

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

EXPERIMENTAL PRESORTED PRIORITY MAIL
RATE CATEGORIES, 2001

Docket No. MC2001-1

MOTION FOR CONSIDERATION OF STIPULATION AND AGREEMENT
(May 17, 2001)

The United States Postal Service hereby submits a Stipulation and Agreement, *representing a negotiated settlement by the parties (hereinafter, the "settlement parties")* listed below of all issues raised in this proceeding. The settlement parties request that the Postal Rate Commission issue an opinion and recommended decision which is based upon the evidentiary record developed in this proceeding and which incorporates the Domestic Mail Classification Schedule and Rate Schedule changes requested by the Postal Service in this proceeding, as amended by the Statement of Understanding Regarding Duration which is appended to the Stipulation and Agreement.

After a review of the Postal Service's March 7, 2001, Docket No. MC2001-1 Request and supporting materials and as a result of off-the-record discussions, the settlement parties agree that there is substantial record evidence to support the experimental Domestic Mail Classification Schedule and Rate Schedule changes proposed by the Postal Service, as amended by the aforementioned Statement of Understanding Regarding Duration of Experiment. The following parties in Docket No. MC2001-1, have authorized the Postal Service to represent that each supports the

Stipulation and Agreement: Association of Priority Mail Users, Douglas F. Carlson, Magazine Publishers of America, National Newspaper Association, Newspaper Association of America, Office of the Consumer Advocate, and Parcel Shippers Association. Their signature pages will be filed with the Commission as soon as possible.

The following parties have authorized the Postal Service to indicate that they do not oppose the Stipulation and Agreement: David B. Popkin and United Parcel Service.

In accordance with Presiding Officer's Ruling No. MC2001-1/5 (May 14, 2001), cross-examination of the Postal Service's witnesses is scheduled to take place on May 21, 2001, if parties should so request. The Postal Service also is authorized to state that none of the intervenors in this proceeding intends to conduct oral cross-examination of the Postal Service's witnesses. Accordingly, the Postal Service moves that the Commission cancel the hearings scheduled for May 21, 2001, and that the remainder of the procedural schedule be suspending while the Commission considers the Stipulation and Agreement.

As expeditiously as possible, the Postal Service will provide the Commission with two copies of the testimony of each of its witnesses (accompanied by Declarations) and two copies of all designated interrogatory responses (for which Declarations already have been filed), and will move that these materials be entered into evidence.

Given the sometimes competing interests of the various members of the mailing community, and the competition among delivery service providers, unanimity on issues before the Postal Rate Commission is understandably rare. The Postal Service considers that the interests of the mailing public are best served best when diverse

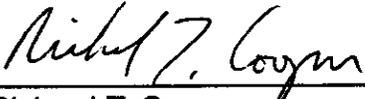
parties are able to take full advantage of opportunities to work constructively to expedite the resolution of postal rate and classification litigation in a manner which not only conserves their own resources, but also the limited resources of the Commission. The Postal Service expresses its gratitude to all of the parties who have contributed to the expeditious resolution of Docket No. MC2001-1, particularly the Office of the Consumer Advocate and United Parcel Service.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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May 17, 2001
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BEFORE THE
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EXPERIMENTAL PRESORTED PRIORITY MAIL
RATE CATEGORIES, 2001

Docket No. MC2001-1

STIPULATION AND AGREEMENT

This Stipulation and Agreement is submitted pursuant to Rule 29 of the Rules of Practice and Procedure of the Postal Rate Commission, 39 C.F.R. § 3001.29, by and between the undersigned parties or through their respective attorneys. It is a negotiated settlement of all issues raised in the above-captioned docket. The undersigned parties hereby stipulate and agree to the following:

I. BACKGROUND

On March 7, 2001, pursuant to 39 U.S.C. §§ 3622 and 3623, the United States Postal Service filed with the Postal Rate Commission a request for a decision recommending the establishment of experimental classifications and rates for presorted Priority Mail. The request was designated as Docket No. MC2001-1 by the Commission.

The basis for the request is explained in the Docket No. MC2001-1 direct testimonies of Postal Service witnesses Thomas Scherer (USPS-T-1), Jonathan Levine (USPS-T-2), and Robert Kalenka (USPS-T-3).

II. TERMS AND CONDITIONS

1. This Stipulation and Agreement represents a negotiated settlement of all issues raised by the Docket No. MC2001-1 Request of the United States Postal Service for a Recommended Decision Experimental Presorted Priority Mail Rate Categories.

2. The undersigned parties agree, for purposes of this proceeding only, that the Docket No. MC2001-1 direct testimonies¹ of Postal Service witnesses Thomas Scherer (USPS-T-1), Jonathan Levine (USPS-T-2), and Robert Kalenka (USPS-T-3) should be entered into the evidentiary record in this proceeding. These testimonies, together with the designated Docket No. MC2001-1 interrogatory responses of each witness, the Postal Service's Docket No. MC2001-1 Request and the attachments thereto, provide sufficient reasons and substantial evidence justifying a decision recommending the changes to the Domestic Mail Classification Schedule (DMCS) § 223.3 and Rate Schedule 223 sought by the Postal Service in Docket No. MC2001-1, as amended by four Attachments to this Stipulation and Agreement: (a) the Statement of Understanding Regarding Duration of Experiment, (b) the Statement of Understanding Regarding Periodic Reporting, (c) the Statement of Understanding Regarding Data Collection, and (d) the Statement of Understanding Regarding Mail Containerization Requirements. The undersigned parties stipulate that any of the aforementioned materials not heretofore entered into the Docket No. MC2001-1 evidentiary record be so entered.

3. On the basis of such record, for purposes of this proceeding only, the

¹ And any materials incorporated therein by reference.

undersigned parties stipulate that the requested DMCS and Rate Schedule changes, as amended by the Statement of Understanding Regarding Duration of Experiment attached to this Stipulation and Agreement, are in accordance with the polices of title 39, United States Code, and in particular, the criteria and factors of 39 U.S.C. §§ 3622 and 3623.

4. This Stipulation and Agreement is offered in total and final settlement of this proceeding. The undersigned parties agree that they will file no further pleadings or testimony with the Commission in this proceeding, with the exception of: (a) pleadings or testimony explicitly requested by the Commission or in reply to such pleadings; (b) pleadings or testimony opposing pleadings or testimony filed in opposition to this Stipulation and Agreement; or (c) pleadings, testimony or comments in support of this Stipulation and Agreement.

5. If the Commission adopts a Recommended Decision that deviates from the classifications and rates proposed in this Stipulation and Agreement, or if the *Governors of the Postal Service fail to approve the Commission's Recommended Decision*, then each signatory reserves the right to withdraw from this Stipulation and Agreement. Any signatory withdrawing under the terms of this paragraph must provide written notice of this fact to all parties within five (5) business days of the occurrence of the specific event giving rise to the right to withdraw. Any exercise of such right by one or more signatories shall not affect the operation of this Stipulation and Agreement as to other signatories.

6. This Stipulation and Agreement pertains only to the instant proceeding. The parties shall not be considered as necessarily agreeing with or conceding the

applicability of any principle, or any method of classification or ratemaking or cost of service determination, or design of rate schedule or term and conditions of service, or the application of any rule or interpretation of law, that may underlie, or be thought to underlie, this Stipulation and Agreement.

7. In any future negotiation or proceeding (other than any proceedings involving the honoring, enforcement, or construction of this Stipulation and Agreement), the parties shall not be bound or prejudiced by this Stipulation and Agreement, nor shall any party rely for any purpose on the fact that another party entered into or did not oppose this Stipulation and Agreement. The undersigned parties also agree that, to the extent that matters presented in the Docket No. MC2001-1 Request, in any Commission Recommended Decision on that Request, or in any decision of the Governors of the Postal Service in this proceeding have not actually been litigated, the resolution of such matters will not be entitled to precedential effect in any other proceeding.

8. As fully stated above, the agreement of the parties is intended to relate exclusively to the specific experimental presorted Priority Mail proposals reflected in the Domestic Mail Classification Schedule and Rate Schedule provisions referenced herein, and is not intended to bind or prejudice the parties in any other proceeding. This understanding of the intended consequences of the agreement applies equally to all *constituent parts of the agreement*.

9. The undersigned parties request that the Commission expeditiously issue a decision recommending adoption of the requested experimental DMCS and Rate Schedule provisions and that such decision recommend that the applicable

classifications and rates be made effective for a period of time consistent with the terms specified in the attached Statement of Understanding Regarding Duration of Experiment.

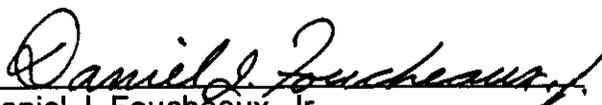
10. The attached Statement of Understanding Regarding Duration of Experiment, Statement of Understanding Regarding Periodic Reporting, Statement of Understanding Regarding Data Collection, and Statement of Understanding Regarding Mail Containerization Requirements are incorporated into this Stipulation and Agreement. This Stipulation and Agreement represents the entire agreement of the signatories, and supersedes any understandings or representations not contained herein.

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SIGNATURE PAGE FOR STIPULATION AND AGREEMENT


Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking
United States Postal Service

5/17/01
Date

* Other signature pages to follow.

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EXPERIMENTAL PRESORTED PRIORITY MAIL
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Docket No. MC2001-1

STATEMENT OF UNDERSTANDING
REGARDING DURATION OF EXPERIMENT

1. In support of its Docket No. MC2001-1 Request for the establishment of experimental classifications for presorted Priority Mail, the Postal Service proposed the adoption of Domestic Mail Classification Schedule § 223.3. See Docket No. MC2001-1 Request, Attachment A.

2. In its Request at page 4, and in the testimony of witness Scherer (USPS-T-1, at 16) the Postal Service proposed that the Commission recommend a three-year duration for the experimental presorted Priority Mail classifications and rates. See, *id.*, proposed DMCS § 223.35.

3. If recommended by the Commission, proposed DMCS § 223.35 would permit the United States Postal Service Board of Governors to establish a termination date for the experimental classifications and rates which is three years after the date selected by the Board for implementation of the experiment.

4. In lieu of this proposed term of duration for the experiment, the parties to this Stipulation and Agreement propose that the Commission recommend that DMCS § 223.35 read as follows:

DMCS 223.35 Duration of Experimental Service Period

The provisions of section 223 expire the later of:

- a. two years after the implementation date specified by the Board of Governors, or
- b. if, by the expiration date specified above, a request for the establishment of permanent presorted Priority Mail classifications or rates is pending before the Postal Rate Commission, the later of:
 1. three months after the Commission takes such action on such request under 39 U.S.C. § 3624 or, if applicable,
 2. on the implementation date for permanent presorted Priority Mail classifications or fees.

* * *

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STATEMENT OF UNDERSTANDING REGARDING PERIODIC REPORTING

1. Beginning with the completion of the fourth full fiscal quarter of operation of the Docket No. MC2001-1 presorted Priority Mail experiment and continuing quarterly thereafter, the United States Postal Service will be responsible for filing with the Postal Rate Commission a series of Status Reports regarding the conduct of the experiment.

2. Each such Status Report shall indicate the number of mailers and mailer locations participating in the experiment and the number of postal facilities at which presorted Priority Mail is entered under the terms of the experiment. Each report also will include an estimate of the total volume of presorted Priority Mail entered at the experimental rates -- by weight increment, presort level, zone and shape.

3. The reports also shall summarize and describe significant mail acceptance and in-plant processing operational developments experienced during the implementation and conduct of the experiment.

4. The first such report shall summarize the first four full fiscal quarters of the operation of the experiment. All subsequent reports shall cover successive fiscal quarters. Each such report shall be filed four to six weeks after the conclusion of the period to which the report pertains.

* * *

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STATEMENT OF UNDERSTANDING CONCERNING DATA COLLECTION PLAN

1. As part of the presorted Priority Mail experiment, the Postal Service will collect relevant data and other information pertaining to acceptance and processing of presorted Priority Mail, as outlined in the data collection plan (USPS-T-2, Attachment A) and as described below. This effort is intended to collect information that can be used to meet the requirements for a request for the establishment of permanent classifications and rates, if that is eventually sought. Specifically, the data should enable the Postal Service to analyze the source of presorted Priority Mail pieces, to estimate the postal mail processing costs potentially avoided by bulk mailer presortation of Priority Mail pieces by shape (i.e., letters/flats, parcels, and outsides) to estimate the net impact on Postal Service revenues.

2. Either through a census of the "Postage Statement — Presorted Priority Mail" (PS Form 3600-PMRX and PS Form 3600-PMPX) mailing statements that will be used during the experiment or by means of a statistically valid stratified sample, the Postal Service will obtain the following data: the volume by presort level (e.g., 3-digit, 5-digit, and ADC) by zone by shape (i.e., letters/ flats, parcels, and outsides) on all Priority Mail

pieces contained in presorted Priority Mail mailings.¹ The data obtained will be aggregated for reporting and analysis.

3. In addition, the Postal Service will conduct quantitative market research to obtain data enabling it to address the areas of interest listed below in the event the Postal Service seeks either a new experiment, a market test, or requests permanent classifications and rates for presorted Priority Mail. Prior to conducting the research, the Postal Service will provide intervenors in this proceeding with a description of the proposed research methodology and will indicate the universe of subjects to be studied. The Postal Service will request comments from intervenors and will consider such comments before conducting the research. The issues are:

- a. the volume of presorted Priority Mail representing new matter being mailed;
- b. the volume of presorted Priority Mail representing diversion from non-presorted Priority Mail;
- c. the volume of presorted Priority Mail representing diversion of mail from other subclasses;
- d. the volume of presorted Priority Mail representing diversion from postal competitors;
- e. the volume of presorted Priority Mail representing diversion from postal competitors because of the availability of experimental presorted Priority Mail rates; and
- f. the future volume by shape (i.e., letters/ flats, parcels, and outsides) of presorted Priority Mail anticipated for each presort level.

In addressing these issues, the Postal Service will survey all mailers participating in the

¹ A "presorted Priority Mail piece" is any mailpiece that would pay the experimental rates for presorted Priority Mail. A "presorted Priority Mail mailing" would be any mailing qualifying for the experimental presorted Priority Mail rates. A separate PS Form 3600-PMRX or PS Form 3600-PMPX would be submitted for each unique "presorted Priority Mail mailing."

experiment and a sample of potential other users of presorted Priority Mail. The results of the market research will be filed with the Postal Rate Commission as part of any request for a permanent classification for presorted Priority Mail, or a new experiment, or a market test. Data on revenue and volume changes determined in accordance with this data collection effort will form the basis of such a request, as governed by the Commission's rules of practice and procedure. However, the Postal Service will not be obligated to conduct the market research described above if it should decide not to request a new experiment, a market test, or a request for permanent presorted Priority Mail classifications and rates.

4. The Postal Service will estimate the mail processing costs potentially avoided as a result of bulk mailer presortation of Priority Mail pieces by shape (i.e., letters/flats, parcels, and outsides) and whether any unexpected additional mail processing costs are incurred. To determine what mail processing changes result from the introduction of presorted Priority Mail pieces into the mail stream, the Postal Service will establish communications between operations management and field operations in order to monitor mail processing flows, including cross-docking operations, and to determine the nature of any such changes in mail processing. At an appropriate interval after the conclusion of the first full 12 months after implementation of the experiment, the Postal Service will undertake the execution of an operations field test, time and motion study, or other study for the purpose of developing estimates of mail processing costs by shape (i.e., letters/ flats, parcels, and outsides) that are potentially avoided as a result of bulk presortation of Priority Mail pieces. The Postal Service will identify additional operations (processing, transportation, delivery, etc.) affected by the establishment of

the experimental presorted Priority Mail classifications and rates; the Postal Service also will estimate any significant costs incurred as a result of the specification of "make-up" requirements for such mail and will identify any significant changes incurred as operations evolve during the experiment, including adverse service impacts on other mail. The Postal Service also will collect data measuring the average number of pieces per container by shape (i.e., letters/ flats, parcels, and outsides) for both presorted and non-presorted Priority Mail.

5. The results of the cost study conducted in accordance with paragraph 4 will be filed with the Postal Rate Commission.

* * *

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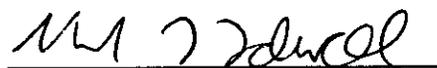
STATEMENT OF UNDERSTANDING REGARDING
MAIL CONTAINERIZATION REQUIREMENTS

As part of the presorted Priority Mail experiment, mailers will be required to present mail destinating for a specific Area Distribution Center, or for specific 3-digit ZIP Code prefixes, or 5-digit ZIP Code areas in full or near-full trays, sacks, or other containers, comparable to the manner such mail would be handled by the Postal Service in its normal sorting operations.

* * *

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing documents upon all participants of record in Postal Rate Commission Docket No. MC2001-1 in accordance with section 12 of the Rules of Practice and Procedure.


Michael T. Tidwell

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May 17, 2001