted delivery services.

5

### 6 3. Volume Trends

7

8 Registered mail volume has declined steadily since Postal  
9 Reorganization, with 1998 having an all-time low volume of 15 million pieces.  
10 Registered mail volume has decreased 59 percent over the past 10 years and 35  
11 percent over the past 5 years. From 1997 to 1998, registered mail volume  
12 decreased 6 percent. A detailed volume history for registered mail is presented  
13 in Library Reference I-117.

14

### 15 4. Revenue Trends

16

17 Since Postal Reorganization, registered mail revenue increased fairly  
18 consistently until leveling off in the mid-1980s and beginning a decline in the  
19 1990s. Registered mail revenue decreased 45 percent over the past 10 years  
20 and 28 percent over the past 5 years. From 1997 to 1998, registered mail  
21 revenue decreased 6 percent. A detailed revenue history for registered mail is  
22 presented in Library Reference I-117.

23



## 5. Fee History

The fees for registered mail have changed nine times since Postal Reorganization, in 1971, 1976, 1978, 1981(a decrease), 1985, 1988, 1991, 1995, and 1999. In 1999, the fees increased 25 percent. A detailed fee history for registered mail is presented in Library Reference I-124.

## 6. Fee Design

The proposed fees for registered mail were developed by marking up the costs with an eye towards arriving at an overall modest cost coverage. The first fee level for registered mail with postal insurance was increased by \$1.30 over the current fee. Each value level was then increased by 75 cents. The fee for registered mail without postal insurance was increased by \$1.25. A five-cent rounding constraint was applied to all of the proposed registered mail fees.

## 7. Pricing Criteria

Registered mail is a very high value special service (Criterion 2). Insurance is included with registered mail (over \$0.01) for up to \$25,000 of the value. Registry service is also available for items valued over \$25,000 (although the insurance maximum is \$25,000). Providing registry service for articles with

1 extremely high values requires strict methods of security, including contracting  
2 out for these services if necessary.

3

4 The proposed fees for registered mail cover the costs of the service and  
5 contribute, in a modest way, to other costs (Criterion 3). The overall proposed  
6 cost coverage is 111 percent. This is a low cost coverage for such a valuable  
7 service, but achieving a higher cost coverage would have required an even more  
8 substantial impact on the users of the service (Criterion 4).

9

10 The proposed fee structure is relatively simple and provides identifiable  
11 fee relationships between the various value levels for registered mail with postal  
12 insurance (Criterion 7). Additionally, the proposed fee for registered mail without  
13 postal insurance is simple and maintains an identifiable relationship with the first  
14 value level proposed fee for registered mail with postal insurance.

15

16 There are many available alternatives to registered mail (Criterion 5).  
17 Postal insurance is an alternative up to \$5,000 in value. Also, other shippers  
18 offer secure delivery service similar to registered mail, not to mention armored  
19 guard services.

20

21 Based on a careful consideration of all the criteria, the proposed  
22 registered mail fees are fair and equitable (Criterion 1). The proposed fees were  
23 marked up as equally as possible, in an effort to apply the fee increase fairly.

**T. Restricted Delivery****1. Proposal**

I am proposing to increase the restricted delivery fee by nine percent, from the current \$2.75 to \$3.20. The proposed cost coverage is 157 percent.

Table 22 presents the current and proposed restricted delivery fee.

**Table 22 - Restricted Delivery**

<b><u>Description</u></b>	<b><u>Current Fee</u></b>	<b><u>Proposed Fee</u></b>	<b><u>Percentage Change from Current to Proposed Fee</u></b>
Restricted Delivery	\$2.75	\$3.20	16%

**2. Description**

Restricted delivery is a special service that allows a sender to direct delivery only to the addressee or the addressee's authorized agent. The addressee must be an individual specified by name.

Restricted delivery can be requested at the time of mailing or after the mailing. If requested after the mailing, the sender is required to pay any additional costs for postage, telegram or telephone expenses incurred in contacting the delivery office. C.O.D., numbered insurance, registered mail or certified mail must be chosen to permit the use of restricted delivery.

### 3. Volume Trends

Since Postal Reorganization restricted delivery volumes have fluctuated frequently while gradually increasing from 1.5 million to 4 million pieces. During the 1970s restricted delivery volume ranged from 1.5 to 2.6 million pieces; during the 1980s volume ranged from 2.5 to 3.8 million pieces; and, during the 1990s volume ranged from 3 to 4 million pieces. Restricted delivery volume increased 9 percent over the past 10 years and 37 percent over the past 5 years. From 1997 to 1998 restricted delivery volume increased 12 percent. A detailed volume history for restricted delivery is presented in Library Reference I-117.

### 4. Revenue Trends

Comparable to its volume, restricted delivery revenue has fluctuated since Postal Reorganization. During the 1970s restricted delivery revenue ranged from \$762 thousand to \$1.9 million; during the 1980s revenue ranged from \$2.2 million to \$7.3 million; and, during the 1990s revenue ranged from \$6.8 million to \$11.2 million. Restricted delivery revenue increased 91 percent over the past 10 years and 51 percent over the past 5 years. From 1997 to 1998, restricted delivery revenue increased 12 percent. A detailed revenue history for restricted delivery is presented in Library Reference I-117.

## 5. Fee History

The restricted delivery fee has increased seven times since Postal Reorganization, in 1976, 1978, 1981, 1985, 1988, 1991, and in 1995. A detailed fee history for restricted delivery is presented in Library Reference I-124.

## 6. Fee Design

The proposed restricted delivery fee was developed with the primary consideration of a cost coverage close to the systemwide average while keeping the fee increase moderate. A ten-cent rounding constraint was applied.

## 7. Pricing Criteria

Restricted delivery provides a high value of service (Criterion 2) to its customers as it is very desirable to be able to obtain delivery to, and a signature from, the addressee or the addressee's agent. Restricted delivery is a significant enhancement to normal delivery. The proposed restricted delivery fee covers the costs of the service and makes a substantial contribution to other costs (Criterion 3), as should be expected from a high value service. The size of the fee increase is not insignificant but it reflects the balancing of the impact on customers with the value of the service (Criterion 4). It is important to bear in mind that the restricted delivery fee has not increased since 1995. Available alternatives to

- 1 restricted delivery would be non-Postal Service and could be rather costly
- 2 (Criterion 5). Based on the aforementioned criteria, the proposed fee for
- 3 restricted delivery is fair and equitable (Criterion 1).

## 1 U. Return Receipts

### 2 3 1. Proposal

4  
5 I am proposing two classification changes to return receipts. One  
6 would extend return receipt for merchandise service to Standard Mail Regular  
7 and Nonprofit parcels. The other would change DMCS references to "duplicate  
8 return receipt" to "evidence of delivery from the delivery record." The Postal  
9 Service is also proposing two fee increases and one fee decrease to the return  
10 receipts fees. The regular return receipt fee is proposed to increase by 20  
11 percent, from \$1.25 to \$1.50. The proposed implicit cost coverage for regular  
12 return receipts is 116 percent. The return receipt for merchandise fee is  
13 proposed to increase 68 percent, from \$1.40 to \$2.35. The proposed return  
14 receipt for merchandise implicit cost coverage is 101 percent. Finally, the return  
15 receipt after mailing fee is proposed to decrease 50 percent, from \$7.00 to \$3.50.  
16 The proposed return receipt after mailing implicit cost coverage is 153 percent.  
17 The overall cost coverage for return receipts is 116 percent. Table 23 presents  
18 the current and proposed return receipt fees.

1

**Table 23 - Return Receipts**

<b><u>Description</u></b>	<b><u>Current Fee</u></b>	<b><u>Proposed Fee</u></b>	<b><u>Percentage Change from Current to Proposed Fee</u></b>
Requested at time of mailing:			
Non-Merchandise	\$1.25	\$1.50	20%
Merchandise (no other special service)	\$1.40	\$2.35	68%
Requested after mailing	\$7.00	\$3.50	(50%)

2

3

4

**2. Description**

5

6

7

8

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14

15

16

Return receipt service is a special service that provides evidence of delivery. The return receipt customer receives the signature of the addressee or the addressee's agent, the delivery date, and the address where the mailpiece was delivered if it differs from the address on the mailpiece. A box is checked on the return receipt to indicate if the delivery address is the same as the address on the mailpiece.

There are three types of return receipt service. The first type is basic return receipt service and is available in conjunction with certified, C.O.D., registered, Express Mail and numbered insurance. The second type is return receipt for merchandise service and is available for use with Priority Mail and



1 Standard Mail (B). No other special service is required when using return receipt  
2 for merchandise service. The third type of return receipt service is a return  
3 receipt after mailing which provides the mailer with the name of the person who  
4 signed for the mailpiece and the date the mailpiece was delivered.

5

6 Return receipts are predominantly used with certified mail. As an  
7 example, in 1998, 97.2 percent of all return receipts were attached to certified  
8 mail, 1.0 percent were attached to registered mail, 1.2 percent were  
9 merchandise, and 0.6 percent were attached to insured mail.

10

### 11 3. Volume Trends

12

13 With the exception of a few years, return receipt volumes have risen  
14 steadily since Postal Reorganization. During the 1970s return receipt volume  
15 ranged from 60 million to 88 million pieces; during the 1980s volume ranged from  
16 99 to 161 million pieces; and during the 1990s volume ranged from 105 million to  
17 262 million pieces. Return receipt volume increased 52 percent over the past 10  
18 years and 25 percent over the past 5 years. From 1997 to 1998, however,  
19 volume decreased nine percent. A detailed volume history for return receipts is  
20 presented in Library Reference I-117.

21

1           4. Revenue Trends

2

3           Return receipt revenue has increased since Postal Reorganization with

4 the exception of four years. During the 1970s return receipt revenue ranged from

5 \$9.6 million to \$38 million; during the 1980s revenue ranged from \$49 million to

6 \$140 million; and, during the 1990s revenue ranged from \$166 million to \$289

7 million. Return receipt revenue increased 104 percent over the past 10 years

8 and 40 percent over the past 5 years. From 1997 to 1998 however, return

9 receipt revenue decreased 10 percent which can be attributed to a volume

10 decrease of approximately the same magnitude during that time period. A

11 detailed revenue history for return receipts is presented in Library Reference I-

12 117.

13

14           5. Fee History

15

16           The fees for return receipts have increased nine times since Postal

17 Reorganization, in 1976 (twice), 1978, 1981, 1985, 1988, 1991, 1995, and 1999.

18 As a result of Docket No. MC96-3, in 1997 the return receipt showing to whom

19 and when delivered was merged with the return receipt showing to whom, when,

20 and address where delivered, for the same fee as the return receipt showing to

21 whom and when delivered. As a result of Docket No. R97-1, in 1999 the return

22 receipt fees increased 14 percent. A detailed fee history for return receipts is

23 presented in Library Reference I-124.

## 6. Fee Design

The proposed fee for a basic return receipt was developed by increasing the per piece cost of \$1.29<sup>57</sup> by 21 cents to arrive at a fee that produces a modest implicit cost coverage. A five-cent rounding constraint was applied. The proposed fee for a return receipt for merchandise was developed by increasing the per piece cost of \$2.33<sup>58</sup> to the nearest five-cent increment to mitigate, to the greatest extent possible, the effect of the fee increase. The proposed fee for a return receipt after mailing was developed by increasing the per piece cost of \$2.29<sup>59</sup> by \$1.21 to arrive at a fee that produces a cost coverage close to the systemwide average. A five-cent rounding constraint was applied.

## 7. Pricing Criteria

Return receipts are potentially a high value service, but some problems with the quality of service imply a lower cost coverage (Criterion 2). Return receipt service provides an important function in providing the mailer with delivery information plus the original signature. Although the total return receipt service cost coverage of 116 percent is low, the proposed fees cover the costs of the service and contribute modestly to other costs (Criterion 3).

---

<sup>57</sup> Calculated using cost from USPS-T-30, page 14 with contingency added.

<sup>58</sup> Calculated using cost from USPS-T-30, page 14 with contingency added.

<sup>59</sup> Calculated using cost from USPS-T-30, page 14 with contingency added.

1           The effect of the individual fee increases on the users of the service was  
2 considered (Criterion 4). The basic fee increase of 20 percent should not be  
3 detrimental when considered the relatively low past increases. The return receipt  
4 for merchandise increase of 68 percent, although quite high, should still not have  
5 too adverse an impact when taking into account two factors. First, there is an  
6 alternative of lower-priced Delivery Confirmation (when applicable) and, second,  
7 if using return receipt for merchandise, no other special service needs to be  
8 purchased. The proposal to reduce the return receipt after mailing fee by 50  
9 percent should be welcome by users of this service, providing a cost effective  
10 option for mailers who do not need a signature for every accountable mailpiece  
11 they send.

12

13           The proposed return receipt fee schedule is simple, and there is an  
14 identifiable relationship between the basic return receipt and the return receipt  
15 after mailing proposed fees (Criterion 7). Based on the aforementioned criteria,  
16 the proposed fees for return receipt service are fair and equitable (Criterion 1).

17

## 18           8. Classification Criteria

19

20           I am proposing to extend return receipt for merchandise service to  
21 Standard Mail Regular and Nonprofit parcels that pay the residual shape  
22 surcharge. The intent is to meet the needs of more Standard Mail parcel mailers  
23 for return receipt for merchandise service. An unintended consequence of the

1 elimination of Standard Mail (A) Single Piece was the loss of access to return  
2 receipt for merchandise service for Standard Mail (A) parcels. Mailers, as well as  
3 the Postal Service, would find restoring this service to Standard Mail Regular and  
4 Nonprofit parcels desirable (Criterion 5). Based on the aforementioned reasons,  
5 the proposed classification change to extend return receipt for merchandise to  
6 Standard Mail Regular and Nonprofit parcels is fair and equitable (Criterion 1).

7

8           The Postal Service also proposes to change the language in DMCS  
9 Section 945.25 from "duplicate return receipt" to "evidence of delivery from the  
10 delivery record." The new language more accurately describes what the Postal  
11 Service provides to customers if they do not receive a requested return receipt.  
12 They do not receive a duplicate of the actual return receipt card, but do receive  
13 comparable evidence of delivery from the delivery record.

1           **V. Shipper Paid Forwarding**

2  
3           1. Proposal

4  
5           I am proposing two classification changes to shipper paid forwarding  
6 service. The proposed classification change is to establish an annual accounting  
7 fee similar to the advance deposit account accounting fee for Business Reply  
8 Mail. The second classification change is to add the availability of Parcel Post  
9 rates for shipper paid forwarding service. This change reflects the Postal Service  
10 proposal to make Parcel Post rates available for parcels weighing less than one  
11 pound. Table 24 below presents the proposed accounting fee for shipper paid  
12 forwarding service.

13  
14           **Table 24 – Shipper Paid Forwarding Service Accounting Fee**

<b><u>Description</u></b>	<b><u>Current Fee</u></b>	<b><u>Proposed Fee</u></b>	<b><u>Percentage Change From Current to Proposed Fee</u></b>
Accounting Fee	N/A	\$375.00	N/A

15  
16           2. Description

17  
18           Shipper paid forwarding (SPF) operates in conjunction with the address  
19 change service and is available only to participating mailers. SPF allows mailers  
20 of Standard Mail (A) and most Standard Mail (B) machinable parcels to obtain  
21 forwarding services for up to one year from the date that the recipient filed a

1 change of address. For Standard Mail (A), the service provides the mailer with  
2 the option of paying forwarding postage at the single-piece First-Class or Priority  
3 Mail rate as applicable for the weight of the piece. For Standard Mail (B), the  
4 mailer pays forwarding postage at the single-piece rate as applicable for the  
5 weight.

6

### 7 3. Fee Design

8

9 The proposed shipper paid forwarding service annual advance deposit  
10 account fee was designed by marking up the BRM accounting fee cost of  
11 \$323.06<sup>60</sup> to produce a modest cost coverage. The BRM accounting fee cost  
12 was used as a proxy. A five-dollar rounding constraint was applied.

13

### 14 4. Pricing Criteria

15

16 The proposed shipper paid forwarding service annual advance deposit  
17 account fee bears account maintenance cost and contributes modestly to  
18 covering other costs (Criterion 3). Having a uniform advance deposit account fee  
19 for the applicable special services (BPRS, BRM, merchandise return and shipper  
20 paid forwarding service) promotes not only simplicity of the entire special  
21 services fee schedule, but also promotes simple, identifiable relationships  
22 between the special services fees (Criterion 7). The effect of the new fee was  
23 considered carefully and was mitigated by using a relatively low cost coverage

1 (Criterion 4). Based on a full consideration of the criteria, the proposed shipper  
2 paid forwarding service annual advance deposit account fee is fair and equitable

3 (Criterion 1).

4

#### 5 5. Classification Criteria

6

7 I am proposing a classification change to create an annual advance  
8 deposit account fee classification for shipper paid forwarding service, similar to  
9 the accounting fee classification for BRM. Like BRM recipients, shipper paid  
10 forwarding recipients have the postage and fees for returned parcels  
11 automatically deducted from their accounts. Maintaining the advance deposit  
12 account entails certain costs that are not directly related to the number of pieces  
13 returned and these costs can be appropriately recovered in an annual fee. The  
14 overall shipper paid forwarding classification meets the needs of mailers and is  
15 desirable from the point of view of both the Postal Service and these mailers  
16 (Criterion 5). Since maintaining the advance deposit account is integral to  
17 shipper paid forwarding, Criterion 5 applied to the accounting fee classification as  
18 well. Also, fairness and equity (Criterion 1) is served by treating all services that  
19 involve an advance deposit account similarly in the use of an annual fee to  
20 recover the costs of maintaining the account.

---

<sup>60</sup> Calculated using cost from USPS-T-29 page 21 with contingency added.



1 **W. Signature Confirmation**

2

3 1. Proposal

4

5 I am proposing one classification change and one fee change for  
6 Signature Confirmation. The proposed classification change is to establish a  
7 specific classification and fee schedule for Signature Confirmation, as it is  
8 currently part of the return receipt classification and fee schedule. The proposed  
9 fee of \$1.25 for Priority Mail Signature Confirmation and Standard Mail (B)  
10 electronic Signature Confirmation is proposed to remain the same as the current  
11 return receipt fee, with a proposed implicit cost coverage of 120 percent for  
12 Priority Mail electronic and 103 percent for Standard Mail (B) electronic. The  
13 current fee of \$1.25 for Priority Mail Signature Confirmation and Standard Mail  
14 (B) manual Signature Confirmation is proposed to increase 40% from the current  
15 return receipt fee, to \$1.75. The proposed implicit cost coverages are 125  
16 percent for Priority Mail manual and 111 percent for Standard Mail (B) manual.  
17 The overall cost coverage for Signature Confirmation is 122 percent. Table 25  
18 presents the current and proposed Signature Confirmation fees.

19

1

**Table 25 – Signature Confirmation**

<b><u>Description</u></b>	<b><u>Current Return Receipt Fee</u></b>	<b><u>Proposed Fee</u></b>	<b><u>Percentage Change from Current to Proposed Fee</u></b>
<b>Priority Mail electronic</b>	<b>\$1.25</b>	<b>\$1.25</b>	<b>0%</b>
<b>Priority Mail manual</b>	<b>\$1.25</b>	<b>\$1.75</b>	<b>40%</b>
<b>Standard Mail (B) electronic</b>	<b>\$1.25</b>	<b>\$1.25</b>	<b>0%</b>
<b>Standard Mail (B) manual</b>	<b>\$1.25</b>	<b>\$1.75</b>	<b>40%</b>

2

3

## 2. Description

4

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15

As proposed, Signature Confirmation will capture and provide access to both the electronic Delivery Confirmation data and an image of recipient signatures. Signature Confirmation will be available only at the time of mailing for Priority Mail or Standard Mail (B), and will be offered electronically or as a manual (retail) service. When using the manual service the customer will receive a receipt with the Signature Confirmation number that will allow them to access the delivery information from either the call center or the Internet. Manual Delivery Confirmation is geared towards individual customers.

Electronic Signature Confirmation, on the other hand, will be geared towards high volume mailers who will apply their own barcodes and provide

1 electronic manifests of their Signature Confirmation pieces at the time of mailing.  
2 Signature Confirmation electronic customers will receive delivery information  
3 through a data file or the Internet. Unlike the Delivery Confirmation service, both  
4 manual and electronic customers will have the option of using a call center to  
5 request a hard copy of the signature. The hard copies will be generated from the  
6 central database and will be able to be received via facsimile or First-Class letter  
7 mail.

### 9 3. Fee Design

11 The proposed fees for Priority Mail and Standard Mail (B) electronic  
12 Signature Confirmation were originally developed by taking the per piece cost of  
13 \$1.21<sup>61</sup> (including the Delivery Confirmation base cost) and marking it up four  
14 cents. With the Delivery Confirmation base cost removed from the Priority Mail  
15 electronic cost an implicit cost coverage of 120 percent is produced. In the  
16 interest of fee simplicity (as discussed in the following section) since both Priority  
17 Mail and Standard Mail (B) electronic Signature Confirmation have matching total  
18 costs, the same fee was designed for both.

19  
20 The proposed fees for Priority Mail manual Signature Confirmation and  
21 Standard Mail (B) manual Signature Confirmation involve a similar situation.  
22 Originally the fees were designed by marking up the total per piece cost of

---

<sup>61</sup> Calculated using cost from USPS-T-30, page 11 with contingency added.

1 \$1.57<sup>62</sup> by 18 cents. With the Delivery Confirmation base cost removed from the  
2 Priority Mail manual cost an implicit cost coverage of 125 percent is produced. In  
3 the interest of fee simplicity (as discussed in the following section) since both  
4 Priority Mail Signature Confirmation and Standard Mail (B) manual Signature  
5 Confirmation have matching total costs, the same fee was designed for both.

6

#### 7 4. Pricing Criteria

8

9 The proposed fees for Signature Confirmation cover the costs of the  
10 service and contribute modestly to other costs in the form of a total cost coverage  
11 of 122 percent (Criterion 3). The effect of the proposed fee increase of the  
12 Signature Confirmation manual fees, although 40 percent, should not represent  
13 any undue hardship on the users of the service (Criterion 4). This is particularly  
14 true when considering that Signature Confirmation will still be less expensive  
15 than an alternative of another special service, such as certified mail with a return  
16 receipt (Criterion 5). The proposed fees for Signature Confirmation are simple  
17 and represent identifiable fee relationships (Criterion 7). Based on the  
18 aforementioned criteria, the proposed Signature Confirmation fees are fair and  
19 equitable (Criterion 1).

20

---

<sup>62</sup> Calculated using cost from USPS-T-30, page 11 with contingency added.

1           5. Classification Criteria

2

3           The Postal Service is proposing a classification change to establish a  
4 separate classification for Signature Confirmation. Currently, Signature  
5 Confirmation would be provided as a form of return receipt service, with Delivery  
6 Confirmation service as a prerequisite. I propose to eliminate that classification,  
7 and instead propose Signature Confirmation using classification and Fee  
8 Schedule 949. Signature Confirmation is moreover proposed to include delivery  
9 confirmation, rather than have Delivery Confirmation as a prerequisite. Since  
10 Signature Confirmation, when implemented, will be its own service, it is fair and  
11 equitable to have a separate classification (Criterion 1). As shown in Library  
12 Reference I-168, WP-25, the Postal Service expects significant volume for  
13 Signature Confirmation providing additional support for a separate classification.  
14 Providing a separate classification for Signature Confirmation is in keeping with  
15 the objective of providing classifications with high degrees of reliability as the  
16 Postal Service expects Signature Confirmation to become (Criterion 3). It is  
17 desirable from the views of both the Postal Service and potential Signature  
18 Confirmation customers to have this service as a special classification (Criterion  
19 5). The enhancement of Signature Confirmation to the parcel product lines is  
20 valuable to the Postal Service in meeting the needs of its parcel customers.

21

1           **X. Special Handling**  
2

3           1. Proposal  
4

5           I am proposing to maintain the current special handling fees of \$5.40 for  
6 up to 10 pounds and \$7.50 for over 10 pounds. Based on CRA costs, the  
7 proposed cost coverage is 9 percent. However, as discussed by witness Daniel,  
8 the CRA costs may overstate special handling costs. The Postal Service has not  
9 been able to gather data for a special handling special cost study. (USPS-T-28,  
10 pp. 30-31) Therefore, in light of the Commission's analysis in Docket No. R97-1,  
11 the Postal Service will not seek any change to the current special handling fees  
12 since no new study was completed. Table 26 below presents the current and  
13 proposed special handling fees.  
14

15   **Table 26 - Special Handling**

<b><u>Description</u></b>	<b><u>Current Fee</u></b>	<b><u>Proposed Fee</u></b>	<b><u>Percentage Change From Current to Proposed Fee</u></b>
Up to 10 pounds	\$5.40	\$5.40	0%
Over 10 pounds	\$7.50	\$7.50	0%

16  
17           2. Description  
18

19           Special handling is provides expedited handling during processing and  
20 transportation. It is required for Standard Mail (B) subclasses containing live

1 poultry, crickets, honey bees, and similar items. Special handling fees are based  
2 upon the weight of the article.

3  
4 Special handling is available for use with First-Class Mail, Priority Mail  
5 and Standard Mail (B). C.O.D., insurance and return receipt for merchandise  
6 may be used in conjunction with special handling.

### 7 8 3. Volume Trends

9  
10 Since Postal Reorganization special handling volume has plummeted  
11 from a 1970 volume of 15 million pieces, compared to a 1998 volume of 39  
12 thousand pieces. Special handling volume remained fairly consistent throughout  
13 the 1970s, ranging between 13 to 15 million pieces annually. From 1978 to 1986  
14 volume declined sharply, averaging 2 to 3 million pieces annually. From 1987 to  
15 the present, annual volume has continued to decline, remaining well below one  
16 million pieces. Special handling volume decreased 95 percent over the past 10  
17 years and 91 percent over the past 5 years. From 1997 to 1998 (the year with  
18 the lowest volume ever), special handling volume decreased 65 percent. A  
19 detailed volume history for special handling is presented in Library Reference  
20 I-117.

21

#### 4. Revenue Trends

Special handling revenue has declined significantly since Postal Reorganization as a result of the substantially decreasing volume. Throughout the 1970s and 1980s, annual special handling revenue averaged approximately \$5 million and \$2 million, respectively. Since 1990, annual special handling revenue only barely reached \$1 million in two different years. Over the past 10 years, revenue decreased 81 percent and over the past 5 years, revenue decreased 76 percent. From 1997 to 1998 (the lowest revenue year ever), revenue decreased 70 percent. A detailed revenue history for special handling is presented in Library Reference I-117.

#### 5. Fee History

The fees for special handling have increased eight times since Postal Reorganization, in 1976 (twice), 1978, 1981, 1985, 1988, 1991, and 1995. In Docket No. 97-1 the Commission declined to recommend raising Special Handling fees despite CRA costs that far exceeded revenues.<sup>63</sup> A detailed fee history for special handling is presented in Library Reference I-124.

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<sup>63</sup> PRC op., R97-1, Vol. 1 at 592.



1 **Y. Stamped Cards**

2  
3 1. Proposal

4  
5 I am proposing to increase the stamped card fee from one cent to two  
6 cents per card, resulting in a 100 percent increase. The proposed cost coverage  
7 for all stamped cards - single cards, double reply cards and sheets of 40 cards is  
8 139 percent. Table 27 below presents the current and proposed fees for  
9 stamped cards.

10  
11 **Table 27 - Stamped Cards**

<b><u>Description</u></b>	<b><u>Current Fee</u></b>	<b><u>Proposed Fee</u></b>	<b><u>Percentage Change from Current to Proposed Fee</u></b>
Stamped Card	\$0.01	\$0.02	100%
Double Stamped Card	\$0.02	\$0.04	100%
Sheet of 40 Stamped Cards	\$0.40	\$0.80	100%

12  
13  
14 2. Description

15  
16 Stamped cards are postcards available at postal retail units for the price  
17 of a First-Class postcard rate, currently 20 cents, plus the stamped card fee,  
18 currently one cent. The postage is pre-affixed to the card, so the mailer does not  
19 have to purchase a stamp separately from the postcard.

1 Both individuals and businesses use stamped cards. Individual users  
2 find stamped cards provide stationery for quick and easy correspondence. After  
3 purchase of a stamped card, an individual can prepare the correspondence and  
4 immediately enter the stamped card for mailing, if purchased from a postal facility  
5 providing collection. Businesses use stamped cards for many activities such as  
6 advertisements, service reminders, and billing. When used in bulk, stamped  
7 cards serve as an economical means of business mailings as the labor-intensive  
8 procedure of postage affixation is avoided.

9

10 Stamped cards are available in single units for 21 cents. Double  
11 stamped cards, with one card for mailing and another card with postage affixed  
12 to be returned to the mailer, are available for 42 cents. Also, sheets of 40 postal  
13 cards can be purchased for \$8.40.

14

### 15 3. Fee Design

16

17 The two-cent per piece proposed stamped card fee was designed by  
18 marking up the cost. The \$0.014<sup>64</sup> per piece cost was rounded up to the nearest  
19 whole cent.

20

---

<sup>64</sup> Calculated using cost from USPS-T-29, page 31 with contingency added.

1           4. Pricing Criteria

2

3           The proposed fee for stamped cards covers the cost of the service and  
4 makes a moderate contribution to other costs (Criterion 3). There is a high value  
5 of service for stamped card customers (Criterion 2) as they can purchase their  
6 stationery and postage at the same time. For business customers this means a  
7 labor cost savings in not having to affix postage. Since the proposed fee  
8 increase is as small as is possible, the real effect on users of stamped cards  
9 should not be detrimental (Criterion 4). Based on the aforementioned criteria the  
10 proposed fee is fair and equitable (Criterion 1).

11

## **Z. Stamped Envelopes**

### **1. Proposal**

I am proposing to increase the fees for all categories of stamped envelopes. Bulk printed 6  $\frac{3}{4}$  inch envelopes are proposed to increase by 21 percent to \$17.00 with a resulting implicit cost coverage of 117 percent. Bulk printed 10 inch envelopes are proposed to increase by 33 percent to \$20.00 with a resulting implicit cost coverage of 125 percent. Bulk printed "special" envelopes (see proposed classification change below) are proposed to be increased by 32 percent to \$25.00 resulting in a 118 percent implicit cost coverage. The Postal Service also proposes to increase the printed household 6  $\frac{3}{4}$  inch and 10 inch category fees to \$3.50, representing 17 percent and 8 percent fee increases respectively over the current fees. The resulting implicit cost coverages are 149 percent for 6  $\frac{3}{4}$  inch envelopes and 141 percent for 10 inch envelopes. The fee for "special" printed household envelopes is proposed to increase by 29 percent to \$4.50, with a resulting implicit cost coverage of 149 percent. The bulk fee for plain 6  $\frac{3}{4}$  inch envelopes is proposed to increase by 41 percent to \$12.00. The proposed implicit cost coverage is 113 percent. The bulk fee for plain 10 inch envelopes is proposed to be increased by 22 percent to \$14.00, with a proposed implicit cost coverage of 119 percent. The fee for a single envelope is proposed to increase by 14 percent to 8 cents, resulting in a 114 percent implicit cost coverage. The fee for a single "special" envelope is

1 proposed to increase by 13 percent to 9 cents with a proposed implicit cost  
2 coverage of 110 percent. Finally, the bulk fee for "special" plain envelopes is  
3 proposed to be increased by 23 percent to \$19.00. The proposed implicit cost  
4 coverage is 112 percent. The above cost coverages were calculated using costs  
5 from witness Campbell (USPS-T-29) plus an added contingency. The costs used  
6 were the highest available in the given ranges. Table 28 presents the current  
7 fees, the proposed fees and the fee percentage changes for stamped envelopes.

8

9 I am proposing three classification changes to the stamped envelope  
10 special service. The first classification change is to merge the printed household  
11 6 ¾ and 10 inch categories into one printed household (basic) category. Second,  
12 the Postal Service proposes to eliminate the banded categories for 6 ¾ inch and  
13 10 inch envelopes, as these envelopes are sold only at the single envelope price.  
14 Finally, a classification change is proposed to expand the hologram category to  
15 include all envelopes that have a patched in stamp and to name the expanded  
16 category "special" stamped envelopes. All of these envelopes are more costly  
17 than the basic envelopes. This change would apply to all the bulk printed and  
18 plain, household, and single sale envelope categories. Since the Docket No.  
19 R97-1 rates and fees were implemented, the Stamped Envelope Agency  
20 discontinued manufacturing the hologram stamped envelopes because the  
21 patched in stamps for both the hologram and the environmental envelopes were  
22 not recyclable. Further, there are no current plans to manufacture new hologram  
23 or environmental stamped envelopes until the stamps can be made to be

1 recyclable. I am requesting that the provision for patched in stamps be included  
 2 in the special designation in the event that future envelopes with patched in  
 3 stamps are manufactured.

4  
 5 **Table 28 - Stamped Envelopes\***  
 6

<u>Current Description</u>	<u>Proposed Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change from Current to Proposed Fee</u>
Single Sale: Basic Hologram	Single Sale: Basic <b>Special</b>	.07 .08	.08 .09	14% 13%
Printed Household: 6 ¾ Basic (50) 10 Basic (50) Hologram (50)	Printed Household: 6 ¾ Basic (50) 10 Basic (50) <b>Special (50)</b>	3.00 3.25 3.50	3.50 3.50 4.50	17% 8% 29%
Plain 6 ¾: Banded (500)	N/A	9.50	N/A	N/A
Plain 10: Banded (500)	N/A	12.00	N/A	N/A
Plain 6 ¾: Basic (500)	Plain 6 ¾ Basic (500)	8.50	12.00	41%
Plain 10 Basic (500)	Plain 10 Basic (500)	11.50	14.00	22%
Plain 10 Hologram (500)	<b>Plain 10 Special (500)</b>	15.50	19.00	23%
Printed 6 ¾: Basic (500)	Printed 6 ¾ Basic (500)	14.00	17.00	21%
Printed 10 Basic (500)	Printed 10 Basic (500)	15.00	20.00	33%
Printed 10 Hologram (500)	<b>Printed 10 Special (500)</b>	19.00	25.00	32%

\*Basic envelopes include regular, window, pre-canceled regular, and pre-canceled window. The special envelopes are those with patched in stamps.

7  
 8 **2. Description**

9  
 10 Stamped envelopes are available to customers as a convenience and  
 11 may be purchased individually at windows or ordered in box lots. Box lots of 50  
 12 (household) and 500 (bulk) are available. Stamped envelopes come in a variety

1 of pre-affixed postage amounts for use by both individual and business  
2 customers.

3

4           Sizes for stamped envelopes are six and three-quarters, nine, and ten  
5 inches in length. Window and pre-cancelled envelopes are available. For an  
6 additional fee, stamped envelopes can be pre-printed with a return address, title,  
7 company name, telephone number or advertising slogan.

8

9           As a result of Docket No. R97-1, many of the stamped envelopes  
10 categories were consolidated to simplify the fee structure. The printed and plain  
11 bulk categories for both 6 ¾ inch and 10 inch envelopes were merged into four  
12 categories to include all applicable regular, window, precancelled regular and  
13 precancelled window bulk envelopes. Window and regular household 6 ¾ inch  
14 and 10 inch classifications were combined into two household categories. A  
15 special classification was created for hologram stamped envelopes.

16

### 17           3. Volume Trends

18

19           During the 1970s stamped envelope volume averaged from 1 to 1.5  
20 billion envelopes annually. It must be noted that prior to 1979 the envelope  
21 volumes reflected the number of envelopes manufactured and since 1979 the  
22 envelope volumes reflect the number of envelopes sold. Therefore, the pre-1979  
23 reported volumes are presumably inflated since there are always more

1 envelopes manufactured than sold. Stamped envelope volume has declined  
2 considerably over the past 28 years from a reported high volume of 1.5 billion  
3 envelopes manufactured in 1971 to an all-time low of 456 million envelopes sold  
4 in 1998. The stamped envelope volume loss continues to be attributed mainly to  
5 the increased usage of discounted postage rates, most of which are not  
6 denominationally reflected on stamped envelopes.

7

8 Stamped envelope volume decreased 44 percent over the past 10 years  
9 and 35 percent over the past 5 years. From 1997 to 1998, stamped envelope  
10 volume decreased 6 percent. A detailed volume history for stamped envelopes  
11 is presented in Library Reference I-117.

12

#### 13 4. Revenue Trends

14

15 Absent the exceptionally high reported revenue from 1991 to 1994,  
16 stamped envelope revenue has remained fairly consistent since Postal  
17 Reorganization. Stamped envelope revenue decreased 35 percent over the past  
18 10 years and 46 percent over the past 5 years. From 1997 to 1998, stamped  
19 envelope revenue decreased 5 percent. A detailed revenue history for stamped  
20 envelopes is presented in Library Reference I-117.

21



## 5. Fee History

The fees for stamped envelopes have changed seven times since Postal Reorganization. In 1978, the fees increased, on average, 35 percent; in 1981, the fees increased, on average, 31 percent; in 1985, the fees increased, on average, 21 percent; in 1988, the fees increased, on average, 8 percent; in 1991, the fees increased, on average, 11 percent; and, in 1995 the fees increased, on average, 12 percent. As a result of Docket No. R97-1, the stamped envelope fees decreased, on average, 1 percent. A detailed fee history for stamped envelopes is presented in Library Reference I-124.

## 6. Fee Design

The proposed stamped envelope fees were developed with a consideration of attaining a moderate total cost coverage. The single sale basic envelope cost was increased one cent. The single sale special envelope cost was also increased one cent. Penny rounding constraints were applied to the single envelope pricing. The household 6 ¾ inch box lot cost was increased \$1.15 and the household 10 inch box lot cost was increased \$1.02 to arrive at the same proposed fee for both categories. A 50-cent rounding constraint was applied. The household special box lot cost was increased \$1.47 to arrive at the proposed fee. A 50-cent rounding constraint was also used in designing this proposed fee.

1           The bulk plain 6 ¾ inch box lot cost was increased \$1.42 to arrive at the  
2 proposed fee, using a one-dollar rounding constraint. The bulk plain 10 inch box  
3 lot cost was increased \$2.19 to arrive at the proposed fee, also using a one-  
4 dollar rounding constraint. The bulk plain special 10 inch box lot cost was  
5 increased \$1.98 to arrive at the proposed fee, also using a one-dollar rounding  
6 constraint.

7

8           The bulk printed 6 ¾ inch box lot cost was increased \$2.56 to arrive at  
9 the proposed fee, using a one-dollar rounding constraint. The bulk printed 10  
10 inch box lot cost was increased \$4.06 to arrive at the proposed fee, also using a  
11 one-dollar rounding constraint. The bulk printed special 10 inch box lot cost was  
12 increased \$3.78 to arrive at the proposed fee, also using a one-dollar rounding  
13 constraint.

14

## 15           7. Pricing Criteria

16

17           Stamped envelopes provide a relatively high value of service to  
18 customers (Criterion 2). They are convenient to use and, like stamped cards,  
19 provide the postage and stationery in one purchase. Single sale stamped  
20 envelopes are especially handy when just one or two envelopes are necessary  
21 and buying a box of envelopes is not needed, particularly if there are boxes of  
22 envelopes at home.

23

1           The proposed fees for stamped envelopes cover the individual costs for  
2 each category and provide a moderate cost coverage as a whole (Criterion 3).  
3 Given the fact that currently many of the stamped envelope fees fall short of  
4 covering their costs, it is necessary to recover the costs and desirable to make a  
5 marked contribution to other costs.

6  
7           There are many alternatives to stamped envelopes – namely the  
8 purchase of envelopes and postage separately (Criterion 5). The effect of the  
9 proposed fee increase should not prove to be burdensome to stamped envelope  
10 customers, particularly when considering stamped envelope fees only increased  
11 by an average of one percent as a result of Docket No. R97-1 (Criterion 4).

12  
13           The proposed fee structure continues to promote fee simplicity (Criterion  
14 7) by merging more categories together when costs are close. The proposed fee  
15 structure also takes into account the identifiable relationships between the  
16 related categories. Based on the aforementioned criteria, the proposed fee  
17 structure for stamped envelopes is fair and equitable (Criterion 1).

## 18 19           8. Classification Criteria

20  
21           The first proposed classification change discussed in this section is the  
22 proposal to expand the hologram category and to name it “special.” During  
23 Docket No. R97-1 the Postal Service proposed, and the Commission

1 recommended, higher than the basic fees for hologram envelopes since these  
2 envelopes were quantifiably costlier than the basic envelopes. The request to  
3 expand the hologram classification and to name it "special" is maintaining the fair  
4 and equitable classification for costlier than basic stamped envelopes established  
5 as a result of Docket No. R97-1 (Criterion 1).

6

7           The "special" stamped envelopes provide value to those users desiring a  
8 specific stamp that may present a fancier appearance in addition to the generic  
9 convenience of a stamped envelope (Criterion 2). Also, the justification for a  
10 special classification for stamped envelopes is the same as that for the existing  
11 hologram classification (Criterion 2).

12

13           The requested name change accurately describes the actual envelopes  
14 in the classification. Therefore, the proposed "special" classification is consistent  
15 with the importance of providing a special classification of a mail service that  
16 does not require an extremely high degree of reliability and speed of delivery  
17 (Criterion 4).

18

19           The second proposed classification change is to eliminate the banded 6  
20  $\frac{3}{4}$  inch and 10 inch categories. There is no need for this category because no  
21 banded stamped envelopes are sold in box lots – they are only sold out of  
22 vending machines at the single sale fee. Therefore, this change is fair and  
23 equitable (Criterion 1).

1           The third proposed classification change is to merge the printed  
2 household 6 ¾ inch and 10 inch categories into one printed household category.  
3 Since the costs for the two current categories are close, the establishment of a  
4 combined category is fair and equitable (Criterion 1). Household envelopes  
5 provide a high value of service to customers not needing large box lots (Criterion  
6 2). It is desirable from both the point of view of both the customer and the Postal  
7 Service to have a household category for stamped envelopes (Criterion 5). The  
8 proposed combined category fee should also be easier for customers to  
9 understand as they can select any type of non-special household envelope box  
10 lot and pay one price.

1       **AA. ZIP Coding of Mailing Lists**

2  
3       1. Proposal

4  
5               I am proposing to increase the current \$70 ZIP Coding of mailing lists  
6 special service fee four percent to \$73. The proposed cost coverage is 103  
7 percent. Table 29 below presents the current and proposed fee for ZIP Coding  
8 of mailing lists.

9  
10                               **Table 29 - ZIP Coding of Mailing Lists**

<b><u>Description</u></b>	<b><u>Current Fee</u></b>	<b><u>Proposed Fee</u></b>	<b><u>Percentage Change from Current to Proposed Fee</u></b>
Per thousand addresses	\$70.00	\$73.00	4%

11  
12       2. Description

13  
14               ZIP Coding of mailing lists is a special service that sorts mailing list  
15 address cards by ZIP Code. Mailers supply individual address cards coded for  
16 single 5-digit ZIP Code post offices. For multiple 5-digit ZIP Code post offices,  
17 the Postal Service sorts the cards to 5-digit ZIP Codes, bundling the cards for  
18 each ZIP Code. One fee is charged per mailing list.

### 3. Revenue Trends

The revenue for ZIP Coding of mailing lists (combined with the revenue for correction of mailing lists) rose fairly steadily from 1980 to the mid-1990's before experiencing a sharp decline over the last few years. The lowest recorded revenue of \$343 thousand occurred in 1998 and was almost \$3 million less than the highest recorded revenue of \$3.3 million in 1993. Over the past 10 years, revenue decreased 85 percent, and over the past 5 years revenue decreased 90 percent. From 1997 to 1998, revenue decreased one percent. A detailed revenue history for ZIP Coding of mailing lists and correction of mailing lists is presented in Library Reference I-117.

### 4. Fee History

The fee for ZIP Coding of mailing lists has increased seven times since Postal Reorganization. In 1978, the fee increased from its original fee of \$1.50 to \$23.00, representing a 1,433 percent increase. In 1981, the fee increased 43 percent; in 1985, the fee increased 9 percent; in 1988, the fee increased 17 percent; in 1991, the fee increased 29 percent; and, in 1995, the fee increased 11 percent. As a result of Docket No. R97-1, the fee increased 17 percent. A detailed fee history for ZIP Coding of mailing lists is presented in Library Reference I-124.

1           5. Fee Design

2

3           The proposed fee for ZIP Coding of mailing lists was designed by taking  
4 the cost per thousand addresses<sup>65</sup> plus contingency and applying a small  
5 markup. A one-dollar rounding constraint was applied.

6

7           6. Pricing Criteria

8

9           The major consideration in developing the fee for address changes for  
10 election boards was marking up the cost of the service to cover the costs and  
11 contribute minimally to covering other costs (Criterion 3). Pricing this special  
12 service slightly above its cost, with contingency, limits, to the greatest extent  
13 possible, the effect of this fee increase upon its users (Criterion 4). Also,  
14 fundamental in having a low cost coverage for ZIP Coding of mailing lists  
15 changes is the consideration that accurate addresses reduce costs for the Postal  
16 Service (Criterion 6). Based on a consideration of all the criteria, the proposed  
17 fee for ZIP Coding of mailing lists is fair and equitable (Criterion 1).

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<sup>65</sup> USPS-T-29, pg. 26.



1           **BB. Proposed Rewrite of Special Service Section of DMCS**

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3           In its May 11, 1998 Opinion and Recommended Decision on Docket  
4 No. R97-1, the Commission discussed its interest in improving the clarity,  
5 consistency, and organization of the Domestic Mail Classification Schedule  
6 (DMCS) provisions for the special services.<sup>66</sup> The Postal Service has requested  
7 in the past that significant rewrites of the special services DMCS sections be  
8 deferred pending the Postal Service's review of many of its special services,  
9 especially with regard to the impact of electronic scanning and signature capture  
10 on the special services. The completion of this review still awaits fuller  
11 implementation by the Postal Service of these new technologies.

12  
13           Nonetheless, the Postal Service has reviewed all the special services  
14 DMCS provisions for clarity, consistency, and organization, and is proposing  
15 many changes as shown in Attachment A to its Request in this Docket. These  
16 changes streamline and clean up the language. For example, the "Definition"  
17 and "Description of Service" sections are proposed to be combined into one more  
18 detailed "Definition" section. Other material from the Description of Service  
19 section is moved to an "Availability" section, which identifies under what  
20 conditions the special service is available. The rewrite also proposes to eliminate  
21 the long listings of services that are available in conjunction with other services.  
22 Instead, for each special service, the list would be limited to ancillary services;  
23 that is, those services which have the first service as a prerequisite. This

1 approach is already used for certified mail, but other services, like insurance,  
2 have a longer list. Instead of listing all special services that are available  
3 together a statement is added for each special service that additional special  
4 services may be available, as specified by the Postal Service. With the  
5 increased number of special services, and interactions between them, the Postal  
6 Service believes that listings of services that may be offered together should be  
7 done in the DMM.

8

9           The Postal Service also proposes to combine the two DMCS sections,  
10 3040 and 3050, concerning the methods for paying postage. The combined  
11 section makes it clear that multiple payment methods are available for postal  
12 customers. The new section also states that requirements for prior authorization  
13 for use of particular payment methods are specified by the Postal Service, and  
14 that fee schedule 1000 includes an authorization fee for only one payment  
15 method, permit imprint.

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<sup>66</sup> PRC Op., R97-1, Vol. 1, at 609-12.