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ORDER NO. 1324

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

George A. Omas, Vice Chairman;
Dana B. Covington; Ruth Y. Goldway;
and W.H. "Trey" LeBlanc III

Postal Rate and Fee Changes

Docket No. R2001-1

NOTICE AND ORDER ON FILING OF PROPOSED OMNIBUS POSTAL RATE,
FEE AND CLASSIFICATION CHANGES AND RELATED PROCEEDINGS

(Issued September 26, 2001)

I. Introduction

This notice and order informs the public that on September 24, 2001, the United States Postal Service filed a Request with the Postal Rate Commission for an expedited recommended decision on proposed changes in essentially all domestic postage rates and fees, and in some mail classifications.¹ It also summarizes basic features of the filing, including several contemporaneous notices and motions; institutes a formal proceeding for consideration of the Service's proposals; sets October 25, 2001 as the date for a prehearing conference; and takes several other initial procedural steps. A companion notice and order presents a complete schedule of the Service's proposed rate and fee changes.

Summary. The Request affects virtually all of the Service's offerings, and is based on important assumptions regarding costs, volumes, pricing and, in some

¹ Request of the United States Postal Service for a Recommended Decision on Changes in Rates of Postage and Fees for Postal Services, September 24, 2001 (Service's Request or Request).

instances, classification changes. It includes a proposed 3-cent increase in the First-Class stamp, raising the price from 34 cents to 37 cents. The charge for each additional ounce of single-piece First-Class Mail would remain at 23 cents.

The Postal Service has indicated the proposed systemwide average increase for all classes of mail and services is 8.7 percent. Average increases, by individual class of mail, are 8.2 percent for First-Class Mail; 9.7 percent for Express Mail; 13.5 percent for Priority Mail; 10.0 percent for Periodicals; 7.3 percent Standard Mail; and 8.9 percent for Package Services. Proposed percentage changes for the Special Services vary considerably by individual service.

Rate changes for a specific piece of mail, bulk mailings, or a special service may differ significantly from the systemwide average change, as well as from the referenced change for an individual class of mail. Many subclasses and services include numerous individual rate cells, and the application of various discounts, surcharges, and annual mailing permit fees often determines effective percentage changes. Interested persons are urged to carefully review the Service's filing to determine the proposal's impact.

II. Establishment of Formal Docket

The Service's Request was filed pursuant to sections 3622 and 3623 of the Postal Reorganization Act (39 U.S.C. § § 3622, 3623). The Commission hereby institutes a proceeding, designated as Docket No. R2001-1, Postal Rate and Fee Changes, to consider the instant Request. In the course of this proceeding, participants may propose alternatives to the Service's proposal, and the Service itself may revise, supplement, or amend its initial filing. The Commission's review of the Service's Request, including any revisions, alternatives proposed by others, or options legally within the purview of the Service's request, may result in recommendations that differ from those proposed by the Postal Service in its initial filing.

III. Filing Contents; Availability, Including Commission Internet Posting

The Service's initial Docket No. R2001-1 filing includes its formal request (including an explicit request for expedition); seven attachments; 44 pieces of testimony (along with related exhibits) presented by 40 witnesses; and numerous library references.² Several notices and motions accompanied the filing. The Commission has posted the Request and most related material on its web site at www.prc.gov. Subsequent filings in this case will also be posted on the web site, if provided in electronic format or amenable to conversion, and not subject to a valid protective order. Information on how to use the Commission's web site is available online or by contacting the Commission's webmaster at 202-789-6873.

The entire filing and related documents are also available for public inspection in the Commission's docket section. The docket section's hours are 8 a.m. to 4:30 p.m., Monday through Friday, except on federal government holidays. The docket section telephone number is 202-789-6846.

Description of attachments. Attachment A to the Request identifies requested changes in the Domestic Mail Classification Schedule (DMCS) in legislative format. Attachment B presents proposed rates and fees. The Commission is publishing Attachment B in a companion notice and order. Attachment C, which addresses Commission rule 54(b)(2), designates the contents of the Domestic Mail Manual (DMM) as the specification of the rules, regulations and practices establishing conditions of mailability and standards of service. It also provides a copy of the table of contents of the current DMM. The Domestic Mail Manual is available for review on the Postal Service's web site, www.USPS.gov.

Attachment D is the certification, required by rule 54(p), regarding the accuracy of cost statements and other documentation submitted with the Request. Attachment E contains a report of the Service's independent auditors, which includes related audited

² At the time the case was filed, 138 numerical designations were associated with Postal Service library references in this case. Of these, two numbers were reserved, 2 library references were withheld pending a ruling on protective conditions, and 134 were filed with the Commission's docket room.

financial statements. Attachment F is an index that identifies witnesses, the numerical designation of each piece of testimony, related exhibits and library references, and attorney contacts. Attachment G contains a compliance statement addressing pertinent provisions of rules 54 and 64, and refers to a separate notice and motion for waiver related to the alternate cost presentation required by these rules.

Expedition. The Service's Request includes a request for maximum expedition. In particular, the Service suggests that consideration of the Request could be completed in less than 10 months without interfering with the Commission's interests or compromising participants' due process rights. It maintains that several benefits (primarily associated with implementation) would flow from completing the case even one month earlier than the statutory maximum. United States Postal Service Request for Expedition, September 24, 2001.

IV. Notices

The Service filed two notices addressing administrative matters. One lists attorney/witness assignments; expresses the Service's intention to hold technical conferences; and states that further information on such conferences will be available shortly.³ The other notice contains a master list of library references. This notice identifies the relevant category for each library reference; states that no Category 4 or 6 library references have been filed; and notes that waivers have been requested, in separate motions, for library references in Categories 1, 2, 3 and 5.⁴ Further, the notice states that two library references (USPS-J-94 and USPS-J-99) have not been filed, pending a ruling on protective conditions.⁵

³ Notice of the United States Postal Service Regarding Attorney/Witness Assignments, September 24, 2001.

⁴ Library reference categories are identified in Commission rule 31(b)(2).

⁵ Notice of the United States Postal Service of Filing of Master List of Library References, September 24, 2001.

A third notice, filed in combination with a motion for waiver of the Commission's library reference rules, addresses the Service's filing of alternate cost information under Commission rule 54(a)(1). Notice of the United States Postal Service Concerning Provision of Information Pursuant to Commission Rule 54(a)(1) and Motion Requesting Waiver of the Commission Rules with respect to Category 5 Library References, September 24, 2001 (Notice and Waiver Motion on Rule 54(a)(1) Requirements).

V. Motions for Waiver of Library Reference Rules

Four motions seek waiver, to the extent deemed necessary, of the Commission's rules on library references. Three deal exclusively with waiver.⁶ One is combined with a notice regarding the Service's rule 54(a)(a) presentation. Notice and Waiver Motion on Rule 54(a)(1) Requirements.

Deadline for answers to motions for waiver of rules on library references. Answers to each of the Service's motions for waiver of the library reference rules are due no later than October 24, 2001.

VI. Motion for Waiver of Rules 31(k) and 54 for Two Library References, and for Protective Conditions for these References

In a combined pleading, the Postal Service seeks waiver of Commission rules 31(k) and 54 for two library references — USPS-LR-J-94 and USPS-LR-J-99 — and

⁶ Motion of the United States Postal Service Requesting Waiver of the Commission Rules with respect to Category 1 Library References (noting that 26 of the 29 Category 1 references include materials available in electronic format); Motion of the United States Postal Service Requesting Waiver of the Commission Rules with respect to Category 2 Library References (noting that virtually all Category 2 references include electronic versions); Motion of the United States Postal Service Requesting Waiver of the Commission Rules with respect to Category 3 Library References (noting that electronic versions of most Category 3 references cannot be provided because the materials have been obtained from an external source only in hard-copy versions, or because of manual redactions. These motions were filed September 24, 2001.

application of protective conditions. The affected library references relate to costs associated with the Postal Service's transportation agreement with FedEx. Motion of United States Postal Service for Waiver and for Protective Conditions for Library References [USPS-LR-J-94 and USPS-LR-J-99] Concerning Costs Associated with the FedEx Transportation Agreement, September 24, 2001 (Motion on FedEx-related Library References). In this pleading, the Service notes that it has filed a redacted version of the transportation agreement with the Commission as USPS-LR-J-97. It states that the two library references that are the subject of this pleading have been prepared but not filed with the Commission, pending a ruling on protective conditions.

The Service asks that the Commission adopt the protective conditions included in its Motion so that the library references can be produced as soon as possible. *Id.* at 3. It also asks that the Commission issue an order strongly urging all who participate in this proceeding to limit their use of any information pertaining to the FedEx contract that may surface in this proceeding. *Id.* at 4.

Deadline for answers. Answers to the Service's Motion on FedEx-related library references are to be filed no later than October 24, 2001.

VII. Summary of Impact of Proposed Rate, Fee and Classification Changes

In its Request, the Service maintains that without rate and fee changes, it will incur a substantial revenue deficiency — of approximately \$5.275 billion — in the proposed test year, in contravention of 39 U.S.C. § 3621. (The test year is Government Fiscal Year (GFY) 2003.) The Service is seeking a 3 percent allowance for contingencies.

The proposed changes, along with income from sources not subject to Commission jurisdiction, are expected to generate a revenue surplus of approximately \$33.1 million. Request at 1-2. These estimates, as well as the proposals underlying them, entail important assumptions regarding costs, volumes, and pricing, and some of these assumptions differ from those that underlie current rates.

Classification changes range from minor clarifying revisions to the DMCS to more significant worksharing alternatives, such as a pallet discount in Periodicals. A variety of classification changes also affect Special Services.

VIII. Participation

The Commission invites participation in this case by interested persons. Commission rules provide that a participant may elect full, limited or commenter status. Persons electing full or limited status shall file notices of intervention conforming to Commission rules no later than October 24, 2001. Persons seeking to intervene on a full or limited basis after than date must file a motion for intervention. Commenters do not need to file intervention notices or motions; instead, they may simply direct their comments to the attention of Steven W. Williams, Acting Secretary of the Commission, 1333 H Street NW, Suite 300, Washington, DC 20268-0001. Commenters may also e-mail their position on the Service's Request to the Commission at prc-admin@prc.gov.

Persons unsure of their intervention status under the Commission's rules or seeking more information on how to participate in this case should contact Shelley S. Dreifuss, Acting Director of the Commission's Office of the Consumer Advocate.

IX. Representation of Interests of the General Public

The Commission designates Shelley S. Dreifuss, Acting Director of the Commission's Office of the Consumer Advocate, to represent the interests of the general public in this proceeding, pursuant to 39 U.S.C. § 3624(a). Ms. Dreifuss shall direct the activities of Commission personnel assigned to assist her and, at an appropriate time, provide the names of these employees for the record. Neither Ms. Dreifuss nor the assigned personnel shall participate in or advise as to any Commission decision in this proceeding, other than in their designated capacity. Participants shall

serve the OCA separately with three copies of all filings in addition to, and at the same time, as they effect service on the Commission.

X. Prehearing Conference Date; Other Scheduling Matters

The Commission will hold a prehearing conference on October 25, 2001, at 10:00 a.m. in the Commission's hearing room, 1333 H Street NW, Suite 300, Washington, DC 20268-0001. Participants intending to raise topics for discussion at the prehearing conference, other than those mentioned in this notice and order, are requested to file a notice to that effect no later than October 24, 2001, providing sufficient detail to inform the Commission and others of the nature of the topic and its potential impact on the proceeding.

XI. Effect of Service's Omnibus Request on Pending Matters

Several cases were pending at the time the Service filed this Request. The Commission anticipates addressing the status of these cases and their impact on this case at the prehearing conference. Participants wishing to comment on the effect of the omnibus filing on procedural aspects of these cases also may file a written statement with the Commission no later than October 29, 2001.

It is ordered:

1. The Commission hereby institutes Docket No. R2001-1 for consideration of the Service's request for omnibus rate, classification and fee changes.
2. The Commission will sit en banc in this proceeding.
3. Notices of intervention will be accepted through October 24, 2001.

4. Shelley S. Dreifuss, Acting Director of the Commission's Office of the Consumer Advocate, is designated to represent the interests of the general public in this proceeding.
5. A prehearing conference will be held on Thursday, October 25, 2001 at 10:00 a.m. in the Commission's hearing room.
6. Participants wishing to comment on the effect of Docket No. R2001-1 on pending cases shall file written comments no later than October 29, 2001.
7. Participants intending to raise topics for discussion at the prehearing conference, other than those identified in this notice and order, are requested to file written notice of such intention and a description of such topics no later than October 24, 2001.
8. Comments on the United States Postal Service Request for Expedition shall be filed no later than October 24, 2001.
9. Answers to the Motion of the United States Postal Service Requesting Waiver of the Commission Rules with respect to Category 1 Library References shall be filed no later than October 24, 2001.
10. Answers to the Motion of the United States Postal Service Requesting Waiver of the Commission Rules with respect to Category 2 Library References shall be filed no later than October 24, 2001.
11. Answers to the Motion of the United States Postal Service Requesting Waiver of the Commission Rules with respect to Category 3 Library References shall be filed no later than October 24, 2001.

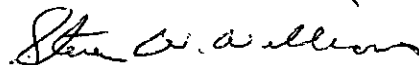
12. Answers to the Motion of United States Postal Service for Waiver and for Protective Conditions for Library References [USPS-LR-J-94 and USPS-LR-J-99] Concerning Costs Associated with the FedEx Transportation Agreement shall be filed no later than October 24, 2001.

13. Answers to the Service's Motion Requesting Waiver of the Commission Rules with respect to Category 5 Library References (filed in combination with a Notice of the United States Postal Service Concerning Provision of Information Pursuant to Rule 54(a)(1), shall be filed no later than October 24, 2001.

14. The Secretary shall cause this notice and order to be published in the *Federal Register*.

By the Commission.

(SEAL)



Steven W. Williams
Acting Secretary