

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

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

EXPERIMENTAL SUSPENSION OF FEE FOR  
MANUAL DELIVERY CONFIRMATION CATEGORY

Docket Nos. R2001-2  
MC2001-2

**NOTICE OF THE UNITED STATES POSTAL SERVICE  
CONCERNING THE FILING OF AN APPENDIX  
TO THE TESTIMONY OF WITNESS O'HARA  
AS A CONSEQUENCE OF PRC ORDER NO. 1327  
AND MOTION FOR INCLUSION AS PART OF HIS DIRECT TESTIMONY  
(October 23, 2001)**

The United States Postal Service hereby gives notice that it is filing today an Appendix to the testimony of witness O'Hara (USPS-T-1). The filing consists of narrative text to be appended at the end of witness O'Hara's direct testimony. In PRC Order No. 1327 (October 12, 2001), the Commission determined that the Postal Service's request would be treated as a fee change proposal, and not an experimental classification proposal. Accordingly, witness O'Hara has prepared an analysis of the application of the pricing criteria of 39 U.S.C. § 3622(b) to the Postal Service's request.

A copy of the Appendix was e-mailed to UPS counsel yesterday evening.

Respectfully submitted,

UNITED STATES POSTAL SERVICE  
By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



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Frank R. Heselton

**Appendix to Testimony of Donald J. O'Hara, USPS-T-1, R2001-2/MC2001-2**

The Postal Reorganization Act sets forth, in section 3622(b), the following nine criteria that are to be considered in determining postal rate and fee levels:

1. the establishment and maintenance of a fair and equitable schedule;
2. the value of the mail service actually provided each class or type of mail service to both the sender and the recipient including, but not limited to the collection, mode of transportation, and priority of delivery;
3. the requirement that each class of mail bear the direct and indirect postal costs attributed to that class plus that portion of all other costs of the Postal Service reasonably assignable to such class or type;
4. the effect of rate increases upon the general public, business mail users, and enterprises in the private sector of the economy engaged in the delivery of mail matter other than letters;
5. the available alternative means of sending and receiving letters and other mail matter at reasonable costs.
6. the degree of preparation of mail for delivery into the postal system and its effect upon reducing costs to the Postal Service.
7. simplicity of structure for the entire schedule and simple, identifiable relationships between the rates or fees charged the various classes of mail for the postal services;
8. the educational, cultural, scientific and informational value to the recipient of mail matter; and
9. such other factors as the Commission may deem appropriate.

The proposal is consistent with criterion (1); it is intended to benefit not only those who receive Delivery Confirmation without charge during the experiment, but other mailers as well. To the extent the experiment induces participants to mail earlier than they otherwise would, other mailers may benefit

from shorter lines and better window service in the week just before Christmas and would share in any benefits from reductions in postal operating costs made possible by the smoothing of mailing patterns. Likewise, to the extent the experiment induces participants to purchase Delivery Confirmation in the future, there would be a modest increase in contribution to institutional costs, lessening the degree to which other mailers have to bear these costs. Given these potential benefits, and the proposal's compliance with the other criteria of Section 3622(b), the proposed suspension of the Priority Mail manual Delivery Confirmation fee for this 16-day period is fair and equitable.

With respect to criterion (2), one effect of the proposal would be to introduce the benefits of Delivery Confirmation to customers who have not yet tried it. To the extent this exposure leads them to purchase Delivery Confirmation after the experiment is over, the aggregate value derived from the availability of the service by all customers combined would be enhanced even though the service itself will not change. Also, for the duration of the experiment, the proposal would increase the value of Priority Mail service for window-entered and third-channel customers, since they will receive Delivery Confirmation as part of the basic Priority Mail service, without additional charge.

With respect to criterion (3), page 2 my workpaper, Panel C shows that the experiment will reduce the cost coverages recommended by the Commission in its R2000-1 Decision for Priority Mail and Retail (or manual) Delivery Confirmation with Priority Mail by only one-half percentage point each.

The proposal is consistent with criterion (4). In particular, the effect on private sector enterprises delivering mail matter other than letters was carefully considered in developing the proposal. Based on the fact that commercial shippers already have access to electronic Delivery Confirmation without charge, as well as the limited scope and duration of the experiment, the Postal Service expects that any effect on private sector competitors will be minimal.

Criteria (5), (6), and (8) are not really pertinent since the proposal will do nothing to change the alternatives available for sending and receiving mail matter at reasonable cost, the degree of preparation by mailers, or the educational, cultural, scientific and informational value of the mail.

With respect to criterion (7), the proposal might be viewed as modestly complicating the fee schedule, but customers are familiar with limited-time offers for many other products and services. Customers are also familiar with Postal Service exhortations to mail early during the holiday season and should not find the addition of a modest incentive to mail early quite understandable.

Finally, in addition to the specific benefits of the experiment, the Postal Service anticipates that the entire postal community would benefit from an exploration of various ways to achieve additional pricing flexibility within the current regulatory framework. Accordingly, the Postal Service asks the Commission to recognize this benefit under criterion (9).

With regard to the relative value to the people of all kinds of mail matter entered into the postal system (criterion (2)), many of the Priority packages that would receive Delivery Confirmation without charge would be holiday presents that are certainly of great value to both the sender and the recipient. Delivery Confirmation would give senders the satisfaction and peace of mind that comes from knowing with certainty their gifts have been delivered; they won't have to wait for a thank-you note or phone call after the present has been opened.

## CERTIFICATE OF SERVICE

I hereby certify that I have attached a copy of the foregoing has been served on all parties of record in accordance with the Commission's Rules of Practice and Procedure.



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