

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

**NOTICE OF THE UNITED STATES POSTAL SERVICE
CONCERNING DECISION OF THE GOVERNORS**

The United States Postal Service hereby gives notice of the following decision of the Governors in Docket No. MC2001-1:

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE
ON THE RECOMMENDED DECISION OF THE POSTAL RATE COMMISSION
ON EXPERIMENTAL PRESORTED PRIORITY MAIL RATE CATEGORIES,
DOCKET NO. MC2001-1 (June 4, 2001).**

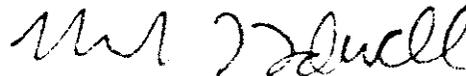
Accompanying this notice is a copy of the Decision, with attachments reflecting the resulting changes to Domestic Mail Classification Schedule § 223 and Rate Schedule 223. The Decision also is accompanied by the Resolution of the Board of Governors of the United States Postal Service which establishes an implementation date for the experimental classifications and rates approved by the Governors.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
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June 5, 2001

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE
ON THE RECOMMENDED DECISION OF THE POSTAL RATE COMMISSION
ON EXPERIMENTAL PRESORTED PRIORITY MAIL RATE CATEGORIES, DOCKET
No. MC2001-1**

June 4, 2001

STATEMENT OF EXPLANATION AND JUSTIFICATION

On May 25, 2001, the Postal Rate Commission issued its Opinion and Recommended Decision in Docket No. MC2001-1. Pursuant to a request by the Postal Service, the Commission recommended an experiment creating new presorted Priority Mail rate categories and corresponding discounts.

The Postal Service initiated this proceeding on March 7, 2001, with its Request for a Recommended Decision on Experimental Presorted Priority Mail Rate Categories. The request filed with the Commission sought to conduct a three-year experiment to determine the effect on Priority Mail costs, volumes, and revenues of allowing the use of three new worksharing discounts. The per-piece discounts sought were: 12 cents for an Area Distribution Center (ADC) sort; 16 cents for sortation to the 3-digit ZIP Code level, and 25 cents for a 5-digit ZIP Code sort.

Following negotiations among the participants in the proceeding, the Postal Service filed, on May 17, 2001, a motion asking the Commission to base its recommendation on a Stipulation and Agreement settling all the issues in the case. The Stipulation and Agreement generally follows the terms of the Postal Service's original request, along with modifications that, while relatively minor, are not insignificant. The Commission's Opinion that accompanies its Recommended Decision thoroughly describes the background and the settlement proposal presented to the Commission; we need not repeat that full description here. We note that, among other things, the signatories, including the Postal Service, agreed to limit the duration of the experiment to two years, with provisions for extension of the period beyond two years in certain circumstances, such as the pendency of a request for permanent discounts. The Stipulation and Agreement also provided for more extensive periodic reporting requirements, and for a more detailed and collaborative market research plan. The Stipulation and Agreement was signed by all but two of the participants, and those two expressed no opposition to settlement.

The Commission's May 25, 2001 Opinion and Recommended Decision is in accord with the *Stipulation and Agreement*. The Commission's *Recommended Decision* incorporates the changes to Domestic Mail Classification Schedule § 223.3 and the changes to the Priority Mail Rate Schedule (Schedule 223) that are reflected in the *Stipulation and Agreement*. As contemplated by the *Stipulation and Agreement*, the Commission has recommended the three experimental rate categories for Priority Mail sought by the Postal Service in its request, and the magnitudes of the corresponding recommended discounts match those initially requested by the Postal Service. The Commission concluded that the requested experimental classifications and discounts were supported by substantial evidence of record, and satisfy the applicable criteria and policies of the Postal Reorganization Act.

As a result of the cooperation of all of the participants in negotiating the terms of the *Stipulation and Agreement*, the Commission was provided with an opportunity to begin consideration of the substantive issues raised in Docket No. MC2001-1 much earlier than was anticipated by the procedural schedule established for the case. As a result of its own diligence, the Commission was able to issue a recommended decision well within the 150 days contemplated by its rules governing the consideration of experimental classification cases. Coming less than three months after the request was filed, the Commission's effort was commendable and allows us to take action that will enable the Postal Service to implement the proposed experiment very soon.

We have concluded that the experimental classification and rate changes recommended by the Postal Rate Commission will help maintain a fair and equitable mail classification system, and are otherwise in accordance with the policies of the Postal Reorganization Act. Therefore, we approve the changes in classification and the associated rate recommended by the Commission.

ESTIMATE OF ANTICIPATED REVENUE

The Postal Reorganization Act requires that our Decision include an estimate of anticipated impact on postal revenues (39 U.S.C. § 3625(e)). The evidentiary record in the proceeding estimates an annual decrease in total revenue of approximately \$2 million, with an increase in net revenue of approximately \$2.7 million.

ORDER

In accordance with the foregoing Decision of the Governors, the changes in classification set forth in Attachment A hereto and the changes in rates set forth in Attachment B hereto and incorporated herein are hereby approved and ordered into effect.¹ In accordance with Resolution 01-12 of the Board of Governors dated June 4, 2001, the changes will take effect at 12:01 a.m. on July 15, 2001.

¹We recognize that, as a result of our recent actions in response to the

By The Governors:

A handwritten signature in black ink, appearing to read "Robert H. Kelle", written over a horizontal line.

Chairman

Commission's April 10, 2001 Opinion and Recommended Decision on Further Reconsideration in Docket No. R2000-1, the Priority Mail rates set forth in Attachment B soon will be overtaken by modified rates. The Commission's recommended experimental classifications and discounts in the instant docket otherwise are not affected by the events in Docket No. R2000-1.

DOMESTIC MAIL CLASSIFICATION SCHEDULE

223 Priority Mail Subclass

223.1 General. The Priority Mail subclass consists of:

- a. First-Class Mail weighing more than 13 ounces; and
- b. Any mailable matter which, at the option of the mailer, is mailed for expeditious mailing and transportation.

223.2 Single-Piece Priority Mail Rate Category.

The single-piece Priority Mail rate category applies to Priority Mail subclass mail not mailed under section 223.3.

223.3 Presorted Priority Mail Rate Categories.

223.31 General. The presorted Priority Mail rate categories apply to Priority Mail subclass mail that:

- a. Is prepared in a mailing of at least 300 pieces or at least 500 pounds;
- b. Is presorted, marked, and presented as specified by the Postal Service; and
- c. Meets the machinability, addressing, and other preparation requirements specified by the Postal Service.

223.32 ADC Rate Category. The ADC rate category applies to Priority Mail presorted to single or multiple Area Distribution Center destinations as specified by the Postal Service.

223.33 Three-Digit Rate Category. The three-digit rate category applies to Priority Mail presorted to single or multiple three-digit ZIP Code destinations as specified by the Postal Service.

223.34 **Five-Digit Rate Category.** The five-digit rate category applies to Priority Mail presorted to single or multiple five-digit ZIP Code destinations as specified by the Postal Service.

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 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.

223.4 [Reserved]

Attachment B

**FIRST-CLASS MAIL
SCHEDULE 223
PRIORITY MAIL SUBCLASS
(dollars)**

Weight not Exceeding (Pounds)	Zones L,1,2,3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
1	3.50	3.50	3.50	3.50	3.50	3.50
2	3.95	3.95	3.95	3.95	3.95	3.95
3	5.15	5.15	5.15	5.15	5.15	5.15
4	6.35	6.35	6.35	6.35	8.35	6.35
5	7.55	7.55	7.55	7.55	7.55	7.55
6	7.90	8.10	8.15	8.25	9.50	10.35
7	8.25	8.65	8.75	8.95	10.45	11.65
8	8.50	9.20	9.35	9.65	11.40	12.95
9	8.65	9.75	9.95	10.35	12.35	14.25
10	8.75	10.30	10.55	11.05	13.30	15.55
11	9.00	10.85	11.15	11.75	14.25	16.85
12	9.25	11.40	11.75	12.45	15.20	18.15
13	9.60	11.95	12.35	13.15	16.15	19.45
14	9.95	12.50	12.95	13.85	17.10	20.75
15	10.30	13.05	13.55	14.55	18.05	22.05
16	10.65	13.60	14.15	15.25	19.00	23.35
17	11.00	14.15	14.75	15.95	19.95	24.65
18	11.35	14.70	15.35	16.65	20.90	25.95
19	11.70	15.25	15.95	17.35	21.85	27.25
20	12.05	15.80	16.55	18.05	22.80	28.55
21	12.40	16.35	17.15	18.75	23.75	29.85
22	12.75	16.90	17.75	19.45	24.70	31.15
23	13.10	17.45	18.35	20.15	25.65	32.45
24	13.45	18.00	18.95	20.85	26.60	33.75
25	13.80	18.55	19.55	21.55	27.55	35.05
26	14.15	19.10	20.15	22.25	28.50	36.35
27	14.50	19.65	20.75	22.95	29.45	37.65
28	14.85	20.20	21.35	23.65	30.40	38.95
29	15.20	20.75	21.95	24.35	31.35	40.25
30	15.55	21.30	22.55	25.05	32.30	41.55
31	15.90	21.85	23.15	25.75	33.25	42.85
32	16.25	22.40	23.75	26.45	34.20	44.15
33	16.60	22.95	24.35	27.15	35.15	45.45
34	16.95	23.50	24.95	27.85	36.10	46.75
35	17.30	24.05	25.55	28.55	37.05	48.05
36	17.65	24.60	26.15	29.25	38.00	49.35
37	18.00	25.15	26.75	29.95	38.95	50.65
38	18.35	25.70	27.35	30.65	39.90	51.95

PRIORITY MAIL SUBCLASS (continued)
(dollars)

Weight not Exceeding (Pounds)	Zones L,1,2,3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
39	18.70	26.25	27.95	31.35	40.85	53.25
40	19.05	26.80	28.55	32.05	41.80	54.55
41	19.40	27.35	29.15	32.75	42.75	55.85
42	19.75	27.90	29.75	33.45	43.70	57.15
43	20.10	28.45	30.35	34.15	44.65	58.45
44	20.45	29.00	30.95	34.85	45.60	59.75
45	20.80	29.55	31.55	35.55	46.55	61.05
46	21.15	30.10	32.15	36.25	47.50	62.35
47	21.50	30.65	32.75	36.95	48.45	63.65
48	21.85	31.20	33.35	37.65	49.40	64.95
49	22.20	31.75	33.95	38.35	50.35	66.25
50	22.55	32.30	34.55	39.05	51.30	67.55
51	22.90	32.85	35.15	39.75	52.25	68.85
52	23.25	33.40	35.75	40.45	53.20	70.15
53	23.60	33.95	36.35	41.15	54.15	71.45
54	23.95	34.50	36.95	41.85	55.10	72.75
55	24.30	35.05	37.55	42.55	56.05	74.05
56	24.65	35.60	38.15	43.25	57.00	75.35
57	25.00	36.15	38.75	43.95	57.95	76.65
58	25.35	36.70	39.35	44.65	58.90	77.95
59	25.70	37.25	39.95	45.35	59.85	79.25
60	26.05	37.80	40.55	46.05	60.80	80.55
61	26.40	38.35	41.15	46.75	61.75	81.85
62	26.75	38.90	41.75	47.45	62.70	83.15
63	27.10	39.45	42.35	48.15	63.65	84.45
64	27.45	40.00	42.95	48.85	64.60	85.75
65	27.80	40.55	43.55	49.55	65.55	87.05
66	28.15	41.10	44.15	50.25	66.50	88.35
67	28.50	41.65	44.75	50.95	67.45	89.65
68	28.85	42.20	45.35	51.65	68.40	90.95
69	29.20	42.75	45.95	52.35	69.35	92.25
70	29.55	43.30	46.55	53.05	70.30	93.55

SCHEDULE 223 NOTES

1 The 2-pound rate is charged for matter sent in a 'flat rate' envelope provided by the Postal Service.

2 Add \$10.25 for each pickup stop.

3 EXCEPTION: Parcels weighing less than 15 pounds, measuring over 84 inches in length and girth combined, are chargeable with a minimum rate equal to that for a 15-pound parcel for the zone to which addressed.

4 Pieces presented in mailings of at least 300 pieces or at least 500 pounds and meeting applicable Postal Service regulations for Priority Mail ADC, 3-digit and/or 5-digit discounts receive the applicable discounts of 12, 16 or 25 cents per-piece, respectively (experimental). A \$125 annual presort fee applies.

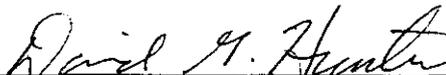
**RESOLUTION OF THE BOARD OF GOVERNORS
OF THE
UNITED STATES POSTAL SERVICE
Resolution No. 01-12**

Effective Date of New Classification

RESOLVED:

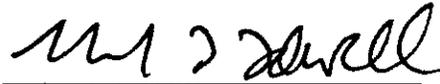
Pursuant to section 3625(f) of Title 39, United States Code, the Board of Governors determines that the classification and fees that were ordered to be placed into effect by the Decision of the Governors of the United States Postal Service on the Opinion and Recommended Decision Approving Stipulation and Agreement of the Postal Rate Commission, Docket No MC2001-1, adopted on June 4, 2001, shall become effective at 12:01 a.m. on July 15, 2001.

The foregoing Resolution was adopted by the Board of Governors on June 4, 2001.


Secretary

CERTIFICATE OF SERVICE

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



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June 5, 2001