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POSTAL RATE COMMISSION
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USPS-RT-25

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

REBUTTAL TESTIMONY
OF
ALTAF H. TAUFIQUE
ON BEHALF OF
UNITED STATES POSTAL SERVICE

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AUTOBIOGRAPHICAL SKETCH

- 1 The autobiographical sketch was provided in my direct testimony (USPS-
- 2 T-38) filed in the current docket.

1 **I. PURPOSE OF TESTIMONY**

2 The purpose of my testimony is to present the Postal Service's position on
3 witness Heath's (NNA-T-1) proposal to extend the DDU discount to exceptional
4 dispatch mail, with appropriate limitations. Tr. 24/10909. The Postal Service is in
5 general agreement with the goals of witness Heath's proposal, but would place
6 an additional restriction on the authorization of exceptional dispatch. This
7 testimony discusses the additional restriction and appropriate changes to the
8 Domestic Mail Manual (DMM) that would allow NNA members and other
9 Periodicals mailers to use this discount, while meeting the Postal Service's
10 operational needs. This testimony does not request specific action by the
11 Commission because DMM changes would enable the Postal Service to
12 authorize and assess postage, including relevant discounts for exceptional
13 dispatch mailers, in a manner that would meet the needs of the Postal Service.

14 **II. REVIEW OF WITNESS HEATH'S PROPOSAL**

15 Witness Heath proposes the DDU discount for exceptional dispatch mail
16 when the following conditions are met:

- 17 a) Exceptional dispatch is authorized by the postmaster to meet time-sensitivity
18 needs.
- 19 b) The distance of the haul from entry office to destination office is no greater
20 than 100 miles.
- 21 c) The piece volumes from issue to issue do not vary more than 2 percent
22 unless a new application is filed and granted. Tr. 24/10910.

1 In a subsequent interrogatory response (USPS/NNA-T1-4) witness Heath
2 proposed that mail destined to Zones 1 & 2 would be a better restriction than the
3 100 miles proposed in his testimony. Tr. 24/10939.

4 As discussed by witness Heath in his testimony, exceptional dispatch is
5 authorized by the postmaster of a periodical's entry office (See DMM D210.3).
6 The authorization is based on the time-sensitive nature of the publication, which
7 would make plant verified dropshipment (PVDS) or additional entry
8 arrangements unsatisfactory from the mailer's perspective. The mailer deposits
9 the mailing statements and marked copies at the original or additional entry post
10 office, and takes a portion of the mail to its destinating office for service reasons.

11 According to witness Heath, the volume of mail that is deposited through
12 exceptional dispatch is usually small and the piece volume of the overall mailing
13 remains fairly uniform. He is consistent with the requirement in DMM 210.3.5
14 when he proposes that if the piece volume varies by more than 2 percent then a
15 new application for exceptional dispatch would need to be granted before
16 exceptional dispatch could be resumed. Tr. 24/10910.

17 His testimony also asserts that historically the practice of exceptional
18 dispatch has been used for short hauls. He proposes a limit of Zones 1 & 2
19 distance from entry to destination office. Tr. 24/10939.

20 According to witness Heath, exceptional dispatch has led to better service,
21 but more importantly, mailers have performed a worksharing function at their
22 own expense. Therefore, the mailers using exceptional dispatch should be

1 eligible to use the DDU pound rate and receive the piece discount offered to
2 mailers that perform either PVDS or additional entry. Tr. 24/10911.

3 **III. POSTAL SERVICE'S POSITION**

4 The Postal Service has historically disagreed with applying the DDU discount
5 to exceptional dispatch mail and has taken the position that use of additional
6 entry offices and PVDS should be used instead, to avoid adding any work for the
7 Postal Service in the area of mail verification. Another major concern has been
8 the potential shift of existing customers who may choose to bypass additional
9 entry or PVDS requirements and use exceptional dispatch while still receiving the
10 destination entry discount.

11 With the willingness of NNA in this docket to accept certain additional
12 restrictions for the authorization of exceptional dispatch, the Postal Service now
13 agrees, in principle, with witness Heath's proposal. The Destination Delivery Unit
14 discount will be available for destination entry exceptional dispatch mail and
15 would be available to both Within County and Outside County mailers. The
16 financial impact of this change on Periodicals would be minimal, given the
17 proposed restrictions.

18 The Postal Service is concerned that providing exceptional dispatch at the
19 same rate as PVDS and additional entry may attract requests for exceptional
20 dispatch for larger publications that should be sent using PVDS or additional
21 entry. Therefore, in considering requests for exceptional dispatch, publication
22 circulation above 25,000 would disqualify a Periodicals mailer from getting
23 approval for exceptional dispatch, which would bring with it eligibility for the

1 destination delivery unit entry discount. However, because exceptional dispatch
2 may, nonetheless, be appropriate for some large circulation mailers, waivers of
3 the 25,000 limit would be considered on a case-by-case basis. All existing
4 restrictions on receiving the DDU discount such as mail being sorted to Carrier
5 Route or finer level would also have to be met. The Postal Service feels that
6 applying the restrictions proposed by witness Heath and considering higher-
7 circulation as a factor in exceptional dispatch authorization decisions would
8 reduce the risk of existing PVDS customers increasing operational difficulties by
9 bypassing routine verification and shifting to exceptional dispatch.

10 **IV. SUMMARY AND CONCLUSION**

11 As discussed above, the Postal Service is willing to apply the DDU rate to
12 exceptional dispatch mail. It is my understanding that the DDU rate can be made
13 available through DMM changes without the need for a formal classification
14 change.