

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

EXPERIMENTAL DELIVERY CONFIRMATION
SPECIAL SERVICE CATEGORY AND FEE, 2001

Docket No. MC2001-2

**MOTION OF THE UNITED STATES POSTAL SERVICE FOR WAIVER OF
CERTAIN PROVISIONS OF RULES 54 AND 64
(September 20, 2001)**

Pursuant to Rule 64(h)(3) of the Commission's Rules of Practice and Procedure, the United States Postal Service hereby moves for a waiver of certain of the provisions of Rule 64(h) and other related rules that may be applicable to its request for establishment of a short-term, experimental Manual Delivery Confirmation special service category and fee applicable when that service is used in conjunction with Priority Mail.

Rule 64(h) states that the Postal Service, when requesting a change in the classification schedule, must provide certain Rule 54 information concerning requests for changes in postal rates and fees, if the proposed classification change would result in either (1) a change in the rates or fees for any existing class or subclass, (2) the establishment of a new class or subclass for which rates are to be established, (3) a change in the relationship of costs to revenues for any class or subclass, or (4) a change in the relationship of total Postal Service costs to total revenues.

The Postal Service submits that the requested change in the classification and fee schedule embodied in its Request does not significantly change affect any of the

referenced rates or cost-revenue relationships, except in the Delivery Confirmation special service. And, even for the experiment is implemented and runs its course as planned, the Postal Service expects this service to cover its volume variable costs and make a contribution to institutional costs. See, Docket No. MC2001-2, USPS Library Reference MC2001-2/1 at 2. The proposed experiment will not have any significant effect on the relationships between costs and revenues for the Priority Mail subclass or the postal system as a whole.

As a consequence, particular subsections of the rule need not apply to the Postal Service's proposal, as is demonstrated below. Moreover, the requirements of Rule 64(h) should be interpreted in harmony with Rule 67 governing experiments. As the Commission has recognized, "[o]ne of the primary purposes of these rules is to permit experiments despite the absence of data called for by our rules designed for the normal case -- consideration of permanent changes." PRC Op., MC86-1, at 9. Clearly, a waiver of certain of the Rule 64(h) and related requirements, if necessary, would further the intent of the experimental rules.¹

Certain of the criteria enumerated in Rule 64(h) do not apply to this request. First, the proposal is limited to the fee that otherwise would be applicable when Manual Delivery Confirmation service is requested ancillary to the mailing of a Priority Mail piece during the first half of December 2001. No change in the terms of or the rates for

¹ In granting the Postal Service's request for waiver in Docket No. MC96-1, the Commission stated, "In this docket, the Postal Service requests authority to provide limited service on an experimental basis. Granting the waiver should not prejudice the Commission's ability to evaluate this request." Presiding Officer's Ruling No. MC96-1/1, January 22, 1996, at 3.

any mail service, including Priority Mail, is being sought here. The proposed experiment does not request the establishment of a new special service. Instead, retail Priority Mail users would simply be given a temporary, novel incentive to try Manual Delivery Confirmation service. The proposed experiment would, in effect, waive an otherwise existing fee on an experimental basis for a very limited duration for the purposes explained in the Direct Testimony of Donald J. O'Hara on Behalf of United States Postal Service (USPS-T-1), which accompanies the request in this proceeding.

Accordingly, all of the Rule 54 requirements should be found not to apply. Alternatively, they should be waived. Nonetheless, in an attempt to cooperate and assist with consideration of its request, the Postal Service will provide certain Rule 54 information. As explained below, furthermore, to the extent deemed necessary, the Postal Service specifically requests a waiver of Rule 54(b)(3) in part,² (d) in part,³ (f)(2), (f)(3), (h), (i), (j), and, (l)(1) in part, and (l)(2).

For the fiscal year in which the filing is made and for the "test year,"⁴ Rule 54(f)(2), (f)(3), (h), (i), and (j) basically ask for information concerning estimated total accrued costs, the separation and attribution of those costs among classes and subclasses of mail, and related estimated revenue and volume information.⁵ Rule 54(l)(1), in part, requests before- and after-rates billing determinants for the proposed

² A waiver of Rule 64(b)(3) also is requested in that it encompasses the same information as Rule 54(b)(3).

³ A waiver of Rule 64(c)(2) also is requested in that it encompasses the same information as Rule 54(d).

⁴ Given the timing and duration of the proposed experiment, both the postal fiscal base year and the test year are the same, FY 2002.

⁵ Rule 64(d) requests similar information, and, thus, if the waiver is granted for the Rule 54 Requirements, then such waiver should extend to Rule 64(d), as well.

fee;⁶ and Rule 54(l)(2) asks for certain volume information for Standard Mail (formerly third-class bulk mail). Under these rules, the test year on which rate and fee proposals are based should be a fiscal year beginning not more than 24 months after the Request is filed. In accordance with Commission practice, the test period should be representative of the time during which the proposed changes are expected to be in effect.

It is proposed that the Delivery Confirmation experiment run its course for sixteen days in FY 2002. The proposed experiment is extremely limited in scope, and its effects on total costs and revenues will be insignificant.⁷ The proposed experimental classification and fee schedule changes are, in effect, a waiver of the existing 40-cent per-piece fee otherwise applicable to Manual Delivery Confirmation service requested in conjunction with retail Priority Mail transactions. The change also could be viewed as the equivalent of a temporary application of the existing "zero" fee (for Electronic Delivery Confirmation service purchased in conjunction with Priority Mail) to the Manual variation of that service. In any event, to qualify for the experiment, participants would have to, between December 1-16, 2001, request or otherwise indicate their selection of Manual Delivery Confirmation service for Priority Mail pieces presented for mailing.

In light of the limited nature of the proposal, and its relationship to the Delivery Confirmation terms and conditions established as a result of Docket No. R2000-1, the Postal Service believes it would be practical and appropriate to rely on the record of that case, as amended by the testimony and library reference filed with the instant

⁶ Billing determinants for FY 2000, the most recent available, are on file with the Commission.

⁷ USPS-LR-MC2001-2/1 includes an estimate of the potential impact of the proposed experiment on costs and revenues for Delivery Confirmation during FY 2002.

Request. The recently closed record in Docket No. R2000-1 established cost and revenue estimates for a FY 2001 fiscal test year, which just recently concluded. That record supports the existing Delivery Confirmation fees. The testimony of witness O'Hara provides FY 2002 cost and revenue analysis.

Accordingly, for most purposes embodied in the aforementioned rules, and in conjunction with this request for waiver, the Postal Service intends its Request to rely substantially on the FY 2002 cost and revenue analysis provided by witness O'Hara. No "roll-forward" to a more prospective test period has been or need be developed. To the extent that the Commission might conclude that this approach does not comport with applicable parts of Rule 54, the Postal Service respectfully requests a waiver of those portions of the Rule.

Other subparts of Rule 54 also are inappropriate to the Postal Service's Request. Rule 54(b)(3) requests information on the degree of economic substitutability among various classes and subclasses of mail. To the extent that a temporary waiver of the Manual Delivery Confirmation special service fee for Priority Mail transactions causes minor substitution among users of postal services, such substitution could be realized in the form of an increase in Manual Delivery Confirmation use during and after the experiment, coming in part from users of other ancillary postal services designed to provide accountability. However, the novelty of the experimental proposal makes it difficult to project substitutability at this time. Efforts will be made to measure Manual Delivery Confirmation usage patterns, as part of the experimental data collection plan submitted by witness O'Hara (USPS-T-1).

To the extent that Rule 54(b)(3) requests additional information on the cross-elasticity of demand, such information would typically be derived from historical data. In

the instant case, substantial and contemporary historical data regarding demand patterns for Delivery Confirmation have been provided by witness O'Hara. No further data should be required for purposes of review of the request. Furthermore, demand data related to a waiver of the Manual Delivery Confirmation fee in the form proposed in the instant docket do not exist. To the extent that Rule 54(b)(3) may be thought to apply, its requirements should be waived.

Rule 54(d) requests information pertaining to the shape, weight, and distance of the items mailed. The testimony of witness O'Hara makes clear that the Priority Mail weight, shape, and distance were not factors in determining the eligibility of Priority Mail pieces for which "free" Manual Delivery Confirmation service could be obtained during the experiment. Manual Delivery Confirmation is expected to be requested for Priority Mail pieces of all shapes, weights, and distances typically processed by the Postal Service. (USPS-T-1). Exact weight and shape criteria are not known at this time. For this reason, he argues that this case is appropriately brought forward as an experiment, in order to collect such profile data. Witness O'Hara's testimony does not address distance expected to be traveled by the mail pieces subject to the Manual Delivery Confirmation fee waiver. However, because the proposed classification change and fee waiver do not reflect any transportation elements, distance information is not relevant and its provision should be waived.⁸

⁸ Moreover, to the extent that Rule 54(d) requests information by class and subclass, pertinent information on all classes and subclasses of mail was provided by the Postal Service in its Compliance Statement and the testimony of its witnesses in Docket No. R2000-1, as reflected and supplemented, for purposes of this proceeding, in the Commission's Recommended Decision in that Docket, as modified by the Governors of the Postal Service. The Postal Service anticipates that even more current Rule 54(d) data will be filed with the Commission in another proceeding to be initiated imminently.

Accordingly, because of the limited nature of the proposal and in recognition of the flexibility envisioned by the experimental rules, the Postal Service requests that this motion be granted.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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CERTIFICATE OF SERVICE

I hereby certify that I have attached a copy of the foregoing (with the appended Stipulation and Agreement and Signature Pages) to each copy of the Request in this proceeding and that the Request and all related documents filed today will be served upon all other participants upon notice to the Postal Service of their intervention in this proceeding.



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