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

EXPERIMENTAL SUSPENSION OF FEE FOR
MANUAL DELIVERY CONFIRMATION CATEGORY

Docket No. R2001-2
Docket No. MC2001-2

**REPLY OF THE UNITED STATES POSTAL SERVICE IN RESPONSE TO
OPPOSITION OF UNITED PARCEL SERVICE TO MOTION FOR WAIVER OF
CERTAIN PROVISIONS OF RULE 54**
(October 16, 2001)

On September 20, 2001, pursuant to Rule 64(h)(3) of the Commission's Rules of Practice and Procedure, the United States Postal Service moved for a waiver of certain of the provisions of Rule 64(h) and other related rules, including certain provisions of Rule 54, that might be applicable to its request to establish a short-term, experimental suspension of the fee for manual delivery confirmation special service category applicable when that service is used in conjunction with Priority Mail.

Rule 64(h) applies when requesting a change in the classification schedule. In its Order No. 1327 (October 12, 2001), the Commission indicated that it would be necessary to consider the Postal Service's Request under the rules applicable to *proposed changes in rates and fees, generally Rule 54.*

On October 10, 2001, United Parcel Service (UPS) submitted a motion in opposition to certain portions of the Service's motion for waiver. Indicating that it did not oppose the request for waiver with respect to Rules 54(d), (f)(2), (f)(3), (h), (l)(1) and (l)(2), United Parcel Service indicated that the Postal Service should supply the

information requested by Rules 54(b)(3), (l), and (j) with respect to Parcel Post, Priority Mail, and Manual Delivery Confirmation.

As the Postal Service indicated in its motion for waiver, the requested changes in the classification and fee schedules embodied in its Request do not significantly change cost and revenue relationships between costs and revenues for the Priority Mail subclass or the postal system as a whole. Nor does the requested change significantly change cost and revenue relationships for Parcel Post. Assuming the proposed temporary special service classification and fee change are implemented, Delivery Confirmation service will cover its attributable costs and will make a contribution to institutional costs. See, Docket No. MC2001-2, USPS Library Reference MC2001-2/1 at 2.

In the context of the current proceeding, the requirements of Rule 54 should be applied in parallel with those governing experiments. As the Commission has recognized, "[o]ne of the primary purposes of (the experimental) 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. Even though the Commission has determined not to apply its experimental rules to the request at hand, Rule 54 should be applied in a fashion that recognizes the very limited nature and extent of the Postal Service's proposal.

Information that responds to Rule 54(b)(3) is contained in Docket No. R2000-1 and Docket No. R2001-1. Information in Docket No. R2000-1 in witness Tolley's testimony addresses the substitutability of the various categories of mail and services.

Additionally, the substitution effects of the experiment should be very small and can reasonably be omitted in analyzing the effects of the experiment. The United Parcel

Service Response cites page 136 of witness Tolley's testimony in Docket No. R2001-1 with respect to the impact on parcel post of the introduction of Delivery Confirmation service in March, 1999. The testimony addresses total parcel post volume, over 80 percent of which is entered at one of the worksharing rates, rather than at the window. Moreover, in March, 1999, the Delivery Confirmation fee difference between Parcel Post and Priority Mail was 25 cents, much greater than today's differences of 12 cents for electronic Delivery Confirmation and 10 cents for manual Delivery Confirmation. These factors indicate a much smaller relationship between Delivery Confirmation and Parcel Post today. Additionally, workshared Parcel Post could already be mailed as Priority Mail with electronic Delivery Confirmation at no additional fee, so the temporary ability to get manual Delivery Confirmation without charge during 16 days in December should cause no substitution whatsoever. For window-entered packages that would have been sent Parcel Post without the experiment, the availability of Delivery Confirmation without fee for Priority Mail could be expected to induce only a very small amount of substitution. Since Parcel Post entered at postal windows has a less pronounced peak than does Priority Mail, and only about five percent of Parcel Post mailers obtain Delivery Confirmation at the window, compared to closer to 15 percent for Priority Mail customers, there is unlikely to be significant interplay between the experiment and users of Parcel Post.

Witness O'Hara produces information in response to Rule 54(i) (1) and (2) in his testimony on page 8, line 18, to page 9, line 22. In response to Rule 54(i)(3), the cost coverages are the same as those recommended by the Commission in Docket No. R-2000-1. Witness O'Hara will address the section 3622(b) pricing criteria in a supplement to his testimony to be filed in advance of the hearing scheduled for September 23, 2001.

Regarding Rule 54(j), the anticipated revenue and volume effects of the proposed change are provided in the workpapers underlying the testimony of witness O'Hara, to the extent that such information is available.

Accordingly, because of the limited nature of the request in this proceeding, the Postal Service requests that its initial waiver request regarding rule 54 be granted .

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Frank R. Heselton

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
October 16, 2001
Tel.:202.268.4823; Fax: .5402

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing upon all participants of record in this proceeding.



Frank R. Heselton

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-4823; Fax -5402
October 16, 2001
fheselto@email.usps.gov