

UNITED STATES OF AMERICA  
POSTAL RATE COMMISSION

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

*Before:*

Chairman Omas,  
Vice Chairman Goldway  
and Commissioner Covington

Postal Rate and Fee Changes, 2001

Docket No. R2001-1

OPINION  
AND  
RECOMMENDED DECISION  
APPROVING  
STIPULATION AND AGREEMENT



Washington, DC 20268-0001  
March 22, 2002

T/P



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## TECHNICAL APPENDICES

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## SUMMARY

This Opinion and Recommended Decision completes a remarkable chapter in the history of ratemaking under the Postal Reorganization Act of 1970.

In an unfortunate coincidence, the Postal Service announced its intention to seek higher rates to raise needed revenues on September 11, 2001, at approximately the same time terrorists were attacking New York and Washington, D.C. Shortly thereafter, the mails were used to distribute lethal anthrax spores.

These events, coupled with a slowing economy, undermined many of the cost and revenue projections on which its specific rate proposals were premised. At the initial prehearing conference scheduled to discuss procedures for considering the Postal Service Request, the Commission challenged all interested parties to explore whether they could respond to these unprecedented events in a way that would help the entire mailing community get through the crisis. The Chairman stated:

I have often heard it said that there could never be a settlement in an omnibus rate case. There are too many conflicting interests, and too much money is at stake. But it seems to me that if there was ever a time when 'business as usual' was not an attractive course of action, and when cooperative efforts to promptly resolve issues through settlement might be the right course of action, that time is now.

The parties responded. In approximately two and a half months the many diverse interests that frequently bitterly contest multiple issues in postal rate cases were able to negotiate, revise, and submit a Stipulation and Agreement as a proposed settlement. The settlement allows for early implementation of higher rates, on June 30, 2002, balanced by a Postal Service undertaking to delay its next request for higher rates until at least fiscal year 2003. The agreed-upon rates, and any process used to arrive at them, are to have no precedential effect in future cases.

Participants were given ample opportunity to consider the proposed settlement and one party, the American Postal Workers Union, AFL-CIO submitted evidence in opposition. Hearings were held, briefs were filed, and the Commission has determined that the proposed settlement is consistent with the policies of the Postal Reorganization Act and in the public interest. It therefore recommends the settlement rates.

Rate increases, by class of mail, are as follows:

	<b>Percent</b>
First-Class Letters	7.7
First-Class Cards	9.7
Priority Mail	13.5
Express Mail	9.4
Periodicals	10.0
Standard (Advertising) Mail	7.1
Package Services	5.0
Special Services	11.4

The Commission takes this opportunity to congratulate the Postal Service, and the many rate case participants including mailers, competitors, employee organizations, and the Office of the Consumer Advocate for their willingness to put aside the potential short-term advantages of litigation to achieve this outcome. The Nation is the long-term beneficiary of their efforts.

## I. PROCEDURAL HISTORY

[1001] *Postal Service's Request*. On September 24, 2001, the United States Postal Service filed a request for a recommended decision on changes in rates, fees, and certain mail classifications.<sup>1</sup> The filing, which was assigned Docket No. R2001-1, was noticed in Order No. 1324, issued September 26, 2001. *See 50 Fed. Reg. 50480 (2001)*. The Commission heard the case *en banc*, with Chairman George Omas serving as the presiding officer. Sixty-one parties, representing all classes of service, intervened. The Commission's Office of Consumer Advocate (OCA) participated representing the interests of the general public. 39 U.S.C. § 3624(a).

[1002] Using fiscal year 2000 as the base year, the Postal Service projects that at existing rates it will incur a net revenue deficiency of \$5.275 billion in fiscal year 2003, the proposed test year. USPS Exhibit 6A. It requests an increase in rates and fees sufficient to generate additional revenues of \$ 4.257 billion, which includes a 3 percent contingency allowance. USPS-T-6 at 75. The Request indicates it is seeking a systemwide average increase of 8.7 percent. USPS Exhibit 28D. To support its Request, the Postal Service submitted the testimony and exhibits of 40 witnesses, encompassing 44 testimonies, and 136 library references. Numerous other library references were filed as the case progressed.

[1003] *The National Crisis*. This omnibus rate proceeding is unlike any other heard by the Commission. Not for its substance, but for unprecedented recent events that have severely taxed the Postal Service's resources. On September 11, 2001, terrorists

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<sup>1</sup> Request of the United States Postal Service for a Recommended Decision on Changes in Rates of Postage and Fees for Postal Services and Request for Expedition, September 24, 2001 (Request). Subsequently, the Postal Service revised the Request with two minor filings. *See United States Postal Service Notice of Filing Errata to the Proposed Changes in the Domestic Mail Classification Schedule and the Proposed Rate and Fee Schedules*, November 7, 2001; and *United States Postal Service Notice of Filing Errata to Proposed Rate Schedule 421*, November 21, 2001.

attacked the United States in New York and Washington, D.C. The effects on the Postal Service were immediate. In New York, facilities were damaged, vehicles lost, and mail service was disrupted. Nationally, airports were closed and commercial air traffic halted. The Postal Service scrambled to find alternate transportation to serve its needs. It enlarged its own fleet, engaged additional private contractors, and increased its reliance on Amtrak. See, e.g., *The Wall Street Journal*, September 12, 2001 at A4; *The Washington Post*, September 17, 2001 at A20; *PostCom Bulletin* No. 37-01, September 14, 2001 at 6; and *PostCom Bulletin* No. 38-01, September 21, 2001 at 7-8. Even as airports resumed operations, Postal Service operations could not return to normal. The Federal Aviation Administration required most cargo carried on passenger planes to be screened for explosives, causing the Postal Service to transport most of its mail via trucks or all-cargo airlines. See, e.g., *The Wall Street Journal*, October 16, 2001 at A4. In addition, the threat of terrorist attacks caused increased security measures, including removing collection boxes.

[1004] Aside from the direct costs to the Postal Service resulting from the September 11 attacks, preliminarily estimated at approximately \$61 million, the Postal Service experienced a sharp drop in revenues, at least partially attributable to these events, as mailers deferred or cut back on scheduled mailings. Preliminarily, the Postal Service estimated that for the three weeks following the September 11 attacks, a period coinciding with the final three weeks in FY 2001, revenues fell by \$300-400 million.<sup>2</sup>

[1005] Although the Postal Service may be viewed as an incidental casualty of the September attacks, it bore the full brunt of the subsequent biological terrorism. Shortly after September 11 at least five letters seeded with lethal anthrax spores were placed in the mail by persons whose identity and motives are still unknown. Within three weeks 11 people had contracted inhalation anthrax; five, including two postal workers, ultimately died. Several others contracted contact anthrax, the less dangerous form of the disease, and all have since recovered. The deadly letters had leaked spores infecting postal

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<sup>2</sup> See *PostCom Bulletin* Nos. 42-01, October 12, 2001 at 2; and 43-01, October 19, 2001 at 10.

workers and customers, and contaminating buildings, equipment and other mail, everywhere they had passed in their movement through the postal system.

[1006] The attack caused the closure for decontamination of Congressional offices in Washington, the offices of TV news services, newspapers and tabloids in New York and Florida, two large metropolitan mail processing plants in New Jersey and Washington, D.C., and numerous smaller facilities where tests revealed the spores had traveled.

[1007] The medical risk of anthrax-contaminated mail to postal workers and customers is not yet fully understood, but is evidently more serious than was at first believed. The spores pass easily through the paper of ordinary envelopes and the quantity needed to cause inhalation anthrax in some susceptible individuals may be very small. As the health risks became apparent following the discovery of the letters, the Postal Service responded by testing its exposed employees for disease, offering them antibiotics as a precaution, by testing its facilities and equipment for spores, by closing the facilities for decontamination wherever the spores were found, by quarantining and irradiating large volumes of mail, by participating in an immense criminal investigation, and by candidly advising the public of appropriate precautions.

[1008] The Service has had to bear the unexpected short-run costs of disruption, decontamination and protection, and the long-run costs of reconstructing facilities, securing its personnel and customers from further attack, and restoring the shaken confidence of the public in the safety of the mail. In sum, Postal Service operations were thoroughly disrupted, causing expenses to rise sharply. In testimony before the Senate Subcommittee on Treasury and General Government of the Committee on Appropriations on November 8, 2001, the Postmaster General estimated the combined financial impact on the Postal Service of the September 11 and biological terrorism to be approximately \$3 billion.

[1009] While the slumping economy undoubtedly influenced these results, the issue, in the context of this proceeding, is the compromising effects these events may

have on assumptions underlying the Postal Service's rate filing. The longer-term impact of these events on the nation's mailing habits was, and is, unknown.

[1010] *Settlement Negotiations.* At the prehearing conference held October 25, 2001, the Presiding Officer outlined his concerns about the continuing effects of the unprecedented challenges facing the Postal Service. Tr. 1/39-42. He urged the participants to consider alternatives to litigation, suggesting that they attempt to resolve issues through settlement. Citing the benefits of a cooperative approach, he encouraged parties to respond in statesman-like fashion to the current crisis.

None of us wants to be here in May arguing about this case, knowing the Postal Service is at risk and is preparing to file an additional request to make up for losses incurred while this docket was going forward. I urge all participants to recognize that extraordinary times warrant extraordinary acts.

*Id.* at 41.

[1011] The Presiding Officer appointed Postal Service counsel, Daniel Foucheaux, as Settlement Coordinator, requesting he contact all participants to determine the feasibility of settlement. In addition, he requested Mr. Foucheaux to file regular reports with the Commission detailing the status of settlement negotiations.

[1012] The first informal settlement conference was convened October 30, 2001; a second followed November 16, 2001. During this period, a draft Stipulation and Agreement was circulated to all parties. In addition, the Postal Service continued to meet with participants, individually and in small groups, to consider the proposed terms of settlement. The Settlement Coordinator apprised the Commission of these ongoing negotiations in a series of reports.<sup>3</sup>

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<sup>3</sup> In all, the Settlement Coordinator filed seven reports with the Commission. The first was filed November 2, 2001; the seventh was filed January 11, 2002. In general, the reports convey a sense of optimism that settlement could be achieved among a substantial number of participants. See Second Report of the United States Postal Service as Settlement Coordinator, November 9, 2001 at 1; Fourth Report of the United States Postal Service as Settlement Coordinator, November 30, 2001 at 1; and Fifth Report of the United States Postal Service as Settlement Coordinator, December 10, 2001 at 1-2.

[1013] Litigation of the Request proceeded on a separate track. Discovery on the Postal Service continued, putting a particular burden on the Postal Service as respondent. Hearings on the Postal Service's direct case commenced December 10, 2001.

[1014] *The Stipulation and Agreement*. On December 17, 2001, the Postal Service filed a proposed Stipulation and Agreement in settlement of this proceeding. See Motion of the United States Postal Service Submitting Stipulation and Agreement and for the Establishment of a Preliminary Procedural Mechanism and Schedule, December 17, 2001 (Postal Service Motion). Subsequently, the Postal Service submitted revised versions of the Stipulation and Agreement (settlement), the latest February 13, 2002.<sup>4</sup> The latter forms the basis on which the Commission issues its recommended decision.

[1015] Although each revision effects a substantive change, the underlying principles of the settlement agreement have remained intact. The principal provisions of the settlement are as follows:

- The Request, testimony, and materials filed on behalf of the Postal Service in this proceeding provide substantial evidence for establishing the proposed changes in rates, fees, and classifications. § II ¶ 3.
- The Postal Service agrees not to implement the proposed rate, fee, and classification changes prior to June 30, 2002. § II ¶ 4.
- Each signatory may withdraw from the settlement under certain conditions, including, among others, if the Commission fails to issue its Recommended Decision on the settlement by March 25, 2002; if it fails to recommend the proposed settlement rates, fees, and classification changes without modification; or if the Governors fail to approve a Commission Recommended Decision

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<sup>4</sup> See Motion of the United States Postal Service Submitting a Revised Stipulation and Agreement, December 26, 2001 (extending the effective date of the proposed changes to no sooner than June 30, 2002, and changing the proposed rates for Inter- and Intra-BMC parcel post to those included in the Postal Service's Request); Motion of the United States Postal Service Submitting Second Revised Stipulation and Agreement, January 17, 2002 (incorporating several minor changes in proposed rates for Enhanced Carrier Route subclass of Standard Mail); and Notice of the United States Postal Service Withdrawing Proposals and Submitting Revised Stipulation and Agreement, February 13, 2002 (withdrawing proposals affecting DMCS special service combination listings). The latter also incorporates corrections, without substantive effect, to an errata filed January 18, 2002.

adopting the settlement rates, fees, and classification changes without modification. § II ¶ 7.

- The Stipulation, which is offered in total and final settlement of Docket No. R2001-1, pertains only to this proceeding and does not bind any signatory party to any regulatory principle, e.g., ratemaking, cost of service, or rate design, or the application of any rule or interpretation of law, “that may underlie or be thought to underlie [the settlement].” § II ¶¶ 6 and 9.
- The signatories agree that none of the matters presented in this proceeding in the Postal Service’s Request, in any Commission Recommended Decision, or in any decision by the Governors shall be entitled to precedential effect in any other proceeding. § II ¶ 10.

[1016] Finally, an additional consideration leading to the settlement is the Postal Service’s commitment to forego filing its next omnibus rate request for as long as it is prudent to do so. See Letter from Postmaster General John E. Potter to All Parties of Record, Docket No. R2001-1, December 26, 2001, attached to Motion of the United States Postal Service Submitting Revised Stipulation and Agreement, December 26, 2001; see *also* Postal Service Motion at 4. Although the length of this commitment is somewhat open-ended, it represents, in the Commission’s view, an important facet of the settlement.

[1017] *Procedures to Consider the Settlement.* The Postal Service was the sole signatory to the proposed settlement as filed, not as a matter of preference, but more as a reflection of the logistical difficulties in coordinating with multiple parties. Postal Service Motion at 6-7. Given the uncertainty surrounding the number of participants who would support (or not oppose) the settlement, the Postal Service proposed preliminary procedures to allow for consideration of the settlement if it were opposed. Accordingly, the Postal Service’s motion sets forth procedural mechanisms, including a schedule, for consideration of the settlement.



[1018] P.O. Ruling R2001-1/27, issued December 31, 2001, established a revised hearing schedule and procedural mechanisms to consider the settlement and opposition, if any, to it.<sup>5</sup> The procedures adopted were designed to accommodate the due process requirements of all participants by including principal safeguards. The schedule preserved the right of any participant considering opposing the settlement to cross-examine the Postal Service's witnesses. Several participants availed themselves of this opportunity: Amazon.com, American Postal Workers Union, AFL-CIO, American Bankers Association and National Association of Presort Mailers, Coalition of Religious Press Association and National Federation of Independent Publications, National Newspaper Association, and Val-Pak Direct Marketing Systems, Inc. and Val-Pak Dealers' Association, Inc.

[1019] The procedural schedule did not require any party to formally elect to oppose the settlement until following completion of hearings on the Postal Service's direct case, providing nearly a month to consider the proposed settlement. This interim period was significant as it enabled several parties to resolve their differences with the Postal Service and become signatories to the settlement.

[1020] The Presiding Officer set January 16, 2002 as the due date for any party contesting the settlement to submit a notice of opposition. P.O. Ruling R2001-1/30 at 2. Only the American Postal Workers Union, AFL-CIO (APWU) filed a Notice of Opposition. See Notice of Opposition of the American Postal Workers Union, AFL-CIO, January 15, 2002. APWU's opposition focuses on a single, narrow issue. Contending that the proposed discounts for certain First-Class Mail rate categories exceed their estimated cost savings, APWU proposes that workshare discounts be set at 80 to 100 percent of their avoided costs. In support of that position, APWU submitted the testimony of Michael J. Riley on January 30, 2002. See Chapter III, section B, for a discussion of the merits of APWU's position.

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<sup>5</sup> Certain dates prescribed in P.O. Ruling R2001-1/27 were subsequently modified by P.O. Ruling R2001-1/30, issued January 8, 2002.

[1021] On consideration of the scope and extent of APWU's evidentiary presentation, the Presiding Officer established a procedural schedule providing for hearings to receive into evidence APWU's testimony as well as surrebuttal testimony in opposition to it.<sup>6</sup> These hearings were held February 14, and February 26, 2002, respectively.

[1022] Fourteen initial briefs were filed on behalf of 29 participants.<sup>7</sup> All except APWU support the settlement and urge the Commission to adopt it as its Recommended Decision. Seven reply briefs were filed on behalf of 13 participants.<sup>8</sup>

[1023] On March 6, 2002, the Postal Service filed the original signatures of participants accepting the terms of the Stipulation and Agreement. See Notice of United States Postal Service Filing Signatures for Stipulation and Agreement, March 6, 2002. In

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<sup>6</sup> The following surrebuttal testimony was filed: Joseph D. Moeller on behalf of the Postal Service, Richard E. Bentley, who submitted two testimonies, one for the Major Mailers Association (MMA), the other on behalf of KeySpan Energy, John D. Crider for MMA, Jay Gillotte on behalf of National Association of Presort Mailers (NAPM), and James A. Clifton, jointly sponsored by American Bankers Association and NAPM.

<sup>7</sup> Initial Brief of Alliance of Nonprofit Mailers, American Business Media, AOL Time Warner Inc., Coalition of Religious Press Associations, Dow Jones & Company, Inc., Magazine Publishers of America, Inc., National Federation of Independent Publications, National Newspaper Association, and The McGraw-Hill Companies, Inc.; Joint Initial Brief of American Bankers Association and National Association of Presort Mailers; Initial Brief of The American Postal Workers Union, AFL-CIO to the Postal Rate Commission; Brief of Coalition of Religious Press Associations and National Federation of Independent Publications; Initial Brief of KeySpan Corporation, Automatic Data Processing, Inc., Electronic Data Services, and Long Island Power Authority in Support of Stipulation and Agreement on QBRM Issues; Initial Brief of Mail Order Association of America; Initial Brief of Major Mailers Association in Support of Stipulation and Agreement; Newspaper Association of America Initial Brief in Support of Proposed Stipulation and Agreement; Initial Brief of the Office of Consumer Advocate; Initial Brief of Parcel Shippers Association; Initial Brief of Association for Postal Commerce, Mailing & Fulfillment Service Association, and Recording Industry Association of America; Joint Brief of the Saturation Mail Coalition and Advo, Inc.; Initial Brief of the United States Postal Service; and Initial Brief of ValPak Direct Marketing Systems, Inc. and ValPak Dealers' Association, Inc.

<sup>8</sup> Joint Reply Brief American Bankers Association and National Association of Presort Mailers; Reply Brief of the American Postal Workers Union, AFL-CIO to the Postal Rate Commission; Reply Brief of KeySpan Corporation, Automatic Data Processing, Inc., Electronic Data Services, and Long Island Power Authority in Support of QBRM Issues; Joint Reply Brief of Mail Order Association of America, the Saturation Mail Coalition, and Advo, Inc.; Reply Brief of Major Mailers Association in Support of Stipulation and Agreement; Reply Brief of United Parcel Service Concerning the Proposed Stipulation and Agreement of Settlement; and Reply Brief of the United States Postal Service.

total, of the 63 participants in this proceeding, 57 are signatories; five do not oppose it; and one party, APWU, opposes the settlement. See Appendix A, Part Three for the list of signatories.

[1024] *Due Process Issues Raised By APWU*. On brief, APWU contends that the failure to adopt its proposed procedural schedule, particularly concerning rebuttal testimony, “created serious due process issues.” APWU Brief at 23. It asserts that its due process rights were compromised because it had neither an opportunity for written discovery of testimony adverse to its position (surrebuttal testimony) nor an opportunity to submit additional testimony responsive to it. *Id.* at 23, 30. These claims, each previously considered and rejected, are without merit. See P.O. Ruling R2001-1/43 (P.O. Ruling 43), and PRC Order No. 1337, February 27, 2002. In addition, APWU adds to its due process argument the claim that the intervenors’ surrebuttal testimony was too complex to be understood in the time allotted. APWU Brief at 29. Based on its contentions, APWU concludes that if the Commission were to rely on the intervenors’ surrebuttal testimony it could taint the Recommended Decision. *Id.* at 30.

[1025] A careful review of the development of the procedural schedule dispels any notion that APWU’s due process rights have been compromised. Initially, APWU proposed a procedural schedule that would provide it with an opportunity for written discovery of any potential surrebuttal testimony as well as an opportunity to rebut it.<sup>9</sup> Each of these suggestions was based on a flawed premise, namely, misreading the Commission’s Rules or mischaracterizing the nature of testimony to be submitted in response to its witness. The Presiding Officer rejected both of these suggestions as inconsistent with the Commission’s Rules, finding, *inter alia*, that “Commission practice does not provide for written discovery on surrebuttal testimony.” P.O. Ruling 43 at 4. Furthermore, the Presiding Officer specifically addressed APWU’s characterization of

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<sup>9</sup> American Postal Workers Union, AFL-CIO Initial Reply to Motion of the United States Postal Service for the Establishment of a Procedural Mechanism and Schedule Governing Further Proceedings In Light of the Settlement and Suggestions for Procedural Mechanisms and Schedules, January 24, 2002 at 3-4 (APWU Suggestions).

any responsive testimony: “The [surrebuttal] testimony to be filed on February 20, 2002 will be limited to challenging propositions put forward in APWU-T-1. It cannot be characterized fairly as the case-in-chief of any participant.” *Ibid.*

[1026] Prior to hearings on the surrebuttal testimony, APWU moved to strike the testimony of five surrebuttal witnesses on the theory that they were not proper surrebuttal testimony.<sup>10</sup> The Commission denied these motions, concluding that the intervenors’ testimony was directly responsive to witness Riley’s testimony. PRC Order No. 1337, February 27, 2002.

[1027] Tellingly, on brief, APWU merely recites the foregoing procedural history. See APWU Brief at 22-27. Nowhere does it address the substance of POR 43 or Order No. 1337. As the Postal Service correctly argues, APWU makes no attempt either to demonstrate that P.O. Ruling 43 is inconsistent with Commission Rules or to challenge the Commission’s substantive conclusion, in Order No. 1337, that the intervenors’ testimony is directly responsive to witness Riley’s contentions. See Postal Service Reply Brief at 14-15. Rather, its due process claim appears to be reduced to a complaint that it lacked sufficient time to understand the surrebuttal testimony. APWU Brief at 29. This claim is not persuasive.

[1028] By statute the Commission must, as a general rule, issue its recommended decision within ten months after receiving the Postal Service’s rate request. 39 U.S.C. § 3624. As a consequence, omnibus rate proceedings are conducted under exacting timetables that impose arduous demands on all participants. The settlement, too, contained timetables, including the issuance of the Commission’s recommended decision by March 25, 2002. If the Commission fails to issue its decision by that date, signatories may elect to withdraw from the agreement. In addition, that date is critical to

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<sup>10</sup> Motion of American Postal Workers Union, AFL-CIO to Strike Testimony of NAPM Witness Gillotte (NAPM-SRT-2), February 25, 2002; Motion of American Postal Workers Union, AFL-CIO to Strike Testimony of MMA Witness Crider (MMA-SRT-2), February 25, 2002; Motion of American Postal Workers Union, AFL-CIO to Strike Testimony of MMA Witness Bentley (MMA-SRT-1), February 25, 2002; Motion of American Postal Workers Union, AFL-CIO to Strike Testimony of ABA&NAPM Witness Clifton (ABA&NAPM-SRT-1), February 25, 2002; Motion of American Postal Workers Union, AFL-CIO to Strike Testimony of KeySpan Energy Witness Bentley (KE-SRT-1), February 25, 2002.

early implementation of the proposed settlement rates. The Commission has been told that action by this date is needed to provide adequate lead time for vendors to write and implement software programs essential to incorporating new rates.<sup>11</sup>

[1029] These twin considerations shaped the procedural schedule. On the one hand, it had to accommodate timely review of the settlement so that if the Commission concluded that it was not a reasonable basis for a recommended decision, its energies could be focused on the Postal Service's Request in an effort to issue a recommended decision consistent with 39 U.S.C. § 3624. On the other hand, the schedule needed to take into account the implications of a Commission failure to issue its recommended decision by March 25, 2002. P.O. Ruling R2001-1/43 at 2. APWU's procedural suggestions were carefully considered. As it concedes, APWU Brief at 23, P.O. Ruling 43 did adopt several of APWU's procedural suggestions. In the Commission's view, the procedural schedule fairly balanced the need for expedition with the due process rights of all participants.

[1030] In this proceeding, the hearing on surrebuttal testimony commenced six days after the due date for such testimony. This duration, while short, compares favorably with that provided in the last two omnibus proceedings, each of which was fully litigated and involved a significantly greater number of witnesses. For example, in Docket No. R2000-1, hearings on rebuttal testimony began nine days after the submission of testimony and involved the testimony of more than 50 witnesses. P.O. Rulings R2000-1/71 and 1/120. Similarly, in Docket No. R97-1, hearings commenced seven days after rebuttal testimony was filed and involved 35 witnesses. P. O. Rulings R97-1/54 and 1/107. Plainly, the time afforded APWU is comparable to the schedule routinely employed by the Commission in proceedings distinguished by, among other things, substantially greater numbers of issues and witnesses. APWU cannot

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<sup>11</sup> PostCom Comments and Support of Motion of the United States Postal Service for the Establishment of a Procedural Mechanism and Schedule Governing Further Proceedings in Light of Settlement, January 28, 2002 at 1.

legitimately claim it has been disadvantaged by a comparable schedule, particularly given the limited scope of the surrebuttal testimony.

[1031] The surrebuttal testimony that is the focus of APWU complaints is based largely on data in the record and Commission precedent. In light of the limited purpose for which this testimony is intended, and considering the nature of testimony routinely submitted in rate proceedings, none of the subject testimony (Bentley MMA-SRT-1, Bentley KE-SRT-1, and Clifton ABA&NAPM-SRT-1) can be read as overly complex. The purpose of this testimony was to rebut witness Riley's contention, predicated on the Postal Service's new costing methodology, that First-Class discounts exceeded their cost savings. Clearly, given that predicate, the Riley testimony was subject to challenge based on the Commission's existing costing methodology. Unfamiliarity with currently accepted methodologies does not give rise to a valid claim of deprivation of due process.<sup>12</sup>

[1032] APWU's discussion of due process culminates with it cautioning the Commission against reliance on the intervenors' surrebuttal testimony, warning that it "could have the unfortunate effect of tainting the recommended decision to be issued in this proceeding." APWU Brief at 30. The Postal Service effectively rebuts this argument. Postal Service Reply Brief at 15-17. While indicating its disagreement with conclusions drawn by the intervenors, the Postal Service notes that the Commission could recommend the proposed First-Class rates relying on established methodology rather than relying explicitly on witness Miller's results. *Id.* at 17. The Postal Service observes that the Commission could have employed either option even if the subject testimony had not been filed. *Ibid.* Neither case would implicate APWU's due process rights. In any event, as discussed in Chapter III, section B, the Commission's rejection of witness Riley's rate design does not rest on any complex analyses of alternate costing theories advanced in the intervenors' surrebuttal testimony.

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<sup>12</sup> Furthermore, as both MMA and ABA&NAPM contend, APWU's claim of insufficient time is undercut by its failure to participate more actively in the early stages of this proceeding, including discovery of the Postal Service. See MMA Reply Brief at 1-4; ABA&NAPM Reply Brief at 10.

[1033] *Data Issues.* The record as developed to date has identified problems in data used in special studies and the techniques used to analyze data. Witness Bradley notes that the special studies used to estimate Segment 7 attributable City Carrier Street Time Costs are from the 1980s and dated. USPS T-16 at 12-13. He expresses concern about the accuracy of these estimates, as demonstrated by the high coefficients of variation in estimated values, and acknowledges that the Commission has stated the need for more timely and accurate data and analysis to estimate carrier costs. *Id.*, at 4-5. The Commission reaffirms this desire and endorses the Service's recognition of a need to develop more timely data and analysis of City Carrier Street Time Costs.

[1034] Postal Service witness Schenk has supplied the Commission with a number of FORTRAN programs used to develop Library References USPS-LR-J-58, 59, 83, and 117. However, the Commission's attempt to run these programs on a PC failed due to their incompatibility with a PC-based FORTRAN program and lack of supporting datasets. Subsequently, Chairman Omas asked witness Schenk during her oral cross-examination to provide these FORTRAN programs in a form that could be run on a PC and to include the identification of any special equipment, compilers, applications and instructions that may be required to run them on a PC, or as an alternative, to provide the program in PC SAS. Tr. 5/951.

[1035] Counsel for the Postal Service provided a written response on January 25, 2002, asserting that the Postal Service had used mainframe FORTRAN programs and noted the possibility of translating these FORTRAN programs to a PC-compatible format. The Settlement Agreement has overtaken the need for updating and revising these programs in R2001-1, nevertheless, such revisions would be required in the future. The Commission urges the Postal Service and other parties in any future proceedings to make submissions such as these FORTRAN programs and underlying data available from the outset in a PC-compatible format that can be used with publicly available applications.

[1036] *Miscellaneous Matters.* The Commission issued one Notice of Inquiry concerning proposed changes to the Domestic Mail Classification Schedule (DMCS).

See Notice of Inquiry No. 1 Concerning Proposed DMCS Changes, February 1, 2002 (NOI). Briefly, the NOI was occasioned by the Postal Service's proposal to eliminate from the DMCS the listings of combinations of special services that either must or may be used in conjunction with one another. These proposed revisions to the DMCS were incorporated into the proposed settlement. See Stipulation and Agreement filed December 17, 2001 at 3, n.1. The Commission had recently rejected a similar proposal by the Postal Service, and given its concerns with these deletions, and the limited record evidence in support of them, the Commission issued the NOI to signal its intent to retain the current special services combination listings in lieu of recommending the Postal Service's proposal. NOI at 1-3. The Commission concluded: "This expressed intent does not affect rates in any way, and does not affect classification proposals in the proposed Stipulation and Agreement that concern the substance of any special service. The only intent is to retain the current scope of descriptions of special services in the DMCS." *Id.* at 3.

[1037] The Commission further noted that its decision was necessarily an interim measure since it left unresolved potential inaccuracies in the current DMCS. As an alternative solution, the Commission attached to the NOI revised DMCS provisions that it would consider recommending if participants supported the alternative and there was no substantive objection to its implementation. *Id.* at 4. In addition, the Commission outlined potential ways to revise the DMCS in the future. Parties were invited to comment on each set of proposals.

[1038] The Postal Service essentially preempted the need for parties to comment by filing a notice withdrawing its proposed revisions to the DMCS concerning listings of combinations of special services.<sup>13</sup> This notice was accompanied by a revised Stipulation and Agreement that, other than withdrawing the Postal Service's proposals, effects no change in the second revised Stipulation and Agreement filed January 17,

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<sup>13</sup> Comments endorsing the types of revisions suggested by the Commission were filed. Office of the Consumer Advocate Comments on Notice Of Inquiry No. 1 Concerning Proposed DMCS Changes, February 21, 2002 at 3-5.



2002. See Notice of the United States Postal Service Withdrawing Proposals and Submitting Revised Stipulation and Agreement, February 13, 2002. While it agreed that some of the Commission's proposed changes have merit, the Postal Service opposed adoption of those changes in this proceeding, suggesting that it would be more constructive to postpone consideration of various proposals, including its own, to a later date. *Id.* at 3. "Rather than encumber the settlement with these issues," the Postal Service withdrew its proposals affecting special service combination listings and submitted a revised Stipulation. *Ibid.* The revision entails no other changes to the settlement and did not prompt any signatory to withdraw from it.

[1039] The Postal Service's expedient action obviates the need to consider the attachments to the NOI in this proceeding. The Commission looks forward to a thorough exploration of possible changes to the special services sections with the intent to simplify and clarify the DMCS, and otherwise enhance its value to the public.

[1040] A lingering procedural issue, meriting brief comment, is the increasing reliance on protective conditions for the submission of material that, on closer inspection, may not require such treatment. Prior to Docket No. R2000-1, resort to protective conditions was relatively infrequent. Requests for protective conditions accelerated sharply in Docket No. R2000-1, a trend, based on indications in this proceeding, that appears to be unabated.

[1041] Indiscriminate use of this practice burdens the parties and the Commission. It is also inconsistent with public access to data that forms the basis for Commission decisions. Proceedings before the Commission are, as a general rule, open to the public. Exceptions exist for legitimately claimed evidentiary privileges, *e.g.*, involving proprietary or commercially sensitive information. While the Postal Service competes in certain markets, it operates in others pursuant to a statutory monopoly. Privileges that routinely pertain to commercial activities may have far more limited application to Postal Service monopoly activities. The Postal Service should, therefore, be circumspect in its assertion of privilege concerning matters relating to its monopoly. More generally, all

participants are cautioned to seek protective conditions only in circumstances where they are clearly necessary.

[1042] Finally, the Commission recognizes that achieving settlement was a Herculean task, straining the resources of all participants. The demands on the Postal Service were particularly intense. The case proceeded along dual tracks, with the Postal Service assuming the lead in settlement negotiations while continuing to meet the heavy demands of litigation. Meanwhile, all levels of Postal Service management were devoting substantial energies to meet the ongoing crisis.

[1043] Intervenors, representing mailers, competitors, postal unions, and the OCA, also deserve special recognition. They put aside self-interest to respond collaboratively to address the unprecedented challenges facing the Postal Service.

[1044] That settlement was achieved is a tribute to each signatory. The Commission commends them for their cooperation, vision, and selfless attitude.

## II. REVIEW OF PROPOSED SETTLEMENT

### A. Legal Standards for Evaluation

[2001] The current posture of this proceeding requires the Commission to address the question of the appropriate legal standards to apply in evaluating the pending Stipulation and Agreement. The question is posed, in part, because the Commission is being asked by the Postal Service and other signatories to approve an agreed-upon schedule of rates, without the adjustments to initially-proposed rates the Commission frequently recommends on the basis of its independent analyses of the evidentiary record in omnibus rate proceedings. Also, in this instance, the question is complicated by the fact that the agreement on which the signatories ask the Commission to base its recommendations is non-unanimous, and one participant contests the consistency of certain agreed-upon rates with the evidentiary record.

[2002] While the Commission has recommended many mail classification changes over the years by approving proffered settlement agreements,<sup>14</sup> its institutional experience with such proposals in the context of omnibus rate proceedings is much more limited. As the Postal Service notes in its Initial Brief,<sup>15</sup> settlement has been attempted in two prior general rate cases: Docket No. R74-1 and Docket No. R94-1. In considering appropriate standards for application in this docket, it is useful to review the Commission's actions regarding the settlement agreements in those cases, and the circumstances in which those actions occurred.

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<sup>14</sup> For example, in recent years the Commission has recommended introduction of three experimental presorted rate categories of Priority Mail (Docket No. MC2001-1) and of experimental "ride-along" advertising pieces in periodicals (Docket No. MC2000-1) on the basis of settlement agreements between the Postal Service and participants.

<sup>15</sup> Postal Service Brief at I-9, note 20.

[2003] *Docket No. R74-1*. In this early omnibus rate proceeding, following the completion of hearings, the Postal Service filed a motion requesting resolution of the case by recommendation of rates contained in a settlement agreement between the Service and 29 of the 47 parties in the docket. The rates were those proposed by the Service in its Request, with the exception of lower rates for two subclasses. Two participants filed answers opposing the Service's motion.

[2004] In Order No. 54,<sup>16</sup> the Commission gave notice of the motion for settlement and the lack of unanimity among the parties. It also announced its decision to refer the motion to the Presiding Judge for further consideration in settlement conferences, for the purpose of determining whether differences among the parties were questions of fact, opinion or law.<sup>17</sup> On the basis of case law it cited, the Commission further instructed the Presiding Judge that if there remained disputed issues of material fact, he should treat the proposed settlement as a proposal on the merits to be considered in his Initial Decision.

[2005] After several settlement conferences were held, the Presiding Judge reported to the Commission that certain material facts remained in dispute. In accordance with the Commission's direction in Order No. 54, he treated the settlement as a proposal on the merits. He rejected the settlement in his Initial Decision on the grounds that the Postal Service's costs for the various classes of mail were not properly determined, and that its rates were not in accordance with the Reorganization Act.

[2006] On brief, several parties proposed that the Commission reverse the Presiding Judge's finding on the merits and approve the settlement's rates. Opponents argued against this outcome on the ground that the rates in the settlement were inconsistent with the criteria of § 3622(b).

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<sup>16</sup> Docket No. R74-1, Order Referring Motion to Presiding Judge, October 9, 1974.

<sup>17</sup> At this earlier stage of the Commission's history, hearings on Postal Service requests were conducted by an Administrative Law Judge, rather than by the Commissioners *en banc*, with one of their number designated to function as Presiding Officer.

[2007] In its Recommended Decision in the proceeding, the Commission declined to recommend the rates in the settlement proposal. However, it disagreed with the assumption of some participants that it did not need to consider the settlement proposal on its merits, and noted that it had in fact considered the merits of each settlement rate in the process of establishing recommended rates.<sup>18</sup> The Commission explained that the reason for rejecting the settlement proposal was its incompatibility with the analyses of costing and rate design contained in the Commission's opinion. It also pointed out that, although some of the rates it recommended were identical or similar to the settlement rates, the Commission had "arrived at the former rates by an independent analysis of the record in the light of the Reorganization Act's requirements."<sup>19</sup>

[2008] *Docket No. R94-1*. As the Postal Service has observed in this proceeding, Docket No. R94-1 was a distinctive omnibus rate case because "settlement was an integral objective with the filing of the case."<sup>20</sup> The Service characterized its proposal in that proceeding as an interim rate request pending the submission of its planned major mail classification reform proposals. As the result of negotiations with mail users while formulating the contents of its Request and afterwards, many participants came to support the Service's proposed rates. Thus, as the Service has noted in this case, "many of the compromises embodied in the settlement agreement were negotiated prior to filing, and were incorporated in the Postal Service's original proposals[,]" which "were streamlined, involving a widely supported, but simplistic, across-the-board rate increase."<sup>21</sup>

[2009] In Order No. 1007, the Commission gave notice of the filing of the Postal Service's Request and granted an accompanying motion seeking authorization to

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<sup>18</sup> PRC Op. R74-1, August 28, 1975, Appendix H at 2, note 3.

<sup>19</sup> *Id.* at 2.

<sup>20</sup> Motion of the United States Postal Service Submitting Stipulation and Agreement, *supra*, at 6, note 3.

<sup>21</sup> *Ibid.*

conduct settlement negotiations. As the result of negotiations, the Service filed a Stipulation and Agreement ultimately signed by 42 signatories. The Commission provided for the filing of notices of opposition to the settlement in Order No. 1015. Ten notices of opposition were filed, which for the most part identified a number of unresolved issues of material fact and lodged objections to the procedures proposed by the Postal Service to accommodate the settlement.<sup>22</sup> The Commission conducted hearings on the Service's direct case, the responsive testimony filed by participants, and rebuttal testimony.

[2010] At the conclusion of the proceeding, the Commission found that it could not accept the proposed settlement, finding that “[s]everal aspects...are contrary to facts developed on the evidentiary record, and it therefore could not be the basis for a Commission recommended decision.”<sup>23</sup> In particular, it “conclude[d] that the record demonstrates a need to make significant revisions to the cost and revenue estimates to which the participants had stipulated.”<sup>24</sup>

[2011] Further, the Commission found the across-the-board rate increase proposal to be “inconsistent with cost-based ratemaking” because it “ignores changing differences in costs between the classes of mail, includes no analysis of changing cost patterns within subclasses; and would result in substantial changes in the allocation of institutional cost burden” to four subclasses of mail.<sup>25</sup> It also found the proposed rates’ implicit “allocation of institutional cost burdens [to be] not in accordance with the statute.”<sup>26</sup> Consequently, it found “that some significant revisions to the rates proposed

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<sup>22</sup> See, PRC Op. R94-1, November 30, 1994, para. 1048.

<sup>23</sup> *Id.*, para. 1006. (Footnote omitted.)

<sup>24</sup> *Id.*, para. 1051

<sup>25</sup> *Id.*, para. 1017.

<sup>26</sup> *Id.*, para. 1020.

by the Postal Service are required by the rate setting criteria enumerated in section 3622(b)[,]"<sup>27</sup> and accordingly recommended an adjusted set of rates in its decision.

[2012] *Positions of participants.* On brief, the Postal Service argues that a non-unanimous settlement agreement can form the basis of the Commission's recommendations, but also acknowledges that such approval requires the Commission's independent review of the record to establish that the settlement's terms are consistent with the Postal Reorganization Act's requirements.<sup>28</sup> Thus, the Service recognizes that the legal standards customarily used by the Commission in omnibus rate proceedings likewise are applicable to consideration of the settlement. However, given the financial and operational challenges the Postal Service has recently encountered, it also urges that the Commission should assign particular importance to these extraordinary circumstances and to the substantial financial benefit that early implementation of increased rates would produce.<sup>29</sup>

[2013] Other participants, either explicitly or implicitly, also recognize that the appropriate and customary Commission standard for reviewing settlement agreements is independent scrutiny of the record to determine that the policies and factors of the Reorganization Act are satisfied.<sup>30</sup> APWU, the settlement's only opponent, argues that the terms of the settlement should be scrutinized on the merits, applying the Commission's established ratemaking standards.<sup>31</sup> It also argues that issues of procedural due process must be addressed in light of the character of surrebuttal testimony admitted into the record in this case.<sup>32</sup>

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<sup>27</sup> *Id.*, para. 1051.

<sup>28</sup> Postal Service Brief at I-5 through I-9.

<sup>29</sup> *Id.* at I-14; Postal Service Reply Brief at 4.

<sup>30</sup> See, e.g., OCA Brief at 3-4; Joint Brief of the Saturation Mail Coalition and Advo at 1; Parcel Shippers Association Brief at 2.

<sup>31</sup> APWU Brief at 2-3.

<sup>32</sup> *Id.* at 22-30.

[2014] *Standards Applicable to Commission Action in This Case.* In evaluating the rates agreed upon in the Stipulation and Agreement in this case, the policies and criteria of the Reorganization Act constitute the primary source of legal standards, as they do in all proceedings under Chapter 36. Consistency with statutory provisions—particularly requirements such as § 3622(b)(3)—is the fundamental benchmark against which the proposal must be judged. Even if participants unanimously agree upon a proposed rate, the Commission can not lawfully recommend that rate if the record shows it would fail to recover the attributable costs of the pertinent subclass or service.

[2015] Establishing whether the rates proposed in the settlement agreement comport with the Reorganization Act's requirements depends upon finding adequate factual support in the evidentiary record made in this proceeding. Consequently, the Commission must appraise the extent to which record evidence indicates that the agreed-upon rates are compatible with applicable statutory considerations, such as the § 3622(b) ratemaking factors. This assessment of record evidence is the Commission's established practice in deliberating on agreed-upon mail classification changes in proceedings under § 3623, and responds to the Administrative Procedure Act's requirement that agency decisions in formal, on-the-record proceedings be grounded on support by substantial record evidence.<sup>33</sup>

[2016] Opposition to the stipulation and agreement in this case, and submission of contravening evidence by the opponent, impose additional requirements on the Commission's deliberations. As in Docket Nos. R74-1 and R94-1, the resulting dispute on issues of material fact requires that the settlement be treated as one competing proposal on the merits. This means that the Commission's evaluation of the agreed-upon rates must include not only the usual decisional analysis summarized above, but also must consider the evidence presented by APWU to resolve the remaining factual dispute. Further, to the extent the opponent suggests an alternative outcome, the Commission must adequately address the alternative proposal in making

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<sup>33</sup> 5 U.S.C. § 706(2)(E).



rate recommendations. In such circumstances, considering any proposed alternatives, and explaining the Commission's choice among alternative proposals, is responsive to the general requirement of reasoned decisionmaking.<sup>34</sup>

[2017] One challenge APWU raises in opposition to the settlement is a claim that the testimonies filed by participants in response to its rebuttal evidence were, effectively, the cases-in-chief of those parties, and that the procedures and schedule adopted for considering those materials provided APWU insufficient time and inadequate mechanisms for effective response. On this basis, APWU argues, its due process rights in this case have been compromised.

[2018] The Commission recognizes its obligation to conduct proceedings in accordance with standards of procedural fairness to all participants, and has done so in this case. For the reasons presented in Chapter I of this opinion, the Commission concludes that the procedures and schedule adopted in this proceeding have afforded adequate opportunities for all interested parties to address matters at issue, including the substance of the surrebuttal testimonies. The Presiding Officer granted APWU's motion to designate supplemental responses of Postal Service witness Miller into the evidentiary record.<sup>35</sup> Further, as we observed in Order No. 1337 resolving APWU's motions to strike large portions of the surrebuttal testimonies, "as an expert agency the Commission is fully capable of limiting its use of this material to its evaluation of the merits of [APWU] witness Riley's presentation."<sup>36</sup> The analysis in Chapter III, section B of this opinion limits the use of the surrebuttal testimonies in accordance with this standard.

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<sup>34</sup> *Motor Vehicle Manufacturers Association v. State Farm Mutual*, 463 U.S. 29, 46-52 (1983). See also, *Natural Resources Defense Council v. S.E.C.*, 606 F.2d 1031, 1053 (D.C. Cir. 1979): "As part of this oversight we will demand that the Commission consider reasonably obvious alternative disclosure rules, and explain its reasons for rejecting alternatives in sufficient detail to permit judicial review." (footnote omitted)

<sup>35</sup> Presiding Officer's Ruling No. R2001-1/53, February 28, 2002.

<sup>36</sup> Order No. 1337, Order Resolving Motions to Strike Surrebuttal Testimony, February 27, 2002, at 4.

[2019] The Postal Service asks the Commission to assign compelling weight to the unprecedented set of financial and operational challenges it faces in the wake of September 11, 2001 and ensuing events, and to the financial benefits that will accrue to the Service as a result of prompt approval of the settlement. The Commission agrees that these critical matters are entitled to an unprecedented degree of influence in this case, as “such other factors as the Commission deems appropriate” for consideration under 39 U.S.C. § 3622(b)(9). They also bear on postal policy considerations, particularly the sustenance of the Postal Service’s ability to “provide prompt, reliable and efficient services to patrons in all areas and [to] render postal services to all communities.” 39 U.S.C. § 101(a). Consequently, in responding to the policies of the Reorganization Act and in balancing the statutory factors in 39 U.S.C. § 3622(b), the Commission’s deliberations in the case will assign special importance to the exigencies of the Postal Service’s current condition. As the opinion in Docket No. R94-1 declared, “the Commission is willing and able to cooperate with the Service to help it meet its ratemaking goals, subject to the applicable statutory requirements.” PRC Op. R94-1, para. 1025.

## B. Technical Standards for Evaluation

[2020] As the introduction to the preceding section noted, the Commission's current consideration of the pending Stipulation and Agreement differs in one critical respect from its usual deliberative functions in an omnibus rate proceeding. The Postal Service and the other signatories request that the Commission approve a stipulated set of rates, without alteration. Consequently, the function of technical analysis at this juncture is the review of rates, rather than the formulation of recommended rates that incorporate the combined results of the Commission's independent findings in areas such as cost analysis, pricing, and rate design. This functional difference raises the question of what standards and benchmarks should be applied in evaluating the technical bases and implications of the stipulated rates.

[2021] Inasmuch as the vast majority of the agreed-upon rates are identical to those contained in the Postal Service's original Request in this docket, the Service and other proponents defend them by asserting the technical sufficiency of the Service's case-in-chief. The Postal Service argues that its presentation provides an appropriate foundation for recommending the settlement rates, and that the technical components of its case are predicated on well-established data systems, ratemaking methodologies, and sound economic principles.<sup>37</sup> Other proponents suggest that the negotiation process which produced the settlement rates blunts criticisms that might otherwise have been made about underlying ratemaking methodologies, and that this origin should also serve to limit the value of the Commission's decision on the rates as precedent for future decisionmaking.<sup>38</sup>

[2022] APWU, in arguing its case in opposition to some of the agreed-upon rates, implicitly advocates a broader standard of technical scrutiny by invoking the

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<sup>37</sup> See, e.g., Postal Service Brief at II-2 through II-4; III-1 through III-7.

<sup>38</sup> See, Newspaper Association of America Brief at 2-3; Alliance of Nonprofit Mailers *et al.* Brief at 1-2; Coalition of Religious Press Associations and National Federation of Independent Publications Brief at 3.

Commission's recommendations in earlier proceedings. In particular, APWU cites the rate design principles articulated by the Commission in Docket No. MC95-1, and argues that the discounted rates for presorted First-Class Mail incorporated in the settlement contravene those principles.<sup>39</sup>

[2023] The Commission agrees that previously recognized ratemaking principles provide one valuable benchmark for assessment of the technical merits of the settlement rates, and where a party invokes those principles, the Commission will examine record evidence to determine whether agreed-upon rates are consistent with them. However, in at least some instances the current posture of this case limits the extent to which consistency with established Commission methodologies can be fully determined. This results primarily from the many proponents' agreement to forgo the filing of direct testimony or rebuttal to the Postal Service on issues such as costing and rate design principles. Such testimony almost certainly would have expanded and elaborated the record on such questions.

[2024] For this reason, the Commission believes that existing costing methods and rate relationships, as well as the Commission's recent rate recommendations, are particularly useful alternative sources of benchmarks for conducting its analysis here. In most respects, the current rate schedule reflects the Commission's most recent recommendations as to ratemaking methodology.<sup>40</sup> It also provides reference points for determinations of reasonable contributions to institutional costs under § 3622(b) generally, and for assessment of impact for particular subclasses under the § 3622(b)(4) factor. Similarly, where rates currently in effect do not incorporate the Commission's recent rate recommendations, the latter can provide guidance on the appropriateness of various rate design features.

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<sup>39</sup> See, APWU Brief at 2-3.

<sup>40</sup> The Governors' modifications of the Commission's recommended rates in Docket No. R2000-1 for the purpose of generating additional revenue did alter rate relationships in some subclasses.

[2025] Overall, in view of the widespread acceptance of the settlement rates among participants and the special needs of the Postal Service at this time, the Commission believes that the agreed-upon rates should be held to a standard of reasonable consistency with past ratemaking practices, as illustrated in pre-existing rates and rate relationships. Where the record can be fully analyzed through the lens of established methodologies, the Commission will report its findings in those terms. Where this is not possible, the Commission will note the apparent technical deficiencies, and assess the merits of the settlement by reference to the results in the most recent omnibus rate proceeding, Docket No. R2000-1.

### C. Application of Technical Standards

[2026] Two key technical standards that must be met to recommend the proposed settlement rates are: (1) they must generate sufficient total revenue in the test year to meet the total revenue requirements of the Postal Service and (2) the revenue generated for each subclass must exceed by a reasonable amount the costs attributed to the subclass. To apply these standards, the Commission adopts the Postal Service revenue requirement presented in the record using the established cost attribution treatment used in Docket No. R2000-1 and as presented in USPS LR-J-74 and 75, with corrections discussed below. The resulting revenue requirement for TY 2003 is \$74.7 billion.

[2027] The base year attributable costs are presented in USPS LR-74. Total attributable costs are \$45.4 billion dollars, after corrections discussed below. Appendix G, Schedule 1 presents by subclass the revenue generated with the settlement rates, and attributable costs. For each subclass and special service the settlement rates generate revenue that exceeds attributable costs, and total revenue meets the revenue requirement with a net surplus of \$29.4 million.

#### 1. Revenue Requirement

[2028] In accordance with established practice in the Commission's rate proceedings, the Postal Service estimates its future revenue needs in this case by identifying a recently concluded fiscal year as a base period, adjusting its reported historical result through intermediate periods, and rolling results forward by incorporating the effects of numerous expense and volume factors to arrive at cost and revenue estimates in a selected test year. This process is described in the testimonies of witnesses Tayman, USPS-T-6, and Patelunas, USPS-T-12.

[2029] The Postal Service uses Fiscal Year 2000 as the base year from which to project costs and revenues. USPS-T-6 at 12. The Service uses Fiscal Year 2003 as the test year for ratemaking purposes in this proceeding. Witness Meehan, USPS-T-11,

provides the Base Year (2000) Cost and Revenue Analysis (CRA) using the Service's proposed cost attribution treatment for this docket. Witness Tayman develops cost change factors used to roll forward the base year cost to the test year (2003), provides the rationale for the contingency provision, and calculates the "Recovery of Prior Year Losses". Witness Patelunas presents the Postal Service's CRA roll forward model and develops costs by class, subclass and special service for the interim periods and both the test year before and after rates. Witness Eggleston, USPS-T-25, develops mail mix final adjustments for the interim years and the test year. Several other USPS witnesses develop additional final adjustments relating to cost changes due to specific operations changes and rate and classification proposals. See, USPS-Exhibit 12A at 19-22. The Postal Service filed the revenue requirement calculations developed with the proposed attributable cost treatment and, in LR-J-74 and 75, with the cost treatment established by the Commission in Docket R2000-1.

[2030] The Service's proposed attributable cost treatment is similar in many respects to proposals made in Docket R2000-1 that were rejected by the Commission. It is likely that parties that opposed the proposals in R2000-1 would also oppose them in this docket but did not do so given the early termination of the record due to the existence of the settlement agreement. Given the state of the record developed in this docket, the Commission adopts the USPS proposed revenue requirement calculations as developed with the Commission's Docket No. R2000-1 cost attribution methodology as presented in USPS LR-J-74 and 75 with computation corrections identified in the record. See, Appendix D. The most significant of these corrections are:

- During the rollforward process the estimated volumes for certified mail and insurance were reversed. Correcting this error increased the revenue requirement by \$13.8 million under the PRC costing methodology. See, Response to POIR 2, Question 12. Tr. 11B/4398-4400.
- Updating the City Carrier Curblin Access Test (CAT) and Foot Access Test (FAT) using the FY 2000 City Carrier Costs Survey Data. See, Response to POIR 5, Question 5. Tr. 11B/4337-38.
- Moving International special services transactions from the volumes of International mail to the special services of registry, insurance, and money orders

for the cost rollforward. See, POIR 6, Question 8, and POIR 8, Question 6. Tr. 11B/4411-12 and Tr. 14/5428. See also, Section 2.(a)(2) below.

## 2. Volume Models and Forecasting Methodology

[2031] The Postal Service is required by the Commission's Rules to accompany any general request for a change in rates with two sets of forecasts of postal volumes. These forecasts must be based upon econometric fits of economic demand functions for postal services by class and subclass. To comply with this rule the Postal Service sponsors the testimony of witnesses Tolley, USPS-T-7, Thress, USPS-T-8, Musgrave, USPS-T-9, and Bernstein, USPS-T-10. Witnesses Tolley and Musgrave present two sets of forecasts through the end of the government fiscal year (GFY) 2004:

"Before-rates" forecasts based on the assumption that Postal Service rates and rules remain unchanged.

"After-rates" forecasts based on the assumption that all of the rate increases proposed by the Postal Service are implemented as of October 1, 2002.

[2032] The relationship between the "before-rates" and "after-rates" forecasts is principally determined by a set of estimated price elasticities and by the differences in the price information for the two forecasts.

[2033] The forecasts are basically made at the level of mail subclasses and special services. At this level the econometric estimates of price and other elasticities may be applied in a fairly direct manner to yield forecasts of volumes by postal quarters. For First-Class, Standard mail, and Package Services, volume forecasts by subclass are not sufficient because the volumes for these subclasses are likely to vary considerably depending on the availability of discounts for different kinds of worksharing, including presorting and prebarcoding for automated processing. Witness Tolley's forecasts for



First-Class, Standard mail, and Package Services further divides these subclasses into various major worksharing categories using share models.

[2034] The forecasts are derived from econometric models fit to time series by USPS witnesses Thress and Musgrave. The models for classes and subclasses, and the manner in which they are applied to produce forecasts, have evolved slowly since similar models and forecasts were presented by witness Tolley in Docket No. R80-1.

a. New Developments

[2035] In this docket, the Postal Service has introduced changes in forecasting the impact of internet technologies and the presentation of special service volumes.

(1) Internet Technologies

[2036] Witness Bernstein, for the first time, identifies Internet related technologies, such as e-mail and online advertising, that affect demand for postal services, and develops measures for these factors. These variables are used by witness Thress in the econometric analysis and by witness Tolley in volume forecasts of First-Class single-piece letters and cards, Periodical Regular Rate, and Standard Regular and Enhanced Carrier Route mail.

(2) Presentation of International Special Service Transactions

[2037] In past rate cases, the Postal Service and the Commission used the forecasts of total (domestic and international) transactions to roll-forward the costs and calculate the revenues of special services in the test year. This process generated compatible cost and revenue figures for each special service that were appropriate for calculating contributions to institutional costs and cost coverages. In this docket, witness Tolley separates the total transaction forecasts of registry, insurance, money orders and return receipts into domestic and international transactions. Witness Patelunas uses

only the forecast of domestic transactions for registry, insurance and money orders to roll forward their costs for the test year. He adds the forecast of international special service transactions to the volume of international mail in the cost rollforward model.

[2038] The Commission finds the treatment of International special services transactions by witness Patelunas inappropriate. Most special services are additional services beyond collection, processing and delivery that a mailer buys for a mail piece (*i.e.* a letter, flat or parcel). Thus, the addition of special service transactions to mail pieces results in double counting since each mail piece with a special service is counted twice. Additionally, the cost characteristics of special services are vastly different from those of mail pieces. If the Postal Service wants to separate international from domestic special services in the cost roll forward model it must introduce new entries for International special services in the model. Moreover, witnesses Mayo and Koroma use the forecast of total (domestic and international) transactions, as in past rate cases, to calculate the test year revenue for special services. This makes the test year costs for special services produced by witness Patelunas incompatible with the test year revenues calculated by special service rate witnesses.

[2039] In order to restore the compatibility of test year costs and revenues for special services, the Commission adjusted the rollforward model by moving the international special service transactions from international mail volume back to special services of registry, insurance and money orders. The Commission's treatment of international special service transactions in the cost rollforward model is in line with past rate cases.

b. Volume Forecast Used by the Commission

[2040] Given the settlement and the state of the record in this docket, the Commission uses the forecast models of Postal Service witnesses Tolley and Musgrave to estimate the before and after rate test year volumes. The after rate test year volumes calculated using the settlement rates are presented in Appendix H.

### 3. Cost Attribution

[2041] Postal Service witness Meehan presents proposed base year 2000 attributable costs. USPS-T-11. Some of these costs are based on attribution principles that differ from those adopted by the Commission as the basis for its cost attributions in the most recent general rate case, Docket No. R2000-1. The Postal Service proposed base year 2000 cost calculations are presented in USPS LR-J-57. The Service also filed a set of attributable cost calculations based on the attribution principles adopted by the Commission in Docket No. R2000-1. These calculations are presented in USPS LR-J-74. Responses to interrogatories and Presiding Officer Information Requests produced corrections and additional information to both of these base year 2000 attributable cost presentations.

[2042] The proposed Stipulation and Agreement suspended litigation of cost attribution principles before the intervenors' direct cases were filed. This has the effect of leaving the attribution principles adopted by the Commission in Docket No. R2000-1 as applicable precedent in this docket.<sup>41</sup>

[2043] The Postal Service's initial filing proposes changes to the cost attribution principles adopted by the Commission in Docket No. R2000-1 in three areas.

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<sup>41</sup> The Stipulation and Agreement states:

The submission of a Stipulation and Agreement pertains only to the proposed settlement of the Postal Service's Request in Docket No. R2001-1. By signing, the parties do not agree with, or concede the applicability of, any ratemaking principle, any method of cost of service determination, any method of cost savings measurement, any principle or method of rate or fee design, any principle or method of mail classification, any terms and conditions of service, or the application of any rule or interpretation of law, that may underlie, or be thought to underlie, this Stipulation and Agreement. Stipulation and Agreement as filed on January 17, 2001, § II ¶ 9.

a. Product-specific Costs.

[2044] Since Docket No. R90-1, the Commission has consistently treated all costs incurred exclusively to produce a single product as attributable to that product. As in previous dockets, the Postal Service proposed to attribute to a product only its volume variable costs. Examples of product specific costs are the expenses incurred to advertise a specific product, such as Priority Mail, and the labor and material costs uniquely associated with Money Order operations.

b. Segment 3, Clerks and Mailhandlers.

[2045] In its initial filing, Postal Service witness Bozzo, USPS T-14, proposed to attribute the labor costs incurred in most Segment 3 mail distribution operations on the basis of econometric regressions. He estimates that the average volume variability of these distribution operations is 71 percent. Prior to Docket No. R97-1, the Postal Service provided analysis concluding that these costs are essentially 100 percent volume variable. The Commission has continued to apply that rationale in attributing these costs. In its initial filing, the Postal Service also proposed to make some changes in the principles by which the Commission distributed volume variable mail processing costs incurred in allied and support operations to subclasses in Docket No. R2000-1.

[2046] The Postal Service's proposed attribution of mail processing costs to subclasses is presented in USPS LR-J-55. These costs are inputs to the B workpapers of witness Meehan in USPS LR-J-57, which contain the development of the Segment 3 inputs to the base year CRA and roll forward model. USPS LR-J-74 presents the cost development and inputs to the base year CRA and roll forward model based on attribution principles adopted by the Commission in R2000-1.

c. Segment 7, City Carrier Street Time Costs.

[2047] In its initial filing, the Postal Service narrowed its traditional differences over the principles to be applied in attributing several categories of carrier street-time costs to subclasses. Witness Bradley explains in USPS-T-16 that, in contrast with previous dockets, the Postal Service proposal uses the Commission's method of estimating the proportions of runtime that represent route and access time, respectively, and the Commission's method of calculating elemental load time. As in past dockets, witness Bradley explains, the Postal Service continues to propose that the Commission's single subclass method for attributing access and coverage-related load time costs not be used.

[2048] In calculating the route/access time split factor, the Commission uses Carrier Cost System (CCS) data from the FY 2000 base year. See, Postal Service response to POIR No. 5, question 5. Tr. 11B/4337-38. Also, the Commission revises the Load Time Factor variabilities presented by the Postal Service in LR-J-74 to be consistent with the values used by the Commission in Docket No. R2000-1. See, Docket No. R2000-1, PRC LR-6. Although the Load Time Factor variabilities should have been updated to reflect FY 2000 CCS data, those numbers were not provided in this docket. Future submissions should update all factors dependent on the City Carrier Cost System.

[2049] The corrected city carrier street time cost calculations for BY 2000 are contained in PRC LR-3 and replace the corresponding worksheets in LR-J-74 to provide cost inputs into the base year CRA calculations and roll forward of costs to the test year. Appendices E and G present the resulting test year attributable costs developed using the cost treatment adopted by the Commission in R2000-1.

4. Breakeven and Subclass Coverage Requirements.

[2050] Appendix G, Schedule 1 summarizes by subclass the Test Year after rates revenue generated by the settlement rates, and the estimated costs using the

Commission cost attribution treatment. For each subclass, revenue exceeds attributable costs to produce a coverage of greater than 100.0 percent. The average coverage is 164.8 percent. Thus the proposed settlement rates satisfy the fundamental requirement of § 3622(b)(3) of the Act that for each subclass revenues cover attributed costs.

[2051] The attributable plus other costs shown in Appendix G, Schedule 1 equal the revenue requirement submitted by the Postal Service with corrections discussed above in Section 1. Schedule 1 shows a test year net revenue of \$29 million, which demonstrates that the settlement rates meet the breakeven standard of § 3621 of the Act.

## D. The Settlement Rates are Consistent With Statutory Policies

### 1. Pricing Overview

[2052] This is the twelfth omnibus rate proceeding adjudicated before the Commission. While the settlement distinguishes this docket from most other omnibus rate proceedings, the proposed rates must be reviewed against the statutory guidelines long used by the Commission to develop rates. Commission precedent informs the ratemaking process, reflecting the application of the factors of the Act to the circumstances presented.

[2053] By statute, the Postal Service operates under a breakeven constraint. Rates and fees recommended by the Commission are designed to generate sufficient revenues to recover, as nearly as practicable, the total estimated test year costs of the Postal Service. 39 U.S.C. § 3621. The principal ratemaking factors are contained in section 3622(b), which enumerates nine criteria on which the Commission is to base its rate recommendations. 39 U.S.C. § 3622(b). In addition, public policy considerations may, under appropriate circumstances, influence the Commission's rate recommendations. See, *id.* at §§ 101(d) and 403(c).

[2054] The nine ratemaking criteria found in § 3622(b) are as follows:

(b) Upon receiving a request, the Commission shall make a recommended decision on a request for changes in rates or fees in each class of mail or type of service in accordance with the policies of this title and the following factors:

(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 or type of mail service bear the direct and indirect postal costs attributable to that class or type 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 performed by the mailer 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 postal services;

(8) the educational, cultural, scientific, and informational value to the recipient of mail matter; and

(9) such other factors as the Commission deems appropriate.

[2055] Section (b)(3), the only requirement among the criteria, entails a two step process, attribution and assignment. First, upon determining the attributable costs of each class and service, the Commission recommends rates sufficient to recover “the direct and indirect postal costs attributable to that class or type [of mail].” Criterion 3 thus requires an attributable cost floor, which the Commission historically satisfies by



recommending rates that recover attributable costs, including both volume variable costs and product specific costs, *i.e.*, fixed costs that can be directly associated with a class.<sup>42</sup>

[2056] Second, to enable the Postal Service to break even, the recommended rates must also be adequate to recover the Postal Service's remaining costs, *i.e.*, institutional costs. The process of assigning the institutional cost burden involves relating and ranking the various classes and types of mail according to their non-cost characteristics. As the Commission has frequently observed, these non-cost factors, none of which has primacy, serve myriad, sometimes-conflicting objectives, suggesting "virtually every standard for equity and efficiency found in economic theory." PRC Op. R97-1, para. 4004; *see also*, PRC Op. R90-1, para. 4001; and PRC Op. R2000-1, para. 4005.

[2057] Ordinarily, there is controversy in each rate proceeding concerning the measurement of attributable costs for purposes of establishing criterion 3's attributable cost floor. The settlement, however, moots the need to resolve such issues because, by its terms, it does not bind the signatories to any costing or ratemaking principle. *See*, Stipulation at § II ¶ 9. Nor does the Commission's approval of the settlement bind it. Nothing in the Request, the Commission's Recommended Decision, or the Governors' Decision shall have precedential effect in future cases. *Id.* at ¶ 10. Nonetheless, because the Postal Service concept of volume variability contained in the testimony supporting its Request is at odds with the costing methodology last employed by the Commission, and on which current rates are based, the Commission has determined the attributable cost levels of the various classes and types of mail under its prevailing costing methodology to be assured that the settlement rates satisfy the attributable cost floor mandated by criterion 3.

[2058] The Commission measures the relative institutional cost burden borne by each class or subclass in two principal ways. Cost coverage, the ratio of revenue to

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<sup>42</sup> Postal Service witness Moeller employs volume-variable and incremental costs. USPS-T-28 at 6-8. He marks up volume-variable costs and uses the ratio of volume variable cost for purposes of assessing revenue requirement burdens. Exhibit USPS-28B. Incremental costs are used to test for cross subsidies. *See*, USPS-T-28 at 7 and Exhibit USPS-28E.

attributable cost by class or subclass, provides a simple, useful measure to compare relative institutional cost burdens reflected in proposed rates. The coverage for each class or subclass can be utilized in various ways to test the markup relationship among the various classes and types of mail, e.g., compared to the system average, comparable subclasses, or mail exhibiting similar characteristics. Over a longer time horizon, however, cost coverage is a less useful measurement tool because, over time, attribution levels are likely to vary, sometimes significantly, due to changed circumstances, such as changes in costs or attribution methodologies. Thus, to measure relative burdens from case to case, the Commission uses a markup index, which compares the markup for each subclass to the systemwide average markup. While changed circumstances may also have an impact on the markup index, see, PRC Op. R2000-1, paras. 4019-4023, it remains the most useful tool available for measuring relative burdens over time. Both measures are presented in Appendix G.

[2059] In support of its Request, the Postal Service sponsors four pricing witnesses. Witness Moeller applies the pricing criteria to rate levels proposed for the various subclasses, while witnesses Mayo, Koroma, and Kaneer apply them to the fee levels proposed for special services. See, USPS-T-28, USPS-T-36, USPS-T-37, and USPS-T-38.

[2060] The settlement distinguishes this proceeding from all prior omnibus rate cases. Invariably, intervenors advocate different rate levels than proposed by the Postal Service, urging the Commission to give greater or lesser emphasis to one or more of the non-cost criteria. In this instance, however, no pricing alternatives have been suggested since all participants, except APWU, accept the rate levels embodied in the settlement. Moreover, APWU's objection is not to pricing at the subclass level. Rather, it focuses on the narrow issue of the rate design for First-Class Mail, with witness Riley proposing that workshare discounts be reduced and set at 80 to 100 percent of the costs avoided. See, Tr. 12/4848 and 4854.

## 2. The Settlement is in the Public Interest

[2061] Each omnibus rate case presents particular pricing challenges. For example, in Docket No. R2000-1, the Commission addressed the significance of the First-Class first ounce rate and the effects of large cost increases on its coverage deliberations. PRC Op. R2000-1, paras. 4013 *et seq.* In this case, the Commission's consideration of the proposed rate levels is strongly influenced by the extraordinary circumstances that have shaped this proceeding. These include the unprecedented terrorist attacks coinciding with the Postal Service's Request; the negotiated, near-unanimous agreement among the parties; and the recognition that the settlement represents a non-binding interim solution entailing tradeoffs by all parties.

[2062] These unique factual circumstances elevate criterion 9, other factors deemed appropriate by the Commission, to a prominent role in the Commission's pricing deliberations. While the Commission has ruled on numerous settlements, principally in classification cases, this settlement is distinguishable from the two others submitted in omnibus rate proceedings in its timing and virtual unanimity.<sup>43</sup> These features alone make it noteworthy. Its uniqueness, however, is more a product of the unprecedented circumstances that led to it. The Postal Service's deteriorating finances, largely attributable to the national crisis, served as a backdrop for settlement negotiations. Expenses rose sharply; volumes were down significantly. As a result, the projections underpinning its Request became somewhat problematic, made more so by the softening of the nation's economy.

[2063] The Commission has shown itself willing to utilize new information to update projections to reflect recent events. PRC Op. R2000-1, at ii-iii. However, in this case developing updated projections would have been extraordinarily difficult.

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<sup>43</sup> In Docket No. R74-1, settlement efforts commenced after hearings had concluded and the matter had been pending before the Commission for more than one year. In Docket No. R94-1, the Postal Service's Request incorporated results negotiated beforehand with various mailer interests. That filing was predicated on, among other things, an across-the-board rate increase and no classification changes.

[2064] The Commission's rules require that an omnibus rate request be accompanied by forecasts of volumes, revenues and costs demonstrating, in accordance with established standards, that revenues will cover costs in a future test year. The test year used in the Service's Request is the government fiscal year beginning on October 1, 2002. Although the full economic impact on the Postal Service of the events of September and October cannot yet be determined, it is already evident to the Commission that the forecasts filed with the Request have been overtaken by events. Ensuing accounting period reports and the Revenue, Pieces and Weights (RPW) report for the postal quarter that began shortly after September 11, show that volumes and revenues fell precipitously. These declines in volume were much too sudden and too large to be compatible with the econometric models used by witness Tolley to forecast postal volumes through the test year.

[2065] In general, econometric models have two mechanisms for explaining and predicting values of an economic variable such as the quarterly volume of a subclass of mail. The first mechanism is a statistically-fitted function relating the variable to its economic determinants. The economic determinants found in the volume forecasting models used by the Postal Service's witnesses include measures of general economic conditions but otherwise do not possess any means whatsoever to measure and project the effects on postal volumes of the terrorist and biological attacks.

[2066] The second mechanism found in econometric models is a statistical description of the properties of the errors, of which the most important property is their expected magnitude or "standard error". The losses in volumes following the events of September and October far exceed the magnitude of any errors that are statistically probable for the Postal Service's econometric models. Simply put, the effects of the attacks do not fall within the universe described by the volume forecasting models submitted by the Postal Service with its rate request on September 24.

[2067] It is likely that the same can be said for the Service's cost models where they rely on econometric fits to data that predate the attacks. These models do not now have anything about them that would allow costs projected for the test year to reflect the

changes in equipment and operations that may be made to secure the mail from another attack. In fact, it remains unclear what measures will be taken over the long term since the Service is still experimenting with systems for irradiating mail and monitoring its facilities for biohazards.

[2068] In time the effects of the events of September and October will be evident in the periodic reports of postal volumes, revenues and costs made to the Commission. However, the testimony of USPS witnesses Tolley and Tayman in December gives no encouragement that the time remaining for the Commission to complete its consideration of the present case will be sufficient for the Commission to make reasonably accurate re-estimates of volumes, revenues and costs during the test year. As of December, neither witness regarded the data in hand as more than indicative of the magnitude of the problem. See, Postal Service Brief at 11-10.

[2069] Witness Tolley's responses to questions from the Commission indicate the reasons why it will take more time to assess the impact of the attacks. Tr. 2/157-61. First, the analysis will have to separate the immediate effects of the attacks from the effects of the recession that was under way at the same time. The data used by the Postal Service to measure economic conditions are only available from DRI or other sources with a lag of several months. The data for postal volumes are also published by the Postal Service in the RPW reports after a short delay. Equally important, it must be possible to ascertain how rapidly postal finances are recovering, and if the recovery will be complete. This requires a sequence of observations taken over time, more time than the present case will permit. *Id.* at 2/152. Witness Tolley also pointed out that any analysis would be difficult because of the uniqueness of the events. There have been other occasions when products were perceived as dangerous (Tylenol and Perrier), but these occasions were dissimilar to each other and could also be dissimilar to the response of postal customers to the dangers of anthrax-contaminated mail. *Id.* at 2/151.

[2070] Under these circumstances, the Postal Service's pressing and immediate need for an infusion of revenues became the focal point of settlement efforts. Participants faced several daunting possibilities. For example, they could have opted to

continue with litigation, in the hopes of achieving a more favorable result, notwithstanding the bleak and likely prospect of immediately relitigating the issues in a new rate proceeding. Alternatively, the Postal Service could have attempted to update its Request, or submit an entirely new one. In either case, mailers would face unknown, but potentially substantially greater increases, while the delay and uncertainty of either would impose significant risks on the Postal Service.

[2071] In lieu of these or other options, the participants elected to settle their differences, crafting an agreement built on carefully considered tradeoffs. Principal among them is the early effective date for the settlement rates, a result designed to serve the complementary needs of all participants. It gives the Postal Service an early infusion of revenues, estimated to be approximately \$1.2 billion; it provides support and stability to the nation's Postal Service in recognition of the current, extraordinary situation; and it eliminates uncertainty and allows mailers to forecast postage costs. Tr. 13/5159. These results, forged among participants with diverse, competing interests, represent a pragmatic, reasoned, and reasonable response to exigent circumstances. Undeniably, the settlement serves the public interest, a finding further buttressed by its virtual unanimity.

[2072] The settlement is an effective, interim solution, in response to difficult circumstances, with other benefits that extend to all participants.

[2073] The settlement does not bind the signatories to any principle, *e.g.*, ratemaking, costing, or legal interpretation, that "may underlie, or be thought to underlie, [the settlement]." Stipulation § II ¶ 9. Nor shall any matter presented in this proceeding in the Request, the Commission's Recommended Decision, or the Governors' decision be entitled to precedential effect. *Id.* ¶ 10. These provisions are critical to the support of the settlement as well as the Commission's conclusion that, on balance, the settlement is appropriate. They enable parties to subordinate their self-interests without fear that the results will have consequences beyond their immediate application.

[2074] The settlement buys time, an important consideration given the prevailing uncertainty about the fallout from the terrorist attacks.

[2075] Litigation ceases, saving the parties' resources.

[2076] Finally, as noted, rate stability is achieved. While the duration may be uncertain, it nonetheless represents a valuable consideration. It provides, on the one hand, substantial additional revenues to the Postal Service under an accelerated timetable. On the other hand, signatories have the Postal Service's commitment to defer its next rate filing for as long as practicable. Undoubtedly, this formed an important consideration in the participants' willingness to agree to the settlement. The Commission expects the Postal Service to carry through on its undertaking to take all necessary steps to defer its next omnibus rate request as long as practicable.

[2077] Accordingly, for all of the foregoing reasons, the Commission deems it appropriate to consider the factual circumstances and the presentation of a nearly unanimous stipulation and agreement in deciding that the rates contained in the settlement are consistent with the policies of the Act, and in the public interest.

### 3. The Proposed Rate Levels are Reasonable

[2078] This greater reliance on criterion 9 was not to the exclusion of the remaining ratemaking criteria of the Act. The Commission reviewed each proposed rate level for consistency with the Act and concludes that each reflects due regard for the ratemaking criteria of the Act. While the proposed cost coverages and resulting markups may not be precisely what the Commission may have employed had this been a fully litigated proceeding, they nonetheless fall within acceptable target ranges to produce rates that under the circumstances are fair, equitable, and supported by substantial evidence. This conclusion is in accord with the Commission's observation that "[t]here is no single set of rates which is so 'right' that any deviation from it would produce rates which would be unlawfully unfair or inequitable." PRC Op. R87-1, para. 4001.

[2079] Witness Moeller supports the proposed subclass rate levels in the Request. USPS-T-28. He demonstrates an understanding of the ratemaking factors of the Act, the

interrelationships among the non-cost criteria, and Commission precedent. Overall, his proposed rate levels reflect careful consideration of the relevant statutory factors.

[2080] In compromising their differences, the settling parties have endorsed the Postal Service's direct case as providing substantial evidence for the proposed rates. While the proposed settlement rates include several changes from those initially requested by the Postal Service, the effects on the resulting cost coverages are *de minimis*. No party challenges the rate levels reflected in the settlement. They are accepted by parties representing all stakeholders, including mailers, competitors, Postal Service employees, and the OCA. Echoing the Commission's observation, the Postal Service notes that there can be no pretense that only one set of rates or rate levels satisfies the criteria of the Act. See, Postal Service Brief at V-27-28. Accordingly, Moeller's testimony provides substantial support for the proposed rate levels.

[2081] The Commission analysis extends beyond Moeller's testimony. It reviewed the proposed rate levels independently, concluding that, on balance, they are fair and equitable, representing a reasonable sharing of the institutional cost burdens among the various classes and types of mail. As noted, in reaching this conclusion, the Commission was mindful not only of the extraordinary circumstances giving rise to the settlement but also the public interest considerations that support its adoption. The national crisis and concern over the Postal Service's financial health spurred the Presiding Officer to suggest settlement as a potential alternative to litigation. Undoubtedly these factors influenced participants to settle. Indeed, as discussed, the settlement embodies tradeoffs designed to address these public interest issues.

[2082] The Commission has reviewed the settlement as it has historically reviewed proposed rate levels – by reference to current rates and historic rate relationships. Among other things, the Commission finds that, appropriately, the proposed rates reasonably maintain existing inter- and intra-class rate relationships. Using the Commission's costing methodology, the systemwide cost coverage under the settlement is 164.8 percent, which corresponds with an average rate



increase of 7.7 percent.<sup>44</sup> Overall, the settlement represents increases ranging from 1.7 percent for Within County Publications to 13.5 percent for Priority Mail. Given its concerns that the cost burdens be assigned equitably, the Commission focused particularly on those classes or types of mail that would experience an above average increase. These include Priority Mail (13.5 percent), Cards (9.7 percent), Express Mail (9.4 percent), Outside County (10.3 percent), and Bound Printed Matter (9.0 percent). In addition, the Commission carefully considered increases proposed for the two largest volume categories, First-Class letters and Standard Mail Regular, which are slated to increase at or only slightly above the system average. Under the settlement, First-Class letters increase by 7.7 percent, whereas Standard Mail Regular increases by 7.8 percent.

[2083] The process by which the Commission reached its conclusion may be illustrated by the following examples, beginning with the subclass with the largest proposed rate increase. Cost coverage under the Commission's costing methodology for Priority Mail is 159.5 percent, marginally below that adopted by the Commission in Docket No. R2000-1 and the system average in this proceeding. This result, however, is not unreasonable. The above-average increase in this proceeding comes on the heels of a 16 percent rate increase in Docket No. R2000-1. Considering impact on mailers, criterion 4, and that some Priority Mail remains subject to the Private Express Statutes, some mitigation of the coverage is appropriate under criterion 5. Moreover, the large increase, substantially above the rate of inflation, cannot reasonably be expected to disadvantage competitors. Value of service considerations also support the proposed cost coverage. Priority Mail has a higher own price elasticity, and thus a lower economic value, than First-Class letters. Moreover, service levels provided by Priority Mail would not, on this record, warrant raising the proposed coverage. The proposed rates satisfy

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<sup>44</sup> The Commission's reported percent change in rates is calculated as the percent difference between test year before rates and test year after rates average revenue.

criterion 3, providing a substantial contribution to institutional costs. Finally, criterion 9 further supports the proposed coverage.

[2084] Cost coverage for Periodicals is complicated by Public Law 106-384, which for ratemaking purposes merged three subclasses, Regular, Classroom, and Nonprofit, into one, Outside County. Rates for Classroom and Nonprofit mail are discounted from the otherwise applicable rate on the Outside County Rate schedule. Although separate coverage is not computed for each former subclass that comprises Outside County, a separate markup is calculated to determine that Within-County satisfies the statutorily mandated markup, *i.e.*, 50 percent of that for commercial Periodicals.

[2085] Under the settlement, using the Commission's costing methodology, the proposed cost coverage for Outside County (net of the 5 percent discount for Classroom and Nonprofit mail) is 101.3 percent, reflecting a 10.3 percent increase. As was the case in Docket No. R2000-1, this greater than average increase would appear to be due to increasing costs. While it is hoped that the pattern of increasing costs of Periodicals can be stemmed, the immediate consequence is that its contribution to institutional costs remains at a very low level. That result satisfies the attributable cost floor (criterion 3), but leaves little margin of error regarding the Within County subclass. The markup index for Outside County increases marginally from that in Docket No. R2000-1. Under the circumstances, the results are found to be acceptable.

[2086] First-Class letter mail presents special concerns because of its preeminent role in pricing. It represents over 50 percent of test year before rate revenues. See, Exhibit USPS-28A. Cost coverage under the settlement for First-Class letters is 192.0 percent, which is well above the system average, and reflects an average rate increase of 7.7 percent, the system average. The resulting cost coverage represents a weighted average of the two rate categories that comprise this subclass, single-piece letters and workshared letters. Considering each separately, single-piece letters will receive a 7.5 percent increase, while workshared mail rates will increase 8.7 percent.

[2087] This comparison is relevant in two respects. First, although witness Riley's proposed discounts for workshared letters are fundamentally a rate design issue, his rate

suggestions would have dramatic rate level consequences if adopted. The Postal Service's net income would increase above proposed settlement levels by approximately \$1.3 billion at his 80 percent passthrough rates, and by approximately \$753 million at his 100 percent passthrough rates. His proposals incorporate increases ranging from 14.1 to 26.1 percent for First-Class workshared rates, both substantially above the proposed system average.<sup>45</sup>

[2088] APWU witness Riley ignores the rate level consequences of his proposals, suggesting simply that the Commission recommend rates that generate more money than the Postal Service requested. He advises the Commission "whenever it has a range of choices, to pick the one that will generate the most revenue for the Postal Service." Tr. 12/4849. Absent wholesale adjustments to proposed rate levels, which witness Riley has not suggested, his proposal would violate section 3621 as it would yield revenues substantially in excess of break-even amounts. The increased revenues associated with witness Riley's proposals bear no relationship to either the proposed or any target cost coverage for First-Class Mail. In sum, his proposals cannot be reconciled with the ratemaking criteria of the Act. Rather, his *ad hoc* approach appears simply designed to generate increased revenues without heed to the ratemaking process. Accordingly, it is rejected as inconsistent with the Act.

[2089] The Commission has growing concerns regarding the markup of First-Class Mail. Although the average rate increase is at the system average, the markup index for First-Class Mail evidences a marked increase over Docket No. R2000-1 levels. Certainly, mail mix contributes to this result. See, PRC Op. R2000-1, paras. 4019-4023, and USPS-T-6 at 14-15. Under the circumstances, the proposed rate levels are found to be acceptable. Nonetheless, the Commission is concerned that the result is a shift in the institutional cost burden among the subclasses, with the monopoly class bearing a greater burden than historically found to be appropriate. It is the Commission's intent to

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<sup>45</sup> Conversely, however, the relatively minor changes in the discounts incorporated into the settlement as compared to those included in the Postal Service's Request effect no appreciable change in either the implicit cost coverage for workshared letters or for the subclass as a whole. See, Tr. 13/4973.

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analyze this issue. It urges the Postal Service to likewise devote resources to this important issue.

### III. RECOMMENDED CLASSIFICATION & RATE CHANGES

#### A. Expedited

##### 1. Proposed Express Mail Rates

[3001] At present, the Expedited Mail classification consists entirely of mail matter entered as Express Mail under the provisions of sections 110 through 182.4 of the Domestic Mail Classification Schedule.<sup>46</sup> Express Mail is a premium service available to any mailable matter that is sealed against inspection and weighs no more than 70 pounds. It is advertised as offering guaranteed next-day and second-day delivery nationwide; if the cited performance standard is not met, a refund of postage is available to the mailer, with certain exceptions specified in the classification schedule.

[3002] The participants' Stipulation and Agreement in this docket does not revise any of the Express Mail rates or mail classification provisions initially proposed by the Postal Service in this case. Consequently, the Express Mail changes to be reviewed are those contained in the Postal Service's original Request.

[3003] The testimony of witness Mayo, Exhibit USPS-T-35, describes and justifies the Service's proposals for Express Mail. The Postal Service requests an overall rate increase of 9.4 percent, with increases for individual rates ranging from 3.5 percent to 13.8 percent. USPS-T-35 at 17-23. The overall level of the proposed increase in rates is based on the testimony of witness Moeller. USPS-T-28 at 26-29. With the exception of the flat-rate envelope, which involves a proposed classification change discussed below, the proposed rates would maintain the structure of pre-existing Express Mail rates.

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<sup>46</sup> 39 C.F.R. Subpart C, Appendix A, §§ 110-182.

[3004] The Commission finds that the Express Mail rates proposed in the Service's Request represent a reasonable accommodation of the applicable ratemaking factors in § 3622(b). Express Mail has a high intrinsic value of service, but this consideration has been tempered in recent Commission rate decisions because of documented difficulties in achieving its published delivery standards.<sup>47</sup> There also has been concern that sharp rate increases could severely harm current users of Express Mail and damage the position of the Postal Service in a highly competitive market.<sup>48</sup> In light of these considerations, the proposed increase to near but above the systemwide coverage is a reasonable outcome, as witness Moeller testifies,<sup>49</sup> and responds to the impact consideration in § 3622(b)(4) and the "available alternative means" factor, § 3622(b)(5). The proposed rates were developed in the same manner as in recent omnibus rate proceedings, and retain an established structure familiar to Express Mail users. Consequently, they also preserve simple, identifiable relationships in accordance with the § 3622(b)(7) factor.

## 2. Proposed Classification Changes

[3005] *Changing rate for flat-rate envelopes.* The Postal Service's Request also contains three proposed mail classification changes for Express Mail. The first would change the rate applicable to Express Mail flat-rate envelopes from the two-pound rate to the one-half-pound rate. Witness Mayo testifies that this change will tie the flat envelope rates for Post Office to Post Office service and Post Office to Addressee service, thereby simplifying rate relationships and allowing the Postal Service to produce one less envelope. USPS-T-35 at 24. The Commission agrees with witness Mayo's statements that the proposed change is desirable from the viewpoints of both the Postal Service and

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<sup>47</sup> See, PRC Op. R2000-1, para. 5013.

<sup>48</sup> *Id.*, para. 5011.

<sup>49</sup> USPS-T-28 at 26-27.

its customers, in response to § 3623(c)(5); would serve to enhance Express Mail's value of service, in response to the § 3623(c)(2) factor; and would promote a fair and equitable mail classification system, consistent with § 3623(c)(1). Additionally, the proposed change would implement a simple, identifiable relationship between the available Express Mail flat-rate envelope and the charge for using that medium, in response to § 3622(b)(7). In light of these affirmative benefits, the Commission recommends this classification change.

[3006] *Changes in insurance coverage.* The second classification change proposed for Express Mail involves a reduction in the level of insurance provided without additional charge. At present, merchandise and document reconstruction insurance up to \$500 is available for Express Mail with no additional fee. The Postal Service proposes to reduce free coverage to \$100, with extended coverage up to \$500 available for merchandise for an additional fee of one dollar per additional \$100 in coverage. Document reconstruction insurance would be limited to \$100. USPS-T-35 at 25.

[3007] Witness Mayo testifies that the proposed change to \$100 in free coverage is more consistent with the practices of competitors such as Airborne, Federal Express, and United Parcel Service. She also states that the proposed changes would more closely align coverage with claims actually paid, as data for FY 2000 show document reconstruction insurance claims averaged \$68 and paid claims for merchandise averaged \$170. By bringing the indemnity limit closer to paid claim figures, witness Mayo anticipates that the proposed \$100 limit will give customers a more realistic expectation of the protection offered. To supplement this protection, additional merchandise insurance would be made available at a modest incremental fee, which would be maintained at its current level. *Id.* at 25-26.

[3008] The Commission agrees that the proposed changes in insurance coverage for Express Mail are compatible with the mail classification criteria of § 3623. At present, Express Mail users who send low-value articles are paying rates that share responsibility for recovering all indemnity costs associated with loss or damage of Express Mail shipments. It would better promote considerations of fairness and equity under

§ 3623(c)(1), as witness Mayo testifies, to make those customers who require higher than typically adequate levels of coverage pay for them through incremental insurance coverage. Therefore, the Commission shall recommend this proposed classification change.

[3009] *Expanding exceptions to postage refund guarantee.* The Postal Service's third proposed classification change concerns the circumstances under which refunds of Express Mail postage are available as a consequence of the Service's failure to meet published service standards. Under current DMCS provisions, delay of the mailed item by strike or work stoppage is the only exceptional basis for denying claims for refunds of postage for most categories of Express Mail;<sup>50</sup> the additional grounds of "delay or cancellation of flights" and "governmental action beyond the control of Postal Service or air carriers" apply to Same Day Airport service.<sup>51</sup> The Postal Service proposes to expand and standardize the grounds for exceptions by adopting DMCS language that would grant it discretionary authority to deny refunds when delay is caused by:

- detention for law enforcement purposes;
- strike or work stoppage;
- late deposit of shipment, forwarding, return, incorrect address, or incorrect ZIP Code;
- delay or cancellation of flights;
- governmental action beyond the control of the Postal Service or air carriers;
- war, insurrection, or civil disturbance;
- breakdowns in transportation networks; or
- acts of God.

Proposed DMCS § 182.51 (Postal Service Request, Attachment A, Page 8). In addition to these specific grounds, the Service proposes a further provision stating that:

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<sup>50</sup> See, DMCS §§ 182.2 (Custom Designed), 182.3 (Next Day), and 182.4 (Second Day).

<sup>51</sup> See, DMCS §§ 182.1 b. and c.



“Availability of refunds may be temporarily suspended for extraordinary reasons and for periods of time specified by the Postal Service.” Proposed DMCS § 182.52 (*Ibid.*)

[3010] Witness Mayo testifies that, by standardizing the guarantee among Express Mail products, the proposed change “enhances consistency and promotes uniformity in product identity.” USPS-T-35 at 26. She also states that the revised refund limitations would be more consistent with service guarantees offered by other providers such as United Parcel Service and Federal Express. *Ibid.*

[3011] On a more pragmatic level, witness Mayo testifies that the proposed change would also better protect postal revenues from the risk of exposure to unforeseen liabilities resulting from such recent events as the nationwide grounding of commercial air traffic. In these circumstances, she states that it may be in the Postal Service’s best financial interests to limit the service guarantee so that postal revenues will not be placed at risk by potentially excessive refund claims. While conceding that the proposed language is “quite broad,” she also states that “the circumstances in which the guarantee would be suspended or refunds denied are expected to be quite rare.” *Id.* at 27.

[3012] The Commission finds this proposed classification change far more problematical than the others proposed for Express Mail in this case. The basis of this concern is the unique importance of the postage refund guarantee to Express Mail service. As the Presiding Officer observed,

When Express Mail fails to achieve its guaranteed delivery performance, the refund of postage serves as a “consolation prize” for the mailer, contributing to the intrinsic quality of Express Mail service in a way that is unique among the Postal Service’s offerings. The limits of this ancillary benefit, and details of its implementation, can reasonably be expected to bear directly on a user’s perception of the value of Express Mail service.

P.O. Ruling No. R2001-1/32, January 14, 2002, at 3.

[3013] Witness Mayo acknowledges in her testimony that the proposed classification change would introduce terms that significantly broaden the range of circumstances in which the Postal Service would be relieved of the obligation of

refunding postage when the applicable service standard is not met. Similarly, the temporary suspension provision in proposed DMCS § 185.52 would afford vast discretion to curtail the availability of refunds for unspecified reasons and indefinite periods of time. The potential scope of these provisions raises legitimate concerns about the extent to which their use would erode the postage refund guarantee as an integral feature that enhances Express Mail's value of service.

[3014] In an interrogatory addressed to witness Mayo, the OCA asked, in light of the proposed extent of discretionary authority, what would prevent the Postal Service from denying all Express Mail postage refund claims. She responded by reiterating her expectation that discretionary use of the exceptions would be rare, and would be limited to events such as the grounding of air transport following terrorist activities on September 11 of last year. Witness Mayo also suggested a line of division between delays caused by circumstances beyond the Postal Service's control—which would warrant denial of refunds—and circumstances within the Service's control, such as the scheduling of transportation to airports and of personnel to perform timely delivery, which would not trigger discretionary use of the exceptions. Response to Interrogatory OCA/USPS-T35-5, Tr. 11B/4320.

[3015] This distinction appears to be a sound basis on which to condition the availability of guaranteed refunds when there is a failure of service performance. Further, the specific grounds for exempting the Service from its refund guarantee specified in proposed DMCS § 182.51 describe circumstances that, in general, legitimately are beyond the control of the Postal Service. However, the introductory clause in proposed § 182.51—"Among other limitations specified by the Postal Service"—reserves the opportunity to introduce further restrictions of unknown foundation and breadth. Similarly, the blanket provision in proposed DMCS § 182.52 allowing availability of refunds to be "temporarily suspended for extraordinary reasons and for periods of time specified by the Postal Service" lacks any evident limitation to circumstances beyond the Service's control.

[3016] On February 28, 2002, the Postal Service filed a supplemental response to a number of interrogatories concerning the operation of the proposed DMCS provisions, including Interrogatory OCA/USPS-T35-8. In her original response to that interrogatory, witness Mayo stated that: “The Postal Service will narrowly define the DMM regulations governing refunds during implementation so as to assure claims would not be denied based upon generalized interpretations.” Tr. 11B/4323. The supplement to the response states that the Service has published a proposed regulation in the form of a revised Domestic Mail Manual (DMM) provision to implement its proposed DMCS changes for Express Mail, including a revised DMM § D500.1.6, which is quoted in full.<sup>52</sup>

[3017] The proposed DMM provision, which is published at 67 Fed. Reg. 4578 (Jan. 30, 2002), generally tracks proposed DMCS § 182.51, but narrows its terms significantly. For example, it limits the exemption for “breakdowns in transportation networks” to “Breakdown of a substantial portion of the USPS transportation network resulting from events or factors outside the control of the USPS.” Additionally, the proposed regulation distinguishes between exemptions based on routine operational grounds and those resulting from extraordinary events, which are available bases for denying refunds only “as authorized by USPS headquarters when delay was caused by” such calamities.

[3018] These more narrowly drawn exemptions reinforce the Commission’s conclusion that the Service’s originally-proposed classification language is overly broad, and cannot be recommended as drafted. However, the reasonable manner in which the proposed regulation limits the operation of the described exemptions also makes it a

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<sup>52</sup> Notice Providing Supplemental Response of United States Postal Service to Interrogatories of Office of the Consumer Advocate, Douglas F. Carlson, and David B. Popkin, and Motion to Have Responses Received as Evidence and Entered into the Record, February 28, 2002. On March 12, the Postal Service filed a revised version of the supplemental response stating that the Service had discovered an error in the text of proposed DMM § D500.1.6, and that a correction to the Federal Register notice of January 30 is forthcoming. Revised Notice Providing Supplemental Response of United States Postal Service to Interrogatories of Office of the Consumer Advocate, Douglas F. Carlson, and David B. Popkin (Errata), March 12, 2002. In view of the significance of the supplemental responses to the Commission’s mail classification recommendation on this issue, and the lack of any opposition, the Service’s motion for inclusion in the evidentiary record is granted as to the supplemental response as revised on March 12.

model for a properly restricted provision appropriate for inclusion in the DMCS. Accordingly, the Commission recommends a version of proposed DMCS § 182.51 that has been edited to mirror the terms of the Postal Service's proposed implementing DMM section published on January 30, as revised by the Service's corrected supplemental response of March 12, 2002. In the Commission's opinion, adoption of this revised provision would be more consistent with considerations of fairness and equity under the § 3622(b)(1) and § 3623(c)(1) criteria, and better preserve Express Mail's intrinsic value of service under § 3622(b)(2) and § 3623(c)(2). The revised exemption provision would continue to authorize the Postal Service's adoption of proposed DMM § D500.1.6, and thus it would not require any alteration in the Service's published plan for implementing the new exemptions.

[3019] Finally, the Commission declines to recommend the overly broad new suspension authority proposed as DMCS § 182.52. Its inclusion in the DMCS is neither supported in the record nor required to facilitate the Postal Service's proposed implementing regulation, which is derived entirely from proposed DMCS § 182.51. The Commission believes that declining to adopt it does not materially alter the terms of the settlement agreement. Should the Postal Service continue to believe a suspension provision is needed following its implementation of proposed DMM § D500.1.6, the Service may resubmit this proposed classification change, together with supporting testimony, in a future proceeding.

## B. First-Class Mail

### 1. Letters and Sealed Parcels

[3020] The settlement includes most of the First-Class rates and classification changes initially requested by the Postal Service. They were designed by witness Robinson, using costs reflecting proposed volume variabilities collected by witness Meehan, and cost avoidance studies presented by witness Miller. The current and proposed rates are shown on Table 3-1.

#### a. Single-Piece (Nonpresorted) First-Ounce Rate

[3021] The settlement proposes a three cent increase in the first-ounce single-piece First-Class letters rate, thereby raising the rate from 34 cents to 37 cents. It continues the practice of single-piece rates in whole cent increments for administrative ease and to avoid unnecessary complexity for the general public. Witness Robinson asserts the rate proposal is consistent with the proposed revenue requirement and the statutory ratemaking criteria of the Act. USPS-T-29 at 14.

[3022] The first-ounce single-piece rate is the most prominent rate in the eyes of the public, and has the single greatest impact of any rate on Postal Service revenue. Nearly 100 billion pieces, or almost one-half of all mail volume, pays either the single-piece rate or a rate derived from it. This additional revenue is essential to the Postal Service.

#### b. Classification Proposal Affecting Automation Letters and Flats

[3023] First-Class Mail automation letters includes four rate tiers: Basic, 3-digit, 5-digit, and Carrier Route presort. First-Class Mail automation flats includes three rate tiers: Basic, 3-digit, and 5-digit presort. Each tier is representative of a different level of mail preparation performed by the mailer. The settlement proposes a classification

**Table 3-1**  
**Summary of Rates for First-Class Letters**  
**and Sealed Parcels**

	Current	Recommended
<b>LETTERS AND SEALED PARCELS</b>		
<b>Single Piece</b>		
First Ounce	34.0¢	37.0¢
Additional Ounce	23.0	23.0
Nonstandard Surcharge	11.0	N/A
Nonmachinable Surcharge	N/A	12.0
Qualified Business Reply Mail	31.0	34.0
<b>Presorted</b>		
First Ounce	32.2	35.2
Additional Ounce	23.0	22.5
Nonstandard Surcharge	5.0	N/A
Nonmachinable Surcharge	N/A	5.5
Heavy Piece Deduction	4.6	4.1
<b>Automation</b>		
Basic Automation Letters	28.0	N/A
Mixed AADC Letters	N/A	30.9
AADC Letters	N/A	30.1
3-Digit Letters	26.9	29.2
5-Digit Letters	25.5	27.8
Carrier Route Letters	24.5	27.5
Basic Automation Flats	31.2	N/A
Mixed ADC Flats	N/A	34.1
ADC Flats	N/A	33.3
3-Digit Flats	29.7	32.2
5-Digit Flats	27.7	30.2
Additional Ounce	23.0	22.5
Nonstandard Surcharge	5.0	N/A
Nonmachinable Surcharge	N/A	5.5
Heavy Piece Deduction	4.6	4.1

change to the automation letters rate structure to de-average the automation basic letters category into separate Mixed AADC letters and AADC letters categories.<sup>53</sup> A similar classification change is proposed for the automation flats rate structure to de-average the automation basic flats category into separate Mixed ADC flats and ADC flats categories. Letters in Mixed AADC trays, or flats in Mixed ADC trays, require no specific presortation and are relatively expensive to process. The proposed classification changes and rate incentives are designed to encourage finer presortation to the AADC level, or ADC level, by mailers when the necessary volume exists. USPS-T-29 at 20-23.

[3024] The classification proposals are reasonable, and reflect the different levels of mail preparation required for each category. § 3623(c)(1) and (5). The proposed classification changes tend to complicate the rate structures; however, these rates are used only by sophisticated mailers. The Commission recommends de-averaging the automation basic letters and flats rate categories.

c. Proposals Affecting Presort/Automation Rates for Letters and Flats

[3025] *Original Postal Service Proposal.* The presort/automation rates proposed by the parties to the Stipulation and Agreement are identical to the rates originally proposed by the Postal Service with two exceptions. The 3-digit and 5-digit letters rates reflected in the Stipulation and Agreement are 0.2 cents lower than those proposed by the Postal Service. See, Table 3-1.

[3026] A brief review of Postal Service rate design witness Robinson's justification for proposing presort/automation discounts that exceed the Postal Service's calculation of avoided costs will serve as background to the discussion of the opposition and surrebuttal testimony that follows. Likewise, an understanding of Postal Service witness

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<sup>53</sup> AADC is the acronym for Automated Area Distribution Center. ADC is the acronym for Area Distribution Center.

Miller's testimony that is discussed within the opposition and surrebuttal testimony also is necessary.

[3027] Robinson recognized that her rate proposals passed through greater than 100 percent of costs identified by other Postal Service witnesses as avoidable. USPS-T-29 at 20-22. She selected rates to balance several goals including: achieving a cost coverage target, recognizing the value of mailer worksharing, avoiding disruptive rate change impacts, acknowledging the value to the Postal Service of barcoding and presortation by mailers, and recognizing that automated letters are low cost and provide a high contribution. She considered it important to preserve the appropriate rate relationships between automation letters and automation flats, and between automation flats and the non-automation presort rate.

[3028] Robinson acknowledges workshare mailers' investment in equipment, workshare mailers' changes in mail preparation to meet Postal Service requirements, and the unfairness of reversing worksharing incentives. She also recognizes the potential difficulties presented by workshared mail reverting to the Postal Service for processing if proper incentives are not applied. After considering the above, Robinson finalized her rate selection by balancing the relatively high implicit cost coverage for workshared mail against the avoided costs figures presented by Miller.

[3029] Postal Service witness Miller calculates the mail processing unit costs and the costs avoided by worksharing that support the rate design proposals provided by Robinson. USPS-T-22 at 3-27. Miller uses an approach similar to the accepted Docket No. R2000-1 methodology, but with several modifications that tend to lower the estimate of avoided costs. Additionally, his use of proposed volume variabilities for mail processing activities provided by other Postal Service witnesses has a substantial impact on his results.

[3030] Miller employs a hybrid cost methodology that incorporates both Cost and Revenue Analysis (CRA) and model-based mail processing unit costs to estimate worksharing related savings. His analysis relies on shape-specific CRA mail processing costs reported by cost pools in the In-Office Cost System (IOCS). Fifty-four cost pools



are classified as either worksharing related proportional, worksharing related fixed, or non-worksharing related fixed. In this docket, Miller has reclassified two cost pools, 1supp1 and 1supp4, from worksharing related fixed as classified by the Commission in Docket No. R2000-1, to non-worksharing related fixed.

[3031] When it is not possible to isolate CRA costs down to the rate category level, Miller employs cost models to de-average the costs down to the appropriate rate category level. The models are adjusted for base year mail volumes and tied back to CRA costs using CRA adjustment factors. From the CRA costs and modeled costs, Miller calculates worksharing related cost savings.

[3032] For First-Class Mail letters, Miller continues to use the Docket No. R2000-1 benchmark of Bulk Metered Mail (BMM) to calculate workshare savings. The one exception is carrier route presort for which he used a 5-digit presort mail piece that destinate at either a Carrier Sequencing Bar Code Scanner (CSBCS) or manual site.

[3033] Since the Postal Service's data systems do not isolate the costs of BMM, proxies must be used. For mail processing, Miller uses the unit costs of metered letters as a proxy. In Docket No. R2000-1, the Commission also used metered mail costs as a proxy, but adjusted them by using 1/3 of the cancellation and mail preparation costs. See, PRC Op. R2000-1, para. 5090.

[3034] Another difference is the proxy for BMM delivery costs. Miller uses the unit delivery cost for First-Class nonautomation machinable Mixed AADC letters as a proxy for BMM. In Docket No. R2000-1, the unit delivery cost for First-Class nonautomation presort was used as a proxy for BMM.

[3035] The cost savings for each rate category are presented in aggregate form by referencing them to the BMM benchmark, except for carrier route letters which is referenced to 5-digit (CSBCS/Manual Sites) letters.

[3036] Miller also calculates flats total mail processing unit cost estimates. USPS-T-24. A hybrid cost methodology is used similar to the methodology used in Docket No. R2000-1. The methodology parallels the process used for First Class Mail

letters. Changes to the Docket No. R2000-1 methodology have been made to incorporate new data and recent changes in mail processing technology.

[3037] *Opposition to the Proposed Rates.* One party, The American Postal Workers Union, AFL-CIO (APWU), opposes the settlement rates for First-Class presort/automation discounts, the QBRM letters and cards discount, and the First-Class presort additional ounce discount. APWU challenges the worksharing related discounts associated with each of these rates. The discount effectively determines the rate for each rate category. This issue is significant because of the influence that the discount rates have on the worksharing program, and the effect that the methodology of selecting discounts has on rate design.

[3038] APWU “believes that the principle of not giving a worksharing discount greater than the costs avoided by that worksharing is appropriate at all times . . . .” APWU Brief at 1-2. APWU contends that the First-Class Mail rates proposed in the Stipulation and Agreement include discounts that pass through greater than 100 percent of avoided costs. Therefore, APWU proposes that the discounts should be reduced to pass through no more than 100 percent of avoided costs, preferably in the range of 80 to 100 percent of avoided costs.

[3039] APWU alleges that the principle it expounds is the policy of the Commission and has been fundamental to previous Commission decisions. The Commission provided a full explanation of its policy concerning worksharing discounts in PRC Op. MC95-1, paras. 3066-3079. APWU cites this material extensively. See, APWU Brief at 2-3, 7-8, and 15-16. It is still current policy. The Commission explained in PRC Op. MC95-1:

[3066] . . . The first discount was accorded to bulk presorted First Class. It was set to pass through to mailers some, but not all, of the costs the Postal Service would avoid by not having to sort that mail. The result was a classic “win/win” situation: mailers that could presort their mail for less than the discount would do so, and benefit from lower total costs; the Service would benefit because its costs would be reduced by more than the discount, which meant more revenues available to offset institutional costs.

For example, giving mailers a 1.0-cent discount for worksharing which allows the Service to avoid costs of 1.2 cents, makes the Postal Service better off by 0.2 cents per-piece. In this example, everyone benefits, including mailers that are unable to take advantage of the discount.

[3067] This last point is important. Initially there was some resistance to worksharing from those who thought it might be unfair to offer lower, discounted, rates to large mailers. However, it was recognized that because the discount was less than the costs avoided by the Service, even the small mailer would benefit. In the example above, the Postal Service is better off by 0.2 cents, which means that the institutional burden which must be recovered from all mailers, large and small, is reduced by 0.2 cents.

[3040] The Commission elaborates on how worksharing as currently implemented is fair and consistent with sound economic pricing principles. By example, the Commission demonstrates the principle that identical pieces of workshared mail and nonworkshared mail with the same attributable costs should make the same contribution to institutional costs.

[3070] A simple numerical example will show why the current practice of offering cost-based worksharing discounts is appropriate. If two pieces of mail with attributable costs of 10 cents each are charged a rate of 15 cents, both pieces make a unit contribution to institutional costs of 5 cents and have an implicit cost coverage of 150 percent. If one of those pieces is barcoded, thereby allowing the Service to avoid 5 cents of attributable costs, and that piece is given a 5-cent worksharing discount, its new implicit cost coverage is 200 percent. In this example, because 100 percent of the cost savings is passed on to the mailer, both pieces will continue to contribute 5 cents toward institutional costs. Presumably the worksharing piece is better off, because its total costs decline (otherwise the mailer would not go to the trouble of worksharing) and neither the Postal Service nor other mailers are worse off. (footnotes omitted)

[3074] . . . From the inception of worksharing discounts, the Commission has been concerned with both equity and economic efficiency. It set the first such discount at clearly capturable avoided costs. This provided a rate incentive to mailers which would allow cost-based decisions on whether to engage in the worksharing activity. In effect, the Commission was setting

discounts in conformity with what later became known as efficient component pricing. The discount approach led to the lowest cost producer providing the service. This, in turn, minimized the cost of the workshare activity to society as a whole.

[3076] The Commission also has consistently been concerned with equity. From the beginning it has wanted to set the discount no larger than the clearly capturable avoided costs, so that the residual mailers would not experience a rate increase because some other mailers were encouraged to workshare. . . .

[3041] On brief, the APWU concludes by urging the Commission to continue the policy of recommending rates for workshared mail by setting discounts based on the costs avoided by worksharing. APWU Brief at 8-9.

[3042] Witness Riley's testimony is offered in support of the APWU policy position supporting worksharing discounts that do not exceed avoided costs. He also proposes First-Class Mail worksharing rates that are consistent with the APWU policy based on the cost avoidance estimates sponsored by Postal Service witness Miller.

Tr. 12/4840-71.<sup>54</sup>

[3043] Riley suggests that good business management requires price concessions in the form of discounts that are smaller than the costs that would be avoided. He asserts this is necessary because the Postal Service needs to have more profits, is in dire financial straits, and needs a continuing return on its investment in automation equipment. *Id.* at 4847-51. Therefore, he proposes establishing worksharing passthroughs at 80 to 100 percent of avoided costs. He would like to establish rates such that: "Each piece of First-Class discounted mail should contribute at least as much absolute dollar contribution as each piece of comparable non-discounted mail." *Id.* at 4852-3. He urges the Commission, when presented with an option, to pick the approach that will generate the most revenue for the Postal Service. *Id.* at 4849.

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<sup>54</sup> Riley presents additional proposals for the additional ounce rate and the discount for QBRM, which are discussed separately later in this section.

[3044] Riley disputes the Postal Service arguments for discounts greater than avoided costs. He also disagrees with Robinson's concern that there could be a large shift from discounted First-Class Mail to single-piece if discounts are reduced. *Id.* at 4858-60. He notes that presortation of mail occurred before the establishment of discounts, and that other economic benefits accrue to mailers from presorting. *Id.* at 4853. Furthermore, he contends that reduced discounts are to be expected because of continuing improvements that the Postal Service is making in automation. *Id.* at 4851, 4857-58. Mailers should understand that if the benefits to the Postal Service from worksharing diminish, then worksharing discounts must also get smaller.

[3045] In conclusion, Riley proposes the adoption of discounts for First-Class Mail at either 80 percent or 100 percent of avoided costs. He expresses a preference for discounts set closer to 80 percent of avoided costs. The First-Class Mail rates he proposes are based on the avoided costs as reported by Postal Service witness Miller. He concludes that at this time, the best interests of the Postal Service are served by higher total revenues to mitigate the dire financial straits of the Postal Service, thereby lessening the risk of financial disaster.

[3046] *Intervenors' Positions.* Six pieces of surrebuttal testimony were entered into the record by parties supporting the Stipulation and Agreement. In general, the testimony supports the Settlement's First-Class Mail worksharing discounts and opposes the worksharing discounts proposed by APWU witness Riley.

[3047] MMA witness Bentley and ABA&NAPM witness Clifton observe that Riley relies on Postal Service witness Miller's cost avoidance analysis. Both allege that Miller's modifications to the cost avoidance methodology from the accepted Docket No. R2000-1 methodology result in lower calculated avoided costs. If the Docket No. R2000-1 methodology had been employed, they assert, costs avoided could be shown to exceed the proposed discounts. Tr. 13/5162-63, 5284-85.

[3048] Bentley and Clifton observe that Riley's conclusions concerning the discounts exceeding the calculated avoided costs and his subsequent rate design proposals rely on Postal Service witness Miller's cost avoidance analysis. Bentley's and

Clifton's review of Miller's testimony reveals that Miller has significantly departed from the accepted Docket No. R2000-1 approach, particularly through the use of inputs based on a different cost attribution methodology. These changes tend to lower the estimate of avoided costs. Bentley and Clifton contend that had Miller applied the accepted Docket No. R2000-1 approach, estimated test year avoided costs would have been shown to exceed the proposed discounts. Thus, Riley's concern that the proposed discounts exceed the calculated avoided costs would have been moot.

[3049] Bentley highlights three methodology changes from Docket No. R2000-1 made by Miller that tend to lower the estimation of avoided costs: the use of CRA costs developed under the Postal Service's methodology as opposed to the Commission's cost attribution methodology; the reclassification of two cost pools from workshare-related to fixed; and the use of delivery costs for nonautomation machinable Mixed AADC letters instead of nonautomation presorted letters as a proxy for unit BMM delivery costs. *Id.* at 5170-80.

[3050] Bentley also urges the Commission to reject the rates proposed by Riley because the rates ignore relevant ratemaking standards. He estimates that Riley's rate proposal will increase First-Class workshare rates by 18.6 percent, which is almost two and one half times the 7.8 percent average increase for all mail. He argues that this disproportionate increase ignores § 3622(b)(4), which requires consideration of the impact of rates on the affected workshare mailers. Bentley asserts that Riley's rate proposal, if accepted, could cause workshare mailers to abandon the worksharing program. *Id.* at 5167-68.

[3051] Furthermore, Bentley estimates that \$1.4 billion extra revenue would be generated in the test year by implementation of Riley's rate proposal, and alleges that this cannot be reconciled with the concept of breakeven. Nor is it fair and equitable to generate these revenues from the one rate category that already makes the largest contribution to institutional costs. He concludes that the proposed rates would raise worksharing cost coverages and markup indexes by unprecedented and excessive amounts. *Id.* at 5169-70.

[3052] Clifton examines cost avoidance using three different methodologies: a CRA based methodology, a Docket No. R2000-1 based methodology, and a refined Docket No. R2000-1 based methodology. He concludes that the settlement rates pass through less than 100 percent of measured avoided costs. He also presents data that demonstrate CRA cost differences between single-piece and presort mail have been increasing since 1992. *Id.* at 5277-87.

[3053] MMA witness Bentley, MMA witness Crider, and NAPM witness Gillotte discuss the value of the workshare program to the Postal Service, and the costs arguably avoided by the Postal Service that Miller has not included in his cost avoidance analysis. Crider and Gillotte assert that discounts provide an incentive to participate in the workshare program. Without a proper incentive, Crider alleges that mail may divert out of the mailstream and into other media such as the Internet. *Id.* at 5097-101. Gillotte discusses the potential inability of the Postal Service to process currently workshared mail if it reverted to the Postal Service. *Id.* at 5028-30.

[3054] The testimony cites participation in Move-Update, FastForward, and PostalOne! as examples of costs incurred by workshare mailers, and potentially avoided by the Postal Service, that are not recognized in the cost avoidance analysis. Workshare mailers also incur costs in sorting, banding, palletizing, tagging, loading, shrink-wrapping, mailpiece design, training, and meeting Postal Service requirements that arguably benefit the Postal Service, and may not be adequately recognized. Gillotte further discusses workshare mailers' investments in capital equipment and workspace, along with the associated operations and maintenance costs that the Postal Service would otherwise incur without the workshare program. See, for example, *id.* at 5035-36, 5101-04.

[3055] Postal Service witness Moeller argues that the settlement rates satisfy the requirements of the Act, and the setting of passthroughs that exceed avoided costs is justified in this docket. Moeller asserts that "the Postal Service's requested rates (even as modified by the settlement agreement) are consistent with the statutory ratemaking requirements of section 3622(b) of the Postal Reorganization Act, sound ratemaking

principles, and past Postal Rate Commission precedent.” Tr. 13/4968. In support of his position that good rate design is not a mechanistic application of one principle he cites the Docket No. R87-1 opinion:

[4000] . . . Developing rate recommendations in an omnibus rate case involves balancing a great number of factors to derive literally thousands of rates which all must qualify as fair and equitable. Some of these factors are complementary, but others are less so -- there are valid reasons for restraining rate increases for all classes of mail, and arriving at a balanced recommendation is an iterative process.

[4001] There is no single set of rates which is so “right” that any deviation from it would produce rates which would be unlawfully unfair or inequitable. But the task of developing a single set of rates which all meet the test of being consistent with the numerous policies set out in the Postal Reorganization Act requires innumerable value judgments.

[3056] Tr. 13/4968. Moeller reviews prior Commission decisions that indicate the Commission also considers other factors such as rate relationships, the impact of discount reductions on the automation program, the impact of rate changes on mailers, and large changes in results of cost avoidance studies. He acknowledges the general goal of promoting efficiencies equal to avoided costs, but asserts that passthroughs greater than 100 percent have been recommended when other factors have been taken into consideration. He alleges that Riley’s rigid cost-based argument “fails to consider other factors that should and must be considered in postal ratemaking.” Tr. 13/4972. Specifically, he discusses the large percentage increases in rates that would occur if Riley’s proposed rates are recommended. He asserts that the settlement rates are not that different from those requested by the Postal Service, and that the proposed rates are consistent with the ratemaking criteria. *Id.* at 4973.

[3057] Finally, Moeller discusses Riley’s concern that the ratemaking focus should be on absolute contribution per-piece, not on percent markup, and that the contribution per-piece within a subclass should remain essentially the same regardless of rate category. Moeller alleges that these criteria are closer to being met with the proposed



settlement rates than with the rates suggested by Riley. He contends the contribution per workshared piece exceeds the contribution for a single piece, and the contributions are closer to being equal using the settlement rates, than in using the rates proposed in Riley's testimony. *Id.* at 4974-75.

[3058] *Commission Analysis of Policy Issue.* The issue that APWU presents to the Commission is the appropriate selection of worksharing discounts for the presort/automation categories of First-Class Mail. APWU supports a policy of providing a worksharing discount no greater than the costs avoided by the Postal Service. The cost avoided represents the value of the worksharing activity to the Postal Service, if the Service had performed the worksharing activity itself.

[3059] The Commission agrees with APWU that establishing worksharing discounts to pass through no greater than the level of costs that are avoided by the Postal Service is a very important policy consideration. Thus, the Commission has placed substantial weight on this principle when determining appropriate worksharing discounts. The Commission explained this principle in PRC Op. MC95-1, as referenced in the APWU Brief, and continues to consider the principle "that everyone benefits as long as discounts do not exceed the Service's cost savings" important in establishing worksharing discounts. See, PRC Op. MC95-1, para. 3068. The principle is integral to pursuing the Commission's goal of promoting efficient component pricing.

[3060] The Commission has applied this principle as recently as Docket No. R2000-1. In its Opinion and Recommended Decision, the Commission found this policy both fair and equitable. PRC Op. R2000-1, para. 5060, states:

This may mean that the institutional cost burden on First-Class workshare mail is increasing. However, when discounts pass through 100 percent of avoided costs to the workshare mailer, the contribution made by that mailer to institutional costs is the same as the mailer would have made without worksharing. Thus, workshare mailers and non-workshare mailers provide the same contribution, which is fair and equitable. In this case the Commission has set the majority of the recommended discounts for First-Class to pass through 100 percent of the avoided costs. This

maximizes the discounts and effectively reduces the institutional cost burden on workshare mailers as much as possible.

[3061] Passthroughs close to 100 percent of avoided costs provide an appropriate price signal to mailers to perform worksharing activities only when they can do so at a lower cost than can be done by the Postal Service, promoting the policy of efficient component pricing.

[3062] APWU, however, apparently considers the policy of establishing First-Class Mail worksharing discounts that pass through no more than 100 percent of the avoided costs to be ineluctable. At the very least, it believes that notwithstanding current circumstances, this principle requires rejection of the proposed stipulation.

[3063] The Commission does not concur with this opinion. The Commission believes that circumstances may exist where strict adherence to this policy is not appropriate, and when competing policies may weigh more heavily in the decision making process.

[3064] The Commission is required to consider all of the factors of section 3622(b) when reviewing appropriate discount rates for workshared mail. Although the policy expounded by APWU is typically given substantial weight, different factors receive different weights depending on the specific circumstances of the rate category under review. For instance in PRC Op. R2000-1 cited above, where the Commission endorsed passthroughs at 100 percent of avoided costs, the Commission also recommended a discount for carrier route letters that passed through 67 percent of avoided costs to prevent a disruptive effect on the rate schedule. In contrast, the Commission recommended a discount with a greater than 100 percent passthrough for presort letters to moderate the impact of its recommendation to shrink that discount from 2.5 cents to 2.0 cents. In both these instances, other factors outweighed the benefits of strictly adhering to a 100 percent passthrough policy. The Commission concludes that establishing discounts to pass through 100 percent of avoided costs is an appropriate policy, but that other considerations sometimes preclude its application.

[3065] Postal Service witness Robinson's testimony is consistent with this philosophy. She provides several examples of other factors that are appropriately considered in establishing discount levels. Postal Service witness Moeller supports Robinson by observing that discounts may satisfy the requirements of the Act, even when they exceed 100 percent of avoided costs. Moeller succinctly states this position as "rate design is not a mechanical application of one principle." Tr. 13/4968. The Commission agrees with this statement.

[3066] *Commission Analysis of APWU Rates.* APWU witness Riley proposes two sets of First-Class Mail workshare discounts. The first set of rates passes through 100 percent of avoided costs and the second set passes through 80 percent of avoided costs. He relies on Postal Service witness Miller's analysis as the basis for identifying avoided costs.

[3067] Witness Miller calculates noticeably lower Postal Service avoided costs in this docket than the Commission recently employed in Docket No. R2000-1. Thus, the discounts proposed by witness Riley are noticeably lower than the discounts recently recommended by the Commission in Docket No. R2000-1.

[3068] MMA, ABA, NAPM, and the Postal Service oppose the rates proposed by Riley, but for different reasons. The Postal Service defends the settlement rates. The Service recognizes that, under Miller's cost avoidance analysis, the rates reflected in the Stipulation and Agreement pass through more than 100 percent of avoided costs. However, the Postal Service places greater weight on factors other than the passthrough level, and concludes that the rates in the Stipulation and Agreement satisfy the requirements of the Act. Postal Service Brief at V21-22, V26-29.

[3069] NAPM and MMA present testimony from mailers who focus on the "unrecognized" value that workshare mailers provide. Their discussions center around the investment workshare mailers have made in worksharing, the possibility of mail diverting out of the system without proper discounts, and the other benefits that workshare mailers provide to the Postal Service which are not adequately captured in cost avoidance analysis. ABA&NAPM Brief at 6-7, and MMA Brief at 10-12.

[3070] NAPM and MMA are asking the Commission to expand the analysis used in establishing the discounts. They emphasize the overall value of the worksharing program, and of the many incidental functions workshare mailers perform that benefit the Postal Service, but do not fit under the current definition of worksharing. Essentially, NAPM and MMA are attacking Miller's cost avoidance analysis. They hope to demonstrate that Miller neglected to include specific avoided costs in his cost avoidance analysis. On the limited record of this docket, the Commission chooses not to decide any of the specific contentions presented in these arguments.

[3071] Finally, MMA and ABA&NAPM focus on the details of Miller's cost avoidance analysis. They concentrate on the changes that Miller made to his cost avoidance analysis from the methodology adopted in Docket No. R2000-1, and make suggestions for other modifications. Through an assortment of methodologies, including a replication of the Docket No. R2000-1 methodology, they allege that the settlement discounts actually pass through less than the calculated avoided costs.<sup>55</sup> Therefore, they argue that the APWU concern with passing through greater than 100 percent of avoided costs is moot. From a different perspective, they effectively argue that because Riley bases his rates on Miller's cost avoidance analysis, which deviates from the accepted Docket No. R2000-1 cost avoidance methodology, the foundation for his proposed rates is flawed.

[3072] The Commission chooses not to consider any of the specific MMA and ABA&NAPM suggestions for changes to cost methodology on the limited record in this docket. However, MMA and ABA&NAPM effectively demonstrate that Miller deviates from the accepted Docket No. R2000-1 cost approach. This may partly explain why Miller calculates noticeably lower avoided costs from those accepted in Docket No. R2000-1. Some of the changes made by Miller might be justified. However, the

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<sup>55</sup> Upon review, the Commission finds the replication of the Docket No. R2000-1 cost avoidance analysis at Tr. 10A/2862 generates a result close to what the Commission would have calculated, given the same inputs. However, these presentations fail to use 1/3 of the single-piece metered mail letter costs for cancellation and mail preparation as a proxy for the BMM costs. See, PRC Op. R2000-1, para. 5090.

Commission finds that the state of the record does not allow a fair and adequate exploration of all his changes to the R2000-1 approach.

[3073] Given the short time since the Commission last explored discounts using the established Docket No. R2000-1 methodology, it is reasonable for the Commission to assume that there have not been significant intervening changes to Postal Service operations and relative costs that would result in significant changes to cost avoidance. Witness Miller has presented testimony incorporating changes to the cost attribution and cost avoidance methodology that result in noticeably different relative costs. Until the changes to the cost attribution and cost avoidance methodology can be adequately explored on a fully developed record, the Commission will not rely on Miller's cost avoidance analysis. It follows that it would also be unreasonable to base worksharing discounts on Miller's analysis, as done by Riley. Therefore, the Commission does not recommend the specific rate proposals put forward by APWU witness Riley.

[3074] *Commission Analysis of Settlement Rates.* In Docket No. R2000-1, the Commission recommended rates that were fair and equitable and otherwise determined to meet the requirements of the Act. Docket No. R2000-1 was a fully litigated rate proceeding where all participants had an opportunity to express their views. The Commission thoroughly analyzed each issue presented and made determinations based on record evidence. The initial Docket No. R2000-1 decision was issued on November 13, 2000. The Request in this docket, Docket No. R2001-1, was filed on September 24, 2001, less than 11 months later. Docket No. R2000-1 rolled forward FY 1999 cost data to develop test year projections. The BY 2000 data are used in this docket. Because of the relatively short intervening time spans, the Commission assumes that discount recommendations that were found fair and equitable approximately one year ago, are likely to be fair and equitable today. The Commission has not been persuaded on this record that this is an unreasonable assumption for First-Class Mail.

[3075] Employing the above assumption, the discounts that are reflected in the Stipulation and Agreement can be compared with the discounts recommended in Docket No. R2000-1. In Docket No. R2000-1, the discounts were set at 100 percent of avoided

costs for the majority of the rate categories. Thus, the policy consideration that APWU presents in this docket is taken into account. If the proposed discounts are comparable in magnitude to a set of discounts that have recently been shown to satisfy the requirements of the Act, the Docket No. R2000-1 discounts, then this will indicate that the proposed discounts also arguably satisfy the requirements of the Act. This assumes that intervening events have not made this an unreliable comparison. The risk of this is low, however, because of the short time difference between dockets. The record shows that neither First-Class mail processing operations nor the relative costs of these operations have changed sufficiently to substantially effect workshare costs. Table 3-2 presents a comparison of the Docket No. R2000-1 discounts and the discounts in the proposed settlement.

[3076] Table 3-2 demonstrates that the Docket No. R2000-1 discounts and the discounts reflected in the Stipulation and Agreement are reasonably close in magnitude. The notable exceptions are the Carrier Route categories, where the discounts have been reduced. The Carrier Route discounts are not available nationwide, have limited impact on the overall rate schedule, and typically reflect factors other than cost avoidance. This comparison indicates that the proposed discounts do not vary by any significant amount from discounts based on accepted cost avoidance methodology that have recently been shown to satisfy all the requirements of the Act.

[3077] In the case of presort/automation First-Class Mail, the benefits of the settlement weigh heavily in the Commission's recommendation of the rates proposed by the parties to the Stipulation and Agreement. § 3622(b)(9). Although the Commission agrees with the APWU policy position up to a point, APWU has not demonstrated that the discounts violate any provision of the Act, or are so out of line with reasonableness that the Commission should hesitate to recommend them. On balance, the expeditious implementation of the settlement rates provides greater benefit to the Postal Service and mailers than might result from further exploration of this issue.

**Table 3-2**  
**Comparison of First-Class Workshared Letters**  
**and Cards Discounts**

	R2000-1 Recommended Discounts	Proposed Settlement Discounts
<b>LETTERS AND SEALED PARCELS</b>		
<b>Single Piece</b>		
Qualified Business Reply Mail	3.0¢	3.0¢
<b>Presorted</b>		
First Ounce	2.0	1.8
<b>Automation</b>		
Basic Automation Letters <sup>1</sup>	6.2	6.5
3-Digit Letters	1.1	1.3
5-Digit Letters	1.4	1.4
Carrier Route Letters	1.0	0.3
Basic Automation Flats <sup>1</sup>	3.0	3.2
3-Digit Flats	1.5	1.6
5-Digit Flats	2.0	2.0
<b>CARDS</b>		
Qualified Business Reply Mail	3.0	3.0
Nonautomation Presort Cards	2.0	1.8
Basic Automation Cards <sup>1</sup>	3.6	4.0
3-Digit Cards	0.6	0.7
5-Digit Cards	0.7	0.7
Carrier Route Cards	1.1	0.6

<sup>1</sup> To facilitate the comparison to Docket No. R2000-1, the weighted average of the proposed M(A)ADC and (A)ADC discounts are used.

d. QBRM Letters Postage Rate

[3078] The settlement maintains the current QBRM letters (and cards) discount of 3 cents. This proposal would increase the postage rate for QBRM letters from 31 cents to 34 cents.

[3079] APWU opposes the QBRM discount proposal based on the same policy considerations APWU presented for the First-Class Mail presort/automation discounts. APWU argues that discounts should be set to pass through no more than 100 percent of

avoided cost. It contends the proposed QBRM discount would exceed the avoided cost, based on Postal Service witness Miller's QBRM cost analysis. The Commission's discussion and resolution of the APWU policy considerations, and resolution of APWU's First-Class Mail presort/automation rate proposals also are applicable to QBRM.

[3080] APWU witness Riley proposes a QBRM discount of 0.6 to 0.8 cents based on the 0.846-cent avoided cost cited in Postal Service witness Miller's original testimony. He argues that the QBRM passthrough of avoided costs proposed in the Stipulation and Agreement is excessive, and "violates sound business practice." Tr. 12/4863. He acknowledges that errata to Miller's testimony changes the cost avoidance figure to approximately 1.6 cents, but infers there is uncertainty in this number. In discussing whether to use the avoided costs originally presented by Miller, or whether to use the avoided costs as presented in errata to Miller's testimony, Riley concludes, "[w]hen there is uncertainty, the choice should be the conservative or lower number." *Ibid.*

[3081] KeySpan witness Bentley argues that the settlement QBRM discount actually passes through less than avoided cost. Therefore, the proposed 3 cent discount should be recommended. He focuses on methodological changes made by Miller, and further alleges that flaws are present in the QBRM cost savings analysis. He concludes that these factors explain why Miller underestimates QBRM avoided cost. He notes that Miller originally calculated a 0.85-cent cost savings, but subsequently revised his estimate upwards. Bentley also asserts that the APWU proposal is without any factual or analytical basis since Riley proposes to ignore the revisions. Tr. 13/5338-72.

[3082] As with the First-Class Mail presort/automation categories, Postal Service witness Miller uses a QBRM methodology different from the one used by the Commission in Docket No. R2000-1. Furthermore, he does not use the established cost attribution methodology in his analysis. As with the First-Class Mail presort/automation categories, the Commission will not rely on Miller's methodological changes or the resulting estimate of QBRM avoided costs. Lowering the discount to the levels proposed by Riley will result in a substantially lower discount that could have a negative, immediate impact upon the users of this service. Such a dramatic change would not be fair or



equitable to the users of this service, and is not supported by the record. The Commission accepts the settlement proposal to retain the current discount.

e. Additional-Ounce Rate

[3083] The settlement proposes that the single-piece additional ounce rate remain at 23 cents, and proposes a reduction in the presorted mail additional ounce rate from 23 cents to 22.5 cents. This is a change from the existing rate structure where the rates are the same for single-piece and presorted mail additional ounces. USPS-T-29 at 15-16, 24-25.

[3084] APWU witness Riley opposes the 0.5-cent reduction in the additional-ounce rate for presort mail. He argues that the differences in cost are not meaningful, and do not support the 0.5-cent reduction in the rate. Tr. 12/4861-62. ABA&NAPM witness Clifton supports the proposed rate. He asserts that Riley is ignoring a decade's worth of mounting evidence in favor of a lower extra ounce rate for presort mail. Tr. 13/5295-98.

[3085] In this docket, both the proposed regular and the proposed presorted extra-ounce rates adequately cover costs, contribute to institutional expenses, and are otherwise fair and equitable to users of single-piece and presort mail. The justification for a 0.5-cent rate difference based on additional ounce costs has not been thoroughly explored on the record. Absent the unusual circumstances of this case, the Commission would carefully examine that difference before recommending separate rates for additional ounce single-piece and additional ounce presort mail. However, the rates as proposed have not been shown to be inconsistent with the Act, and as part of the total settlement of all issues, they are acceptable.

f. Heavyweight Discount

[3086] The settlement proposes reducing the 4.6 cent heavy-piece discount to 4.1 cents for presort mail weighing more than two ounces. Witness Robinson indicates that the Postal Service intends to move towards eliminating this discount in the future, and

incorporating any cost differences between single-piece and presorted mail into the additional ounce rate for presorted letters. USPS-T-29 at 25-26.

g. Nonstandard Surcharge

[3087] The Postal Service assesses a nonstandard surcharge on First-Class Mail weighing one ounce or less if the aspect ratio (length/height) of the mailpiece does not fall between 1:1.3 and 1:2.5 inclusive, or if the mailpiece exceeds 11.5 inches in length, 6.125 inches in width, or 0.25 inches in thickness. The settlement proposes increasing the nonstandard surcharge for nonpresort mail weighing one ounce or less from 11 cents to 12 cents, and increasing the nonstandard surcharge for presort mail weighing one ounce or less from 5 cents to 5.5 cents. USPS-T-29 at 16-17, 23-24.

[3088] In addition, the settlement changes the name of the surcharge from “nonstandard surcharge” to “nonmachinable surcharge,” and expands the definition of the mail characteristics to which the surcharge should apply. The Postal Service is in the process of developing specific requirements that define the nonmachinability characteristics for applying the surcharge. Tr. 7/1590-91. The surcharge also will apply to letter-sized pieces for which manual processing is requested.

[3089] The Commission accepts the name change from “nonstandard surcharge” to “nonmachinable surcharge,” and the redefinition of mail characteristics applicable to the surcharge contained in the settlement. The Commission makes its classification recommendation assuming that the Postal Service will finalize a nonmachinability definition that substantially conforms to the draft definitions presented on the record. See, Trs. 6/1099-100, 7/1590-91, and 10A/2775-78. The Commission requests the Postal Service to develop a more informative nonmachinability definition for future inclusion in the DMCS.

[3090] The entire area of rates for First-Class pieces that pay more than the basic one-ounce rate needs further attention. The Postal Service needs to develop additional cost and market information to evaluate issues such as: at what weight do letters and/or

flats become nonmachinable; should the nonmachinable surcharge recover 100 percent of the cost differences between machinable and nonmachinable pieces; should the nonmachinable surcharge be applied to nonmachinable pieces that weigh more than one ounce; should the extra ounce rate be uniform for machinable and nonmachinable pieces; and to what extent does presortation moderate the added costs of processing nonmachinable mail? The Commission believes that the cost/rate relationship between nonmachinable and extra-ounce pieces should be explored. Nevertheless, in the circumstances of this case, the Commission accepts the settlement rates.

#### h. Rate Summary

[3091] The Commission recommends the First-Class Mail, Letters and Sealed Parcels subclass rates as reflected in the Stipulation and Agreement, and finds that the recommended rates are consistent with the factors of the Act as set out in § 3622(b). Based on the Commission's projected test year after rates volume, First-Class Letters and Sealed Parcels revenue will exceed estimated attributable costs by \$18.1 billion. Thus, recommended rates will recover all attributable costs, in compliance with § 3622(b)(3).

[3092] The unique circumstances of this docket related to the proposed settlement weigh heavily in the Commission's decision to recommend the proposed First-Class Mail rates. Absent the Stipulation and Agreement, the Commission would have further considered the contentious issues related to cost avoidance analysis. However, with the certainty of another rate case on the near horizon, consideration of these issues is only postponed, and any recommended rate that deviates from what the Commission hypothetically might have recommended will only be in effect for a short period of time. The discounts that form the basis of the recommended rates are very close in magnitude to discounts shown to satisfy the requirements of the Act in the preceding docket. Given the little time that has passed, and the similarity in the discount levels, the Commission is comfortable with recommending the rates reflected in the Stipulation and Agreement.

The benefits of the settlement to both the Postal Service and mailers outweigh the potential benefit of slight refinements to these rates (§ 3622(b)(9)).

[3093] First Class Mail will contribute to institutional costs consistent with the comparatively high value of service (§ 3622(b)(2)) for mail in this subclass. First-Class Mail is sealed against inspection, receives forwarding at no additional charge, and receives a relatively high priority of delivery. It benefits from an extensive collection system, and may travel by air for deliveries at considerable distances.

[3094] The magnitude of the recommended rate changes is in line with the overall system wide increase. Nevertheless, the First-Class rates increase is an area of concern given the monopoly status of First-Class Mail (§ 3622(b)(5)). The average increase for the Letters and Sealed Parcels subclass is 7.7 percent, which is the systemwide increase. Although the first-ounce single-piece letter rate increases by three cents, the additional ounce rate will not experience an increase.

[3095] The recommendations recognize mailers' worksharing efforts, in accordance with § 3622(b)(6), through presorting and prebarcoding discounts. The division of the automation basic letters, flats, and cards categories adds some complexity to the First-Class schedules (§ 3622(b)(7)). The Commission finds this acceptable, given that the new categories more accurately reflect the level of worksharing being performed, and those that use these categories tend to be the more sophisticated mailers.

[3096] The markup index for First Class Letters and Sealed Parcels is 1.420. This is higher than the 1.308 markup in Docket No. R97-1 and 1.342 markup in Docket No, R2000-1. The Commission's overall conclusion is that the recommended rates are fair and equitable given the unique circumstances of this docket (§ 3622(b)(1)).

## 2. Cards

[3097] The First-Class Mail Cards subclass consists of Stamped Cards and post cards. Stamped Cards are purchased through the Postal Service as a special service. See, DMCS Section 962. Post cards are privately printed mailing cards of uniform

thickness that do not exceed 6 inches in length, 4-1/4 inches in width, or 0.016 inches in thickness. In FY 2000, cards generated approximately \$1.0 billion, or 2.8 percent of First-Class Mail revenue, and represented about 5.3 percent of First-Class Mail volume. Over the past 10 years, volume has been relatively constant in the single piece category, with growth shown in the presort/automation category. USPS-T-29 at 26-30.

[3098] The settlement proposes increases of 1.5 cents to 2.0 cents in the rates for the automation cards categories. Current rates for all cards categories are summarized, along with the Commission's recommendations, in Table 3-3. The rate changes initially sponsored by the Postal Service witness Robinson are included in the Stipulation and Agreement. Robinson designed rates to achieve the cost coverage target, to recognize the value of worksharing including the high relative contribution in the automation category, to avoid changes which could have a disruptive impact on mailers, and to acknowledge the importance of barcoding. She states that if she tied the discounts strictly to costs avoided, without considering the above, the discounts would have been reduced.

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**Table 3-3**  
**Comparison of Current and**  
**Recommended Rates**  
**for First-Class Cards**

	Current	Recommended
Single-Piece Cards	21.0¢	23.0¢
Qualified Business Reply Mail	18.0	20.0
Nonautomation Presort Cards	19.0	21.2
Basic Automation Cards	17.4	N/A
Mixed AADC Cards	N/A	19.4
AADC Cards	N/A	18.7
3-Digit Cards	16.8	18.3
5-Digit Cards	16.1	17.6
Carrier Route Cards	15.0	17.0

[3099] The settlement proposes increasing the current 21-cent rate for single-piece cards by two cents, to 23 cents. Single-piece cards account for approximately 56 percent of card revenues. The 2 cents increase represents a 9.5 percent increase above the current single-piece card rate. A 2.2 cents increase is proposed for nonautomation presort cards, changing the nonautomation presort cards rate from 19.0 cents to 21.2 cents. The 1.8 cents nonautomation cards discount that results from the rate change is equal to the discount proposed for nonautomation presort letters. The settlement proposes increasing the Qualified Business Reply Mail (QBRM) cards rate from 18 cents to 20 cents. This preserves the current 3 cents discount for QBRM cards, and is equal to the proposed 3 cents discount for QBRM letters.

[3100] At these rates, test year single-piece cards revenue is estimated at \$631 million. This is slightly above the estimated single-piece cards attributable cost of \$625 million. A 23 cents rate continues to help ensure that there is at least one relatively inexpensive postal category that can be widely used by the general public, businesses, and organizations.

[3101] First-Class automation cards includes four rate tiers: Basic, 3-digit, 5-digit, and Carrier Route presort. Each rate tier is representative of a different level of mail preparation performed by the mailer. The settlement proposes a classification change to the automation cards rate structure that deaverages the automation basic cards category into separate Mixed AADC cards and AADC cards categories. Cards in Mixed AADC trays require no specific presortation and are relatively expensive to process. The proposed classification change and rate differential are designed to encourage finer presortation to the AADC level by mailers when the necessary volume exists. USPS-T-29 at 28-29. The classification proposal is reasonable, and reflects the different levels of mail preparation required for each category. § 3623(c)(1) and (5). The proposed classification change tends to complicate the rate structure. However, these rates are only used by sophisticated mailers. Therefore, the Commission recommends deaveraging the automation basic cards rate category into separate Mixed AADC cards and AADC cards categories.

[3102] APWU opposes the automation cards discount rates proposed in the settlement. The APWU arguments in opposition to the proposed automation letters, cards and flats discount rates have been consolidated and appear in Section B.1. The Commission's analysis of the APWU position, and resolution of the issues in favor of adopting the Stipulation and Agreement also appears in Section B.1. The Commission recommends automation cards rates as proposed in the settlement.

[3103] The settlement also proposes a classification change to remove certain card preparation requirements from Section 222.2 of the DMCS. Witness Robinson explains that the requirements are outdated and do not conform to the current card processing requirements. The Commission recommends the removal of the outdated and non-conforming cards preparation requirements from Section 222.2 of the DMCS.

[3104] The Commission's recommended rates for the Cards subclass reflect an average increase of 9.7 percent. This is higher than the First-Class letters increase of 7.7 percent and higher than the system-wide average increase of 7.7 percent. Based on the Commission's projected test-year after-rates volume, First-Class card revenue will exceed estimated attributable costs by \$334 million. Thus, card rates cover attributable costs, as required by § 3622(b)(3). The Commission's recommended 23-cent postcard rate reflects the somewhat more limited value of service that cards offer, especially in terms of privacy (§ 3622(b)(2)). No record evidence suggests that the recommended rates may have an unduly negative impact (§ 3622(b)(4)).

[3105] The recommended rates appropriately recognize the worksharing efforts of mailers presenting bulk presorted or prebarcoded cards (§ 3622(b)(6)). The rate schedule for cards generally provides identifiable relationships. Overall, the Commission finds that the card rates it recommends are fair and equitable (§ 3622(b)(1)). The markup index for Cards is 0.658. This is somewhat higher than the Docket No. R2000-1 markup index of 0.561, but lower than the Docket No. R97-1 markup of 0.913. The Commission finds the markup index for Cards appropriate in consideration of the benefits of implementing the settlement.

### 3. Priority Mail

[3106] Priority Mail serves as the extension of First-Class Mail for pieces weighing more than 13 ounces, but is optionally available for lighter-weight First Class and all mailable items up to 70 pounds in weight. Priority Mail competes in the two- to three-day document and package delivery market, offering expedited handling and transportation, as well as some features similar to services sold by private competitors, such as delivery confirmation. Consequently, the Priority Mail subclass contains both monopoly letter mail and items that competing carriers are authorized to carry outside the restrictions of the Private Express Statutes.

[3107] Currently, Priority Mail rates are unzoned for pieces weighing up to five pounds, with the lowest rate set at the one-pound level.<sup>56</sup> Rates for heavier mailings are zoned. The Postal Service offers a flat-rate envelope that is charged the 2-pound rate, regardless of the actual weight of the contents. Pickup service is available to Priority Mail for a fee of \$10.25 per pickup stop.

[3108] The participants' Stipulation and Agreement in this docket does not revise any of the Priority Mail rates or mail classification provisions initially proposed by the Postal Service in this case. Consequently, the changes in Priority Mail rates and classifications to be reviewed are those contained in the Postal Service's original Request.

[3109] In this proceeding, the Postal Service proposes Priority Mail rates that incorporate an overall increase of 13.5 percent. The Service also proposes to change the structure of rates for lightweight Priority Mail by zoning the rates for all pieces weighing more than one pound. Finally, the Service proposes a classification change that would charge flat-rate envelopes the one-pound rate, rather than the two-pound rate currently applicable.

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<sup>56</sup> The one-pound rate interval was proposed by the Postal Service and recommended by the Commission in Docket No. R2000-1. PRC Op. R2000-1, paras. 5318-25.



[3110] *Rezoning rates for pounds two through five.* Before 1991, Priority Mail rates were unzoned only up to the two-pound weight increment. In Docket No. R90-1, the Postal Service proposed, and the Commission recommended, unzoning the rate schedule through five pounds. PRC Op. R90-1, paras. 5211, 5214.

[3111] In this docket, Postal Service witness Scherer proposes a Priority Mail schedule that rezones rates in the two- to five-pound increments. He states that the principal reason for the proposal is “to stem the erosion of nearby-zone volume” resulting from pricing strategies of competitors, who “are charging zoned rates that, compared to Priority Mail’s unzoned rates, are relatively more attractive to customers for shorter hauls and relatively less attractive for longer hauls.” USPS-T-30 at 18. Erosion in the nearby zones has produced a 6.7 percent volume loss since 1998, in contrast with increases in more distant zones. *Id.* at 8, Table 2.

[3112] By more closely approximating underlying costs than unzoned rates, witness Scherer states, the re-introduction of zoned rates can help stop the erosion of nearby-zone volume in the affected weight range and thereby preserve subclass contribution to institutional costs. Because long-haul volume is more costly, the erosion of volume in nearby zones causes a disproportionate decline in contribution, which exerts an upward pressure on rates throughout the subclass. According to Scherer, rezoning rates will stem the erosion of nearby-zone volume by charging less for shorter hauls, while leveling implicit contribution to institutional costs throughout the zones. *Id.* at 18-19.

[3113] Witness Scherer further testifies that changes in circumstances since Docket No. R90-1 also warrant a shift back to zoned rates. For reasons of airline security, deposit of Priority Mail packages weighing one pound or more and bearing postage stamps has not been allowed in collection boxes since August, 1996. This development negates one rationale offered in support of unzoned rates in R90-1: that such rates would “enable customers to drop off virtually all of their Priority Mail packages

in collection boxes."<sup>57</sup> By contrast, Scherer states that contemporary metering technology enables mailers currently to calculate and pay zoned rates without losing the convenience of depositing Priority Mail pieces so prepared in a collection box. He also testifies that the industry norm for comparable services is now zoned, or distance-based pricing, unlike the prevailing standard at the time of Docket No. R90-1. *Id. at 19-20.*

[3114] The Commission concurs with the Postal Service's reasoning in support of rezoning the two- to five-pound rate intervals, and therefore recommends this proposed restructuring of the rate schedule. In meeting competition and attempting to preserve institutional cost contribution, the proposed change is responsive to the § 3622(b)(3), (4) and (5) factors. While the resulting rates in the affected weight intervals are somewhat more complex, more technical resources are now available to inform and assist mailers in applying the proper amount of postage, as Witness Scherer observes. As he also testifies, retention of the unzoned one-pound rate will preserve consumer convenience by making both a uniform rate and collection-box deposit available for Priority Mail pieces that customers know to weigh under one pound. *Id. at 20-21.*

[3115] *Flat-rate envelope rate.* Witness Scherer testifies that rezoning the Priority Mail rate schedule beginning at two pounds requires the establishment of a new basis for the flat-rate envelope, which currently is charged the two-pound rate. He states there are two options: (1) set the flat rate equal to the one-pound rate; or (2) establish an independent weight basis for flat-rate envelopes, which weigh on average 1.543 pounds. *Id. at 21-22.*

[3116] Witness Scherer rejects the second option because of a potential rate anomaly. Under this approach, a zoned, upward-sloping two-pound rate would undercut the resulting flat rate in Zones L through 3. Consumers would need to be aware of the demarcation between Zone 3 and Zone 4 in order to make a cost-saving choice. Otherwise, flat-rate envelope users would be at risk of missing the opportunity to save at the two-pound rate when mailing within Zones 1-3. *Id. at 22.*

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<sup>57</sup> USPS-T-30 at 19, *quoting* Docket No. R90-1, USPS-T-18 at 128, lines 5-7.

[3117] The Commission agrees with witness Scherer's conclusion that tying the flat rate to the one-pound rate is the better approach. As he states, under this preferred approach flat-rate envelope users would no longer bear any risk of missing the opportunity to pay the lowest available rate. This would maximize the value and desirability of the flat-rate envelope as a special classification, in accordance with § 3623(c)(2) and (5). It would also further the considerations of fairness and equity in the rate and classification schedules, in response to § 3622(b)(1) and § 3623(c)(1).

[3118] Tying the flat-envelope rate to the one-pound rate also would allow the Postal Service to discontinue the separate "EP-14G" envelope for mailings of one pound or less, which was introduced following initial adoption of the one-pound rate in Docket No. R2000-1. *Id.* at 22. This would enhance the desirability of the remaining flat-rate envelope category to the Postal Service, and present Priority Mail users with an easier choice, in response to § 3623(c)(5). Finally, as witness Scherer testifies, extending economical use of the flat-rate envelope to mailings of one pound and under would result in added convenience in the form of increased opportunities to deposit stamped flat-rate envelopes in collection boxes. *Ibid.* This added convenience would enhance the value and desirability of the flat-rate envelope, in response to § 3623(c)(2) and (5). In view of these benefits, the Commission shall recommend the Postal Service's requested classification change in DMCS § 223.5 to substitute the one-pound rate for the current two-pound rate.<sup>58</sup>

[3119] *General ratemaking considerations.* One implication of the recommended classification change in the flat-rate envelope charge is reversal of the migration that occurred in the aftermath of Docket No. R2000-1 from flat-rate envelopes weighing one pound or less to the less-expensive one-pound rate. Witness Scherer quantifies this reversal in Attachment C to his testimony, at page one.

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<sup>58</sup> The Commission previously recommended this classification change in Docket No. R2000-1, citing considerations of fairness and equity as well as other grounds covered in witness Scherer's testimony. PRC Op. R2000-1, paras. 5348-55.

[3120] Another consequence of applying the one-pound rate to flat-rate envelopes is a migration of some volumes from the two-pound rate cells. Witness Scherer estimates total migration to equal 34.2 million pieces, or approximately eight percent of total two-pound volume. *Id.* at page three.

[3121] Tying the flat envelope rate to the one-pound rate, and the consequent volume migration from two-pound rate cells, cause the one-pound rate to increase. Linkage of the flat rate to the one-pound rate results in the cost of one-pound pieces being “pushed up” by 3.6 cents. Migration from two-pound cells is estimated to increase the average weight of flat-rate envelopes, resulting in an additional 1.2 cent cost increase. The aggregate result is a “push up” of 4.8 cents in the one-pound rate. USPS-T-30 at 25.

[3122] Other than the proposed changes discussed above, the schedule of Priority Mail rates proposed by the Postal Service retains the overall design of current rates. Witness Scherer testifies that transportation costs account for a significantly larger share of total Priority Mail volume-variable costs in this case than in Docket No. R2000-1, largely because transportation costs under the Service’s contract with FedEx are “unbundled” and recorded in Cost Segment 14. The effect of this shift to a more transportation-intensive cost structure on rate design, he states, is a greater percentage increase in per-pound rate elements than in the per-piece rate element. This effect in turn produces strong upward pressure on rates for relatively heavyweight pieces, with impacts above five pounds that he states “would be considered excessive without mitigation.” *Id.* at 16. Consequently, in developing rates for pieces over five pounds, he constrains them to a maximum increase of 18.5 percent, five percentage points above the subclass average rate increase of 13.5 percent. *Id.*, Attachment F, Pages 5 and 6.

[3123] Application of constraints above five pounds results in a revenue deficiency of \$72.3 million that must be recovered from the flat-rate envelope and other pieces paying rates in the one- to five-pound weight ranges. Witness Scherer distributes about one-quarter of the revenue deficiency to the joint flat rate/one-pound rate, and the rest to rates for the two- to five-pound increments. The result of this proportional distribution is

an average implicit cost coverage that is consistent from one to five pounds. In view of the transportation cost effects identified by Scherer, the Commission finds this approach to be a reasonable means of mitigating the impact of the overall rate increase, in response to the § 3622(b)(4) factor. Witness Scherer's final proposed rates are rounded to the nearest five-cent increment, as in the current rate design. *Id.* at 17.

[3124] The Postal Service did not attempt to apply constraints to newly-zoned rates for Priority Mail weighing less than five pounds. Mail sent cross-country, which had been benefiting from the unzoned rates, will now face increases of up to 64.4 percent in the most distant zones. These significantly increased rates are likely to cause rate shock for users of those cells and produce a major downward impact on volumes in the affected cells. However, these are an unavoidable result of de-averaging the currently flat rates. While the Commission has often imposed maximum-increase constraints in past cases to moderate the impact of such large increases, in the context of this case such a step is not justified.

[3125] With adoption of the classification change linking the charge for the flat-rate envelope to the one-pound rate, the fairness and equity of the recommended rates will be enhanced, in furtherance of § 3622(b)(1). And under the circumstances cited by witness Scherer, rezoning rates in the two- to five-pound ranges appropriately responds to the § 3622(b)(3), (4) and (5) factors.

[3126] In summary, the Commission finds the proposed rates for Priority Mail to be compatible with the policies of the Reorganization Act and with applicable § 3622(b) considerations. They will recover attributable subclass costs and make a reasonable contribution to institutional costs, as required by § 3622(b)(3). Because cost level increases require a significant rate increase, the largest proposed for any subclass in this case, considerations of impact on users under § 3622(b)(4) and of the Postal Service's status as a competitor under § 3622(b)(5) justify moderating Priority Mail's contribution to institutional costs.

[3127] The opportunity to develop the record on Priority Mail's achievement of published delivery standards was incomplete in this case. The available evidence shows

declining service as measured by ODIS and PETE reports, Tr. 10A 2814-15 and Tr. 10B/3326-47, and reinforces the Commission's continuing concern regarding the potentially adverse impact of sub-standard performance on value of service under § 3622(b)(2). Such evidence would provide a further ground for moderating the markup for Priority Mail. See, PRC Op. R97-1, paras. 5301-08; PRC Op. R2000-1, paras. 5297-5304. With this in mind, the ability of Priority Mail to successfully provide promised levels of service should be explored further in the next rate case.

## C. Standard Mail

### 1. Standard Mail Regular and Nonprofit Subclasses

#### a. Classification Changes

[3128] The proposed settlement incorporates three classification changes for the Standard Mail Regular and Nonprofit subclasses that were contained in the Postal Service Request. See, Direct Testimony of witness Moeller, USPS-T-32, at 2-5. First, it proposes a new surcharge in both the Regular and Nonprofit subclasses for nonmachinable letters. The surcharge would be four cents for Regular and two cents for Nonprofit. Currently, letters in the presort category are subject to the same rate regardless of their compatibility with letter sorting equipment. Further, some mailers request manual handling of their machinable letters but pay the same rate as those presort letters that can be processed with automated handling. The proposed surcharge was developed to better reflect the additional cost of manual handling. The proposal was said to be consistent with the Act because of fairness and equity considerations, in that it helps relieve the non-surcharged letters of the added costs from nonmachinability and the requested manual handling. In addition, the surcharge would motivate mailers to produce machinable pieces and rethink their desire for manual handling.

[3129] Second, the Service proposed to divide Automation Basic letters into two separate rate categories, Mixed AADC and AADC. AADC letters would be presorted to designated automated area distribution centers, while Mixed AADC letters would represent a sort to multiple automated area distribution centers. The proposed division was intended to better account for the higher cost characteristics of Mixed AADC mail. It was expected to enhance fairness because the rates are more cost-based, while promoting efficiency in mail preparation.

[3130] Third, the Service proposed that automation-compatible letters weighing between 3.3 and 3.5 ounces be eligible for letter piece rates combined with the pound

rate for pound-rated flats. Mailers would pay the letter rate plus the applicable pound rate for the added weight over 3.3 ounces. The Service explained that automated letter processing of such pieces is more cost effective than manual letter or automated flat processing.

b. Proposed Rates

[3131] The proposed rates were developed largely by using the Commission's methodology and design from Docket No. R2000-1. USPS-T-32, at 6 *et seq.* It is noteworthy that as a result of its interpretation of Public Law 106-384, the Service no longer makes available separate costs for Regular and Nonprofit. Witness Moeller states that because his rate design equations have volume variable costs as an input, he developed an estimate of separate costs for Regular and Nonprofit. He estimated these costs by applying the cost share of each subclass from Docket No. R2000-1 to the combined total costs of both subclasses. These estimated volume variable costs are the starting point for Moeller's rate design. *Id.* at 7 *et seq.*

[3132] For Regular, a markup is then applied to generate the desired percentage change in revenue that would most likely produce the target cost coverage for the combined Regular and Nonprofit subclass. For Nonprofit, the procedure differs because the markup is intended to produce the statutory revenue-per-piece relationship with commercial mail. Under the statute, Nonprofit revenue per-piece is to be 60 percent of the commercial revenue per-piece on a before-rates volume basis. The rate design also incorporates new discounts and surcharges. Adjustments maintain appropriate rate relationships among the tiers.

[3133] The proposed rates for the Regular subclass continue the rate differential based on shape, *i.e.*, the letter/nonletter differential. The proposal also incorporates a residual shape surcharge of 23 cents, up from the current 18 cents. The surcharge applies to Regular and Nonprofit pieces that are not letter or flat-shaped, or are prepared



as parcels. A three-cent parcel barcode discount is retained to offset part of the surcharge for parcels that meet automation requirements (*i.e.*, are machinable).

[3134] The proposed settlement increases the Regular subclass pound rate modestly, from 66.8 cents to 70.8 cents. Under this proposal the pound rate would increase at a percentage lower than the overall increase for the Regular subclass. The Service asserts it has demonstrated in the past that the changing shape mix between flats and parcels as weight increases supports a higher pound rate than would be necessary if there was no shape change mix. Moreover, the residual shape surcharge would increase, which further limits the need for the pound rate to act as a proxy for shape change. USPS-T-32 at 11.

[3135] Discounts reflect those developed by the Service employing the presort tree first described in witness Mitchell's testimony in Docket No. R90-1. In essence, presorting results in reduced costs and deserves rate recognition. The Service attempts to use 100 percent passthroughs where possible, but recognizes that this goal can interfere with overall rate design objectives. It describes in detail the various cost avoidances that occur due to mailer preparation of automation letters. *See generally, id.* at 12 *et seq.* The Service also continues the practice of offering destination entry discounts for Standard Mail.

[3136] The Nonprofit rate design mirrors the commercial subclass. The Service has developed rates to comply with Public Law 106-384, enacted in October 2000, that requires Nonprofit revenue-per-piece to be 60 percent of commercial revenue-per-piece, using test year before rates volumes. The settlement adopts the modest increase in the pound rate for nonletters, from the current 55 cents to 58.4 cents. The rate structure recognizes a cost differential between letters and nonletters, and employs a residual shape surcharge of 23 cents. As in Regular, the Basic Automation letter category is replaced with Mixed AADC and AADC letter categories, and various discounts among tiers are used to reflect cost avoidances. *See, id.* at 22 *et seq.* Consistent with the Regular Subclass, there is a three cent parcel barcode discount and appropriate destination entry discounts are offered. As with Regular, Nonprofit automation letters

over 3.3 ounces but no more than 3.5 ounces would be subject to the automation flat rate for automated pound-rate mail minus the associated letter/flat discount.

[3137] The new surcharge for presort letters that do not meet machinability standards or for which the mailer requests manual handling would be two cents, while the surcharge in the Regular subclass is four cents. The Service explains that because of the lower rates in Nonprofit, an identical four-cent surcharge would have resulted in unacceptably large percentage changes for affected letters. *Id.* at 24, n.31.

[3138] The proposed rates for Standard Regular and Nonprofit mail have an estimated test year after rates cost coverage of 135.1 percent, which is somewhat below systemwide coverage.

2. Standard Mail Enhanced Carrier Route (ECR) and Nonprofit Enhanced Carrier Route (NECR)

- a. Classification Changes

[3139] Witness Hope (USPS-T-31) presents the ECR and NECR classification and rate changes contained in the Postal Service Request. The settlement incorporates the majority of these suggestions.

[3140] In its Request, the Postal Service proposed to make ECR and NECR High Density and Saturation letters bear 11-digit barcodes and meet other requirements for automation compatibility. (This requirement already exists for Basic ECR letters.) Letters that are not automation compatible would be subject to the appropriate nonletter rate. The change is said to promote fairness by applying uniform automation criteria to all ECR letter rate tiers, establishing a more consistent rate relationship for letters and nonletters. Automation compatible letters can be merged into the DPS mailstream, and witness Hope suggests this deserves rate recognition. USPS-T-31 at 9-10.

[3141] A second classification change proposal has been added as a result of the settlement discussions. The proposal to increase the weight limit for Regular and

Nonprofit automation letters from 3.3 to 3.5 ounces has now also been extended to ECR and NECR automation letters.<sup>59</sup>

b. Proposed Rates

[3142] ECR and NECR rates in the proposed settlement build on current rate relationships and rate design elements while limiting individual rate cell increases to less than 10 percent. Rates also conform to Public Law 106-384. Under the Service's interpretation of the amendment, separate costs for ECR and NECR are no longer made available; one set of costs is provided that combines data for both subclasses. Because the rate design equations used by witness Hope have volume variable costs as an input, estimates of separate costs for ECR and NECR are developed. These costs are estimated by applying the cost share of each subclass from Docket No. R2000-1 to the combined total costs of both subclasses.

[3143] ECR rate design follows established methodology of using three density tiers—Basic, High Density, and Saturation. See, USPS-T-31, Appendix 1. Witness Schenk's updated IOCS study is the source of the relevant mail processing cost differences that underlie the density tier differentials. Witness Hope contends that the proposed passthroughs for ECR density discounts avoid excessive rate increases for individual rate categories, while preserving existing rate relationships. She claims that her rates increase savings to mailers using the High-Density and Saturation tiers, without unduly raising basic rates. *Id.* at 27. The Service also proposes to increase the letter-nonletter differential for High Density and for Saturation, thereby providing a stronger incentive to mailers to barcode their High Density and Saturation letters. The proposed settlement incorporates these rate changes.

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<sup>59</sup> See, Motion of the United States Postal Service Submitting Second Revised Stipulation and Agreement, filed January 17, 2002, at 2, discussing the addition of Footnote 4 to Schedules 322 and 324. Those footnotes were further revised to correct typographical errors in Notice of the United States Postal Service Withdrawing Proposals and Submitting Revised Stipulation and Agreement, filed February 13, 2002; see, explanation at 4, n.5.

[3144] The Service suggested reducing the ECR pound rate, citing witness Schenk's cost study concerning the weight-cost relationship of pound and piece-rated pieces. It originally proposed to reduce the pound rate from 63.8 cents to 59.8 cents, but settlement negotiations resulted in a proposed pound rate of 61 cents. The Service contends a reduction is reasonable because it brings the piece-rate mail and pound-rate mail implicit cost coverages closer in line, while only minimally affecting overall ECR volume.

[3145] Destination entry discounts reflect savings realized when mailers dropship their bulk mail deep into the system. Witness Mayes (USPS-T-23) develops projected cost savings from dropshipping. The Settlement proposes uniform destination delivery passthroughs for pound- and piece-rated pieces at the various entry levels, employing the existing 3.3-ounce breakpoint. This maintains rate design integrity and facilitates a smooth transition from piece-rated pieces to pound-rated pieces.

[3146] Nonprofit ECR rate design mirrors the ECR subclass. By statute, the average revenue per-piece in the nonprofit subclasses (here, NECR) must be, as nearly as practicable, 60 percent of the average revenue per-piece from the corresponding commercial-rate subclass (ECR). Witness Schenk's cost studies form the basis for estimates of differences in mail processing and delivery costs by rate categories. The identical rate design includes a letter/nonletter differential, automation discount density tiers, and destination entry discounts. Finally, for both ECR and NECR there is a proposed increase in the residual shape surcharge from 15 cents to 20 cents. This surcharge covers residual shapes or items prepared as parcels.

[3147] The settlement includes several changes from the rates initially requested by the Postal Service. The proposed piece and pound rates for ECR nonletters are as follows: (a) the basic piece rate element is reduced from 7.1 cents to 6.8 cents; (b) the high density piece rate element is reduced from 4.6 cents to 4.3 cents; (c) the saturation piece rate element is reduced from 3.7 cents to 3.4 cents; and (d) the pound rate element is increased from 59.8 cents to 61.0 cents. Further, the minimum piece rates for ECR Saturation letters are reduced by one-tenth of a cent.

[3148] The proposed rates for Standard ECR and NECR produce an estimated test year after rates cost coverage of 201.0 percent, which is well above systemwide average.

### 3. Commission Analysis of Proposed Classification and Rate Changes

[3149] Witness Moeller offers the Service's rationale for how its proposed rates are consistent with the Act's ratemaking criteria. For Regular/Nonprofit, he analyzes the merged cost coverages that result from the Service's interpretation of Public Law 106-384. He notes that the resulting markups should reflect the intrinsic features of Nonprofit mail that set it apart from commercial mail. USPS-T-32 at 33. He states that Regular/Nonprofit have a relatively low intrinsic value of service due to deferred delivery, use of ground transportation, absence of free forwarding, and lack of access to the collection system. *Id.* at 34. The overall rate increase is near the system average increase, which, when combined with above-average increases in Docket No. R2000-1, would have a significant impact on mailers. Witness Moeller suggests this shows Postal Service competitors are not being unfairly targeted. *Id.* at 4-35.

[3150] Moeller states that the Regular/Nonprofit subclasses are more suited to demographic targeting than the ECR subclass. He states that the availability of alternatives for demographically targeted advertising is somewhat constrained, but a number of alternatives exist, such as special interest magazines, cable television, and Internet websites. Regular/Nonprofit have a substantial degree of mailer preparation, but not as much as ECR. The rate design is not simple, but this is obviated by the fact that mailers who use this type of mail are sophisticated. In sum, he argues that the rates are fair and equitable, and appropriately tempered to recognize the overall rate increases in recent years. *Id.* at 35-36.

[3151] Moeller continues that ECR/NECR also have a low intrinsic value of service. Delivery deferability may be higher for ECR, however, because it is less likely to be merged with other non-deferrable mail, and can therefore be separately recognized as

deferrable at the delivery unit. Although the average rate increase is below the system average, competitors should not be harmed because of the already very high cost coverage. Mailers have a range of alternatives, such as alternative delivery firms and newspaper inserts, and thus should be minimally affected. Although the rate structure is complex, users are sophisticated.

[3152] The Commission is persuaded that the classification changes and rates contained in the proposed settlement comport with the Act. The proposed new surcharge in both the Regular and Nonprofit subclasses for nonmachinable letters enhances equity and fairness because nonmachinable items will now pay a share of their added handling costs. The proposal should also encourage mailers to limit their requests for manual handling, to the benefit of other mailers and the Postal Service.

[3153] The Commission notes that the new surcharge for Nonprofit presort letters that do not meet machinability standards (or for which the mailer requests manual handling) would be two cents. This compares to four cents for the Regular subclass. The Service justifies this disparate treatment saying that because of the lower rates in Nonprofit, an identical four cent surcharge would have resulted in unacceptably large percentage changes for affected letters. USPS-T-32 at 24, n.31.

[3154] In the context of the settlement, this justification is adequate. This is an area that needs more in-depth exploration in the near future to determine whether the differential treatment results in any undue or unreasonable discrimination or preference under 39 U.S.C. § 403(c), or is inconsistent with the Act's nine ratemaking criteria under 39 U.S.C. § 3622. *Cf. National Easter Seal Society v. U.S. Postal Service*, 656 F.2d 754, 761-62 (D.C. Cir. 1981). For example, the Service should examine any future difference in the surcharge levels between Regular and Nonprofit in terms of fairness to mailers (here, Nonprofit mailers) who do not cause the Service to incur added handling costs.

[3155] The proposal to divide Automation Basic letters into two separate rate categories, Mixed AADC and AADC, will better account for the higher cost characteristics of Mixed AADC mail, while promoting efficiency in mail preparation.

[3156] The proposal to create a new discounted piece and pound rate for prebarcoded letters weighing more than 3.3 ounces but not more than 3.5 ounces aids the Service because it encourages mailers to submit automation compatible pieces. Automated letter processing for pieces of this weight is more cost effective than manual letter or automated flat processing. Mailers will benefit from lower rates that more accurately reflect the cost of processing their mail.

[3157] The Commission next addresses the proposed barcoding requirement for ECR and NECR High Density and Saturation Letters. There is sufficient evidence on the record to conclude that the change will allow more flexibility in mail processing and delivery. USPS-T-31 at 10. However, the proposed rate schedules 322 and 324 fail to note the rate that applies to letters not meeting these automation requirements, and in the interest of clarity the Commission recommends the following language be added as note 5 to the Notes for Schedules 322 and 324:

For letter-size pieces not meeting the automation requirements specified by the Postal Service, the mailer pays the nonletter rate for the applicable density tier.

[3158] In sum, each of the Standard Mail classification changes in the settlement appears to be consistent with the classification policy criteria of the Act, particularly § 3623(c)(1) and (5), and will be recommended.

[3159] The proposed rate design and resultant rates also appear to be consistent with the Act. The proposed rate design largely employs the Commission's methodology and design from Docket No. R2000-1. Nonprofit rates appear consistent with the statutory mandate that Nonprofit revenue per-piece be 60 percent of the commercial revenue per-piece. Further, the Commission is in general accord with Witness Moeller's description of how the Standard Mail rates are consistent with the ratemaking criteria of the Act.

[3160] The Commission is concerned that the Service no longer makes available separate costs for commercial and preferred subclasses. Over time, the proportions

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developed from Docket No. R2000-1 evidence will become less reliable. The Postal Service should review the ramifications of this practice prior to the next rate case.



#### D. Periodicals

[3161] The proposed settlement forms the basis for the Commission's Opinion and Recommended Decision on rates, classifications, and fees for Periodicals. For the Within County subclass, the settlement incorporates, without change, the terms of the Postal Service's Request. For the Outside County subclass, the settlement incorporates most of the proposals in the Postal Service's Request, but differs in several important respects, including an additional discount. As a result, the proposed rates and discounts for Outside County generally differ, although often only slightly, from those in the Request as filed. For example, every piece rate in Outside County is four-tenths of a cent higher than the Postal Service originally proposed.

[3162] The overall increase for the Periodicals class is 10 percent. By subclass, the increase is 1.7 percent for Within County and 10.3 percent for Outside County. These percentages reflect the Commission's costing methodology and several minor adjustments, but are the same as or similar to those in the proposed settlement. Cost coverages under the Commission's approach are 101.3 percent for Outside County and 100.2 for Within County.<sup>60</sup>

[3163] Comparisons of current and recommended rates and discounts for the Regular and Science of Agriculture categories of the Outside County subclass appear in Table 3-4 and Table 3-6. Rate comparisons for the Within County subclass appear in Table 3-5. These tables have been adapted from current and recommended Fee Schedules 421 and 423.

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<sup>60</sup> The corresponding coverages in the proposed settlement (using Postal Service methodology) are 108.5 percent for Outside County and 104.8 for Within County. Tr. 14/5666.

## 1. Outside County

[3164] By adopting the proposed settlement, the Commission's recommendations for the Outside County subclass continue to reflect a strong focus on implementing structural changes in Periodicals that may foster cost containment and service improvement. PRC Op. R2000-1, paras. 5564-68. This focus echoes concerns Periodicals mailers brought to the fore in the last omnibus case.

[3165] This emphasis is most apparent in the introduction of three new discounts that recognize mailers' efforts to deposit mail closer to the final destination and their use of other efficient mailing practices. One is a destination Area Distribution Center (ADC) dropshipping discount; the other two are pallet discounts. A one-half cent per-piece discount will be available for non-letter-sized Periodicals mail when prepared in packages (rather than sacks and trays) and presented on a pallet. An additional one-cent discount, also applied per-piece, will be available when a package-loaded Periodicals pallet is dropshipped to an approved destination entry location. Mailers seeking to qualify for the pallet discounts must comply with various Postal Service requirements, including a minimum pallet weight of 250 pounds.

[3166] The new destination entry ADC option is an extension of a discount currently available for qualifying mail dropshipped to sectional center facilities (SCFs) and delivery units (DUs). However, formal recognition in the rate structure for use of pallets is an entirely new and, for many, a long-awaited change in Periodicals. With their links to package preparation and dropshipping, the pallet discounts recommended here may prove to be a watershed development. For now, they hold out the promise that several key practices can be harnessed to control costs and improve service for the class as a whole. The Commission reserves judgment on whether these discounts reflect optimal rate design, but accepts them in the context of the settlement as a consensus effort to develop viable solutions to some of the challenges the Periodicals class faces.

[3167] The Commission's recommendations mirror the proposed settlement's destination entry discounts, presort rates and barcode discounts. These generally follow

the current rate design. The experimental “Ride-Along” program will now have permanent status; the fee for the accompanying Standard Mail piece will increase from 10 cents to 12.4 cents. Development of this niche classification is an example of effective use of the Commission’s experimental rules.<sup>61</sup> Classification changes clarifying eligibility for destination entry discounts and limiting footnotes in the Periodicals fee schedules to rate-related information are also accepted as part of the recommended settlement agreement.

[3168] The record in this case does not indicate whether the ambitious cost reduction initiatives spearheaded by Periodicals mailers in the last case are achieving targeted savings. Many operational changes are underway, but serious challenges remain. A critical one is capturing the cost savings associated with changes in mailing practices. Another is the consistently low (and at times minimal) markups that have been applied to Periodicals subclasses because of above-average cost increases. This remains a concern. As Postal Service witness Taufique observes, these cost/markup relationships are not good omens for any subclass. USPS-T-34 at 8.

[3169] *Summary comparison.* The proposed settlement incorporates all but one of the classification proposals in the Request;<sup>62</sup> it also adds one classification. The common proposals are the ADC destination entry option (new DMCS §§ 421.44 and 45); the one-half-cent per-piece pallet discount (new DMCS § 421.48); the permanent Ride-Along classification (revised DMCS § 443.1a); the clarification of eligibility for the destination entry discount (DMCS § 421.45); and elimination of certain rate eligibility footnotes in the Periodicals fee schedules (Fee Schedule 421). The additional classification proposal is the one-cent per-piece discount for dropshipped package-loaded pallets (new DMCS § 421.49). This discount is available in addition to

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<sup>61</sup> See, Docket Nos. MC2000-1 and MC2001-3.

<sup>62</sup> Postal Service witness Taufique (USPS-T-34) presents most of the rate and classification proposals affecting Periodicals. Taufique does not address a proposed change in DMCS § 443.1 describing the postage consequences in certain situations involving attachments and enclosures in Periodicals class mail. The Commission recommends a minor editorial revision in this provision to improve clarity and readability. See *also*, proposed and recommended DMCS § 544.1.

the one-half cent pallet discount. The Request-initiated classification change that was not included in the settlement would have introduced a varying editorial pound rate element in the destination entry discount.<sup>63</sup>

[3170] *Science of Agriculture category.* Science of Agriculture rates are available to authorized mailers of agriculture publications. By statute, these publications receive reduced rates (relative to the Regular subclass) for Zones 1 & 2 and approved destination entry locations. The proposed Science of Agriculture rates differ from those in the Service's Request.<sup>64</sup> This set of rates includes an editorial pound rate that is the same as that recommended in the Regular subclass. See, Table 3-6.

[3171] *Classroom and Nonprofit categories.* As a result of recent legislation, the previously independent Classroom and Nonprofit subclasses were merged, along with the Regular subclass, into a combined Outside County subclass. By statute, rates for the successor Classroom and Nonprofit categories are 5 percent less than Regular rates, except for advertising pounds. Public Law 106-384. Both the Request and the proposed settlement recognize the subclass merger and the statutory rate reduction for Nonprofit and Classroom Periodicals.

## 2. Within County

[3172] The Within County subclass consists of Periodicals mail (other than requester publications) with a local focus and relatively low circulation per issue. Eligibility includes requirements that publications be mailed in, and addressed for delivery within, the county where published and originally entered. In addition, total paid circulation must be less than 10,000 copies per issue or the number of paid copies

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<sup>63</sup> Some Periodicals participants question the consistency of this aspect of the Service's Request with the current rate design, which reflects a uniform (or "flat") editorial rate. See, for example, Tr. 7/1243-45 and Tr. 7/1260-61.

<sup>64</sup> See also, Tr. 7/1317-21 (Response of United States Postal Service Witness Taufique to Presiding Officer's Information Request No. 3).

distributed within the county of publication must be at least one-half the total paid circulation of such issue. DMCS § 423.21. The Commission's recommendations for Within County adopt, without change, the proposed rates, discounts and fees. The settlement, in turn, reflects wholesale incorporation of the Within County proposals in the Service's Request. Rate development in the Request was based on existing rate design.

[3173] The new Ride-Along classification is extended to Within County on the same substantive terms as it is to the Outside County subclass. The destination ADC discount and the two pallet discounts proposed for the Outside County subclass were not proposed for the Within County subclass, and therefore are not part of the Commission's recommendations for this subclass.<sup>65</sup> Certain eligibility-related footnotes in the Within County rate schedule (423) are recommended, given that these are made in the proposed settlement.

[3174] The overall increase for Within County is a minimal 1.7 percent. In terms of certain discrete elements, the general delivery pound rate stays the same as the current rate; the delivery unit pound rate decreases (by 2.61 percent). The pound rate reduction and a sizable increase (of 20 percent) in the delivery unit entry worksharing discount are factors in the low overall increase for the subclass.

### 3. Statutory Criteria

[3175] *Consistency with the statutory pricing and classification criteria.* The signatories stipulate that the rates, fees and classification changes in the proposed settlement are in accordance with the policies of title 39, U.S. Code and, in particular, with the criteria and factors of 39 U.S.C. §§ 3622 and 3623. Stipulation § II ¶ 5. The Commission's independent review of the changes proposed in the settlement leads to

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<sup>65</sup> The exceptional dispatch option, comparatively smaller volumes per mailing, and a high proportion of destination entry mail may be reasons why these discounts are not necessarily appropriate for Within County.

the same conclusion.<sup>66</sup> The fairness and equity of the recommended rate and fee schedule (criterion 1) is maintained and enhanced through various classification changes and moderate increases for most Periodicals mailers. The recommendations continue to reflect that the value of service (criterion 2) for Periodicals mailers is generally high. Rates in each subclass cover costs, in accordance with the cost floor (criterion 3) established in section 3622(c), under both the Commission's methodology and the Postal Service's. The recommended schedule retains the already extensive recognition for the degree to which mailers prepare Periodicals Mail (criterion 6), and gives further recognition in the form of several new discounts for Outside County mail. The introduction of additional discounts adds more complexity to the schedule, but the interest in simplicity (criterion 7) is tempered by the fact that the Periodicals schedule is generally used by sophisticated business mailers or mailing agents. Also, criterion 7 directs the Commission to consider whether the schedule reflects "identifiable relationships." Viewed from this perspective, the new ADC entry option is a logical operational extension of an existing classification. Similarly, the new pallet discounts are easy to understand and apply. The low cost coverage for the Outside County subclass recognizes criterion 8, the educational, cultural, scientific and informational (ECSI) value of Periodicals, as does the underlying rate structure. The cost coverage for Within County reflects Public Law 106-354.

#### 4. Summary

[3176] The Commission considers the negotiated settlement of this case an appropriate alternative to the traditional approach to omnibus rate cases, given circumstances surrounding the Service's filing. In Periodicals, this approach appears to have demanded no less diligence on the part of the Postal Service and all Periodicals

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<sup>66</sup> For consistency, this review adopts the abbreviations used in Postal Service witness Moeller's discussion of the ratemaking criteria. USPS-T-28 at 2-13 and 29-33.

representatives than a full-scale omnibus rate case, and perhaps even more cooperation than usual. The Commission appreciates the efforts that have been devoted to crafting an acceptable settlement in Periodicals, where issues are not only technically challenging, but threaded with concern for appropriate recognition of this class's educational, cultural, scientific and informational value.

[3177] The Commission shares the hope that changes implemented as a result of this proceeding will help address ongoing challenges in a balanced and effective manner, and thereby benefit the class as a whole. It also anticipates that there will soon be opportunities to address issues and concerns not fully aired on this record because of the procedural posture of the case. For example, consideration of pallet discounts in previous cases has raised the possibility that associated savings, in terms of transportation, may have a pound orientation and may vary with distance. This warrants further investigation. It also may be worthwhile to explore whether some proposed rate design methodology changes proposed in the Service's Request (such as derivation of pound rates) actually give effect, in execution, to their stated purpose.<sup>67</sup> In this case, however, the consensus among the participants specifically addressing Periodicals is that pursuing these matters must give way to a larger objective. The Commission agrees.

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<sup>67</sup> Taufique's Periodicals rate design retains the traditional "60/40" split between pieces and pounds for purposes of generating subclass revenue; however, it includes two revisions to conventional pound rate development. One replaces the conventional approach of setting the editorial pound rate at 75 percent of the Regular Zones 1 & 2 advertising rate with use of relative percentages for advertising and editorial pounds. Thus, of the 40 percent of overall Periodicals revenue to be generated from Outside County pounds, Taufique generates 53.3 percent from advertising pounds and 46.7 percent from non-advertising (editorial) matter. The other change revises the conventional allocation of transportation costs. It entails allocating 50 percent of transportation to advertising pounds only. USPS-T-34, at 7; see *also*, Tr. 7/1319-21 (Response of the United States Postal Service to Presiding Officer's Information Request No. 3, Question 3).

**Table 3-4**  
**Periodicals Mail — Outside County Subclass Rate and Discount Comparisons**  
**Regular, Nonprofit\* and Classroom\***

Rate Element	Current Rate	Recommended Rate
<b>Pound Rates (cents per-pound)</b>		
Destination Delivery Office Entry	15.3	15.8
Destination SCF Entry	19.5	20.3
Destination ADC Entry	—	22.3
Zones 1 & 2	23.8	24.8
Zone 3	25.3	26.7
Zone 4	29.2	31.5
Zone 5	35.1	38.9
Zone 6	41.3	46.6
Zone 7	48.8	55.9
Zone 8	55.2	63.8
Editorial pound rate	17.9	19.3
<b>Piece Rates (cents per-piece)</b>		
Basic Presort	33.3	37.3
Barcode discount for letters	6.7	9.2
Barcode discount for flats	4.4	4.8
3-digit Presort	27.3	32.4
Barcode discount for letters	5.2	7.5
Barcode discount for flats	3.5	4.1
5-digit Presort	21.9	25.6
Barcode discount for letters	4.1	6.1
Barcode discount for flats	2.5	3.0
Carrier Route Presort	13.9	16.3
High density discount	2.6	3.2
Saturation discount	4.4	5.1
Per-piece editorial discount	6.7	7.4
Per-piece DDU entry discount	1.7	1.8
Per-piece DSCF entry discount	0.8	0.8
Per-piece ADC entry discount	—	0.2
Per-piece pallet discount	—	0.5
Per-piece dropship pallet discount (add'l)	—	1.0

\*Deduct 5 percent, except from advertising pounds



**Table 3-5**  
**Periodicals Mail – Within County Subclass**

Rate Element	Current Rate	Recommended Rate
<b>Pound Rates (cents per-pound)</b>		
Destination Delivery Office Entry	11.5	11.2
General Entry	14.6	14.6
<b>Piece Rates (cents per-piece)</b>		
Basic Presort	10.1	10.6
Barcode discount for letters	5.2	5.6
Barcode discount for flats	2.7	2.9
3-digit Presort	9.3	9.7
Barcode discount for letters	4.6	4.9
Barcode discount for flats	2.4	2.4
5-digit Presort	8.4	8.7
Barcode discount for letters	3.9	4.1
Barcode discount for flats	2.1	2.0
Carrier Route Presort	4.8	5.0
High density discount	1.5	1.6
Saturation discount	2.1	2.2
Per-piece destination delivery unit discount	0.5	0.6

**Table 3-6**  
**Periodicals Mail – Outside County Subclass – Science of Agriculture Rates**

Rate Element	Current Rate	Recommended Rate
<b>Pound Rates (cents per-pound)</b>		
Destination Delivery Office Entry	11.5	11.9
Destination SCF Entry	14.6	15.2
Destination ADC Entry	—	16.7
Zones 1 & 2	17.9	18.6
Zone 3	25.3	26.7
Zone 4	29.2	31.5
Zone 5	35.1	38.9
Zone 6	41.3	46.6
Zone 7	48.8	55.9
Zone 8	55.2	63.8
Editorial pound rate	17.9	19.3
<b>Piece Rates (cents per-piece)</b>		
Basic Presort	33.3	37.3
Barcode discount for letters	6.7	9.2
Barcode discount for flats	4.4	4.8
3-digit Presort	27.3	32.4
Barcode discount for letters	5.2	7.5
Barcode discount for flats	3.5	4.1
5-digit Presort	21.9	25.6
Barcode discount for letters	4.1	6.1
Barcode discount for flats	2.5	3.0
Carrier Route Presort	13.9	16.3
High density discount	2.6	3.2
Saturation discount	4.4	5.1
Per-piece editorial discount	6.7	7.4
Per-piece DDU entry discount	1.7	1.8
Per-piece DSCF entry discount	0.8	0.8
Per-piece ADC entry discount	—	0.2
Per-piece pallet discount	—	0.5
Per-piece dropship pallet discount (add'l)	—	1.0

## E. Package Services Mail

[3178] Package Services Mail, which may contain any mailable matter that is neither required to be mailed as First-Class Mail nor entered as periodicals, is comprised of the following subclasses: Parcel Post, Bound Printed Matter, Media Mail, and Library Mail. Typically, it consists of parcels containing merchandise, although it is also used to mail heavier catalogs and directories. It is not sealed against postal inspection. There is no minimum weight requirement; each piece may weigh up to 70 pounds, except Bound Printed Matter which may not exceed 15 pounds. The combined length and girth of a piece may not exceed 108 inches, except that certain larger pieces are eligible to be mailed as Parcel Post.

### 1. Parcel Post

#### a. Proposed Rates

[3179] Parcel Post is defined as any Package Services Mail that is not mailed as Bound Printed Matter, Media Mail, or Library Mail. It may weigh up to 70 pounds and is the only subclass available for mailing pieces measuring over 108 inches but not over 130 inches in length and girth combined. Such mail is mailable at the prevailing oversized rate.

[3180] Witness Keifer sponsored the Parcel Post rates included in the Request. See, USPS-T-33 at 8-25. They represent an average increase of 6.5 percent, resulting in a cost coverage of 115.6 percent. See, *id.* at 33; and Exhibit USPS-28B. The proposed settlement rates reflect revisions to Parcel Select rates, the net effect of which is a relatively minor reduction in test year Parcel Post revenues.

[3181] Under the settlement rates, current DDU rates are maintained, in lieu of somewhat lower rates, except, as the Postal Service notes, the rate for pieces at the new one pound rate is lower. Postal Service Reply Brief at IV-37, n.13. Similarly, DSCF rates

proposed to decrease under the Request were returned to their current levels by the settlement with the remaining DSCF rates left as originally proposed. These changes were accompanied by an adjustment to proposed DBMC rates reducing the levels contained in the Request. The Postal Service estimates the net effect of these revisions to be a reduction of approximately ½ of one percent of Parcel Post test year revenues. *Id.* at 37. In all other respects, the settlement rates mirror those contained in the Request. As a result, the revisions have no significant effect on cost coverage for Parcel Post. See, USPS-T-28 at 39-41. In light of this, witness Keifer's testimony provides sufficient support for the proposed rates.

[3182] The settlement increases Parcel Post rates by 6.4 percent. Based on the Commission's costing methodology, this results in a cost coverage of 114.1 percent. The Commission has reviewed witness Moeller's proposed Parcel Post rate level and concludes that he has duly considered the non-cost factors of the Act. Under the circumstances, the Commission finds that the proposed rates represent a reasonable accommodation of the ratemaking criteria of the Act.

b. Proposed Classification Changes<sup>68</sup>

[3183] The settlement rates continue the existing rate design, except for the following three relatively minor changes -- a separate rate for parcels weighing less than one pound, a 3-digit nonmachinable DSCF rate, and providing electronic Delivery Confirmation service to Parcel Select shippers without the payment of an additional fee. Witness Keifer provides support for these classification changes. *Id.* at 11-12.

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<sup>68</sup> In its Request, the Postal Service included an amendment to DMCS § 544.1 apparently designed to address a potential loophole concerning attachments and enclosures caused by the elimination in Docket No. R2000-1 of the one pound minimum weight requirement for the Parcel Post and Bound Printed Matter subclasses. Witness Keifer does not address this proposed change. The Commission recommends a minor editorial revision in § 544.1 to improve clarity and readability. See also, proposed and recommended DMCS § 443.1.

[3184] *One Pound Rate*. In Docket No. R2000-1, the one pound minimum requirement was eliminated, albeit without a corresponding rate for parcels below one pound. Employing the same methodology used to develop rates for the other weight increments, witness Keifer developed rates for Parcel Post mail weighing less than one pound. *Id.* at 11, 14. On its face, this proposal is reasonable since it gives effect to the decision in Docket No. R2000-1 by providing lower, more cost based rates for lighter weight pieces, newly eligible to be mailed as Parcel Post.

[3185] *3-digit Nonmachinable DSCF Rate*. In Docket No. R2000-1, surcharges for nonmachinable Parcel Post were extended to Intra-BMC and DBMC parcels. Currently, to be eligible for DSCF rates, nonmachinable pieces deposited at DSCFs must be sorted to 5-digit ZIP Codes. Mailers of nonmachinable parcels without sufficient density to presort to 5-digits were subject to the DBMC surcharge. In response to concerns by affected mailers, the Postal Service included in its Request a separate rate for nonmachinable parcels sorted to 3-digit ZIP Codes and deposited at a DSCF. *Id.* at 16.

[3186] The proposed settlement rate, \$1.09 per-piece, is based on witness Eggleston's analysis of the costs of processing 3-digit presorted, nonmachinable parcels at DSCFs. USPS-T-25 at 8-10. Keifer supports the proposal as consistent with the classification criteria of the Act, 39 U.S.C. § 3623, because, among other things, it enhances worksharing opportunities to the benefit of mailers and the Postal Service, and promotes Parcel Post. USPS-T-33 at 25. While somewhat unusual given its rather narrow application, the proposed rate appears to be designed to address mutual concerns of mailers and the Postal Service and thus can be perceived as a desirable classification. Under the circumstances, the Commission recommends its adoption for purposes of this proceeding.

[3187] *Delivery Confirmation*. Currently, Delivery Confirmation, a special service, is available to all Parcel Post mail upon payment of an additional fee. Two service options are available, electronic and retail. The settlement proposes to make the electronic option an integral part of Parcel Select, while also eliminating the retail option for Parcel Select.

[3188] The proposed Parcel Select rates include the estimated test year Delivery Confirmation costs based on an analysis sponsored by witness Nieto. Bundling Delivery Confirmation with Parcel Select is advantageous. It provides parity with Priority Mail, simplifies the rate schedules, and because it is designed to recover costs associated with the service does not shift the cost of the service to non-Parcel Select shippers. In light of these benefits, the Commission recommends the proposed change.<sup>69</sup>

## 2. Bound Printed Matter

### a. Proposed Rates

[3189] The Bound Printed Matter (BPM) subclass is limited to advertising, promotional, directory, or editorial material which is bound by permanent fastenings and weighs up to 15 pounds. See, DMCS § 522.1. Examples include catalogs, books, telephone directories, and similar permanently bound volumes. USPS-T-33 at 26.

[3190] The proposed rates and classification changes are identical to those contained in the Postal Service's Request and are supported by the testimony of witness Keifer. USPS-T-33 at 26-36. Keifer's rate design employs estimated cost savings differences provided by witness Eggleston. USPS-T-25. Witness Moeller developed the rate level. USPS-T-28 at 41-43.

[3191] Under the Commission's methodology. The settlement rates increase, on average, by 9 percent, reflecting a cost coverage of 124.1 percent. Witness Moeller's application of the non-cost criteria of the Act supports the proposed rate level and represents a reasonable weighing of the ratemaking criteria of the Act. Accordingly, the

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<sup>69</sup> Concerning an ancillary matter, currently, single piece Parcel Post is eligible for pickup service, as are Express Mail and Priority Mail. In the DMCS, pickup service is included as a separate section of each of the foregoing classification schedules rather than as an ancillary service. See, DMCS §§ 123.2, 223.6, and 521.8. It is unclear why pickup service is not categorized as an ancillary service and included in the DMCS as a special service. The Postal Service should address this issue in its next omnibus rate proceeding and, if appropriate, propose to revise the DMCS accordingly.

Commission concludes that the proposed BPM rates are supported by substantial evidence.

b. Proposed Classification Changes

[3192] The settlement continues the existing rate structure except in two respects. It includes separate rate schedules for flats and parcels/irregularly shaped pieces, and extends a barcode discount to automatable flats.

[3193] *Flats Differential*. The new, proposed flat differential rate is based on witness Eggleston's estimate that BPM flats save 7.7 cents per-piece compared to parcels (and irregular pieces), reflecting delivery cost savings. USPS-T-33 at 30-31. Witness Keifer endorses the proposal, finding that it comports with section 3623 of the Act. In particular, he notes that it represents a more cost based rate, enhances and promotes BPM, and offers a means for mailers of flats to reduce their rates. *Id.* at 35-36; *see also*, USPS-T-39 at 19.

[3194] BPM is comprised principally of books and catalogs. In Docket No. R2000-1, the Commission discussed the history of this subclass, noting, among other things, that books and catalogs may have different cost characteristics. *See*, PRC Op. R2000-1, para. 5881. The proposed flat differential, although limited to delivery costs, represents an attempt to better align rates with costs and thus is a desirable classification to users and the Postal Service. On balance, the proposal is fair and equitable and consistent with the factors of the Act.

[3195] *Automatable Flats*. The settlement includes a proposal to extend barcode discounts to automatable BPM flats. The proposed discount, \$0.03 per-piece, is developed using witness Miller's estimated cost differences between Standard Mail 3/5 digit presort automation and nonautomation flats. USPS-T-33 at 31-32. As support for this proposal, witness Keifer cites the benefits of processing this mail on Postal Service flat sorting machines, improved address hygiene, and eliminating what might be perceived as a disincentive to barcode flats. *Id.* at 32 and 36.

[3196] The proposed barcode discount for automatable flats appears to be consistent with the classification criteria of the Act, particularly criteria (1) fair and equitable, and (5) special classifications. The change is, as noted by the Postal Service, desirable since it will promote address hygiene and improve utilization of Postal Service flat sorting machines. Furthermore, it will afford the same discount to automatable flats as currently available to machinable parcels. In sum, the record supports the proposed classification change.

### 3. Media Mail and Library Mail

#### a. Proposed Rates

[3197] Media Mail and Library Mail share several common traits. Briefly, each is statutorily derived. Rates for both are required to be uniform for mail of the same weight and may not vary with distance. 39 U.S.C. § 3683(a). These subclasses have similar content restrictions. *Compare* DMCS § 523.11 with §§ 524.11 and 524.13. Unlike Media Mail, however, Library Mail is available only to qualified mailers. Finally, these subclasses have the same rate design and rate structure.

[3198] The settlement incorporates the Postal Service's Request concerning Media Mail and Library Mail. Witness Keifer provides support for the proposed rates. USPS-T-33 at 37-45. Witness Moeller justifies the proposed rate level. USPS-T-28 at 43-44. Witness Eggleston provides the cost savings estimates used by Keifer to develop the proposed presort discounts for the 5-digit and Basic Presort rate categories. Eggleston also estimates the barcode savings for machinable Media and Library parcels. USPS-T-25.

[3199] As a result of Public Law 106-384, the Postal Service collects cost data for Media Mail and Library Mail on a consolidated basis. Consequently, cost coverage is calculated only for the combined product. On a consolidated basis, under the proposed rates the average revenue of Media Mail/Library Mail increases by 3.9 percent. Stated



separately, Media rates increase by 4 percent, while Library rates increase by 3.3 percent, reflecting the 5 percent discount off Media Mail rates as required by Public Law 106-384. USPS-T-33 at 44; Exhibit USPS-28B.

[3200] In the two most recent omnibus rate proceedings, costs reported for Media Mail fluctuated markedly, decreasing in one and increasing substantially in the other. In this proceeding, there is no evidence suggesting that the combined costs of the two subclasses have increased more than the system average. Hence, the below average rate increases are not inconsistent with the non-cost criteria of the Act.

[3201] Under the Commission's costing methodology, the rate increases reflect a combined cost coverage of 109.6 percent. Having considered the record evidence, the Commission finds that the proposed rates reasonably reflect the ratemaking criteria of the Act.

b. Proposed Classification Changes

[3202] The settlement includes two relatively minor rate design changes, both involving presort requirements. Witness Keifer provides support for both changes. USPS-T-33 at 40 and 44. The first proposal entails eliminating the Level B (BMC) Presort and replacing it with a Basic Presort level.<sup>70</sup> The purpose of the change is to enable the Postal Service to modify presort requirements for flat-shaped and nonmachinable Media/Library Mail to be compatible with current processing methods. The change will not affect machinable parcels, which would continue to be sorted to BMCs. *Id. at 40.*

[3203] Under the second proposal, minimum presort volumes are reduced from 500 to 300 and the separate minimums for each presort level are eliminated. This change will enable mailers to satisfy the 300-piece minimum with a combination of properly prepared and presorted 5-digit and Basic Presort volumes. Mail from the two

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<sup>70</sup> DMCS §§ 523.23 and 524.23 include conforming changes relabeling Level B Presort to Basic Presort. The proposed DMCS §§ 523.22 and 524.22 also relabel Level A Presort to Five-Digit Presort.

subclasses, however, could not be commingled to satisfy the minimum volume threshold. *Id.* at 40-41.

[3204] The proposed classification changes in presort requirements appear to stem from the fact that Media Mail and Library Mail include small volume mailings. Reducing the threshold volumes and permitting a mailer to combine volumes from both presort rate categories to qualify for presort rates will benefit both mailers and the Postal Service. The proposed change to substitute Basic Presort for BMC presort is designed to enable the Postal Service to adjust mailing requirements for flat-shaped and nonmachinable Media and Library Mail to reflect current processing techniques. Collectively, the changes will expand the opportunity for mailers to qualify for presort discounts while ensuring that such mail is presorted in a manner more consistent with the way it is processed. Accordingly, the changes are desirable from both the mailers' and Postal Service's perspectives. The proposed classifications are recommended.

## F. Special Services

[3205] The proposed settlement includes fee and classification changes for most special services. The proposed classification changes are summarized below:

- A proposal to remove Standard Mail from the list of subclasses with which Merchandise Return Service may be used. This proposal reflects the elimination of Standard single piece mail in an earlier docket. See, USPS-T-36 at 49.
- A proposal to change the wording in the footnote to Schedule 933, On-Site Meter Service. The revised footnote refers to Postal Service approved automated processes instead of to secured meters. See, USPS-T-37 at 47.
- A proposal to change the DMCS to state that parcels forwarded under Shipper Paid Forwarding will be forwarded using First-Class (including Priority) rates only. This change aligns the DMCS with current practice. See, USPS-T-36 at 67.
- A proposed electronic enhancement to both Certified Mail and Registered Mail to allow mailers to check on delivery status using the Internet or the Call Center. See, USPS-T-36 at 25-26 and USPS-T-37 at 58.
- A proposal to provide automatic insurance (no additional fee) for Express Mail up to \$100 instead of to the current \$500. This change is discussed in the Express Mail section of this opinion. The mailer cost for additional insurance beyond \$100 is proposed to be taken from the standard insurance schedule. See, USPS-T-36 at 40 and USPS-T-35 at 25-26.
- A proposal to create a new category of Return Receipt (Schedule 945) called Electronic Return Receipt. This service must be purchased at the time of mailing and provides information to the original mailer by secure e-mail or by the Internet. See, USPS-T-36 at 57-58.
- A proposal to extend Delivery Confirmation (Schedule 948) and Signature Confirmation (Schedule 949) to parcels sent First-Class, and to limit service in the Packages Services subclasses to pieces qualifying as parcels. Currently all Package Services pieces may use the service. See, USPS-T-36 at 37-38 and 73-74.
- A proposal to eliminate from Stamped Envelopes (Schedule 961) the “Special” category of stamps, which is primarily holograms and patched-in stamps. See, USPS-T-36 at 86.
- A proposal to allow Money Orders (Schedule 971) to be purchased in values up to \$1000, instead of the current \$700. An accompanying change in rate structure is also proposed. See, USPS-T-37 at 41-42.

- A proposal to change the name of Mailing Online (Schedule 981) to Netpost Mailing Online. See, USPS-T-36 at 96.

[3206] In its Request, the Postal Service also proposed removing language from the DMCS relating to the special services and subclasses with which specific special services may or may not be used. USPS-T-36 at 87-95. These changes were included in the initial proposed settlement; however, in response to Notice of Inquiry No. 1, the proposal was withdrawn and it is not in the revised settlement proposal before the Commission.

[3207] The Commission finds that the Postal Service's proposed classification changes for Special Services, with the qualifications noted in the opinion, are consistent with 39 U.S.C. 3623. Those changes which may be classified as technical in nature, such as to conform a description to match actual practice, promote the maintenance of a fair and equitable classification system because they enable users of these services to better comprehend the scope of such services. § 3623(c)(1). Changes that reflect service enhancements (such as the electronic enhancement to Certified and Registered Mail allowing mailers to check on delivery status using the Internet or the Call Center) are desirable from the point of view of the user and of the Postal Service. Users obtain a superior service, and the more attractive product may generate additional revenues for the Postal Service. § 3623(c)(5). The proposal to change the automatic insurance level for Express Mail is fairer to the majority of users, who typically have lower claims and should not be burdened by the costs associated with higher claims, and thus is consistent with the "fair and equitable" criterion.

[3208] Under normal circumstances, the cost coverages for the special services receive extensive review with specific attention being given to all of the factors in the Act, including issues relating to value of service, effects on mailers, and the role of the special service in the Postal Service's mission. Indeed many of these issues and others are discussed in Postal Service testimony, just as they are for the various subclasses of mail. Given the settlement proposal in this case, however, the focus is on the adequacy of the proposed coverages, under established Commission costing methods, rather than on a

process of selecting specific coverages. In this regard, the Commission has reviewed carefully the numerous revenue/cost relationships within the special services, including all of the resulting coverages. The Commission finds the cost coverages and the revenue/cost relationships to be reasonable and not inconsistent with the Act. Each special service meets the requirement of § 3622(b)(3) and, in total, the special services provide a contribution to institutional costs near the systemwide average. The Commission recommends the settlement fees for the special services.

[3209] In Docket No. R2000-1, a majority concurring opinion urged the Postal Service to review and perhaps simplify the panoply of special services offered at the retail window. Concerns about overlapping, confusing, outdated and potentially more useful electronic services have not been addressed in this case. The Commission recommends that such a review be undertaken for a future case.

1. Address Correction Service (Schedule 911)

[3210] Address Correction Service provides a mailer with an addressee's correct or forwarding address if known, or a reason why the Postal Service is unable to deliver a mailpiece as addressed. Both manual and automated services are available. Manual address correction service provides a mailer with a photocopy of the mailpiece along with the correct address information on Form 3547 (for First-Class Mail, Standard Mail, or Package Services), or the cover sheet of a periodical with the correct address information attached on Form 3579 (for Periodicals). Automated address correction service provides a mailer with correct address information or a reason for non-delivery electronically—accessible by the mailer using a computer and a modem. Periodicals automatically receive address correction service for 60 days following a change-of-address order. Address correction service is available by itself, or in conjunction with forwarding and return service. USPS-T-37 at 8-13.

[3211] The test year costs, including contingency, are 14.9 cents for automated address correction and 52.9 cents for manual address correction. The proposed

settlement retains the current fee of 20 cents for automated address correction and increases the fee of 60 cents to 70 cents for manual address correction. The proposed fees will produce a cost coverage of 133.1 percent.

## 2. Mailing List Services (Schedule 912)

### a. ZIP Coding of Mailing Lists

[3212] The projected test year cost, including contingency, is \$83.48 per one thousand addresses for sorting of mailing list address cards by five-digit ZIP Code. The proposed settlement increases the current fee of \$73.00 per one thousand addresses to \$100.00 per one thousand addresses. This fee will result in a cost coverage of 119.8 percent.

### b. Correction of Mailing Lists

[3213] Eligible mailers may submit a name and address list, or an occupant list (address only list) to the Postal Service for correction. The mailing list may be submitted on cards or on sheets of paper, and must be separated by Post Office or carrier route as required. Name and address list corrections include eliminating names to which mail cannot be delivered or forwarded, providing forwarding information if an order is on file, correcting spelling of names and addresses, correcting ZIP Codes, post office box numbers, and rural box numbers, and providing the name of the head of household when two or more names appear on the list. Occupant list corrections include deleting invalid addresses, correcting the last lines of the address, placing directional signals to indicate carrier route information, and providing the number of units in multiple unit dwellings. USPS-T-37 at 31-34.

[3214] The test year cost for this service, including contingency, is 26.2 cents per address. The proposed settlement increases the current fee of 25 cents per address to

30 cents per address. It further proposes to increase the minimum charge per corrected list from \$7.50 to \$9.00, which is the charge for correcting 30 addresses. The implied cost coverage is 114.5 percent.

[3215] The proposed settlement changes the capitalization of the words “Stamped Cards” in Mailing List Services, DMCS Section 912.33, to lower case. The Commission does not recommend this change. The capitalization of the term Stamped Cards is consistent with its usage throughout the DMCS. The term refers to a Stamped Card as defined in DMCS Section 962.

c. Address Changes for Election Boards and Registration Commissions

[3216] This service provides election boards and voter registration commissions with change-of-address information. Election boards and voter registration commissions also have the option of using a “Return Service Requested” endorsement or the National Change of Address system to gather similar address information. *Id.* at 5-8. The costs for the correction of mailing lists serves as a proxy for the cost of these address changes. *Id.* at 7.

[3217] The settlement proposes to increase the current 23-cent fee to 27 cents. At this level, cost coverage is estimated to be 103.0 percent. This recommendation is consistent with prior opinions specifying a minimal contribution to institutional costs, because “election boards serve a vital function in our democracy.” PRC Op. R97-1, para. 5896.

d. Carrier Sequencing of Address Cards

[3218] This service provides mailers with address cards sorted into delivery sequence. Three levels of service are offered: (1) basic carrier route walk sequencing of cards, including the removal of cards with undeliverable or incorrect addresses, (2) the service described in (1) plus the insertion of blank cards indicating missing addresses, or (3) the service described in (1) plus the insertion of completed cards for the omitted

addresses. New address cards are provided free of charge for rural route delivery addresses that have been converted to city delivery route addresses. There is no charge for the delivery sequence sort, or for inserting blank cards. There is a fee applied to every card removed with an incorrect or undeliverable address, and to new completed cards inserted into the delivery sequence. USPS-T-37 at 18-21.

[3219] The cost for the correction of mailing lists, projected to be 26.3 cents in the test year, is a proxy for the cost of this service. The settlement proposal is to increase the current 25-cent fee for this service to 30 cents. The Commission estimates this proposal will produce a cost coverage of 114.5 percent.

### 3. Post Office Boxes, Caller Service, and Reserve Call Numbers (Schedule 921)

[3220] *Post Office Boxes.* Post Office Box service is available to any customer requiring more than free carrier delivery or general delivery. The service allows a customer to obtain mail during the hours a post office box lobby is open or access is otherwise available. Post Office Box service is offered for no fee to customers who are not eligible for carrier delivery.

[3221] The existing fee structure allocates costs among six fee groups (not including no-fee group E). In this Docket, the proposed settlement retains a Postal Service suggestion to increase the number of fee groups for Post Office Box service from



six to seven (not including no-fee group E). The additional fee group was intended to further the goal of better aligning fees with costs.

**Table 3-7**  
**Proposed Post Office Box Fees**

Box Size	Fee Group							
	1	2	3	4	5	6	7	E
1	\$ 35.00	\$ 29.00	\$ 24.00	\$ 19.00	\$ 13.00	\$ 12.00	\$ 9.00	\$ 0.00
2	50.00	45.00	38.00	34.00	22.00	18.00	13.00	0.00
3	100.00	80.00	68.00	63.00	34.00	33.00	23.00	0.00
4	205.00	170.00	118.00	110.00	65.00	60.00	40.00	0.00
5	330.00	315.00	209.00	175.00	125.00	97.00	70.00	0.00

[3222] The Commission recommends the addition of a seventh fee group to the Post Office Box fee schedule (not including the no-fee group). The addition of the seventh fee group will facilitate the alignment of fees with costs for this service. The Commission also recommends the fees for Post Office Box service contained in the proposed settlement although it is difficult to discern a consistent pattern in cell-by-cell fee changes. The overall cost coverage for the post office box category, if the ancillary box services discussed below also are included, is 129.6 percent. In the next case, the Postal Service should consider following principles that would more efficiently and consistently transition toward cost based rates. For example, boxes whose rates are moving downward toward more cost based rates should have percentage rate increases that are smaller than the subclass average. Conversely, boxes whose rates are moving upward toward more cost based rates should have rate increases that are above the average for the subclass.

[3223] *Post office box key and lock change services.* The Postal Service provides the first two box keys to post office box customers at no charge, upon payment of a refundable deposit. Customers may order duplicate, additional, or replacement keys for

a fee. The proposed settlement increases the duplicate post office box key fee from \$4.00 to \$4.40. The Postal Service also will change the lock on a post office box upon the request of the post office box customer. The proposed settlement increases the fee for this service from \$10 to \$11. These changes are expected to recover costs. See, USPS-T-42, Appendix A at 1.

[3224] *Caller Service and Reserved Number service.* Caller Service is a premium service that allows business customers to pick up their box mail at a post office call window or loading dock during the time the office is open. Customers are able to pick up their mail early in the day to process orders and financial transactions. Caller Service also provides customers with a means to receive post office box type service when their volumes are too large for post office boxes or post office boxes are not available. Reserved Number service allows a customer to reserve a box number for future Caller Service use. Businesses could find the reservation of a Caller Service number useful if they are planning a promotion, campaign, or advertisement and would like to use a number that would correspond. The proposed settlement increases the semiannual fee for Caller Service from \$375 to \$412, and increases the calendar year fee for Reserved Number service from \$30 to \$32. These changes should recover costs. *Ibid.*

#### 4. Business Reply Mail (Schedule 931)

[3225] Business Reply Mail (BRM) is a special service that allows customers to distribute First-Class Mail and Priority Mail BRM cards, envelopes, self-mailers, cartons, and labels for eventual return to the customer. The customer agrees to pay postage and a per-piece fee for each BRM mailpiece that is actually returned. The customer is required to obtain a BRM permit and pay the applicable annual permit fee. BRM permit holders, except for permit holders who opt for non-advance deposit account BRM service, must maintain an advance deposit account for payment of postage and fees, and pay an annual accounting fee. Postage is paid at the applicable First-Class Mail or Priority Mail rates.

[3226] BRM service is available for purchase using the following five fee categories: (1) Qualified BRM (QBRM) with quarterly fee; (2) Qualified BRM without quarterly fee; (3) advance deposit account BRM; (4) nonadvance deposit account BRM; and (5) nonletter sized weight-averaged BRM. Each BRM fee category is subject to different Postal Service requirements, and could be preferable depending on a customer's level of return volume and type of mailpiece. The Settlement fee proposals are considered separately for each of the five BRM categories.

[3227] Each of the five categories of BRM requires the payment of an annual permit fee. The Settlement proposal increases this fee from \$125 to \$150, a 20 percent increase.

[3228] *Qualified BRM (QBRM) with quarterly fee.* QBRM refers to a subset of BRM in which the mailpiece is approved by the Postal Service for processing as a QBRM mailpiece. QBRM pieces are cards and envelopes (up to two ounces) that are automation compatible, have a Facing Identification Mark (FIM) C, a unique ZIP+4 barcode, and meet other requirements specified by the Postal Service.

[3229] The QBRM with quarterly fee rate structure is designed for customers that receive a high volume of QBRM mailpieces. The QBRM with quarterly fee rate structure is composed of three elements: a reduced QBRM automation postage rate; a per-piece fee; and a QBRM quarterly fee.

[3230] The QBRM postage rate is discussed in Chapter III, section B, First Class. The second and third components of the QBRM with quarterly fee rate structure are the per-piece fee and the QBRM quarterly fee. The proposal reduces the one-cent per-piece fee for QBRM with quarterly fee to 0.8 cents, a 20 percent reduction, and allows the quarterly fee to remain at \$1,800. The Postal Service projects test year costs of 0.399 cents for the per-piece fee and costs of \$790.43 for the quarterly fee. The Commission recommends the 0.8 cent per-piece fee and the \$1800 quarterly fee, which is expected to generate cost coverage of 201 percent for QBRM with quarterly fee BRM.

[3231] *Qualified BRM (QBRM) without quarterly fee.* This fee category is useful to customers receiving lower volumes of BRM that meet all of the QBRM requirements, or

who choose not to pay the quarterly fee. The QBRM without quarterly fee rate structure is composed of two elements: the QBRM automation postage rate; and a higher per-piece fee.

[3232] The settlement increases the \$0.05 per-piece fee for QBRM without quarterly fee to \$0.06, a 20 percent increase. The Postal Service projects test year costs of \$0.04 per-piece. The \$0.06 per-piece fee is expected to generate cost coverage of 148 percent for QBRM without quarterly fee.

[3233] *Advance deposit account BRM.* This fee structure is designed for customers who receive a high volume of BRM mail, but whose mailpiece is not approved for BRMAS processing or otherwise fails to qualify as a QBRM mailpiece. Customers pay a basic per-piece fee that covers the costs for counting, rating, and billing these mailpieces. The settlement maintains the per-piece fee at \$0.10. The Postal Service projects test year costs, including contingency, of \$0.054 for the per-piece fee. The \$0.10 per-piece fee is expected to generate cost coverage of 184 percent for advance deposit account BRM.

[3234] *Non-advance deposit account BRM.* This fee structure is provided for customers who receive a low volume of BRM mail, or who choose not to pay the annual accounting fee. Since these mailers receive a relatively small number of BRM pieces, it is in many cases uneconomical for them to maintain advance deposit accounts. Consequently, the Postal Service recovers maintenance costs for counting, rating, and collection on a per-piece basis. The settlement proposal increases the per-piece fee from \$0.35 to \$0.60, a 71 percent increase. The Postal Service projects test year costs, including contingency, of \$0.58 for the per-piece fee. Witness Miller states that “basic BRM” recipients receive from 2 to 4 pieces per day, or 624 to 1,248 pieces per year. He used 1,000 pieces per year as a proxy. Tr. 11B/4354-57. Because the annual volume is small, the per-piece costs for collection of postage and fees is high. The \$0.60 per-piece fee is expected to generate cost coverage of 104 percent for non-advance deposit account BRM.

[3235] *Non-letter sized weight-averaged BRM.* This fee category is typically used by customers receiving film and/or film canisters for processing. Weight averaging is used to count, rate, and bill the incoming BRM mailpieces based on a statistical projection from recent experience. The mailpieces must meet the basic BRM requirements established by the Postal Service, and cannot be letter or card-shaped, or exceed five pounds.

[3236] There are two components to the non-letter sized weight-averaged BRM fee structure: the per-piece fee and the monthly maintenance fee. The settlement proposal contains no change to the \$0.01 per-piece fee, but changes the monthly maintenance fee from \$600 to \$750, an increase of 25 percent. The Postal Service projects test year costs, including contingency, of \$0.006 for the per-piece fee and \$553.50 for the monthly maintenance fee. The \$0.01 per-piece fee and the \$750 monthly maintenance fee are expected to generate cost coverage of 166 percent for nonletter sized weight averaged BRM. The overall cost coverage for all fee categories of BRM is 130 percent.

[3237] *Classification proposals.* Witness Mayo discussed potential classification changes to Fee Schedule 931 to provide a more accurate description of how BRM fees apply. USPS-T-36 at 10, 21-22. The Request, which is incorporated into the Stipulation and Agreement, presents a reorganization of Fee Schedule 931 that makes the changes proposed by Mayo moot. The Commission recommends the change to the format of Fee Schedule 931 as depicted in the Request.

## 5. Merchandise Return (Schedule 932)

[3238] Merchandise Return allows the original mailer to pay return postage for parcels containing merchandise. It is similar to business reply and can be used currently for parcels first mailed at First-Class, Priority, Standard, and Package Services rates. Users can purchase additional services such as registry, insurance, delivery confirmation, certificates of mailing, return receipt, and special handling. Both a permit and an advance deposit account are required.

[3239] The permit fee is proposed to increase to \$150, from the current level of \$125, an increase of 20 percent. The fee for maintaining an advance deposit account is proposed to increase to \$475, from the current level of \$375, an increase of 27 percent. The permit fee is at the same level as other permit fees, as is the accounting fee. The estimated cost coverages on these are 122.0 percent and 121.5 percent, respectively.

[3240] As a classification change, the settlement incorporates a proposal to eliminate the option to use merchandise return with Standard mail. This option had been available in the past for use with the single-piece subclass of Standard mail, a subclass which no longer exists.

#### 6. On-Site Meter Settings (Schedule 933)

[3241] On-site meter service involves a Postal Service employee traveling to a customer site or to a meter manufacturer site to set a meter, examine a meter, or check a meter in or out of service. An initial charge is made per visit and then a separate charge is made per meter reset (or examined) and per meter checked in or out of service. USPS-T-37 at 44.

[3242] Under the proposal, the Service will charge \$35.00 per visit to a customer or manufacturer site. This is a 13 percent increase from the current level of \$31.00. The additional charge per meter reset (or examined) is proposed to be \$5.00, an increase of 25 percent from the current level of \$4.00. The charge for checking a meter in or out of service would remain at the current level of \$4.00. The cost coverage associated with these rates is 124.8 percent. Also, a phrase in the footnote in the fee schedule is proposed to change from “to secured postage meters” to “if a Postal Service approved automated process is used for checking a secured meter in or out of service.” This change is to make the footnote language consistent with today’s practice. *Id.* at 47. A cost study supporting these changes is provided by witness Abdurahman, USPS-T-42, Appendix A.

## 7. Bulk Parcel Return Service (Schedule 935)

[3243] Bulk parcel return service is available to high-volume mailers of parcels sent initially as Standard mail. Each returned parcel is levied a per-piece fee, which is deducted from an advance deposit account. Mailers using this service must also pay an annual permit fee and an annual accounting fee, both of which are at the level of other permit and accounting fees. The proposal is to increase the per-piece fee to \$1.80, an 11 percent increase from the current level of \$1.62. The proposed level for the permit fee is \$150.00 and for the accounting fee is \$475.00, increases of 20 percent and 27 percent respectively. USPS-T-37 at 13-17.

[3244] The per-piece charge for using Bulk Parcel Return Service is based on a special cost study that identifies specific service components and assembles the relevant costs from those of similarly situated services. This study has been updated and presented by witness Eggleston. USPS-J-64, attachment H. The Commission has reviewed the fees and the costs, and estimates the cost coverage will be 141.8 percent.

## 8. Shipper Paid Forwarding (Schedule 936)

[3245] Shipper paid forwarding is an Address Change Service (ACS) that provides forwarding service for a period of one year from the date a recipient files a change of address form. The service is available to eligible shippers mailing Standard Mail machinable parcels and most Package Services parcels. Forwarded pieces are assessed postage according to the service provided, through an ACS participant code, from an advance deposit account for which the shipper pays an annual advance deposit accounting fee. Pieces that cannot be forwarded are returned and the shipper is charged appropriate postage. Shippers using this service must use the "Address Service Requested" endorsement and, for Standard Mail, may also use the Bulk Parcel Return Service. USPS-T-36 at 65-67.

[3246] The proposed settlement increases the accounting fee for this service from \$375 to \$475. This fee, along with other accounting fees, is discussed in subsections 24 and 25 below. It also includes a classification change that deletes Package Services as an option for determining postage of forwarded or returned packages. Packages are only forwarded or returned by First-Class Mail, including Priority. The proposed settlement changes DMCS § 936.11 to reflect this change. However, corresponding changes were not proposed for DMCS § 936.51. The Commission recommends the change to eliminate Package Services as an option for determining postage when forwarding or returning packages, and makes appropriate changes to both DMCS §§ 936.11 and 936.51.

#### 9. Certified Mail (Schedule 941)

[3247] Certified mail is a special service for use with First-Class and Priority mail. The mailer receives a mailing receipt if the mail is deposited at a post office window or given to a rural carrier. The Postal Service obtains a signature upon delivery and retains a delivery record of the item mailed. Certified mail may be used in conjunction with return receipt or restricted delivery service. The fee for certified mail is in addition to postage. USPS-T-36 at 23-30.

[3248] The settlement proposal is to increase the fee to \$2.30, up 9.5 percent from the current rate of \$2.10. In addition, it authorizes the Postal Service to introduce an electronic enhancement to certified mail so that the sender can check on the status of delivery using the Internet or the call center. Witness Nieto presents a cost study for this enhancement showing that the unit cost will increase by about 7 cents. USPS-T-26 and USPS-LR-J-135, Section D. In order to adjust for any volume effects of this enhancement, witness Rothschild presents a marketing study. USPS-T-27 and USPS-LR-121. It is expected that senders will accept the electronic enhancement and reduce the usage of Return Receipt.



[3249] The Commission recommends the settlement fee of \$2.30, which should generate a cost coverage of 128.1 percent. The electronic enhancement appears to be an important step in the right direction as it should allow a range of users to benefit from newer technology.

[3250] The Commission remains concerned, however, about service quality issues that arose during discovery (but which were not fully litigated), and recommends that the Postal Service consider how Certified and Return Receipt service might be improved and the products enhanced. The Postal Service appears to have been responsive to the March 9, 2001 Office of the Inspector General Report filed as LR-J-172, which described a variety of problems with certified mail processing, such as substantial delivery delays that cost government taxing authorities interest income. LR-J-172 at ii. The Postal Service made a substantial effort to rectify problems in time for the 2001 tax season. See, Tr. 10C/3465-3504. However, Postal Service witness Mayo could only say that problems regarding Return Receipt service to high-volume destinations had been corrected “[t]o some extent.” See, *id.* at 3506, see also, *id.* at 3476. Her lack of a firmer response could have occurred because the Postal Service does not collect much data on the quality and timeliness of certified and return receipt processing. See, *id.* at 3508-09. Self-reporting of corrective actions and problem levels by field personnel is not as reliable an indicator as consistent data monitoring. The Commission recommends that the Postal Service explore the feasibility of a service quality data monitoring system for Certified and Return Receipt.

#### 10. Registered Mail (Schedule 942)

[3251] Registered mail is the most secure method of sending mail offered by the Postal Service. A system of receipts is used to monitor and account for the flow of the mailpiece from acceptance to delivery. The sender is provided with a mailing receipt, and the Postal Service retains a delivery record of the item mailed. USPS-T-37 at 55-62.

[3252] The proposal increases the rates for Registered Mail by an average of 7.2%, with the changes for individual cells ranging from 3 percent for uninsured items with no declared value to 11 percent for insured items with a value from \$24,000.01 to \$25,000. It also authorizes an electronic enhancement to Registered Mail, similar to the proposal for Certified Mail, so that delivery status can be checked using the Internet or the call center.

[3253] The Commission estimates cost coverage for Register Mail at 166.2 percent. The Commission views this coverage as acceptable, but notes that it would be helpful in future cases if information is available on the competition for Registered Mail and on whether the competition varies with the value of the items involved.

#### 11. Insurance (Schedule 943)

[3254] This special service provides up to \$5,000 in indemnity coverage for lost, rifled or damaged articles. It is available for Express Mail and Package Services, and for First Class Mail (including Priority) that contains items that could be sent as Standard Mail or as Package Services. Bulk insurance (which takes the form of a per-piece discount) is available for Standard Mail that is subject to the residual shape surcharge. Express Mail currently provides for \$500 of indemnity coverage free-of-charge. Above \$500, insurance fees for Express Mail are charged based on each \$100 increment, or fraction thereof. For Package Services and First-Class Mail, no automatic insurance is provided; hence any level of indemnity coverage from \$0.01 to \$5,000 is assessed a fee. The rate schedule is separated into unnumbered items with values to \$50, and numbered items with values above \$50. The accounting and claims process is different for the two categories. USPS-T-36 at 40 to 46.

[3255] The increases proposed are limited. The rate for unnumbered items is proposed to increase from the current level of \$1.10 to \$1.30, an increase of 18 percent. The rate for numbered items with values from \$50.01 to \$100.00 is proposed to increase from \$2.00 to \$2.20, an increase of 10 percent. Beyond this, the bulk discounts are

proposed to remain unchanged and the additional charge for each additional \$100 of insurance over the initial \$100 (which also applies to Express Mail insurance above its “free” level) is proposed to remain unchanged. The Postal Service provides actual cost experience for each value level. One classification change is proposed: the value level under which insurance is provided at no additional charge for Express Mail would be reduced from the current level of \$500 to a new level of \$100. This change is discussed with the rates for Express Mail. The cost coverage under the settlement fees is 131.0 percent.

#### 12. Collect on Delivery (Schedule 944)

[3256] Collect on delivery (C.O.D.) is a service a mailer may use to mail merchandise prior to the recipient paying for the item. Upon delivery, the recipient pays for the merchandise plus the applicable C.O.D. fee. The Postal Service then transmits the amount collected back to the sender. C.O.D. mail is insured. USPS-T-37 at 26-31.

[3257] The fees are based on the C.O.D. amount to be collected, or insurance coverage desired for the particular item. No changes in fees are proposed. The current fees result in a cost coverage of 128.1 percent.

#### 13. Return Receipt (Schedule 945)

[3258] Return receipt service is designed to provide customers with proof of delivery of mail. The return receipt customer receives the signature of the recipient, the delivery date, and the address where the mailpiece was delivered if it differs from the address on the mailpiece. A box is checked on the return receipt to indicate if the delivery address is the same as the address on the mailpiece. If Return Receipt is purchased after the time of original mailing, only a copy of the signature is received and no revised address is received.

[3259] “Regular return receipt” can be used with Certified, C.O.D., Registered, Express Mail, and Numbered Insurance. “Return receipt for merchandise” can be used with Priority Mail and Package Services mail.

[3260] The settlement proposal makes changes to all of the return-receipt fees and introduces an electronic return receipt. The basic fee for non-merchandise is proposed to increase from \$1.50 to \$1.75, a 17 percent increase. For merchandise, the increase is from \$2.35 to \$3.00, a 28 percent increase. For return receipts purchased after mailing, the fee is proposed to decrease from \$3.50 down to \$3.25. The new electronic return receipt (which provides information by secure e-mail or on the Internet) must be purchased at the time of mailing. The proposed fee for it is \$1.30. The average coverage for return receipt is 127.6%.

[3261] The new electronic service represents an important addition to the service and allows the use of new, low-cost technologies. The Commission notes that the proposal involves a rearrangement of the fee schedule, which is recommended. The proposed settlement includes separate DMCS sections for regular return receipt and return receipt with merchandise, with conforming changes in section numbers. These changes have no effect on the services involved or on the users of the services.

#### 14. Restricted Delivery (Schedule 946)

[3262] Restricted delivery is a special service that allows a mailer to limit mail delivery to the addressee or the addressee’s authorized agent. The addressee or agent must be an individual (natural person) specified by name. Restricted delivery is only available in conjunction with Certified mail, C.O.D. mail, mail insured for greater than \$50.00, or Registered mail. Restricted delivery is available either at the time of mailing, or after mailing. If purchased after mailing, additional charges may be assessed to cover the cost of contacting the delivery post office. USPS-T-37 at 62-65.

[3263] The fee for restricted delivery is charged in addition to postage and any other applicable fee. The settlement proposes increasing the fee for restricted delivery

from \$3.20 to \$3.50, an increase of 9 percent. The cost coverage in the test year under the proposed rate is 155.0%.

#### 15. Certificate of Mailing (Schedule 947)

[3264] A certificate of mailing provides a mailer with evidence of mailing. It does not provide proof of delivery or insurance against damage or loss. Certificates of mailing are provided on Form 3817 for individual mailpieces, on Form 3877 (firm mailing book) for three or more mailpieces, and on Form 3606 for bulk mailings. A duplicate certificate of mailing is available for a fee at the time of the mailing or upon presentment of the original certificate. USPS-T-37 at 21-25.

[3265] The settlement proposal is summarized in Table 3-8. The cost coverage associated with these rates is 137.7 percent.

**Table 3-8**  
**Summary of Rates for Certificate of Mailing**

	Current	Proposed	Recommended
<b>Individual Pieces</b>			
<b>Original Certificate (Form 3817)</b>	\$0.75	\$0.90	\$0.90
<b>Firm Mailing Book (Form 3877)</b>	0.25	0.30	0.30
<b>Duplicate Copy</b>	0.75	0.90	0.90
<b>Bulk Pieces</b>			
<b>Up to 1,000 Pieces (Form 3606)</b>	3.50	4.50	4.50
<b>Each Additional 1,000 Pieces</b>	0.40	0.50	0.50
<b>Duplicate Copy</b>	0.75	0.90	0.90

Source: Adapted from USPS-T-37 at 22.

## 16. Delivery Confirmation (Schedule 948)

[3266] Delivery confirmation provides a mailer with information about the date and time that an article was delivered, or, if delivery was not successful, the date and time of attempted delivery. Delivery confirmation can be purchased as a manual (retail) or an electronic (commercial) service. In the manual service, a mailing receipt is provided at the time of mailing, and the mailer can access delivery information over the Internet or through the toll-free corporate call management system. Electronic delivery confirmation requires a mailer to apply a barcode to the mailpiece, and provide an electronic manifest to the Postal Service. An electronic link must be established with the Postal Service to exchange electronic acceptance and delivery data. Delivery confirmation is currently available with Priority Mail and Package Services. USPS-T-36 at 31-39.

[3267] The proposal increases each of the fees and makes two classification changes. The first classification change is to limit the usage in Package Services to pieces qualifying as parcels. The second classification change is to allow delivery confirmation to be used with First-Class (excluding Priority) parcels. The manual service fee for these subclasses is proposed to be 55 cents, a 10 percent increase from the current 50 cents. The electronic service fee would increase 8 percent, to 13 cents from the current 12 cents, however the electronic version would be included at no additional charge with the Parcel Select category of Package Services. The manual service fee for Priority Mail would increase 13 percent, to 45 cents from the current 40 cents. The estimated cost coverage on the proposed fees is 135.5 percent.

## 17. Signature Confirmation (Schedule 949)

[3268] Signature confirmation provides a mailer with access to delivery confirmation information and an image of the recipient's signature. It can be purchased as a manual (retail) or an electronic (commercial) service. With the manual service, a numbered receipt is provided at the time of mailing and the mailer can then access

delivery information over the Internet or through the toll-free corporate call center. Electronic signature confirmation requires the mailer to apply a barcode to the mailpiece, and provide an electronic manifest to the Postal Service. Unlike delivery confirmation, users of electronic signature confirmation access delivery information either through the Internet or the corporate call center. Both manual and electronic users have the option of requesting a hard copy of the signature through either facsimile or First-Class Mail. Signature confirmation may be purchased only at the time of mailing and is available only with Priority Mail and Package Services. USPS-T-36 at 68-75.

[3269] The settlement proposal, in line with the Service's original proposal, increases each of the fees and proposes classification changes similar to those in delivery confirmation. In the interests of simplicity, the same fees are proposed for each subclass, even though the cost study shows the costs to be somewhat different. The electronic version is proposed to increase 4 percent, to \$1.30 from the current \$1.25, and the manual version would increase 3 percent, to \$1.80 from the current \$1.75. The classification change limits this service to parcels in Package Services and extends service to parcels in the Letters and Sealed Parcels subclass of First-Class. The cost coverage implied by these changes is 130.0 percent.

#### 18. Parcel Airlift (Schedule 951)

[3270] Parcel airlift provides air transportation of parcels to, from, or between military post offices outside the 48 contiguous states, or between these post offices and the point of embarkation or debarkation for the mail to or from these offices in the 48 contiguous states. The service is available on a space available basis for Package Services Mail up to 30 pounds in weight, or 60 inches in length and girth combined. The proposal is to increase the fees for parcels up to two pounds from \$0.40 to \$0.45, up to three pounds from \$0.75 to \$0.85, up to four pounds from \$1.15 to \$1.25, and over four pounds from \$1.55 to \$1.70. Parcel Airlift fees have not increased since 1995. UPSP-T-38 at 39-43.

[3271] In Docket No. R2000-1, the Postal Service expected no volume or revenue from this service during its test year. It stated customers are choosing Priority Mail over parcel airlift, often at a lower price. It proposed retaining the existing fees for parcel airlift while it considered the ramifications of eventually eliminating the service. Docket No. R2000-1, USPS-T-39 at 88-91.

[3272] The Commission suggests that the Postal Service either consider eliminating PAL, as proposed in Docket No. R2000-1, or develop a cost based approach for its pricing. The absence of a recent fee increase does not provide justification for increasing fees. However, constrained by the terms of the Stipulation and Agreement, and recognizing that the volume is low (8,000 pieces in the test year), the Commission recommends the fee increase suggested by the Postal Service and incorporated into the proposed settlement.

#### 19. Special Handling (Schedule 952)

[3273] Special handling provides preferential handling of a mailpiece during processing and transportation, but does not provide preferential delivery. A mailer may request the service with First-Class Mail, Priority Mail, and Package Services. Special handling is required when shipping honeybees, crickets, or baby poultry using Package Services.

[3274] The proposed settlement incorporates the Postal Service request to increase the Special Handling fee from \$5.40 to \$5.95 for items up to 10 pounds, and from \$7.50 to \$8.25 for items over 10 pounds. The Postal Service states that it does not have reliable cost estimates for this service. It asserts that the increases are fair and equitable because special handling fees have not increased since 1995, and because special handling “customers should not benefit from a constant fee when most customers are incurring substantial increases.” USPS-T-38 at 35-39.

[3275] In Docket No. R97-1, the Postal Service proposed to triple the special handling fees, provoking a negative response from several beekeeper and poultry



organizations. The Commission questioned the accuracy of the IOCS costs reported for special handling and noted the devastating impact that such a large increase in fees could have on small businesses that rely upon this service, a service with few alternatives. The Commission concluded that pending the completion of a special study of costs, no increase could be justified based on the R97-1 record. PRC Op. R97-1, paras. 5989-5997.

[3276] In Docket No. R2000-1, the Commission could not recommend a change to special handling fees because the cost estimates were questionable, and there was not a sufficient record to justify any change.

[3277] In this Docket, R2001-1, the Postal Service still did not present a reliable measure of the costs for this service, but proposed fee increases because the fees have not increased since 1995. By itself, this reasoning would usually not justify fee increases. The Commission again suggests that the Postal Service study the costs. However, constrained by the terms of the Stipulation and Agreement, the Commission recommends the proposed fee increases.

## 20. Stamped Envelopes (Schedule 961)

[3278] Stamped envelopes, *i.e.*, envelopes with postage pre-attached, may be purchased from the Postal Service as individual envelopes, in household quantities of 50, or in bulk quantities of 500. Size 6-3/4, size 10, and intermediate size envelopes are available. Envelope formats include basic (no window), single window, and double window. They may be purchased with printed personalized information, or purchased plain. Envelopes may be printed with different postage values, including pre-cancelled. USPS-T-36 at 80-86.

[3279] Neither the Postal Service nor the settlement agreement proposes any changes to the prices for stamped envelopes. A classification proposal is to eliminate the “Special” category of stamps, which is primarily holograms and patched-in stamps. The Postal Service indicates that it has no plans to order any more envelopes with these

kinds of stamps. The Commission finds this change appropriate and recommends it. The estimated cost coverage on stamped envelopes is 124.6 percent.

## 21. Stamped Cards (Schedule 962)

[3280] Stamped Cards are cards with postage pre-affixed. They are available from the Postal Service for the price of First-Class postage, plus a fee for the card. The proposed settlement provides that the fee for a single card remain at 2 cents, not including postage. Correspondingly, the fees for a double stamped card will remain at 4 cents, and a sheet of 40 stamped cards will remain at 80 cents. USPS-T-36 at 76-79. This results in a proposed total cost coverage of 118.5 percent.

## 22. Money Orders (Schedule 971)

[3281] The Postal Service offers a domestic money order, an APO/FPO (military) money order, and an inquiry service. Traditionally, domestic money order usage has been thought to be weighted toward people with modest income levels, people without checking accounts, or people without credit cards. Postal money orders are popular in rural areas that do not have access to alternative money order services. APO/FPO money orders are generally sold to military personnel at military installations. Both domestic and APO/FPO money orders can be issued up to a maximum amount of \$700. Inquiry service verifies whether a postal money order was cashed, and provides a copy of the paid money order. USPS-T-37 at 35-43. Currently, all money orders, regardless of dollar amount, are \$0.90, except that APO/FPO money orders are \$0.25. The inquiry fee is \$2.75.

[3282] The Postal Service's proposal and the settlement agreement is to increase the maximum size money order to \$1,000 and to change the rate structure. Within the \$1,000 limit, the charge for APO/FPO money orders would remain at \$0.25, the charge

for domestic money orders from \$0.01 to \$500.00 would remain at \$0.90, and the charge for domestic money orders from \$500.01 to \$1,000 would be \$1.25. The inquiry fee would increase to \$3.00. The Postal Service notes that this change in structure is in line with competition since the “highest face value money order sold through commercial alternatives (with the exception of banks) for a single fee is \$500.” *Id.* at 40. It also notes that the two-tier structure allows the fee for smaller money orders to remain unchanged.

[3283] The Commission has considered the resulting cost coverage (162.8 percent) from the change in fee structure. The changes are recommended as proposed.

### 23. Mailing Online (Schedule 981)

[3284] Mailing Online is a three-year experiment under which individuals and businesses transmit documents to the Postal Service via the Internet for printing, finishing, and posting as hard copy mail. The Decision of the Governors of the United States Postal Service on the Recommended Decision of the Postal Rate Commission on Mailing Online Experiment, Docket No. MC2000-2, issued August 7, 2000, approved the Commission’s recommended rates and classifications for this special service.

[3285] The settlement includes a Postal Service proposal to change the name of the service from “Mailing Online” to “NetPost Mailing Online.” USPS-T-36 at 96. There is no record opposition. Therefore, the Commission recommends the name change.

[3286] The Postal Service Request proposed First-Class Mail and Standard Mail classification changes to disaggregate “basic” rate categories into “Mixed AADC” and “AADC” (or Mixed ADC and ADC) rate categories. The Postal Service initially did not propose corresponding classification changes to the basic rates applicable to Mailing Online. In response to POIR-1, the Postal Service corrects this oversight and supports classification changes to Mailing Online to change references from the basic rate category to either the Mixed AADC or Mixed ADC rate categories, as appropriate. See, DMCS §§ 981.22 and 981.23. The Commission recommends these changes.

#### 24. Annual Permit Fees (Schedule 1000)

[3287] The proposed settlement includes fee increases and three classification changes to permits. It proposes to increase the permit fee from \$125 to \$150 for: (1) Business Reply Mail (BRM), (2) Bulk Parcel Return Service, (3) First-Class presort, (4) Merchandise Return, (5) Permit Imprints, (6) Destination Entry Package Services (Parcel Select and Bound Printed Matter), (7) Media Mail and Library Mail presort, (8) Standard Mail, and (9) certifying systems as functionally equivalent to NetPost Mailing Online. USPS-T-37 at 52-55. The Commission recommends the increase to \$150 for permits that allow access to other services. The Commission also recommends grouping all permit fees under Fee Schedule 1000.

[3288] The settlement also proposes changes to the Periodicals applications fees contained in Fee Schedule 1000. It proposes to increase the original entry fee from \$350 to \$375, to hold the re-entry fee and the registration fee for news agents unchanged at \$40, and to increase the additional entry fee to \$60 from the current level of \$50. *Id.* at 49-52. These fees result in a cost coverage of 114.1 percent.

#### 25. Annual Accounting Fees (Schedule 1000)

[3289] Accounting fees are charged annually for advance deposits associated with Business Reply Mail (Schedule 931), Merchandise Return Service (Schedule 932), Bulk Parcel Return Service (Schedule 935), and Shipper Paid Forwarding (Schedule 936). All of the fees are the same, based on a cost study done for business reply mail. The proposal is to increase them to \$475.00 from the current level of \$375, a 27 percent increase. The implied cost coverage is 121.5 percent. These fees are currently shown on Rate Schedule 1000. The proposed settlement places them with the relevant services so that all of the fees and expenses associated with that service are in one place. The Commission recommends these changes as proposed.

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

*Before Commissioners:* George A. Omas, Chairman;  
Ruth Y. Goldway, Vice Chairman;  
Dana B. "Danny" Covington

Postal Rate and Fee Changes, 2001

Docket No. R2001-1

RECOMMENDED DECISION

(Issued March 22, 2002)

A full public hearing having been held in the above-entitled proceeding, and the Commission, upon consideration of the record, having issued its Opinion, which is attached hereto and made a part hereof,

IT IS ORDERED:

1. That the Commission's Opinion be transmitted to the Governors of the Postal Service and that the Governors thereby be advised that:
  - a. The rates of postage and fees for postal services set forth in Appendix One hereof are in accordance with the policies of title 39 of the United States Code and the factors set forth in § 3622(b) thereof; and they are hereby recommended to the Governors for approval.
  - b. The proposed amendments to the Domestic Mail Classification Schedule set forth in Appendix Two are in accordance with the policies of title 39 of the United States Code and the factors set forth in § 3623(c) thereof; and they are hereby recommended to the Governors for approval.

Docket No. R2001-1

2. Except to the extent granted or otherwise disposed of herein, all motions, exceptions, and other outstanding requests filed in Docket No. R2001-1 hereby are denied.

By the Commission.

(S E A L)

Steven W. Williams  
Secretary

**EXPRESS MAIL  
SCHEDULES 121, 122 AND 123**

<b>Weight (lbs.)</b>	<b>Schedule 121 Same Day Airport Service</b>	<b>Schedule 122 Custom Designed</b>	<b>Schedule 123 Next Day &amp; Second Day PO to PO</b>	<b>Schedule 123 Next Day &amp; Second Day PO to Addressee</b>
0.5		\$10.70	\$10.40	\$13.65
1		14.90	14.60	17.85
2		14.90	14.60	17.85
3		18.10	17.80	21.05
4		21.25	20.95	24.20
5		24.35	24.05	27.30
6		27.45	27.15	30.40
7		30.50	30.20	33.45
8		31.80	31.50	34.75
9		33.25	32.95	36.20
10		34.55	34.25	37.50
11		36.25	35.95	39.20
12		38.90	38.60	41.85
13		40.80	40.50	43.75
14		41.85	41.55	44.80
15		43.15	42.85	46.10
16		44.70	44.40	47.65
17		46.20	45.90	49.15
18		47.60	47.30	50.55
19		49.05	48.75	52.00
20		50.50	50.20	53.45
21		51.95	51.65	54.90
22		53.40	53.10	56.35
23		54.90	54.60	57.85
24		56.30	56.00	59.25
25		57.70	57.40	60.65
26		59.20	58.90	62.15
27		60.60	60.30	63.55
28		62.10	61.80	65.05
29		63.55	63.25	66.50
30		65.00	64.70	67.95
31		66.45	66.15	69.40
32		67.95	67.65	70.90
33		69.30	69.00	72.25
34		70.85	70.55	73.80
35		72.20	71.90	75.15
36		73.75	73.45	76.70
37		75.40	75.10	78.35
38		77.20	76.90	80.15
39		78.95	78.65	81.90
40		80.75	80.45	83.70
41		82.55	82.25	85.50
42		84.40	84.10	87.35
43		86.10	85.80	89.05
44		87.85	87.55	90.80
45		89.45	89.15	92.40
46		90.80	90.50	93.75
47		92.45	92.15	95.40
48		93.90	93.60	96.85
49		95.30	95.00	98.25
50		96.80	96.50	99.75

**EXPRESS MAIL  
SCHEDULES 121, 122 AND 123 (continued)**

<b>Weight (lbs.)</b>	<b>Schedule 121 Same Day Airport Service</b>	<b>Schedule 122 Custom Designed</b>	<b>Schedule 123 Next Day &amp; Second Day PO to PO</b>	<b>Schedule 123 Next Day &amp; Second Day PO to Addressee</b>
51		\$98.40	\$98.10	\$101.35
52		99.80	99.50	102.75
53		101.35	101.05	104.30
54		102.80	102.50	105.75
55		104.30	104.00	107.25
56		105.85	105.55	108.80
57		107.30	107.00	110.25
58		108.85	108.55	111.80
59		110.45	110.15	113.40
60		112.20	111.90	115.15
61		114.10	113.80	117.05
62		115.85	115.55	118.80
63		117.55	117.25	120.50
64		119.50	119.20	122.45
65		121.20	120.90	124.15
66		123.10	122.80	126.05
67		124.80	124.50	127.75
68		126.70	126.40	129.65
69		128.45	128.15	131.40
70		130.25	129.95	133.20

**SCHEDULES 121, 122 AND 123 NOTES**

1. The applicable 1/2-pound rate is charged for matter sent in a flat-rate envelope provided by the Postal Service.
2. Add \$12.50 for each pickup stop.
3. Add \$12.50 for each Custom Designed delivery stop.



**FIRST-CLASS MAIL  
RATE SCHEDULE 221**

**LETTERS AND SEALED PARCELS**

	<b>Rate</b>
<b>Single-Piece</b>	
First Ounce	\$ 0.370
Additional ounces	0.230
Nonmachinable surcharge	0.120
Qualified Business Reply Mail	0.340
<b>Presorted</b>	
First ounce	0.352
Additional ounces	0.225
Nonmachinable surcharge	0.055
Heavy piece discount, per-piece	0.041
<b>Automation Letters</b>	
Mixed AADC	0.309
AADC	0.301
3-digit	0.292
5-digit	0.278
Carrier route	0.275
Additional ounces	0.225
Heavy piece discount, per-piece	0.041
<b>Automation Flats</b>	
Mixed ADC	0.341
ADC	0.333
3-digit	0.322
5-digit	0.302
Additional ounces	0.225
Nonmachinable surcharge	0.055
Heavy piece discount, per-piece	0.041

**SCHEDULE 221 NOTES**

1. A mailing fee of \$150.00 must be paid once each year at each office of mailing by any person who mails at presorted or automation rates. Payment of the fee allows the mailer to mail at any First-Class Mail rate. For presorted or automation pieces weighing more than 2 ounces, subtract 4.1 cents per-piece.
2. First-Class Mail rates apply through 13 ounces. Heavier pieces are subject to Priority Mail rates.

**FIRST-CLASS MAIL  
RATE SCHEDULE 222**

**CARDS**

	<b>Rate</b>
<b>Regular</b>	
Single-piece cards	\$ 0.230
Qualified Business Reply Mail	0.200
<b>Presorted</b>	0.212
<b>Automation</b>	
Mixed AADC	0.194
AADC	0.187
3-digit	0.183
5-digit	0.176
Carrier route	0.170

**SCHEDULE 222 NOTES**

1. A mailing fee of \$150.00 must be paid once each year at each office of mailing by any person who mails at presorted or automation rates. Payment of the fee allows the mailer to mail at any First-Class Mail rate.

**FIRST-CLASS MAIL  
SCHEDULE 223**

**PRIORITY MAIL**

Weight (lbs.)	Local, Zones 1, 2 & 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
1	\$3.85	\$3.85	\$3.85	\$3.85	\$3.85	\$3.85
2	3.95	4.55	4.90	5.05	5.40	5.75
3	4.75	6.05	6.85	7.15	7.85	8.55
4	5.30	7.05	8.05	8.50	9.45	10.35
5	5.85	8.00	9.30	9.85	11.00	12.15
6	6.30	8.85	9.90	10.05	11.30	12.30
7	6.80	9.80	10.65	11.00	12.55	14.05
8	7.35	10.75	11.45	11.95	13.80	15.75
9	7.90	11.70	12.20	12.90	15.05	17.50
10	8.40	12.60	13.00	14.00	16.30	19.20
11	8.95	13.35	13.75	15.15	17.55	20.90
12	9.50	14.05	14.50	16.30	18.80	22.65
13	10.00	14.75	15.30	17.50	20.05	24.35
14	10.55	15.45	16.05	18.60	21.25	26.05
15	11.05	16.20	16.85	19.75	22.50	27.80
16	11.60	16.90	17.60	20.85	23.75	29.50
17	12.15	17.60	18.35	22.05	25.00	31.20
18	12.65	18.30	19.30	23.15	26.25	32.95
19	13.20	19.00	20.20	24.30	27.50	34.65
20	13.75	19.75	21.15	25.35	28.75	36.40
21	14.25	20.45	22.05	26.55	30.00	38.10
22	14.80	21.15	22.95	27.65	31.20	39.80
23	15.30	21.85	23.90	28.80	32.45	41.55
24	15.85	22.55	24.85	29.90	33.70	43.25
25	16.40	23.30	25.75	31.10	34.95	44.95
26	16.90	24.00	26.60	32.25	36.20	46.70
27	17.45	24.70	27.55	33.35	37.45	48.40
28	18.00	25.40	28.50	34.50	38.70	50.15
29	18.50	26.15	29.45	35.60	39.95	51.85
30	19.05	26.85	30.35	36.80	41.20	53.55
31	19.55	27.55	31.20	37.85	42.40	55.30
32	20.10	28.25	32.15	39.00	43.65	57.00
33	20.65	28.95	33.10	40.10	44.90	58.70
34	21.15	29.70	34.00	41.25	46.15	60.45
35	21.70	30.40	34.95	42.40	47.40	62.15
36	22.25	31.10	35.85	43.55	48.65	63.85
37	22.75	31.95	36.80	44.65	49.90	65.60
38	23.30	32.65	37.70	45.85	51.15	67.30
39	23.75	33.50	38.65	47.00	52.40	69.05
40	24.25	34.30	39.60	48.10	53.60	70.75

**PRIORITY MAIL (continued)**

Weight (lbs.)	Local, Zones 1, 2 & 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
41	24.70	35.00	40.45	49.25	54.85	72.45
42	25.20	35.85	41.35	50.30	56.15	74.20
43	25.65	36.60	42.30	51.50	57.40	75.90
44	26.15	37.40	43.25	52.60	58.70	77.60
45	26.60	38.20	44.15	53.75	59.95	79.35
46	27.10	39.00	45.05	54.85	61.20	81.05
47	27.55	39.75	46.00	56.05	62.50	82.75
48	28.05	40.60	46.95	57.20	63.75	84.50
49	28.50	41.35	47.80	58.30	65.05	86.20
50	28.95	42.15	48.75	59.45	66.30	87.95
51	29.45	42.95	49.65	60.55	67.55	89.65
52	29.90	43.75	50.60	61.75	68.80	91.35
53	30.40	44.50	51.50	62.85	70.05	93.10
54	30.85	45.25	52.45	63.95	71.30	94.80
55	31.35	46.10	53.40	65.05	72.50	96.50
56	31.80	46.85	54.25	66.25	73.75	98.25
57	32.30	47.65	55.15	67.35	75.00	99.95
58	32.75	48.45	56.10	68.50	76.25	101.65
59	33.25	49.25	57.05	69.60	77.50	103.40
60	33.70	50.00	58.00	70.80	78.75	105.10
61	34.20	50.85	58.85	71.95	80.00	106.85
62	34.65	51.55	59.80	73.05	81.25	108.55
63	35.15	52.40	60.75	74.20	82.50	110.25
64	35.60	53.20	61.70	75.35	83.70	112.00
65	36.10	53.90	62.50	76.45	84.95	113.70
66	36.55	54.75	63.45	77.55	86.20	115.40
67	37.05	55.60	64.40	78.70	87.45	117.15
68	37.50	56.30	65.35	79.80	88.70	118.85
69	38.00	57.10	66.25	81.00	89.95	120.55
70	38.45	57.95	67.15	82.10	91.20	122.30

**SCHEDULE 223 NOTES**

1. The 1-pound rate is charged for matter sent in a flat-rate envelope provided by the Postal Service.
2. Add \$12.50 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 presorts receive the applicable discounts of 12, 16, or 25 cents per-piece, respectively (experimental). A \$150.00 annual presort fee applies.

**STANDARD MAIL  
RATE SCHEDULE 321A**

**REGULAR  
PRESORTED CATEGORIES**

	<b>Rate</b>
<b>Letter, minimum piece rate</b>	
Piece Rate	
Basic	\$ 0.268
3/5-digit	0.248
Destination Entry Discounts	
BMC	0.021
SCF	0.026
 <b>Nonletters, minimum piece rate</b>	
Piece Rate	
Basic	0.344
3/5-digit	0.288
Destination Entry Discounts	
BMC	0.021
SCF	0.026
 <b>Nonletters, piece and pound rate</b>	
Piece Rate	
Basic	0.198
3/5-digit	0.142
Pound Rate	0.708
Destination Entry Discounts (off pound rate)	
BMC	0.100
SCF	0.125

**SCHEDULE 321A NOTES**

1. A fee of \$150.00 must be paid each 12-month period for each bulk mailing permit.
2. Residual shape pieces are subject to a surcharge of \$0.23 per-piece. For parcel barcode discount, deduct \$0.03 per-piece (machinable parcels only).
3. For nonletters, the mailer pays either the minimum piece rate or the pound rate, whichever is higher.
4. Nonmachinable letters are subject to a \$0.04 nonmachinable surcharge.

**STANDARD MAIL  
RATE SCHEDULE 321B**

**REGULAR  
AUTOMATION CATEGORIES**

	<b>Rate</b>
<b>Letters, minimum piece rate</b>	
Piece Rate	
Mixed AADC	\$ 0.219
AADC	0.212
3-digit	0.203
5-digit	0.190
Destination Entry Discounts	
BMC	0.021
SCF	0.026
<b>Flats, minimum piece rate</b>	
Piece Rate	
Basic	0.300
3/5-digit	0.261
Destination Entry Discounts	
BMC	0.021
SCF	0.026
<b>Flats, piece and pound rate</b>	
Piece Rate	
Basic	0.154
3/5-digit	0.115
Pound Rate	0.708
Destination Entry Discounts (off pound rate)	
BMC	0.100
SCF	0.125



**SCHEDULE 321B NOTES**

1. A fee of \$150.00 must be paid once each 12-month period for each bulk mailing permit.
2. Letters that weigh more than 3.3 ounces but not more than 3.5 ounces pay the nonletter piece and pound rate but receive a discount off the piece rate equal to the applicable nonletter minimum piece rate minus the applicable letter minimum piece rate corresponding to the correct presort tier.
3. For nonletters, the mailer pays either the minimum piece rate or the pound rate, whichever is higher.

**STANDARD MAIL  
RATE SCHEDULE 322**

**ENHANCED CARRIER ROUTE**

	<b>Rate</b>
<b>Letters, minimum piece rate</b>	
Piece Rate	
Basic	\$ 0.194
High density	0.164
Saturation	0.152
Automation Basic	0.171
Destination Entry Discounts	
BMC	0.021
SCF	0.026
DDU	0.032
<b>Nonletters, minimum piece rate</b>	
Piece Rate	
Basic	0.194
High density	0.169
Saturation	0.160
Destination Entry Discounts	
BMC	0.021
SCF	0.026
DDU	0.032
<b>Nonletters, piece and pound rate</b>	
Piece Rate	
Basic	0.068
High density	0.043
Saturation	0.034
Pound Rate	0.610
Destination Entry Discounts (off pound rate)	
BMC	0.100
SCF	0.125
DDU	0.157

**SCHEDULE 322 NOTES**

1. A fee of \$150.00 must be paid each 12-month period for each bulk mailing permit.
2. Residual shape pieces are subject to a surcharge of \$0.20 per-piece.
3. For nonletters, the mailer pays either the minimum piece rate or the pound rate, whichever is higher.
4. Pieces that otherwise meet the requirements for basic automation, high density, and saturation letter rates that weigh more than 3.3 ounces but not more than 3.5 ounces pay the nonletter piece and pound rate but receive a discount off the piece rate equal to the applicable nonletter minimum piece rate minus the applicable letter minimum piece rate corresponding to the correct presort tier.
5. For letter-size pieces, not meeting the automation requirements specified by the Postal Service, the mailer pays the nonletter rate for the applicable density tier.

**STANDARD MAIL  
RATE SCHEDULE 323A**

**NONPROFIT  
PRESORTED CATEGORIES**

	<b>Rate</b>
<b>Letters, minimum piece rate</b>	
Piece Rate	
Basic	\$ 0.165
3/5-digit	0.153
Destination Entry Discounts	
BMC	0.021
SCF	0.026
<b>Nonletters, minimum piece rate</b>	
Piece Rate	
Basic	0.230
3/5-digit	0.183
Destination Entry Discounts	
BMC	0.021
SCF	0.026
<b>Nonletters, piece and pound rate</b>	
Piece Rate	
Basic	0.110
3/5-digit	0.063
Pound Rate	0.584
Destination Entry Discounts (off pound rate)	
BMC	0.100
SCF	0.125

**SCHEDULE 323A NOTES**

1. A fee of \$150.00 must be paid each 12-month period for each bulk mailing permit.
2. Residual shape pieces are subject to a surcharge of \$0.23 per-piece. For parcel barcode discount, deduct \$0.03 per-piece (nonmachinable parcels only).
3. For nonletters, the mailer pays either the minimum piece rate or the pound rate, whichever is higher.
4. Nonmachinable letters are subject to a \$0.02 nonmachinable surcharge.

**STANDARD MAIL  
RATE SCHEDULE 323B**

**NONPROFIT  
AUTOMATION CATEGORIES**

	<b>Rate</b>
<b>Letters, minimum piece rate</b>	
Piece Rate	
Mixed AADC	\$ 0.144
AADC	0.136
3-digit	0.129
5-digit	0.114
Destination Entry Discounts	
BMC	0.021
SCF	0.026
<b>Flats, minimum piece rate</b>	
Piece Rate	
Basic	0.189
3/5-digit	0.166
Destination Entry Discounts	
BMC	0.021
SCF	0.026
<b>Flats, piece and pound rate</b>	
Piece Rate	
Basic	0.069
3/5-digit	0.046
Pound Rate	0.584
Destination Entry Discounts (off pound rate)	
BMC	0.100
SCF	0.125

**SCHEDULE 323B NOTES**

1. A fee of \$150.00 must be paid each 12-month period for each bulk mailing permit.
2. Letters that weigh more than 3.3 ounces but not more than 3.5 ounces pay the nonletter piece and pound rate but receive a discount off the piece rate equal to the applicable nonletter minimum piece rate minus the applicable letter minimum piece rate corresponding to the correct presort tier.
3. For nonletters, the mailer pays either the minimum piece rate or the pound rate, whichever is higher.

**STANDARD MAIL  
RATE SCHEDULE 324**

**NONPROFIT ENHANCED CARRIER ROUTE**

	<b>Rate</b>
<b>Letters, minimum piece rate</b>	
Piece Rate	
Basic	\$ 0.126
High density	0.102
Saturation	0.095
Automation Basic	0.111
Destination Entry Discounts	
BMC	0.021
SCF	0.026
DDU	0.032
 <b>Nonletters, minimum piece rate</b>	
Piece Rate	
Basic	0.126
High density	0.110
Saturation	0.104
Destination Entry Discounts	
BMC	0.021
SCF	0.026
DDU	0.032
 <b>Nonletters, piece and pound rate</b>	
Piece Rate	
Basic	0.050
High density	0.034
Saturation	0.028
Pound Rate	0.370
Destination Entry Discounts (off pound rate)	
BMC	0.100
SCF	0.125
DDU	0.157

**SCHEDULE 324 NOTES**

1. A fee of \$150.00 must be paid each 12-month period for each bulk mailing permit.
2. Residual shape pieces are subject to a surcharge of \$0.20 per-piece.
3. For nonletters, the mailer pays either the minimum piece rate or the pound rate, whichever is higher.
4. Pieces that otherwise meet the requirements for basic automation, high density, and saturation letter rates that weigh more than 3.3 ounces but not more than 3.5 ounces pay the nonletter piece and pound rate but receive a discount off the piece rate equal to the applicable nonletter minimum piece rate minus the applicable letter minimum piece rate corresponding to the correct density tier.
5. For letter-size pieces, not meeting the automation requirements specified by the Postal Service, the mailer pays the nonletter rate for the applicable density tier.



**PERIODICALS  
RATE SCHEDULE 421**

**OUTSIDE COUNTY (INCLUDING SCIENCE OF AGRICULTURE)**

	Postage Rate Unit	Rate
<b>Outside County</b>		
<b>Advertising</b>		
Destinating delivery unit	Pound	\$ 0.158
Destinating SCF	Pound	0.203
Destinating ADC	Pound	0.223
Zones 1 & 2	Pound	0.248
Zone 3	Pound	0.267
Zone 4	Pound	0.315
Zone 5	Pound	0.389
Zone 6	Pound	0.466
Zone 7	Pound	0.559
Zone 8	Pound	0.638
<b>Nonadvertising</b>		0.193
<b>Science of Agriculture</b>		
<b>Advertising</b>		
Delivery unit	Pound	0.119
SCF	Pound	0.152
DADC	Pound	0.167
Zones 1 & 2	Pound	0.186
Zone 3	Pound	0.267
Zone 4	Pound	0.315
Zone 5	Pound	0.389
Zone 6	Pound	0.466
Zone 7	Pound	0.559
Zone 8	Pound	0.638
<b>Nonadvertising</b>		0.193
<b>Outside County and Science of Agriculture</b>		
<b>Basic</b>		
Nonautomation	Piece	0.373
Automation letter	Piece	0.281
Automation flat	Piece	0.325
<b>3-Digit</b>		
Nonautomation	Piece	0.324
Automation letter	Piece	0.249
Automation flat	Piece	0.283

**OUTSIDE COUNTY (INCLUDING SCIENCE OF AGRICULTURE)**

**5-Digit**

Nonautomation	Piece	\$ 0.256
Automation letter	Piece	0.195
Automation flat	Piece	0.226

**Carrier Route**

Basic	Piece	0.163
High density	Piece	0.131
Saturation	Piece	0.112

**Discounts**

Percentage editorial discount	Piece	0.00074
Worksharing discount DDU	Piece	0.018
Worksharing discount DSCF	Piece	0.008
Worksharing discount DADC	Piece	0.002
Worksharing discount pallets	Piece	0.005
Worksharing dropship pallet discount		0.010

**SCHEDULE 421 NOTES**

1. The rates in this schedule also apply to Nonprofit (DMCS Section 422.2) and Classroom rate categories. These categories receive a 5 percent discount on all components of postage except advertising pounds. Moreover, the 5 percent discount does not apply to commingled nonsubscriber, nonrequestor, complimentary, and sample copies in excess of the 10 percent allowance under DMCS sections 412.34 and 413.42, or to Science of Agriculture mail.
2. Rates do not apply to otherwise Outside County mail that qualifies for the Within County rates in Schedule 423.
3. Charges are computed by adding the appropriate per-piece charge to the sum of the nonadvertising pound portion and the advertising pound portion, as applicable.
4. For postage calculations, multiply the proportion of nonadvertising content by this factor and subtract from the applicable piece rate.
5. Advertising pound rate is not applicable to qualifying Nonprofit and Classroom publications containing 10 percent or less advertising content.
6. For a Ride-Along item enclosed with or attached to a periodical, add \$0.124 per copy.

**PERIODICALS  
RATE SCHEDULE 423**

**WITHIN COUNTY**

	<b>Postage Rate Unit</b>	<b>Rate</b>
Delivery Unit	Pound	\$ 0.112
All Other Zones	Pound	0.146
 <b>Basic</b>		
Nonautomation	Piece	0.106
Automation letter	Piece	0.050
Automation flat	Piece	0.077
 <b>3-Digit</b>		
Nonautomation	Piece	0.097
Automation letter	Piece	0.048
Automation flat	Piece	0.073
 <b>5-Digit</b>		
Nonautomation	Piece	0.087
Automation letter	Piece	0.046
Automation flat	Piece	0.067
 <b>Carrier Route</b>		
Basic	Piece	0.050
High density	Piece	0.034
Saturation	Piece	0.028
 <b>Discounts</b>		
Worksharing discount DDU	Piece	0.006

**SCHEDULE 423 NOTES**

1. Charges are computed by adding the appropriate per-piece charge to the appropriate pound charge.
2. For a Ride-Along item enclosed with or attached to a periodical, add \$0.124 per copy.

**PACKAGE SERVICES  
RATE SCHEDULE 521.2A**

**PARCEL POST  
INTER-BMC RATES**

Weight (lbs.)	Zones						
	1 & 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
1	\$3.69	\$3.75	\$3.75	\$3.75	\$3.75	\$3.75	\$3.75
2	3.85	3.85	4.14	4.14	4.49	4.49	4.49
3	4.65	4.65	5.55	5.65	5.71	5.77	6.32
4	4.86	5.20	6.29	6.93	7.14	7.20	7.87
5	5.03	5.71	6.94	7.75	8.58	8.64	9.43
6	5.63	6.01	7.44	8.50	9.52	9.90	11.49
7	5.80	6.28	7.91	9.20	10.35	11.39	12.83
8	5.98	6.53	8.30	9.84	11.11	12.54	15.04
9	6.11	6.76	8.74	10.45	11.83	13.38	17.04
10	6.28	7.57	9.10	11.01	12.50	14.17	18.14
11	6.41	7.80	9.47	11.54	13.13	14.92	19.15
12	6.54	8.01	9.80	12.04	13.72	15.62	20.10
13	6.67	8.19	10.12	12.51	14.28	16.27	20.99
14	6.80	8.42	10.43	12.95	14.81	16.90	21.84
15	6.92	8.61	10.73	13.38	15.31	17.49	22.64
16	7.02	8.79	11.00	13.78	15.79	18.05	23.41
17	7.15	8.94	11.28	14.16	16.24	18.59	24.13
18	7.25	9.11	11.52	14.52	16.68	19.09	24.82
19	7.37	9.28	11.77	14.87	17.09	19.58	25.48
20	7.46	9.43	11.98	15.20	17.48	20.05	26.12
21	7.57	9.59	12.20	15.52	17.86	20.49	26.72
22	7.66	9.72	12.42	15.82	18.22	20.92	27.30
23	7.76	9.89	12.65	16.11	18.57	21.32	27.85
24	7.83	10.01	12.83	16.39	18.90	21.72	28.39
25	7.93	10.14	13.03	16.66	19.22	22.09	28.90
26	8.01	10.27	13.21	16.92	19.53	22.46	29.39
27	8.11	10.40	13.38	17.17	19.83	22.81	29.87
28	8.18	10.52	13.58	17.41	20.11	23.14	30.32
29	8.27	10.65	13.75	17.64	20.39	23.47	30.76
30	8.35	10.76	13.90	17.87	20.65	23.78	31.19
31	8.44	10.86	14.06	18.08	20.91	24.08	31.60
32	8.50	10.99	14.22	18.29	21.16	24.37	32.00
33	8.58	11.10	14.38	18.49	21.40	24.65	32.38
34	8.66	11.18	14.51	18.69	21.63	24.93	32.75
35	8.74	11.30	14.66	18.88	21.85	25.19	33.11
36	8.80	11.39	14.82	19.06	22.07	25.45	33.45
37	8.87	11.48	14.93	19.23	22.28	25.69	33.79
38	8.94	11.60	15.07	19.41	22.48	25.93	34.12
39	9.02	11.67	15.19	19.57	22.68	26.17	34.43
40	9.09	11.78	15.32	19.73	22.87	26.39	34.74

**PARCEL POST  
INTER-BMC RATES (continued)**

Weight (lbs.)	Zones 1 & 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
41	\$9.17	\$11.88	\$15.44	\$19.89	\$23.06	\$26.61	\$35.04
42	9.23	11.96	15.56	20.04	23.24	26.82	35.33
43	9.28	12.05	15.68	20.19	23.41	27.03	35.61
44	9.35	12.12	15.79	20.33	23.58	27.23	35.88
45	9.41	12.22	15.91	20.47	23.75	27.43	36.14
46	9.48	12.30	16.02	20.61	23.91	27.62	36.40
47	9.56	12.39	16.12	20.74	24.06	27.80	36.65
48	9.61	12.47	16.24	20.86	24.22	27.98	36.89
49	9.66	12.55	16.34	20.99	24.36	28.15	37.13
50	9.72	12.61	16.42	21.11	24.51	28.32	37.36
51	9.79	12.70	16.54	21.23	24.65	28.49	37.59
52	9.84	12.78	16.63	21.34	24.79	28.65	37.80
53	9.91	12.84	16.70	21.45	24.92	28.81	38.02
54	9.96	12.94	16.81	21.56	25.05	28.96	38.22
55	10.01	12.97	16.91	21.67	25.17	29.11	38.43
56	10.09	13.08	16.99	21.77	25.30	29.25	38.62
57	10.14	13.14	17.09	21.87	25.42	29.39	38.82
58	10.19	13.21	17.16	21.97	25.53	29.53	39.00
59	10.26	13.27	17.26	22.07	25.65	29.67	39.19
60	10.31	13.34	17.35	22.16	25.76	29.80	39.36
61	10.39	13.43	17.42	22.25	25.87	29.92	39.54
62	10.44	13.48	17.50	22.34	25.97	30.05	39.71
63	10.47	13.56	17.59	22.43	26.08	30.17	39.87
64	10.52	13.61	17.66	22.51	26.18	30.29	40.03
65	10.58	13.68	17.74	22.60	26.28	30.41	40.19
66	10.65	13.75	17.81	22.68	26.37	30.52	40.35
67	10.71	13.81	17.89	22.76	26.47	30.63	40.50
68	10.75	13.87	17.98	22.84	26.56	30.74	40.64
69	10.80	13.92	18.05	22.91	26.65	30.84	40.79
70	10.86	14.00	18.12	22.98	26.74	30.95	40.93
Oversized	41.70	46.73	54.12	65.84	79.69	92.81	120.72

**SCHEDULE 521.2A NOTES**

1. For Origin Bulk Mail Center (OBMC) Presort Discount, deduct \$1.17 per-piece.
2. For BMC Presort discount, deduct \$0.28 per-piece.
3. For barcode discount, deduct \$0.03 per-piece (machinable parcels only).
4. For nonmachinable parcels, add \$2.75 per-piece.
5. Regardless of weight, any piece that measures more than 108 inches (but not more than 130 inches) in combined length and girth must pay the oversized rate.
6. Pieces exceeding 84 inches in length and girth combined and weighing less than 15 pounds are subject to a rate equal to that for a 15-pound parcel for the zone to which the parcel is addressed.
7. For each pickup stop, add \$12.50.

**PACKAGE SERVICES  
RATE SCHEDULE 521.2B**

**PARCEL POST  
INTRA-BMC RATES**

Weight (lbs.)	Local Zone	Zones 1 & 2	Zone 3	Zone 4	Zone 5
1	\$2.81	\$2.96	\$2.99	\$3.05	\$3.14
2	3.13	3.53	3.56	3.63	3.74
3	3.44	4.08	4.11	4.20	4.32
4	3.73	4.28	4.62	4.72	4.86
5	3.99	4.45	5.02	5.15	5.35
6	4.23	4.61	5.38	5.51	5.80
7	4.36	4.76	5.69	5.84	6.21
8	4.46	5.33	5.98	6.14	6.60
9	4.56	5.46	6.22	6.45	6.95
10	4.66	5.63	6.53	6.74	7.28
11	4.74	5.76	6.74	7.00	7.58
12	4.84	5.91	6.94	7.26	7.87
13	4.92	6.04	7.10	7.50	8.13
14	5.00	6.16	7.22	7.75	8.38
15	5.08	6.27	7.39	7.96	8.62
16	5.17	6.38	7.56	8.16	8.84
17	5.23	6.51	7.72	8.38	9.05
18	5.30	6.60	7.87	8.57	9.24
19	5.36	6.72	8.02	8.75	9.43
20	5.46	6.82	8.16	8.91	9.60
21	5.51	6.91	8.30	9.06	9.77
22	5.57	7.02	8.42	9.20	9.92
23	5.64	7.10	8.58	9.34	10.07
24	5.70	7.19	8.70	9.46	10.22
25	5.77	7.27	8.82	9.58	10.35
26	5.82	7.37	8.93	9.71	10.48
27	5.88	7.45	9.06	9.82	10.60
28	5.94	7.52	9.18	9.91	10.72
29	6.01	7.61	9.30	10.02	10.83
30	6.08	7.69	9.40	10.12	10.93
31	6.13	7.77	9.48	10.21	11.04
32	6.18	7.86	9.60	10.31	11.13
33	6.25	7.92	9.70	10.39	11.23
34	6.30	8.00	9.78	10.47	11.31
35	6.35	8.06	9.89	10.55	11.40
36	6.40	8.13	9.97	10.62	11.48
37	6.44	8.22	10.06	10.70	11.56
38	6.49	8.28	10.15	10.77	11.63
39	6.56	8.36	10.25	10.83	11.70
40	6.61	8.41	10.32	10.89	11.77

**PARCEL POST  
INTRA-BMC RATES (continued)**

Weight (lbs.)	Local Zone	Zones 1 & 2	Zone 3	Zone 4	Zone 5
41	\$6.67	\$8.50	\$10.43	\$10.95	\$11.84
42	6.72	8.55	10.50	11.02	11.90
43	6.77	8.61	10.58	11.08	11.95
44	6.84	8.68	10.66	11.14	12.00
45	6.88	8.73	10.73	11.30	12.05
46	6.92	8.82	10.82	11.35	12.10
47	6.98	8.89	10.88	11.40	12.15
48	7.03	8.94	10.97	11.44	12.20
49	7.07	9.01	11.04	11.49	12.25
50	7.12	9.04	11.11	11.53	12.30
51	7.18	9.13	11.17	11.58	12.35
52	7.21	9.19	11.27	11.62	12.40
53	7.26	9.22	11.32	11.65	12.45
54	7.32	9.28	11.36	11.70	12.50
55	7.37	9.34	11.40	11.75	12.55
56	7.40	9.40	11.44	11.79	12.60
57	7.45	9.47	11.46	11.81	12.65
58	7.50	9.52	11.50	11.85	12.70
59	7.55	9.57	11.53	11.89	12.75
60	7.57	9.64	11.56	11.91	12.80
61	7.66	9.70	11.59	11.95	12.85
62	7.68	9.75	11.62	12.01	12.90
63	7.73	9.80	11.64	12.08	12.95
64	7.78	9.86	11.66	12.13	13.00
65	7.82	9.91	11.70	12.19	13.05
66	7.85	9.98	11.72	12.26	13.10
67	7.92	10.04	11.75	12.33	13.15
68	7.96	10.06	11.76	12.37	13.20
69	7.97	10.13	11.78	12.44	13.25
70	7.98	10.18	11.81	12.50	13.30
Oversized	23.78	34.47	34.79	35.48	36.53

**SCHEDULE 521.2B NOTES**

1. For barcode discount, deduct \$0.03 per-piece (machinable parcels only).
2. For nonmachinable parcels, add \$1.35 per-piece.
3. Regardless of weight, any piece that measures more than 108 inches (but not more than 130 inches) in combined length and girth must pay the oversized rate.
4. Pieces exceeding 84 inches in length and girth combined and weighing less than 15 pounds are subject to a rate equal to that for a 15-pound parcel for the zone to which the parcel is addressed.
5. For each pickup stop, add \$12.50.



**PACKAGE SERVICES  
RATE SCHEDULE 521.2C**

**PARCEL POST  
PARCEL SELECT DESTINATION BULK MAIL CENTER RATES**

Weight (lbs.)	Zones 1 & 2	Zone 3	Zone 4	Zone 5
1	\$2.01	\$2.26	\$2.49	\$3.09
2	2.24	2.76	3.19	3.69
3	2.49	3.27	3.84	4.28
4	2.72	3.75	4.41	4.81
5	2.94	4.20	4.82	5.30
6	3.15	4.60	5.16	5.75
7	3.34	4.96	5.47	6.18
8	3.53	5.32	5.76	6.56
9	3.71	5.64	6.05	6.91
10	3.88	5.97	6.71	7.24
11	4.04	6.27	6.96	7.54
12	4.20	6.56	7.22	7.84
13	4.35	6.80	7.46	8.10
14	4.50	6.92	7.71	8.35
15	4.64	7.08	7.92	8.58
16	4.77	7.24	8.13	8.81
17	4.91	7.39	8.35	9.01
18	5.03	7.54	8.53	9.21
19	5.16	7.68	8.72	9.40
20	5.28	7.82	8.88	9.56
21	5.40	7.96	9.02	9.73
22	5.51	8.08	9.17	9.89
23	5.62	8.23	9.31	10.05
24	5.73	8.34	9.43	10.18
25	5.84	8.46	9.55	10.32
26	5.94	8.56	9.67	10.45
27	6.05	8.69	9.78	10.57
28	6.14	8.81	9.88	10.68
29	6.24	8.92	10.00	10.79
30	6.34	9.02	10.09	10.90
31	6.43	9.10	10.17	11.01
32	6.52	9.21	10.27	11.11
33	6.61	9.30	10.36	11.19
34	6.70	9.39	10.43	11.28
35	6.78	9.49	10.52	11.37

**PACKAGE SERVICES  
RATE SCHEDULE 521.2C (continued)**

**PARCEL POST  
PARCEL SELECT DESTINATION BULK MAIL CENTER RATES**

Weight (lbs.)	Zones 1 & 2	Zone 3	Zone 4	Zone 5
36	\$6.87	\$9.94	\$10.60	\$11.45
37	6.95	10.03	10.66	11.53
38	7.03	10.12	10.74	11.60
39	7.11	10.21	10.80	11.68
40	7.19	10.29	10.86	11.74
41	7.27	10.40	10.92	11.80
42	7.34	10.47	10.99	11.87
43	7.42	10.56	11.05	12.16
44	7.49	10.63	11.11	12.45
45	7.56	10.69	11.26	12.76
46	7.63	10.79	11.31	13.06
47	7.70	10.85	11.36	13.37
48	7.77	10.94	11.41	13.69
49	7.84	11.01	11.46	14.01
50	7.91	11.08	11.50	14.35
51	7.97	11.15	11.55	14.68
52	8.04	11.23	11.59	15.02
53	8.10	11.28	11.63	15.38
54	8.16	11.33	11.68	15.74
55	8.23	11.37	11.73	15.89
56	8.29	11.40	11.75	15.96
57	8.35	11.43	11.78	16.06
58	8.41	11.47	11.82	16.14
59	8.47	11.50	11.85	16.21
60	8.52	11.53	11.88	16.30
61	8.58	11.56	11.92	16.38
62	8.64	11.59	11.98	16.44
63	8.69	11.61	12.05	16.52
64	8.75	11.64	12.10	16.59
65	8.80	11.67	12.16	16.65
66	8.86	11.70	12.24	16.74
67	8.91	11.72	12.29	16.79
68	8.96	11.73	12.34	16.86
69	9.01	11.75	12.40	16.93
70	9.06	11.77	12.47	16.99
Oversized	18.14	24.33	32.81	34.10

**SCHEDULE 521.2C NOTES**

1. For barcode discount, deduct \$0.03 per-piece (machinable parcels only). Barcode discount is not available for DBMC mail entered at an ASF, except at the Phoenix, AZ, ASF.
2. For nonmachinable parcels, add \$1.45 per-piece.
3. Regardless of weight, any piece that measures more than 108 inches (but not more than 130 inches) in combined length and girth must pay the oversized rate.
4. Pieces exceeding 84 inches in length and girth combined and weighing less than 15 pounds are subject to a rate equal to that for a 15-pound parcel for the zone to which the parcel is addressed.
5. A mailing fee of \$150.00 must be paid once each 12-month period for Parcel Select.

**PACKAGE SERVICES  
RATE SCHEDULE 521.2D**

**PARCEL POST  
PARCEL SELECT DESTINATION SECTIONAL CENTER FACILITY RATES**

Weight (lbs.)	Rate	Weight (lbs.)	Rate
1	\$1.53	36	\$4.59
2	1.71	37	4.65
3	1.85	38	4.70
4	1.99	39	4.76
5	2.12	40	4.81
6	2.24	41	4.86
7	2.35	42	4.91
8	2.45	43	4.96
9	2.56	44	5.01
10	2.65	45	5.06
11	2.74	46	5.11
12	2.83	47	5.16
13	2.92	48	5.20
14	3.00	49	5.25
15	3.10	50	5.29
16	3.19	51	5.34
17	3.28	52	5.38
18	3.36	53	5.42
19	3.45	54	5.46
20	3.53	55	5.51
21	3.61	56	5.55
22	3.68	57	5.59
23	3.76	58	5.63
24	3.83	59	5.67
25	3.90	60	5.71
26	3.97	61	5.74
27	4.04	62	5.78
28	4.11	63	5.82
29	4.17	64	5.86
30	4.24	65	5.89
31	4.30	66	5.93
32	4.36	67	5.97
33	4.42	68	6.00
34	4.48	69	6.04
35	4.54	70	6.07
		Oversized	11.95

**SCHEDULE 521.2D NOTES**

1. Regardless of weight, any piece that measures more than 108 inches (but not more than 130 inches) in combined length and girth must pay the oversized rate.
2. Pieces exceeding 84 inches in length and girth combined and weighing less than 15 pounds are subject to a rate equal to that for a 15-pound parcel for the zone to which the parcel is addressed.
3. A mailing fee of \$150.00 must be paid once each 12-month period for Parcel Select.
4. For nonmachinable parcels sorted to 3-digit ZIP code areas, add \$1.09 per-piece.

**PACKAGE SERVICES  
RATE SCHEDULE 521.2E**

**PARCEL POST  
PARCEL SELECT DESTINATION DELIVERY UNIT RATES**

Weight (lbs.)	Rate	Weight (lbs.)	Rate
1	\$1.23	36	\$2.15
2	1.28	37	2.16
3	1.33	38	2.17
4	1.38	39	2.18
5	1.43	40	2.19
6	1.47	41	2.20
7	1.51	42	2.21
8	1.55	43	2.22
9	1.58	44	2.23
10	1.62	45	2.24
11	1.65	46	2.25
12	1.68	47	2.26
13	1.71	48	2.27
14	1.74	49	2.28
15	1.77	50	2.29
16	1.79	51	2.30
17	1.82	52	2.31
18	1.85	53	2.32
19	1.87	54	2.33
20	1.89	55	2.34
21	1.92	56	2.35
22	1.94	57	2.36
23	1.96	58	2.37
24	1.98	59	2.38
25	2.00	60	2.39
26	2.02	61	2.40
27	2.04	62	2.41
28	2.06	63	2.42
29	2.07	64	2.43
30	2.09	65	2.44
31	2.10	66	2.45
32	2.11	67	2.46
33	2.12	68	2.47
34	2.13	69	2.48
35	2.14	70	2.49
		Oversized	6.98

**SCHEDULE 521.2E NOTES**

1. Regardless of weight, any piece that measures more than 108 inches (but not more than 130 inches) in combined length and girth must pay the oversized rate.
2. Pieces exceeding 84 inches in length and girth combined and weighing less than 15 pounds are subject to a rate equal to that for a 15-pound parcel for the zone to which the parcel is addressed.
3. A mailing fee of \$150.00 must be paid once each 12-month period for Parcel Select.

**PACKAGE SERVICES  
RATE SCHEDULE 522A**

**BOUND PRINTED MATTER  
SINGLE-PIECE RATES**

Weight (lbs.)	Zones 1 & 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
1.0	\$1.87	\$1.92	\$1.96	\$2.04	\$2.11	\$2.20	\$2.37
1.5	1.87	1.92	1.96	2.04	2.11	2.20	2.37
2.0	1.94	2.00	2.06	2.16	2.26	2.38	2.60
2.5	2.01	2.09	2.16	2.29	2.41	2.56	2.84
3.0	2.08	2.17	2.26	2.41	2.56	2.74	3.07
3.5	2.15	2.26	2.36	2.54	2.71	2.92	3.31
4.0	2.22	2.34	2.46	2.66	2.86	3.10	3.54
4.5	2.29	2.43	2.56	2.79	3.01	3.28	3.78
5.0	2.36	2.51	2.66	2.91	3.16	3.46	4.01
6.0	2.50	2.68	2.86	3.16	3.46	3.82	4.48
7.0	2.64	2.85	3.06	3.41	3.76	4.18	4.95
8.0	2.78	3.02	3.26	3.66	4.06	4.54	5.42
9.0	2.92	3.19	3.46	3.91	4.36	4.90	5.89
10.0	3.06	3.36	3.66	4.16	4.66	5.26	6.36
11.0	3.20	3.53	3.86	4.41	4.96	5.62	6.83
12.0	3.34	3.70	4.06	4.66	5.26	5.98	7.30
13.0	3.48	3.87	4.26	4.91	5.56	6.34	7.77
14.0	3.62	4.04	4.46	5.16	5.86	6.70	8.24
15.0	3.76	4.21	4.66	5.41	6.16	7.06	8.71

**SCHEDULE 522A NOTES**

1. For barcode discount, deduct \$0.03 per-piece (machinable parcels and automatable flats only).
2. For flats, deduct \$0.08 per-piece.



**PACKAGE SERVICES  
RATE SCHEDULE 522B**

**BOUND PRINTED MATTER  
PRESORTED AND CARRIER ROUTE RATES  
FLATS, PARCELS, AND IRREGULAR PARCELS**

**Flats**

	Zone 1 & 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
<b>Per-Piece</b>							
Presorted	\$1.078	\$1.078	\$1.078	\$1.078	\$1.078	\$1.078	\$1.078
Carrier Route	.978	.978	.978	.978	.978	.978	.978
<b>Per-Pound</b>	.090	.112	.149	.198	.248	.308	.419

**Parcels and Irregular Parcels**

	Zone 1 & 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
<b>Per-Piece</b>							
Presorted	\$1.155	\$1.155	\$1.155	\$1.155	\$1.155	\$1.155	\$1.155
Carrier Route	1.055	1.055	1.055	1.055	1.055	1.055	1.055
<b>Per-Pound</b>	.090	.112	.149	.198	.248	.308	.419

**SCHEDULE 522B NOTES**

1. For barcode discount, deduct \$0.03 per-piece (machinable parcels and automatable flats only).  
Barcode discount is not available for Carrier Route rates.

**PACKAGE SERVICES  
RATE SCHEDULE 522C**

**BOUND PRINTED MATTER  
PRESORTED RATES, DESTINATION ENTRY  
FLATS, PARCELS, AND IRREGULAR PARCELS**

**Flats**

	DBMC					
	DDU	DSCF	Zone 1 & 2	Zone 3	Zone 4	Zone 5
<b>Per-Piece</b>	\$0.532	\$0.603	\$0.818	\$0.818	\$0.818	\$0.818
<b>Per-Pound</b>	0.030	0.060	0.073	0.102	0.139	0.187

**Parcels and Irregular Parcels**

	DBMC					
	DDU	DSCF	Zone 1 & 2	Zone 3	Zone 4	Zone 5
<b>Per-Piece</b>	\$0.609	\$0.680	\$0.895	\$0.895	\$0.895	\$0.895
<b>Per-Pound</b>	0.030	0.060	0.073	0.102	0.139	0.187

**SCHEDULE 522C NOTES**

1. For barcode discount, deduct \$0.03 per-piece (machinable parcels and automatable flats only). Barcode discount is not available for DDU or DSCF rates or DBMC mail entered at an ASF (except Phoenix, AZ, ASF).
2. A mailing fee of \$150.00 must be paid once each 12-month period to mail at any destination entry Bound Printed Matter rate.
3. The DDU rate is not available for flats that weigh 1 pound or less.

**PACKAGE SERVICES  
RATE SCHEDULE 522D**

**BOUND PRINTED MATTER  
CARRIER ROUTE RATES, DESTINATION ENTRY  
FLATS, PARCELS, AND IRREGULAR PARCELS**

**Flats**

	DBMC					
			Zone			
	DDU	DSCF	1 & 2	Zone 3	Zone 4	Zone 5
<b>Per-Piece</b>	\$0.432	\$0.503	\$0.718	\$0.718	\$0.718	\$0.718
<b>Per-Pound</b>	0.030	0.060	0.073	0.102	0.139	0.187

**Parcels and Irregular Parcels**

	DBMC					
			Zone			
	DDU	DSCF	1 & 2	Zone 3	Zone 4	Zone 5
<b>Per-Piece</b>	\$0.509	\$0.580	\$0.795	\$0.795	\$0.795	\$0.795
<b>Per-Pound</b>	0.030	0.060	0.073	0.102	0.139	0.187

**SCHEDULE 522D NOTES**

1. A mailing fee of \$150.00 must be paid once each 12-month period to mail at any destination entry Bound Printed Matter rate.

**PACKAGE SERVICES  
RATE SCHEDULE 523**

**MEDIA MAIL**

	<b>Rate</b>
<b>First Pound</b>	
Single-Piece	\$1.42
5-Digit Presort	0.80
Basic Presort	1.12
<b>Each additional pound, through 7 pounds</b>	0.42
<b>Each additional pound, over 7 pounds</b>	0.30

**SCHEDULE 523 NOTES**

1. A mailing fee of \$150.00 must be paid once each 12-month period to mail at any Media Mail presorted rate.
2. For barcode discount, deduct \$0.03 per-piece (machinable parcels only). Barcode discount is not available for pieces mailed at the 5-digit rate.

**PACKAGE SERVICES  
RATE SCHEDULE 524**

**LIBRARY MAIL**

	<b>Rate</b>
<b>First Pound</b>	
Single-Piece	\$1.35
5-Digit Presort	0.76
Basic Presort	1.06
<b>Each additional pound, through 7 pounds</b>	<b>0.40</b>
<b>Each additional pound, over 7 pounds</b>	<b>0.29</b>

**SCHEDULE 524**

1. A mailing fee of \$150.00 must be paid once each 12-month period to mail at any Library Mail presorted rate.
2. For barcode discount, deduct \$0.03 per-piece (machinable parcels only). Barcode discount is not available for pieces mailed at the 5-digit rate.

**FEE SCHEDULE 911**

**ADDRESS CORRECTIONS**

<b>Description</b>	<b>Fee</b>
Manual correction, each	\$0.70
Electronic correction, each	\$0.20

## FEE SCHEDULE 912

### ZIP CODING OF MAILING LISTS

<b>Description</b>	<b>Fee</b>
Per 1,000 addresses, or fraction	\$100.00

### CORRECTION OF MAILING LISTS

<b>Description</b>	<b>Fee</b>
Per submitted address	\$0.30
Minimum charge per list (30 items)	9.00

### ADDRESS CHANGES FOR ELECTION BOARDS AND REGISTRATION COMMISSIONS

<b>Description</b>	<b>Fee</b>
Per change of address	\$0.27

### SEQUENCING OF ADDRESS CARDS

<b>Description</b>	<b>Fee</b>
Per correction	\$0.30
Insertion of blanks	0.00

### SCHEDULE 912 NOTES

1. When rural routes have been consolidated or changed to another post office, no charge will be made for correction if the list contains only names of persons residing on the routes involved.

**FEE SCHEDULE 921**

**POST OFFICE BOXES AND CALLER SERVICE**

**I. Post Office Boxes**

**Semi-annual Box Fees**

Box Size	Fee Group							
	1	2	3	4	5	6	7	E
1	\$ 35.00	\$ 29.00	\$ 24.00	\$ 19.00	\$ 13.00	\$ 12.00	\$ 9.00	\$ 0.00
2	50.00	45.00	38.00	34.00	22.00	18.00	13.00	0.00
3	100.00	80.00	68.00	63.00	34.00	33.00	23.00	0.00
4	205.00	170.00	118.00	110.00	65.00	60.00	40.00	0.00
5	330.00	315.00	209.00	175.00	125.00	97.00	70.00	0.00

1. A customer ineligible for carrier delivery may obtain a post office box at Group E fees, subject to administrative decisions regarding customer's proximity to post office.
2. Box Size 1 = under 296 cubic inches; 2 = 296-499 cubic inches; 3 = 500-999 cubic inches; 4 = 1000-1999 cubic inches; 5 = 2000 cubic inches and larger.

**Key Duplication and Lock Charges**

Description	Fee
Key duplication or replacement	\$ 4.40
Post office box lock replacement	11.00

**II. Caller Service**

Semi-annual Caller Service Fee	\$412.00
Annual Call Number Reservation Fee	32.00



**FEE SCHEDULE 931****BUSINESS REPLY MAIL**

<b>Description</b>	<b>Fee</b>
<b>Regular (no accounting fee)</b>	
Permit fee (per year)	\$150.00
Per-piece charge	0.60
<b>Regular (with accounting fee)</b>	
Permit fee (per year)	150.00
Accounting fee (per year)	475.00
Per-piece charge	0.10
<b>Qualified Business Reply Mail, low-volume</b>	
Permit fee (per year)	150.00
Accounting fee (per year)	475.00
Per-piece charge, basic	0.06
<b>Qualified Business Reply Mail, high-volume</b>	
Permit fee (per year)	150.00
Accounting fee (per year)	475.00
Quarterly fee	1,800.00
Per-piece charge, high-volume	0.008
<b>Bulk Weight Averaged</b>	
Permit fee (per year)	150.00
Accounting fee (per year)	475.00
Per-piece charge, bulk weight averaged	0.01
Monthly maintenance fee	750.00

**FEE SCHEDULE 932**

**MERCHANDISE RETURN SERVICE**

<b>Description</b>	<b>Fee</b>
Permit fee (per year)	\$150.00
Accounting fee (per year)	475.00
Per-piece charge	0.00

**FEE SCHEDULE 933**

**ON-SITE METER SERVICE**

<b>Description</b>	<b>Fee</b>
Per employee, per visit	\$35.00
Per meter reset or examined	5.00
Per meter checked into or out of service	4.00

**SCHEDULE 933 NOTES**

1. Fee for checking meters into or out of service does not apply if a Postal Service-approved automated process is used to check a secured meter into and out of service.

**FEE SCHEDULE 934**

**[RESERVED]**

**FEE SCHEDULE 935**

**BULK PARCEL RETURN SERVICE**

<b>Description</b>	<b>Fee</b>
Permit fee (per year)	\$150.00
Accounting fee (per year)	475.00
Per-piece charge	1.80

**FEE SCHEDULE 936**

**SHIPPER PAID FORWARDING**

<b>Description</b>	<b>Fee</b>
Accounting fee (per year)	\$475.00

**FEE SCHEDULE 941**

**CERTIFIED MAIL**

<b>Description</b>	<b>Fee</b>
Fee per-piece, in addition to postage	\$2.30

**FEE SCHEDULE 942**

**REGISTERED MAIL**

<b>Declared Value</b>	<b>Fee</b>	
	(in addition to postage)	
\$ 0.00	\$7.50	
0.01 to 100	8.00	
100.01 to 500	8.85	
500.01 to 1,000	9.70	
1,000.01 to 2,000	10.55	
2,000.01 to 3,000	11.40	
3,000.01 to 4,000	12.25	
4,000.01 to 5,000	13.10	
5,000.01 to 6,000	13.95	
6,000.01 to 7,000	14.80	
7,000.01 to 8,000	15.65	
8,000.01 to 9,000	16.50	
9,000.01 to 10,000	17.35	
10,000.01 to 11,000	18.20	
11,000.01 to 12,000	19.05	
12,000.01 to 13,000	19.90	
13,000.01 to 14,000	20.75	
14,000.01 to 15,000	21.60	
15,000.01 to 16,000	22.45	
16,000.01 to 17,000	23.30	
17,000.01 to 18,000	24.15	
18,000.01 to 19,000	25.00	
19,000.01 to 20,000	25.85	
20,000.01 to 21,000	26.70	
21,000.01 to 22,000	27.55	
22,000.01 to 23,000	28.40	
23,000.01 to 24,000	29.25	
24,000.01 to 25,000	30.10	
25,000.01 to \$1 million	30.10	plus \$0.85 handling charge for each \$1,000 or fraction thereof over \$25,000.00
Over \$1 million to \$15 million	858.85	plus \$0.85 handling charge for each \$1,000 or fraction thereof over \$1,000,000.00
Over \$15 million	12,758.85	plus amount determined by the Postal Service based on weight, space, and value

**SCHEDULE 942 NOTES**

- Articles with a declared value of more than \$25,000 can be registered, but compensation for loss or damage is limited to \$25,000.



**FEE SCHEDULE 943****INSURANCE**

<b>Description</b>	<b>Fee</b>
<b>Express Mail Insurance</b>	
<b>Merchandise coverage</b>	
\$0.01 to 100.00	\$0.00
Fee per \$100 or fraction over \$100, up to \$5,000	1.00
<b>Document reconstruction coverage</b>	
\$0.00 to 100.00	0.00
<b>Regular Insurance</b>	
<b>Amount of coverage</b>	
\$0.01 to 50.00	1.30
50.00 to 100.00	2.20
100.01 to 5,000.00	\$2.20 plus \$1.00 for each \$100 or fraction thereof over \$100
<b>Bulk Insurance</b>	
<b>Amount of coverage</b>	
\$0.01 to 50.00	0.70
50.01 to 100.00	1.40
100.01 to 5,000.00	\$1.40 plus \$1.00 for each \$100 or fraction thereof over \$100

**SCHEDULE 943 NOTES**

1. Fees for bulk insurance represent a discount of \$0.60 per-piece for coverage between \$0.01 and \$50.00 and a discount of \$0.80 for coverage between \$50.01 and \$5,000.00.

**FEE SCHEDULE 944**

**COLLECT ON DELIVERY**

<b>Description</b>	<b>Fee</b>
Amount to be collected	
\$ 0.01 to \$ 50.....	\$4.50
50.01 to 100.....	5.50
100.01 to 200.....	6.50
200.01 to 300.....	7.50
300.01 to 400.....	8.50
400.01 to 500.....	9.50
500.01 to 600.....	10.50
600.01 to 700.....	11.50
700.01 to 800.....	12.50
800.01 to 900.....	13.50
900.01 to 1000.....	14.50
Notice of nondelivery .....	3.00
Alteration of COD charges .....	3.00
Designation of new addressee .....	3.00
Registered COD .....	4.00

**FEE SCHEDULE 945****RETURN RECEIPTS**

<b>Description</b>	<b>Fee</b>
<b>I. Return Receipt</b>	
<b>Requested at time of mailing</b>	
Original signature	\$1.75
Copy of signature (electronic)	1.30
<b>Requested after mailing</b>	3.25
<b>II. Return Receipt for Merchandise</b>	
Requested at time of mailing	\$3.00
Delivery record	3.25

**FEE SCHEDULE 946**

**RESTRICTED DELIVERY**

<b>Description</b>	<b>Fee</b>
Per-piece	\$3.50

**FEE SCHEDULE 947****CERTIFICATE OF MAILING**

<b>Description</b>	<b>Fee</b>
<b>Individual Pieces</b>	
Original certificate of mailing for listed pieces of all classes of ordinary mail	\$0.90
Three or more pieces individually listed in a firm mailing book or an approved customer provided manifest	0.30
Each additional copy of original certificate of mailing or original mailing receipt for registered, insured, certified, and COD mail (each copy)	0.90
<b>Bulk</b>	
Identical pieces of First-Class and Standard Mail paid with ordinary stamps, precanceled stamps, or meter stamps are subject to the following fees:	
Up to 1,000 pieces (one certificate for total number)	4.50
Each additional 1,000 pieces or fraction	0.50
Duplicate copy	0.90

**FEE SCHEDULE 948**

**DELIVERY CONFIRMATION**

<b>Description</b>	<b>Fee</b>
<b>First-Class Mail Letters and Sealed Parcels</b>	
Electronic	\$0.13
Retail	0.55
<b>Priority Mail</b>	
Electronic	0.00
Retail	0.45
<b>Standard Mail</b>	
Electronic	0.13
<b>Package Services Parcel Select</b>	
Electronic	0.00
<b>Other Package Services</b>	
Electronic	0.13
Retail	0.55

**FEE SCHEDULE 949****SIGNATURE CONFIRMATION**

<b>Description</b>	<b>Fee</b>
<b>First-Class Mail Letters and Sealed Parcels</b>	
Electronic	\$1.30
Retail	1.80
<b>Priority Mail</b>	
Electronic	1.30
Retail	1.80
<b>Package Services</b>	
Electronic	1.30
Retail	1.80

**FEE SCHEDULE 951**

**PARCEL AIR LIFT**

<b>Description</b>	<b>Fee</b>
<b>For pieces weighing:</b>	
Not more than 2 pounds	\$0.45
Over 2 but not more than 3 pounds	\$0.85
Over 3 but not more than 4 pounds	\$1.25
Over 4 but not more than 30 pounds	\$1.70



**FEE SCHEDULE 952**

**SPECIAL HANDLING**

<b>Description</b>	<b>Fee</b>
<b>For pieces weighing:</b>	
Not more than 10 pounds	\$5.95
More than 10 pounds	8.25

**FEE SCHEDULE 961**

**STAMPED ENVELOPES**

<b>Description</b>	<b>Fee</b>
<b>Plain stamped envelopes</b>	
Basic, size 6-3/4, each	\$0.08
Basic, size 6-3/4, 500	12.00
Basic, over size 6-3/4, each	0.08
Basic, over size 6-3/4,500	14.00
<b>Personalized stamped envelopes</b>	
Basic, size 6-3/4, 50	3.50
Basic, size 6-3/4, 500	17.00
Basic, over size 6-3/4, 50	3.50
Basic, over size 6-3/4, 500	20.00

**FEE SCHEDULE 962**

**STAMPED CARDS**

<b>Description</b>	<b>Fee</b>
Single card	\$0.02
Double reply-paid card	0.04
Sheet of 40 cards (uncut)	0.80

**FEE SCHEDULE 971**

**MONEY ORDERS**

<b>Description</b>	<b>Fee</b>
Domestic (\$0.01 to \$500.00)	\$0.90
Domestic (\$500.01 to \$1,000.00)	1.25
APO/FPO (\$0.01 to \$1,000.00)	0.25
Inquiry, including a copy of paid money order	3.00

**FEE SCHEDULE 981****NETPOST MAILING ONLINE**

<b>Description</b>	<b>Fee</b>
<p>Fees are calculated by multiplying 1.52 times the sum of printer contractual costs for the particular mailing and 0.5 cents per impression for other Postal Service costs.</p> <p>P = Printer Contractual Costs I = Number of Impressions</p>	$1.52 \times (P + 0.5\text{¢} \times I)$
<p>Certification of a system as functionally equivalent to Net Post Mailing Online</p>	<p>\$150.00</p>

This provision expires the later of:

- a. three years after the implementation date specified by the Postal Service Board of Governors, or
- b. if, by the expiration date specified in (a), a proposal to make Net Post Mailing Online permanent is pending before the Postal Rate Commission, the later of:
  1. three months after the Commission takes action on such proposal under section 3624 of Title 39, or
  2. —if applicable—on the implementation date for a permanent Net Post Mailing Online.

**FEE SCHEDULE 1000**

**MISCELLANEOUS FEES**

<b>Description</b>	<b>Fee</b>
First-Class Presorted Mailing Fee (per year)	\$150.00
Standard Mail Mailing Fee (per year)	150.00
Periodicals	
A. Original Entry	375.00
B. Additional Entry	60.00
C. Re-entry	40.00
D. Registration for News Agents	40.00
Parcel Select Mailing Fee (per year)	150.00
Bound Printed Matter: Destination Entry Mailing Fee (per year)	150.00
Media Mail Presorted Mailing Fee (per year)	150.00
Library Mail Presorted Mailing Fee (per year)	150.00
Authorization to Use Permit Imprint (one-time only)	150.00
Accounting Fee (per year)	475.00
Permit Fee (per year)	150.00

**RECOMMENDED CHANGES  
IN THE DOMESTIC MAIL CLASSIFICATION SCHEDULE**

The Domestic Mail Classification Schedule is published here in legislative format. The base text reflects the DMCS provisions as codified in 39 CFR Part 3001, Subpart C, Appendix A, plus changes resulting from Docket Nos. MC2001-1 and MC2001-3. Recommended additions are underlined; recommended deletions appear in brackets.

## **EXPEDITED MAIL CLASSIFICATION SCHEDULE**

110        **DEFINITION**

Expedited Mail is mail matter entered as Express Mail under the provisions of this Schedule. Any matter eligible for mailing may, at the option of the mailer, be mailed as Express Mail. Insurance is either included in Express Mail postage or is available for an additional charge, depending on the value and nature of the item sent by Express Mail.

120        **DESCRIPTION OF SERVICES**

121        **Same Day Airport Service**

Same Day Airport service is available between designated airport mail facilities.

122        **Custom Designed Service**

122.1      **General.** Custom Designed service is available between designated postal facilities or other designated locations for mailable matter tendered under a service agreement between the Postal Service and the mailer. Service under a service agreement shall be offered in a manner consistent with 39 U.S.C. 403(c).

122.2      **Service Agreement.** A service agreement shall set forth the following:

- a. The scheduled place for each shipment tendered for service to each specific destination;
- b. Scheduled place for claim, or delivery, at destination for each scheduled shipment;
- c. Scheduled time of day for tender at origin and for claim or delivery at destination.

122.3      **Pickup and Delivery.** Pickup at the mailer's premises, and/or delivery at an address other than the destination postal facility is provided under terms and conditions as specified by the Postal Service.



122.4 **Commencement of Service Agreement.** Service provided pursuant to a service agreement shall commence not more than 10 days after the signed service agreement is tendered to the Postal Service.

122.5 **Termination of Service Agreement**

122.51 **Termination by Postal Service.** Express Mail service provided pursuant to a service agreement may be terminated by the Postal Service upon 10 days prior written notice to the mailer if:

- a. Service cannot be provided for reasons beyond the control of the Postal Service or because of changes in Postal Service facilities or operations, or
- b. The mailer fails to adhere to the terms of the service agreement or this schedule.

122.52 **Termination by Mailers.** The mailer may terminate a service agreement, for any reason, by notice to the Postal Service.

123 **Next Day Service and Second Day Service**

123.1 **Availability of Services.** Next Day and Second Day Services are available at designated retail postal facilities to designated destination facilities or locations for items tendered by the time or times specified by the Postal Service. Next Day Service is available for overnight delivery. Second Day Service is available for second day delivery.

123.2 **Pickup Service.** Pickup service is available for Next Day and Second Day Services under terms and conditions as specified by the Postal Service. Service shall be offered in a manner consistent with 39 U.S.C. 403(c).

130 **PHYSICAL LIMITATIONS**

Express Mail may not exceed 70 pounds or 108 inches in length and girth combined.

140 **POSTAGE AND PREPARATION**

Except as provided in Rate Schedules 121, 122 and 123, postage on Express Mail is charged on each piece. For shipments tendered in Express Mail pouches under a service agreement, each pouch is a piece.

150        **DEPOSIT AND DELIVERY**

151        **Deposit**

Express Mail must be deposited at places designated by the Postal Service.

152        **Receipt**

A receipt showing the time and date of mailing will be provided to the mailer upon acceptance of Express Mail by the Postal Service. This receipt serves as evidence of mailing.

153        **Service**

Express Mail service provides a high speed, high reliability service. Same Day Airport Express Mail will be dispatched on the next available transportation to the destination airport mail facility. Custom Designed Express Mail will be available for claim or delivery as specified in the service agreement.

154        **Forwarding and Return**

When Express Mail is returned, or forwarded, as specified by the Postal Service, there will be no additional charge.

160        **ANCILLARY SERVICES**

The following services may be obtained in conjunction with mail sent under this classification schedule upon payment of applicable fees:

<b>Service</b>	<b>Schedule</b>
a. Address correction	911
b. Return receipts	945
c. COD	944
d. Express Mail Insurance	943
e. <a href="#">Netpost</a> Mailing Online	981

170 **RATES AND FEES**

The rates for Express Mail are set forth in the following rate schedules:

	<b>Schedule</b>
a. Same Day Airport	121
b. Custom Designed	122
c. Next Day Post Office-to-Post Office	123
d. Second Day Post Office-to-Post Office	123
e. Next Day Post Office-to-Addressee	123
f. Second Day Post Office-to-Addressee	123

180 **REFUNDS**181 **Procedure**

Claims for refunds of postage must be filed within the period of time and under terms and conditions specified by the Postal Service.

182 **Availability**

182.1 **Same Day Airport.** Except as provided in 182.5. [T] the Postal Service will refund the postage for Same Day Airport Express Mail not available for claim by the time specified. [, unless the delay is caused by:

- a. Strikes or work stoppage;
- b. Delay or cancellation of flights; or
- c. Governmental action beyond the control of Postal Service or air carriers.]

182.2 **Custom Designed.** Except where a service agreement provides for claim, or delivery, of Custom Designed Express Mail more than 24 hours after scheduled tender at point of origin, the Postal Service will refund postage for such mail not available for claim, or not delivered, within 24 hours of mailing, except as provided in 182.5. [unless the item was delayed by strike or work stoppage.]

182.3 **Next Day.** [Unless the item was delayed by strike or work stoppage,] Except as provided in 182.5. the Postal Service will refund postage for Next Day Express Mail not available for claim or not delivered:

- a. By 10:00 a.m., or earlier time(s) specified by the Postal Service, of the next delivery day in the case of Post Office-to-Post Office service;
- b. By 3:00 p.m., or earlier time(s) specified by the Postal Service, of the next delivery day in the case of Post Office-to-Addressee service.

182.4 **Second Day.** [Unless the item was delayed by strike or work stoppage,] Except as provided in 182.5, the Postal Service will refund postage for Second Day Express Mail not available for claim or not delivered:

- a. By 10:00 a.m., or earlier time(s) specified by the Postal Service, of the second delivery day in the case of Post Office-to-Post Office service;
- b. By 3:00 p.m., or earlier time(s) specified by the Postal Service, of the second delivery day in the case of Post Office-to-Addressee service.

## 182.5 **Limitations**

182.51 Refunds may not be available if delivery was attempted within the times required for the specific service, or if the delay was caused by:

- a. proper detention for law enforcement purposes;
- b. strike or work stoppage;
- c. late deposit of shipment, forwarding, return, incorrect address, or incorrect ZIP code;
- d. delay or cancellation of flights;
- e. governmental action beyond the control of the Postal Service or air carriers;
- f. war, insurrection, or civil disturbance;
- g. breakdowns of a substantial portion of the USPS transportation network resulting from events or factors outside the control of the Postal Service;  
or
- h. acts of God.

## FIRST-CLASS MAIL CLASSIFICATION SCHEDULE

### 210      **DEFINITION**

Any matter eligible for mailing may, at the option of the mailer, be mailed as First-Class Mail. The following must be mailed as First-Class Mail, unless mailed as Express Mail or exempt under title 39, United States Code, or except as authorized under sections 344.12, 344.23 and 443:

- a. Mail sealed against postal inspection as set forth in section 5000;
- b. Matter wholly or partially in handwriting or typewriting except as specifically permitted by sections 312, 313, 520, 544.2, and 446;
- c. Matter having the character of actual and personal correspondence except as specifically permitted by sections 312, 313, 520, 544.2, and 446; and
- d. Bills and statements of account.

### 220      **DESCRIPTION OF SUBCLASSES**

#### 221      **Letters and Sealed Parcels Subclass**

221.1      **General.** The Letters and Sealed Parcels subclass consists of First-Class Mail weighing 13 ounces or less that is not mailed under section 222 or 223.

221.2      **Regular Rate Categories.** The regular rate categories consist of Letters and Sealed Parcels subclass mail not mailed under section 221.3.

221.21     **Single-Piece Rate Category.** The single-piece rate category applies to regular rate Letters and Sealed Parcels subclass mail not mailed under section 221.22 or 221.24.

221.22     **Presort Rate Category.** The presort rate category applies to Letters and Sealed Parcels subclass mail that:

- a. Is prepared in a mailing of at least 500 pieces;
- b. Is presorted, marked, and presented as specified by the Postal Service; and

- c. Meets the addressing and other preparation requirements specified by the Postal Service.

221.23 ***Reserved***

221.24 **Qualified Business Reply Mail Rate Category.** The qualified business reply mail rate category applies to Letters and Sealed Parcels subclass mail that:

- a. Is provided to senders by the recipient, an advance deposit account business reply mail permit holder, for return by mail to the recipient;
- b. Bears the recipient's preprinted machine-readable return address, a barcode representing not more than 11 digits (not including "correction" digits), a Facing Identification Mark, and other markings specified and approved by the Postal Service; and
- c. Meets the letter machinability and other preparation requirements specified by the Postal Service.

221.25 ***Reserved***

221.26 **[Nonstandard Size]Nonmachinable Surcharge.** Regular rate category Letters and Sealed Parcels subclass mail is subject to a surcharge if it is [nonstandard size]nonmachinable mail, as defined in section 232.

221.27 **Presort Discount for Pieces Weighing More Than Two Ounces.** Presort rate category Letters and Sealed Parcels subclass mail is eligible for an additional presort discount on each piece weighing more than two ounces.

221.3 **Automation Rate Categories — Letters and Flats**

221.31 **General.** The automation rate categories consist of Letters and Sealed Parcels subclass mail weighing 13 ounces or less that:

- a. Is prepared in a mailing of at least 500 pieces, or is provided for entry as mail using Netpost Mailing Online or a functionally equivalent service, pursuant to section 981;
- b. Is presorted, marked, and presented as specified by the Postal Service;
- c. Bears a barcode representing not more than 11 digits (not including "correction" digits) as specified by the Postal Service; and

- d. Meets the machinability, addressing, barcoding, and other preparation requirements specified by the Postal Service.

## 221.32 Letter Categories

221.321 **[Basic]Mixed AADC Rate Category.** The **[basic]Mixed AADC** rate category applies to letter-size automation rate category mail not mailed under section 221.322, 221.323, **[ or ]** 221.324, **or 221.325.**

**221.322 AADC Rate Category.** **The AADC rate category applies to letter-size automation rate category mail presorted to automated area distribution center destinations as specified by the Postal Service.**

221.32**[2]3** **Three-Digit Rate Category.** The three-digit rate category applies to letter-size automation rate category mail presorted to single or multiple three-digit ZIP Code destinations as specified by the Postal Service.

221.32**[3]4** **Five-Digit Rate Category.** The five-digit rate category applies to letter-size automation rate category mail presorted to single or multiple five-digit ZIP Code destinations as specified by the Postal Service.

221.32**[4]5** **Carrier Route Rate Category.** The carrier route rate category applies to letter-size automation rate category mail presorted to carrier routes. It is available only for those carrier routes specified by the Postal Service.

## 221.33 Flats Categories

221.331 **[Basic]Mixed ADC Flats Rate Category.** The **[basic]Mixed ADC** flats rate category applies to flat-size automation rate category mail not mailed under section 221.332 **[ or ]**, 221.333, **or 221.334.**

**221.332 ADC Flats Rate Category.** **The ADC flats rate category applies to flat-size automation rate category mail presorted to area distribution center destinations as specified by the Postal Service.**

221.33**[2]3** **Three-Digit Flats Rate Category.** The three-digit flats rate category applies to flat-size automation rate category mail presorted to single or multiple three-digit ZIP Code destinations as specified by the Postal Service.

221.33**[3]4** **Five-Digit Flats Rate Category.** The five-digit flats rate category applies to flat-size automation rate category mail presorted to single or multiple five-digit ZIP Code destinations as specified by the Postal Service.

221.33[4]5 **[Nonstandard Size]Nonmachinable Surcharge.** Flat-size automation rate category pieces are subject to a surcharge if they are [nonstandard size]nonmachinable mail, as defined in section 232.

221.34 **Presort Discount for Pieces Weighing More Than Two Ounces.** Presorted automation rate category mail is eligible for an additional presort discount on each piece weighing more than two ounces.

## 222 **Cards Subclass**

### 222.1 **Definition**

222.11 **Cards.** The Cards subclass consists of Stamped Cards, defined in section 962.1, and postcards. A postcard is a privately printed mailing card for the transmission of messages. To be eligible to be mailed as a First-Class Mail postcard, a card must be of uniform thickness, prepared as specified by the Postal Service, and must not exceed any of the following dimensions:

- a. 6 inches in length;
- b. 4 1/4 inches in width;
- c. 0.016 inch in thickness.

222.12 **Double Cards.** Double Stamped Cards or double postcards may be mailed as Stamped Cards or postcards. Double Stamped Cards are defined in section 962.1. A double postcard consists of two attached cards, one of which may be detached by the receiver and returned by mail as a single postcard.

222.2 **Reserved[Restriction.** A mailpiece with any of the following characteristics is not mailable as a Stamped Card or postcard unless it is prepared as specified by the Postal Service:

- a. Numbers or letters unrelated to postal purposes appearing in the address portion of the card;
- b. Punched holes;
- c. Vertical tearing guide;
- d. An address portion which is smaller than the remainder of the card.]



**222.3 Regular Rate Categories**

**222.31 Single-Piece Rate Category.** The single-piece rate category applies to regular rate Cards subclass mail not mailed under section 222.32 or 222.34.

**222.32 Presort Rate Category.** The presort rate category applies to Cards subclass mail that:

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

**222.33 Reserved**

**222.34 Qualified Business Reply Mail Rate Category.** The qualified business reply mail rate category applies to Cards subclass mail that:

- a. Is provided to senders by the recipient, an advance deposit account business reply mail permit holder, for return by mail to the recipient;
- b. Bears the recipient's preprinted machine-readable return address, a barcode representing not more than 11 digits (not including "correction" digits), a Facing Identification Mark, and other markings specified and approved by the Postal Service; and
- c. Meets the card machinability and other preparation requirements specified by the Postal Service.

**222.4 Automation Rate Categories**

**222.41 General.** The automation rate categories consist of Cards subclass mail that:

- a. Is prepared in a mailing of at least 500 pieces, or is provided for entry as mail using [Netpost](#) Mailing Online or a functionally equivalent service, pursuant to section 981;
- b. Is presorted, marked, and presented as specified by the Postal Service;

- c. Bears a barcode representing not more than 11 digits (not including "correction" digits) as specified by the Postal Service; and
- d. Meets the machinability, addressing, barcoding, and other preparation requirements specified by the Postal Service.

222.42 **[Basic]Mixed AADC Rate Category.** The [basic]Mixed AADC rate category applies to automation rate category cards not mailed under section 222.43, 222.44, [ or] 222.45, or 222.46.

222.43 **AADC Rate Category.** The AADC rate category applies to automation rate category cards presorted to automated area distribution center destinations as specified by the Postal Service.

222.4[3]4 **Three-Digit Rate Category.** The three-digit rate category applies to automation rate category cards presorted to single or multiple three-digit ZIP Code destinations as specified by the Postal Service.

222.4[4]5 **Five-Digit Rate Category.** The five-digit rate category applies to automation rate category cards presorted to single or multiple five-digit ZIP Code destinations as specified by the Postal Service.

222.4[5]6 **Carrier Route Rate Category.** The carrier route rate category applies to automation rate category cards presorted to carrier routes. It is available only for those carrier routes specified by the Postal Service.

## 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***

223.5 **Flat Rate Envelope.** Priority Mail subclass mail sent in a “flat rate” envelope provided by the Postal Service is charged the [\[two\]one](#)-pound rate.

223.6 **Pickup Service.** Pickup service is available for Priority Mail subclass mail under terms and conditions specified by the Postal Service.

223.7 **Bulk[y] Parcels.** Priority Mail subclass mail weighing less than 15 pounds, and measuring over 84 inches in length and girth combined, is charged a minimum rate equal to that for a 15-pound parcel for the zone to which the piece is addressed.

230 **PHYSICAL LIMITATIONS**

231 **Size and Weight**

First-Class Mail may not exceed 70 pounds or 108 inches in length and girth combined. Additional size and weight limitations apply to individual First-Class Mail subclasses.

232 **[Nonstandard Size]Nonmachinable Mail**

Letters and Sealed Parcels subclass mail weighing one ounce or less is [nonstandard size]nonmachinable if:

- a. Its aspect ratio does not fall between 1 to 1.3 and 1 to 2.5 inclusive; [ or]
- b. It exceeds any of the following dimensions:
  - i. 11.5 inches in length;
  - ii. 6.125 inches in width; or
  - iii. 0.25 inch in thickness[.]; or
- c. For letter-sized pieces:
  - i. it does not meet the machinability requirements of the Postal Service; or
  - ii. manual processing is requested.

240 **POSTAGE AND PREPARATION**

Postage on First-Class Mail must be paid as set forth in section 3000. Postage is computed separately on each piece of mail. Pieces not within the same postage rate increment may be mailed at other than a single-piece rate as part of the same mailing only when specific methods approved by the Postal Service for determining and verifying postage are followed. All mail

mailed at other than a single-piece rate must have postage paid in a manner not requiring cancellation.

250 **DEPOSIT AND DELIVERY**

251 **Deposit**

First-Class Mail must be deposited at places and times designated by the Postal Service.

252 **Service**

First-Class Mail receives expeditious handling and transportation, except that when First-Class Mail is attached to or enclosed with mail of another class, the service of that class applies.

253 **Forwarding and Return**

First-Class Mail that is undeliverable-as-addressed is forwarded or returned to the sender without additional charge.

260 **ANCILLARY SERVICES**

The following services may be obtained in conjunction with mail sent under this classification schedule upon payment of applicable fees:

<b>Service</b>	<b>Schedule</b>
a. Address Correction	911
b. Business Reply Mail	931
c. Certificates of Mailing	947
d. Certified Mail	941
e. COD	944
f. Insurance	943
g. Registered Mail	942
h. Return Receipt (limited to merchandise sent by Priority Mail)	945
i. Merchandise Return	932
j. Delivery Confirmation (limited to <u>parcel-shaped Letters and Sealed Parcels and Priority Mail</u> )	948
k. <u>[Reserved]Signature Confirmation (limited to parcel-shaped Letters and Sealed Parcels and Priority Mail)</u>	<u>949</u>
l. <u>Netpost</u> Mailing Online	981

270 **RATES AND FEES**

271 **First-Class Mail.** The rates and fees for First-Class Mail are set forth in the following rate schedules:

	<b>Schedule</b>
a. Letters and Sealed Parcels	221
b. Cards	222
c. Priority Mail	223

272 **Keys and Identification Devices.** Keys, identification cards, identification tags, or similar identification devices that:

- a. weigh no more than 2 pounds;
- b. are mailed without cover; and

- c. bear, contain, or have securely attached the name and address information, as specified by the Postal Service, of a person, organization, or concern, with instructions to return to the address and a statement guaranteeing the payment of postage due on delivery; are subject to the following rates and fees:
  - i. the applicable single-piece rates in schedules 221 or 223;
  - ii. the fee set forth in fee schedule 931 for payment of postage due charges if an active business reply mail advance deposit account is not used, and
  - iii. if applicable, the surcharge for [\[nonstandard size\]nonmachinable](#) mail, as defined in section 232.

280      **AUTHORIZATIONS AND LICENSES**

The mailing fee set forth in schedule 1000 must be paid once each year at each office of mailing or office of verification, as specified by the Postal Service, by or for mailers of other than single-piece First-Class Mail. Payment of the fee allows the mailer to mail at any First-Class rate.

## **STANDARD MAIL CLASSIFICATION SCHEDULE**

**310 DEFINITION**

**311 General**

Anyailable matter weighing less than 16 ounces may be mailed as Standard Mail except:

- a. Matter required to be mailed as First-Class Mail;
- b. Copies of a publication that is entered as Periodicals class mail, except copies sent by a printer to a publisher, and except copies that would have traveled at the former second-class transient rate. (The transient rate applied to individual copies of second-class mail (currently Periodicals class mail) forwarded and mailed by the public, as well as to certain sample copies mailed by publishers.)

**312 Printed Matter**

Printed matter, including printed letters which according to internal evidence are being sent in identical terms to several persons, but which do not have the character of actual [or] and personal correspondence, may be mailed as Standard Mail. Printed matter does not lose its character as Standard Mail when the date and name of the addressee and of the sender are written thereon. For the purposes of the Standard Mail Classification Schedule, "printed" does not include reproduction by handwriting or typewriting.

**313 Written Additions**

Standard Mail may have the following written additions placed on the wrapper, on a tag or label attached to the outside of the parcel, or inside the parcel, either loose or attached to the article:

- a. Marks, numbers, name, or letters descriptive of contents;
- b. "Please Do Not Open Until Christmas," or words of similar import;
- c. Instructions and directions for the use of an article in the package;



- d. Manuscript dedication or inscription not in the nature of personal correspondence;
- e. Marks to call attention to any word or passage in text;
- f. Corrections of typographical errors in printed matter;
- g. Manuscripts accompanying related proof sheets, and corrections in proof sheets to include: corrections of typographical and other errors, alterations of text, insertion of new text, marginal instructions to the printer, and rewrites of parts if necessary for correction;
- h. Handstamped imprints, except when the added matter is itself personal or converts the original matter to a personal communication;
- i. An invoice.

320      **DESCRIPTION OF SUBCLASSES**

321      **Regular Subclass**

321.1      **General.** The Regular subclass consists of Standard Mail that is not mailed under sections 322, 323, or 324.

321.2      **Presort Rate Categories**

321.21      **General.** The presort rate categories apply to Regular subclass mail that:

- a. Is prepared in a mailing of at least 200 addressed pieces or 50 pounds of addressed pieces;
- 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.

321.22      **Basic Rate Categories.** The basic rate categories apply to presort rate category mail not mailed under section 321.23.

321.23      **Three- and Five-Digit Rate Categories.** The three- and five-digit rate categories apply to presort rate category mail presorted to single or multiple

three- and five-digit ZIP Code destinations as specified by the Postal Service.

321.3 **Automation Rate Categories**

321.31 **General.** The automation rate categories apply to Regular subclass mail that:

- a. Is prepared in a mailing of at least 200 addressed pieces or 50 pounds of addressed pieces, or is provided for entry as mail using [Netpost Mailing Online](#) or a functionally Innequivalent service, pursuant to section 981;
- b. Is presorted, marked, and presented as specified by the Postal Service;
- c. Bears a barcode representing not more than 11 digits (not including “correction” digits) as specified by the Postal Service;
- d. Meets the machinability, addressing, barcoding, and other preparation requirements specified by the Postal Service.

321.32 **[Basic Barcoded]Mixed AADC Rate Category.** The [\[basic barcoded\]Mixed AADC](#) rate category applies to letter-size automation rate category mail not mailed under section 321.33, [\[or\] 321.34, or 321.35.](#)

[321.33](#) **AADC Rate Category.** The AADC rate category applies to letter-size automation rate category mail presorted to automated area distribution center destinations as specified by the Postal Service.

321.34[\[3\]](#) **Three-Digit Barcoded Rate Category.** The three-digit barcoded rate category applies to letter-size automation rate category mail presorted to single or multiple three-digit ZIP Code destinations as specified by the Postal Service.

321.35[\[4\]](#) **Five-Digit Barcoded Rate Category.** The five-digit barcoded rate category applies to letter-size automation rate category mail presorted to single or multiple five-digit ZIP Code destinations as specified by the Postal Service.

321.36[\[5\]](#) **Basic Barcoded Flats Rate Category.** The basic barcoded flats rate category applies to flat-size automation rate category mail not mailed under section 321.37[\[6\]](#).

- 321.3<sup>7</sup>[6] **Three- and Five-Digit Barcoded Flats Rate Category.** The three- and five-digit barcoded flats rate category applies to flat-size automation rate category mail presorted to single or multiple three- and five-digit ZIP Code destinations as specified by the Postal Service.
- 321.4 **Destination Entry Discounts.** The destination entry discounts apply to Regular subclass mail prepared as specified by the Postal Service and addressed for delivery within the service area of the BMC (or auxiliary service facility), or sectional center facility (SCF), at which it is entered, as defined by the Postal Service.
- 321.5 **Residual Shape Surcharge.** Regular subclass mail is subject to a surcharge if it is prepared as a parcel or if it is not letter or flat shaped.
- 321.6 **Barcode Discount.** The barcode discount applies to Regular Subclass mail that is subject to the residual shape surcharge in 321.5, is entered at designated facilities, bears a barcode specified by the Postal Service, is prepared as specified by the Postal Service, and meets all other preparation and machinability requirements of the Postal Service.
- 321.7 **Nonmachinable Surcharge.** The nonmachinable surcharge applies to Regular presort category letter-sized pieces (i) that do not meet the machinability requirements specified by the Postal Service; or (ii) for which manual processing is requested.
- 322 **Enhanced Carrier Route Subclass**
- 322.1 **Definition.** The Enhanced Carrier Route subclass consists of Standard Mail weighing less than 16 ounces that is not mailed under section 321, 323, or 324, and that:
- a. Is prepared in a mailing of at least 200 addressed pieces or 50 pounds of addressed pieces;
  - b. Is prepared, marked, and presented as specified by the Postal Service;
  - c. Is presorted to carrier routes as specified by the Postal Service;
  - d. Is sequenced as specified by the Postal Service;[ and]
  - e. Meets the machinability, addressing, and other preparation requirements specified by the Postal Service;and[.]

f. For high-density and saturation category letters, bears a barcode representing not more than 11 digits (not including “correction” digits) as specified by the Postal Service.

322.2 **Basic Rate Category.** The basic rate category applies to Enhanced Carrier Route subclass mail not mailed under section 322.3, 322.4 or 322.5.

322.3 **Basic Pre-Barcoded Rate Category.** The basic pre-barcoded rate category applies to letter-size Enhanced Carrier Route subclass mail which bears a barcode representing not more than 11 digits (not including “correction” digits), as specified by the Postal Service, and which meets the machinability, addressing, and barcoding specifications and other preparation requirements specified by the Postal Service.

322.4 **High Density Rate Category.** The high density rate category applies to Enhanced Carrier Route subclass mail presented in walk-sequence order and meeting the high density requirements specified by the Postal Service. High density rate category letters must meet the applicable automation requirements specified by the Postal Service, and must bear a barcode representing not more than 11 digits (not including “correction” digits), as specified by the Postal Service.

322.5 **Saturation Rate Category.** The saturation rate category applies to Enhanced Carrier Route subclass mail presented in walk-sequence order and meeting the saturation requirements specified by the Postal Service. Saturation rate category letters must meet the applicable automation requirements specified by the Postal Service, and must bear a barcode representing not more than 11 digits (not including “correction” digits), as specified by the Postal Service.

322.6 **Destination Entry Discounts.** Destination entry discounts apply to Enhanced Carrier Route subclass mail prepared as specified by the Postal Service and addressed for delivery within the service area of the BMC (or auxiliary service facility), sectional center facility (SCF), or destination delivery unit (DDU) at which it is entered, as defined by the Postal Service.

322.7 **Residual Shape Surcharge.** Enhanced Carrier Route subclass mail is subject to a surcharge if it is prepared as a parcel or if it is not letter or flat shaped.

**323 Nonprofit Subclass**

323.1 **General.** The Nonprofit subclass consists of Standard Mail weighing less than 16 ounces that is not mailed under section 321, 322, or 324, and that is mailed by authorized nonprofit organizations or associations of the following types:

- a. Religious, as defined in section 1009,
- b. Educational, as defined in section 1009,
- c. Scientific, as defined in section 1009,
- d. Philanthropic, as defined in section 1009,
- e. Agricultural, as defined in section 1009,
- f. Labor, as defined in section 1009,
- g. Veterans', as defined in section 1009,
- h. Fraternal, as defined in section 1009,
- i. Qualified political committees,
- j. State or local voting registration officials when making a mailing required or authorized by the National Voter Registration Act of 1993.

323.11 **Qualified Political Committees.** The term "qualified political committee" means a national or State committee of a political party, the Republican and Democratic Senatorial Campaign Committees, the Democratic National Congressional Committee, and the National Republican Congressional Committee:

- a. The term "national committee" means the organization which, by virtue of the bylaws of a political party, is responsible for the day-to-day operation of such political party at the national level; and
- b. The term "State committee" means the organization which, by virtue of the bylaws of a political party, is responsible for the day-to-day operation of such political party at the State level.

323.12     **Limitation on Authorization.** An organization authorized to mail at the nonprofit Standard rates for qualified nonprofit organizations may mail only its own matter at these rates. An organization may not delegate or lend the use of its permit to mail at nonprofit Standard rates to any other person, organization or association.

323.2     **Presort Rate Categories**

323.21     **General.** The presort rate categories apply to Nonprofit subclass mail that:

- a. Is prepared in a mailing of at least 200 addressed pieces or 50 pounds of addressed pieces;
- 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.

323.22     **Basic Rate Categories.** The basic rate categories apply to presort rate category mail not mailed under section 322.23.

323.23     **Three- and Five-Digit Rate Categories.** The three- and five-digit rate categories apply to presort rate category mail presorted to single or multiple three- and five-digit ZIP Code destinations as specified by the Postal Service.

323.3     **Automation Rate Categories**

323.31     **General.** The automation rate categories apply to Nonprofit subclass mail that:

- a. Is prepared in a mailing of at least 200 addressed pieces or 50 pounds of addressed pieces, or is provided for entry as mail using [Netpost](#) Mailing Online or a functionally equivalent service, pursuant to section 981;
- b. Is presorted, marked, and presented as specified by the Postal Service;
- c. Bears a barcode representing not more than 11 digits (not including “correction” digits) as specified by the Postal Service;

- d. Meets the machinability, addressing, barcoding, and other preparation requirements specified by the Postal Service.

- 323.32 **[Basic Barcoded]Mixed AADC Rate Category.** The [basic barcoded]Mixed AADC rate category applies to letter-size automation rate category mail not mailed under section 323.33, [or] 323.34, or 323.35.
- 323.33 **AADC Rate Category.** The AADC rate category applies to letter-size automation rate category mail presorted to automated area distribution center destinations as specified by the Postal Service.
- 323.34<sup>[3]</sup> **Three-Digit Barcoded Rate Category.** The three-digit barcoded rate category applies to letter-size automation rate category mail presorted to single or multiple three-digit ZIP Code destinations as specified by the Postal Service.
- 323.35<sup>[4]</sup> **Five-Digit Barcoded Rate Category.** The five-digit barcoded rate category applies to letter-size automation rate category mail presorted to single or multiple five-digit ZIP Code destinations as specified by the Postal Service.
- 323.36<sup>[5]</sup> **Basic Barcoded Flats Rate Category.** The basic barcoded flats rate category applies to flat-size automation rate category mail not mailed under section 323.37<sup>[6]</sup>.
- 323.36 **Three- and Five-Digit Barcoded Flats Rate Category.** The three- and five-digit barcoded flats rate category applies to flat-size automation rate category mail presorted to single or multiple three- and five-digit ZIP Code destinations as specified by the Postal Service.
- 323.4 **Destination Entry Discounts.** Destination entry discounts apply to Nonprofit subclass mail prepared as specified by the Postal Service and addressed for delivery within the service area of the BMC (or auxiliary service facility) or sectional center facility (SCF) at which it is entered, as defined by the Postal Service.
- 323.5 **Residual Shape Surcharge.** Nonprofit subclass mail is subject to a surcharge if it is prepared as a parcel or if it is not letter or flat shaped.
- 323.6 **Barcode Discount.** The barcode discount applies to Nonprofit subclass mail that is subject to the residual shape surcharge in 323.5, is entered at designated facilities, bears a barcode specified by the Postal Service, is prepared as specified by the Postal Service and meets all other preparation and machinability requirements of the Postal Service.

323.7      **Nonmachinable Surcharge.** The nonmachinable surcharge applies to Nonprofit presort category letter-sized pieces (i) that do not meet the machinability requirements specified by the Postal Service; or (ii) for which manual processing is requested.

324      **Nonprofit Enhanced Carrier Route Subclass**

324.1      **Definition.** The Nonprofit Enhanced Carrier Route subclass consists of Standard Mail [weighing less than 16 ounces] that is not mailed under section 321, 322, or 323, that is mailed by authorized nonprofit organizations or associations (as defined in section 323) under the terms and limitations stated in section 323.12, and that:

- a. Is prepared in a mailing of at least 200 addressed pieces or 50 pounds of addressed pieces;
- b. Is prepared, marked, and presented as specified by the Postal Service;
- c. Is presorted to carrier routes as specified by the Postal Service;
- d. Is sequenced as specified by the Postal Service;[\[ and\]](#)
- e. Meets the machinability, addressing, and other preparation requirements specified by the Postal Service; [and\[.\]](#)
- f. **For high-density and saturation letters, bears a barcode representing not more than 11 digits (not including “correction: digits) as specified by the Postal Service.**

324.2      **Basic Rate Category.** The basic rate category applies to Nonprofit Enhanced Carrier Route subclass mail not mailed under section 324.3, 324.4, or 324.5.

324.3      **Basic Pre-Barcoded Rate Category.** The basic pre-barcoded rate category applies to letter-size Nonprofit Enhanced Carrier Route subclass mail which bears a barcode representing not more than 11 digits (not including “correction” digits), as specified by the Postal Service, and which meets the machinability, addressing, and barcoding specifications and other preparation requirements specified by the Postal Service.

324.4      **High Density Rate Category.** The high density rate category applies to Nonprofit Enhanced Carrier Route subclass mail presented in walk-sequence order and meeting the high density requirements specified by the



Postal Service. High density rate category letters must meet the applicable automation requirements specified by the Postal Service, and must bear a barcode representing not more than 11 digits (not including “correction” digits), as specified by the Postal Service.

- 324.5 **Saturation Rate Category.** The saturation rate category applies to Nonprofit Enhanced Carrier Route subclass mail presented in walk-sequence order and meeting the saturation requirements specified by the Postal Service. Saturation rate category letters must meet the applicable automation requirements specified by the Postal Service, and must bear a barcode representing not more than 11 digits (not including “correction” digits), as specified by the Postal Service.
- 324.6 **Destination Entry Discounts.** Destination entry discounts apply to Nonprofit Enhanced Carrier Route subclass mail prepared as specified by the Postal Service and addressed for delivery within the service area of the BMC (or auxiliary service facility), sectional center facility (SCF), or destination delivery unit (DDU) at which it is entered, as defined by the Postal Service.
- 324.7 **Residual Shape Surcharge.** Nonprofit Enhanced Carrier Route subclass mail is subject to a surcharge if it is prepared as a parcel or if it is not letter or flat shaped.

### 330 **PHYSICAL LIMITATIONS**

#### 331 **Size**

Standard Mail may not exceed 108 inches in length and girth combined. Additional size limitations apply to individual rate categories. The maximum size for mail in the Enhanced Carrier Route and Nonprofit Enhanced Carrier Route subclasses is 14 inches in length, 11.75 inches in width, and 0.75 inch in thickness, except that merchandise samples mailed with detached address cards, prepared as specified by the Postal Service, may exceed those dimensions.

#### 332 **Weight**

Standard Mail may not weigh more than 16 ounces.

340 **POSTAGE AND PREPARATION**

341 **Postage**

Postage must be paid as set forth in section 3000. When the postage is higher than the rate prescribed in any of the Package Services subclasses for which the piece also qualifies, the piece is eligible for the applicable lower rate. All mail mailed at a bulk or presort rate must have postage paid in a manner not requiring cancellation.

342 **Preparation**

All pieces in a Standard mailing must be separately addressed. All pieces in a Standard mailing must be identified as specified by the Postal Service, and must contain the ZIP Code of the addressee when specified by the Postal Service. All Standard mailings must be prepared and presented as specified by the Postal Service. Two or more Standard mailings may be commingled and mailed only when specific methods approved by the Postal Service for determining and verifying postage are followed.

343 **Non-Identical Pieces**

Pieces not identical in size and weight may be mailed at a bulk or presort rate as part of the same mailing only when specific methods approved by the Postal Service for determining and verifying postage are followed.

344 **Attachments and Enclosures**

344.1 **General.** First-Class Mail may be attached to or enclosed in Standard Mail [\[containing books, catalogs, and merchandise\]](#). The piece must be marked as specified by the Postal Service. Except as provided in section 344.2, additional postage must be paid for the attachment or enclosure as if it had been mailed separately. Otherwise, the entire combined piece is subject to the First-Class rate for which it qualifies.

344.2 **Incidental First-Class Attachments and Enclosures.** First-Class Mail, as defined in subsections b through d of section 210, may be attached to or enclosed with Standard Mail containing merchandise, including books, but excluding merchandise samples, with postage paid on the combined piece at the applicable Standard rate, if the attachment or enclosure is incidental to the piece to which it is attached or with which it is enclosed.

350      **DEPOSIT AND DELIVERY**

351      **Deposit**

Standard Mail must be deposited at places and times designated by the Postal Service.

352      **Service**

Standard Mail may receive deferred service.

353      **Forwarding and Return**

Undeliverable-as-addressed Standard Mail will be returned on request of the mailer, or forwarded and returned on request of the mailer. Undeliverable-as-addressed combined First-Class and Standard Mail pieces will be returned as specified by the Postal Service. Except as provided in section 935, the applicable First-Class Mail rate is charged for each piece receiving return only service. Except as provided in section 936, charges for forwarding-and-return service are assessed only on those pieces which cannot be forwarded and are returned. Except as provided in sections 935 and 936, the charge for those returned pieces is the appropriate First-Class Mail rate for the piece plus that rate multiplied by a factor equal to the number of Standard Mail pieces nationwide that are successfully forwarded for every one piece that cannot be forwarded and must be returned.

360      **ANCILLARY SERVICES**

361      **All Subclasses**

All Standard Mail will receive the following services upon payment of the appropriate fees:

<b>Service</b>	<b>Schedule</b>
a. Address correction	911
b. Certificates of mailing indicating that a specified number of pieces have been mailed	947

Certificates of mailing are not available for Standard Mail when postage is paid with permit imprint.

**362 Regular and Nonprofit**

362.1 Regular and Nonprofit subclass mail will receive the following additional services upon payment of the appropriate fees.

<b>Service</b>	<b>Schedule</b>
a. Bulk Parcel Return Service	935
b. Shipper-Paid Forwarding	936

362.2 Regular and Nonprofit subclass mail subject to the residual shape surcharge in 321.5 and 323.6, respectively, will receive the following additional services upon payment of the [\[appropriate\]appropriate](#) fees.

<b>Service</b>	<b>Schedule</b>
a. Bulk Insurance	943
b. Return Receipt (merchandise only)	945
c. Delivery Confirmation	948

Bulk insurance may not be used selectively for individual pieces in a multi-piece Standard Mail mailing unless specific methods approved by the Postal Service for determining and verifying postage are followed.

**363 Regular**

Regular subclass mail will receive the following additional services upon payment of the appropriate fees:

<b>Service</b>	<b>Schedule</b>
a. <a href="#">Netpost</a> Mailing Online	981

**365 Nonprofit**

Nonprofit subclass mail will receive the following additional services upon payment of the appropriate fees:

<b>Service</b>	<b>Schedule</b>
a. <a href="#">Netpost</a> Mailing Online (starting on a date to be specified by the Postal Service)	981

## 370 **RATES AND FEES**

The rates and fees for Standard Mail are set forth as follows:

	<b>Schedule</b>
a. Regular subclass	
Presort category	321A
Automation category	321B
b. Enhanced Carrier Route subclass	322
c. Nonprofit subclass	
Presort category	323A
Automation category	323B
d. Nonprofit Enhanced Carrier Route subclass	324
e. Fees	1000

## 380 **AUTHORIZATIONS AND LICENSES**

The mailing fee set forth in Schedule 1000 must be paid once each year at each office of mailing or office of verification, as specified by the Postal Service, by or for mailers of Standard Mail. Payment of the fee allows the mailer to mail at any Standard Mail rate.

## PERIODICALS CLASSIFICATION SCHEDULE

410        **DEFINITION**

411        **General Requirements**

411.1      **Definition.** A publication may qualify for mailing under the Periodicals Classification Schedule if it meets all the requirements in sections 411.2 through 411.5 and the requirements for one of the qualification categories in sections 412 through 415. Eligibility for specific Periodicals rates is prescribed in section 420.

411.2      **Periodicals.** Periodicals class mail is mailable matter consisting of newspapers and other periodical publications. The term "periodical publications" includes, but is not limited to:

- a. Any catalog or other course listing including mail announcements of legal texts which are part of post-bar admission education issued by any institution of higher education or by a nonprofit organization engaged in continuing legal education.
- b. Any looseleaf page or report (including any index, instruction for filing, table, or sectional identifier which is an integral part of such report) which is designed as part of a looseleaf reporting service concerning developments in the law or public policy.

411.3      **Issuance**

411.31     **Regular Issuance.** Periodicals class mail must be regularly issued at stated intervals at least four times a year, bear a date of issue, and be numbered consecutively.

411.32     **Separate Publication.** For purposes of determining Periodicals rate eligibility, an "issue" of a newspaper or other periodical shall be deemed to be a separate publication when the following conditions exist:

- a. The issue is published at a regular frequency more often than once a month either on (1) the same day as another regular issue of the same publication; or (2) on a day different from regular issues of the same publication, and

- b. More than 10 percent of the total number of copies of the issue is distributed on a regular basis to recipients who do not subscribe to it or request it, and
- c. The number of copies of the issue distributed to nonsubscribers or nonrequesters is more than twice the number of copies of any other issue distributed to nonsubscribers or nonrequesters on that same day, or, if no other issue that day, any other issue distributed during the same period. "During the same period" shall be defined as the periods of time ensuing between the distribution of each of the issues whose eligibility is being examined. Such separate publications must independently meet the qualifications for Periodicals eligibility.

411.4 **Office of Publication.** Periodicals class mail must have a known office of publication. A known office of publication is a public office where business of the publication is transacted during the usual business hours. The office must be maintained where the publication is authorized original entry.

411.5 **Printed Sheets.** Periodicals class mail must be formed of printed sheets. It may not be reproduced by stencil, mimeograph, or hectograph processes, or reproduced in imitation of typewriting. Reproduction by any other printing process is permissible. Any style of type may be used.

## 412 **General Publications**

412.1 **Definition.** To qualify as a General Publication, Periodicals class mail must meet the requirements in section 411 and in sections 412.2 through 412.4.

412.2 **Dissemination of Information.** A General Publication must be originated and published for the purpose of disseminating information of a public character, or devoted to literature, the sciences, art, or some special industry.

### 412.3 **Paid Circulation**

412.31 **Total Distribution.** A General Publication must be designed primarily for paid circulation. At least 50 percent or more of the copies of the publication must be distributed to persons who have paid above a nominal rate.

412.32 **List of Subscribers.** A General Publication must be distributed to a legitimate list of persons who have subscribed by paying or promising to pay at a rate above nominal for copies to be received during a stated time.

Copies mailed to persons who are not on a legitimate list of subscribers are nonsubscriber copies.

412.33 **Nominal Rates.** As used in section 412.31, nominal rate means:

- a. A token subscription price that is so low that it cannot be considered a material consideration;
- b. A reduction to the subscriber, under a premium offer or any other arrangements, of more than 50 percent of the amount charged at the basic annual rate for a subscriber to receive one copy of each issue published during the subscription period. The value of a premium is considered to be its actual cost to the publishers, the recognized retail value, or the represented value, whichever is highest.

412.34 **Nonsubscriber Copies**

412.341 **Up to Ten Percent.** Nonsubscriber copies, including sample and complimentary copies, mailed at any time during the calendar year up to and including 10 percent of the total number of copies mailed to subscribers during the calendar year are mailable at the rates that apply to subscriber copies provided that the nonsubscriber copies would have been eligible for those rates if mailed to subscribers.

412.342 **Over Ten Percent.** Nonsubscriber copies, including sample and complimentary copies, mailed at any time during the calendar year, in excess of 10 percent of the total number of copies mailed to subscribers during the calendar year which are presorted and commingled with subscriber copies are charged the applicable rates for Outside County Periodicals, but are not eligible for preferred rate discounts. The 10 percent limitation for a publication is based on the total number of all copies of that publication mailed to subscribers during the calendar year.

412.35 **Advertiser's Proof Copies.** One complete copy of each issue of a General Publication may be mailed to each advertiser in that issue as an advertiser's proof copy at the rates that apply to subscriber copies, whether the advertiser's proof copy is mailed to the advertiser directly or, instead, to an advertising representative or agent of the publication. These copies count as subscriber copies.

412.36 **Expired Subscriptions.** For six months after a subscription has expired, copies of a General Publication may be mailed to a former subscriber at the rates that apply to copies mailed to subscribers, if the publisher has



attempted during that six months to obtain payment, or a promise to pay, for renewal. These copies do not count as subscriber copies.

#### 412.4 **Advertising Purposes**

A General Publication may not be designed primarily for advertising purposes. A publication is "designed primarily for advertising purposes" if it:

- a. Has advertising in excess of 75 percent in more than one-half of its issues during any 12-month period;
- b. Is owned or controlled by individuals or business concerns and conducted as an auxiliary to and essentially for the advancement of the main business or calling of those who own or control it;
- c. Consists principally of advertising and editorial write-ups of the advertisers;
- d. Consists principally of advertising and has only a token list of subscribers, the circulation being mainly free;
- e. Has only a token list of subscribers and prints advertisements free for advertisers who pay for copies to be sent to a list of persons furnished by the advertisers; or
- f. Is published under a license from individuals or institutions and features other businesses of the licensor.

#### 413 **Requester Publications**

413.1 **Definition.** A publication which is circulated free or mainly free may qualify for Periodicals class as a Requester Publication if it meets the requirements in sections 411, and 413.2 through 413.4.

413.2 **Minimum Pages.** It must contain at least 24 pages.

#### 413.3 **Advertising Purposes**

413.31 **Advertising Percentage.** It must devote at least 25 percent of its pages to nonadvertising and not more than 75 percent to advertisements.

413.32 **Ownership and Control.** It must not be owned or controlled by one or more individuals or business concerns and conducted as an auxiliary to and

essentially for the advancement of the main business or calling of those who own or control it.

413.4 **Circulated to Requesters**

413.41 **List of Requesters.** It must have a legitimate list of persons who request the publication, and 50 percent or more of the copies of the publication must be distributed to persons making such requests. Subscription copies paid for or promised to be paid for, including those at or below a nominal rate may be included in the determination of whether the 50 percent request requirement is met. Persons will not be deemed to have requested the publication if their request is induced by a premium offer or by receipt of material consideration, provided that mere receipt of the publication is not material consideration.

413.42 **Nonrequester Copies**

413.421 **Up to Ten Percent.** Nonrequester copies, including sample and complimentary copies, mailed at any time during the calendar year up to and including 10 percent of the total number of copies mailed to requesters during the calendar year are mailable at the rates that apply to requester copies provided that the nonrequester copies would have been eligible for those rates if mailed to requesters.

413.422 **Over Ten Percent.** Nonrequester copies, including sample and complimentary copies, mailed at any time during the calendar year, in excess of 10 percent of the total number of copies mailed to requesters during the calendar year which are presorted and commingled with requester copies are charged the applicable rates for Outside County Periodicals, but are not eligible for preferred rate discounts. The 10 percent limitation for a publication is based on the total number of all copies of that publication mailed to requesters during the calendar year.

413.43 **Advertiser's Proof Copies.** One complete copy of each issue of a Requester Publication may be mailed to each advertiser in that issue as an advertiser's proof copy at the rates that apply to requester copies, whether the advertiser's proof copy is mailed to the advertiser directly or, instead, to an advertising representative or agent of the publication. These copies count as requester copies.

**414 Publications of Institutions and Societies**

- 414.1 Publisher's Own Advertising.** Except as provided in section 414.2, a publication which meets the requirements of sections 411 and 412.4, and which contains no advertising other than that of the publisher, qualifies for Periodicals class as a publication of an institution or society if it is:
- a. Published by a regularly incorporated institution of learning;
  - b. Published by a regularly established state institution of learning supported in whole or in part by public taxation;
  - c. A bulletin issued by a state board of health or a state industrial development agency;
  - d. A bulletin issued by a state conservation or fish and game agency or department;
  - e. A bulletin issued by a state board or department of public charities and corrections;
  - f. Published by a public or nonprofit private elementary or secondary institution of learning or its administrative or governing body;
  - g. Program announcements or guides published by an educational radio or television agency of a state or political subdivision thereof, or by a nonprofit educational radio or television station;
  - h. Published by or under the auspices of a benevolent or fraternal society or order organized under the lodge system and having a bona fide membership of not less than 1,000 persons;
  - i. Published by or under the auspices of a trade(s) union;
  - j. Published by a strictly professional, literary, historical, or scientific society; or,
  - k. Published by a church or church organization.
- 414.2 General Advertising.** A publication published by an institution or society identified in sections 414.1 h through k, may contain advertising of other persons, institutions, or concerns, if the following additional conditions are met:

- a. The publication is originated and published to further the objectives and purposes of the society;
- b. Circulation is limited to:
  - i. Copies mailed to members who pay either as a part of their dues or assessment or otherwise, not less than 50 percent of the regular subscription price;
  - ii. Other actual subscribers; and
  - iii. Exchange copies.
- c. The circulation of nonsubscriber copies, including sample and complimentary copies, does not exceed 10 percent of the total number of copies referred to in 414.2b.

**415 Publications of State Departments of Agriculture**

A publication which is issued by a state department of agriculture and which meets the requirements of sections 411 qualifies for Periodicals class as a publication of a state department of agriculture if it contains no advertising and is published for the purpose of furthering the objects of the department.

**416 Foreign Publications**

Foreign newspapers and other periodicals of the same general character as domestic publications entered as Periodicals class mail may be accepted on application of the publishers thereof or their agents, for transmission through the mail at the same rates as if published in the United States. This section does not authorize the transmission through the mail of a publication which violates a copyright granted by the United States.

**420 DESCRIPTION OF SUBCLASSES**

**421 Outside County Subclass**

**421.1 Definition.** The Outside County subclass consists of Periodicals class mail that is not mailed under section 423 and that:

- a. Is presorted, marked, and presented as specified by the Postal Service; and

- b. Meets machinability, addressing, and other preparation requirements specified by the Postal Service.

## 421.2 **Outside County Pound Rates**

An unzoned pound rate applies to the nonadvertising portion of Outside County subclass mail. A zoned pound rate applies to the advertising portion and may be reduced by applicable destination entry discounts. The pound rate postage is the sum of the nonadvertising portion charge and the advertising portion charge.

## 421.3 **Outside County Piece Rates**

421.31 **Basic Rate Category.** The basic rate category applies to all Outside County subclass mail not mailed under section 421.32, 421.33, or 421.34.

421.32 **Three-Digit [City and Five-Digit ]Rate Category.** The three-digit rate category applies to Outside County subclass mail presorted to single or multiple three-digit ZIP Code destinations as specified by the Postal Service.

421.33 **Five-Digit Rate Category.** The five-digit rate category applies to Outside County subclass mail presorted to single or multiple five-digit ZIP Code destinations as specified by the Postal Service.

421.34 **Carrier Route Rate Category.** The carrier route rate category applies to Outside County subclass mail presorted to carrier routes as specified by the Postal Service.

## 421.4 **Outside County Subclass Discounts**

421.41 **Barcoded Letter Discounts.** Barcoded letter discounts apply to letter size Outside County subclass mail mailed under sections 421.31, 421.32, and 421.33 which bears a barcode representing not more than 11 digits (not including "correction" digits) as specified by the Postal Service, and which meets the machinability, addressing, and barcoding specifications and other preparation requirements specified by the Postal Service.

421.42 **Barcoded Flats Discounts.** Barcoded flats discounts apply to flat size Outside County subclass mail mailed under sections 421.31, 421.32, and 421.33 which bear a barcode representing not more than 11 digits (not including "correction" digits) as specified by the Postal Service, and meet the flats machinability, addressing, and barcoding specifications and other preparation requirements specified by the Postal Service.

- 421.43 **High Density Discount.** The high density discount applies to Outside County subclass mail mailed under section 421.34, presented in walk sequence order, and meeting the high density and preparation requirements specified by the Postal Service.
- 421.44 **Saturation Discount.** The saturation discount applies to Outside County subclass mail mailed under section 421.34, presented in walk-sequence order, and meeting the saturation and preparation requirements specified by the Postal Service.
- 421.45 **Destination Entry Discounts.** Destination entry discounts apply to Outside County subclass mail which is prepared as specified by the Postal Service and addressed [destined] for delivery within the service area of the destination area distribution center (ADC), destination sectional center facility (SCF) or the destination delivery unit (DDU) at[in] which it is entered, as defined by the Postal Service. The DDU discount only applies to Carrier Route rate category mail.
- 421.46 **Nonadvertising Discount.** The nonadvertising discount applies to all Outside County subclass mail and is determined by multiplying the proportion of nonadvertising content by the discount factor set forth in Rate Schedule 421 and subtracting that amount from the applicable piece rate.
- 421.47 **Preferred Rate Discount.** Periodicals Mail qualifying as Nonprofit or Classroom mail under sections 422.2 and 422.3 is eligible for the Preferred rate discount set forth in Rate Schedule 421.
- 421.48 **Pallet Discount.** The pallet discount applies to Outside Country subclass nonletter mail that is presented on pallets and meets the preparation requirements specified by the Postal Service.
- 421.49 **Dropship Pallet Discount.** The dropship pallet discount applies to Outside County subclass nonletter mail under section 421.45, that is presented on pallets and meets the preparation requirements specified by the Postal Service.
- 422 **Preferred Qualification Categories**
- 422.1 **Definition.** Preferred Qualification Outside County Subclass Periodicals consist of Periodicals Mail, other than publications qualifying as Requester Publications, that meets applicable requirements in sections 422.2, 422.3, or 422.4.

**422.2 Nonprofit**

The Periodicals Outside County Subclass Nonprofit category consists of publications entered by authorized nonprofit organizations or associations of the following types:

- a. Religious, as defined in section 1009,
- b. Educational, as defined in section 1009,
- c. Scientific, as defined in section 1009,
- d. Philanthropic, as defined in section 1009,
- e. Agricultural, as defined in section 1009,
- f. Labor, as defined in section 1009,
- g. Veterans', as defined in section 1009,
- h. Fraternal, as defined in section 1009, and
- i. Associations of rural electric cooperatives, and the publications of the following types:
- j. one publication, which contains no advertising (except advertising of the publisher) published by the official highway or development agency of a state,
- k. program announcements or guides published by an educational radio or television agency of a state or political subdivision thereof or by a nonprofit educational radio or television station, or
- l. one conservation publication published by an agency of a state which is responsible for management and conservation of the fish or wildlife resources of such state.

**422.3 Classroom**

The Periodicals Outside County Subclass Classroom rate category consists of religious, educational, or scientific publications designed specifically for use in school classrooms or religious instruction classes.

422.4 **Science of Agriculture**

422.41 **Definition.** Science of Agriculture mail consists of Periodicals class mail devoted to the science of agriculture if the total number of copies of the publication furnished during any 12-month period to subscribers residing in rural areas amounts to at least 70 percent of the total number of copies distributed by any means for any purpose.

422.42 **Rates.** Science of Agriculture mail is subject to pound rates, piece rates, and piece rate discounts (except for the discount set forth in section 421.47) for Outside County Subclass Periodicals Mail, except for DDU, DSCF and Zone 1 & 2 pound rates. Rates for Science of Agriculture are set forth in Rate Schedule 421.

422.43 **Nonadvertising Discount.** The nonadvertising discount for Outside County Subclass Periodicals Mail applies to Science of Agriculture Periodicals, and is determined by multiplying the proportion of nonadvertising content by the discount factor set forth in Rate Schedule 421 and subtracting that amount from the applicable piece rate.

422.44 **Destination Entry Discounts.** Destination entry discounts apply to Science of Agriculture Periodicals mail which is prepared as specified by the Postal Service, and addressed[which are destined] for delivery within the service area of the destination area distribution center (ADC), destination sectional center facility (SCF) or the destination delivery unit (DDU) [in]at which it is entered, as defined by the Postal Service. The DDU discount only applies to Carrier Route rate category mail.

423 **Within County Subclass**

423.1 ***Reserved***

423.2 **General**

423.21 **Definition.** Within County mail consists of Periodicals class mail, other than publications qualifying as Requester Publications, mailed in, and addressed for delivery within, the county where published and originally entered, from either the office of original entry or additional entry. In addition, a Within County publication must meet one of the following conditions:

- a. The total paid circulation of the issue is less than 10,000 copies; or



- b. The number of paid copies of the issue distributed within the county of publication is at least one more than one-half the total paid circulation of such issue.

- 423.22 **Entry in an Incorporated City.** For the purpose of determining eligibility for Within County mail, when a publication has original entry at an independent incorporated city which is situated entirely within a county or which is contiguous to one or more counties in the same state, such incorporated city shall be considered to be within the county with which it is principally contiguous. Where more than one county is involved, the publisher will select the principal county.
- 423.23 **Pound Rate.** One pound rate applies to Within County pieces presorted to carrier routes to be delivered within the delivery area of the originating post office, and another pound rate applies to all other pieces.
- 423.3 **Within County Piece Rates**
- 423.31 **Basic Rate Category.** The basic rate category applies to Within County Periodicals not mailed under section 423.32, 423.33, or 423.34.
- 423.32 **Three-[d]Digit Rate Category.** The three-digit rate category applies to Within County Periodicals that are presorted to single or multiple three-digit ZIP Code destinations as specified by the Postal Service.
- 423.33 **Five-Digit Rate Category.** The five-digit rate category applies to Within County Periodicals presorted to single or multiple five-digit ZIP Code destinations as specified by the Postal Service.
- 423.34 **Carrier Route Rate Category.** The carrier route rate category applies to Within County Periodicals presorted to carrier routes as specified by the Postal Service.
- 423.4 **Within County Discounts**
- 423.41 **Barcoded Letter Discounts.** Barcoded letter discounts apply to letter size Within County Periodicals mailed under sections 423.31, 423.32, and 423.33 which bear a barcode representing not more than 11 digits (not including “correction” digits) as specified by the Postal Service, and which meet the machinability, addressing, and barcoding specifications and other preparation requirements specified by the Postal Service.

423.42 **Barcoded Flats Discounts.** Barcoded flats discounts apply to flat size Within County Periodicals mailed under sections 423.31, 423.32, and 423.33 which bear a barcode representing not more than 11 digits (not including “correction” digits) as specified by the Postal Service, and meet the flats machinability, addressing, and barcoding specifications and other preparation requirements specified by the Postal Service.

423.43 **High Density Discount.** The high density discount applies to Within County Periodicals mailed under section 423.34, presented in walk sequence order, and meeting the high density and preparation requirements specified by the Postal Service. Alternatively, Within County mail may qualify for such discount also by presenting otherwise eligible mailings containing pieces addressed to a minimum of 25 percent of the addresses per carrier route.

423.44 **Saturation Discount.** The saturation discount applies to Within County Periodicals mailed under section 423.34, presented in walk sequence order, and meeting the saturation and preparation requirements specified by the Postal Service.

423.45 **Destination Entry Discount.** A destination delivery unit discount applies to Within County carrier route category mail which is destined for delivery within the destination delivery unit (DDU) in which it is entered, as defined by the Postal Service.

#### 430 **PHYSICAL LIMITATIONS**

Periodicals Mail may not weigh more than 70 pounds or exceed 108 inches in length and girth combined. Additional size limitations apply to individual Periodicals rate categories.

#### 440 **POSTAGE AND PREPARATION**

441 **Postage.** Postage must be paid on Periodicals class mail as set forth in section 3000.

442 **Presortation.** Periodicals class mail must be presorted as specified by the Postal Service.

#### 443 **Attachments and Enclosures**

443.1 **General.** First-Class Mail or Standard Mail may be attached to or enclosed with Periodicals class mail. The piece must be marked as specified by the

Postal Service. Except as provided in section 443.2, additional postage must be paid for the attachment or enclosure as if it had been mailed separately. Otherwise, the entire combined piece is subject to the appropriate First-Class [Mail](#), [\[or\]](#) Standard Mail, [or Package Services](#) rate for which it qualifies (unless the rate applicable to the host piece is higher), or, if a combined piece with a Standard Mail attachment or enclosure weighs 16 ounces or more, the piece is subject to the Parcel Post rate for which it qualifies. 443.1a“Ride-Along” Attachments and Enclosures.

A limit of one Standard Mail piece, not exceeding the weight of the host copy and weighing a maximum of 3.3 ounces, from any of the subclasses listed in section 321 (Regular, Enhanced Carrier Route, Nonprofit or Nonprofit Enhanced Carrier Route) may be attached to or enclosed with an individual copy of Periodicals Mail for an additional postage payment of ten cents. Periodicals containing “Ride-Along” attachments or enclosures must maintain uniform thickness as specified by the Postal Service. The Periodicals piece with the “Ride-Along” must maintain the same shape and automation compatibility as it had before addition of the “Ride-Along” attachment or enclosure and meet other preparation requirements as specified by the Postal Service.

[\[This provision expires on the effective date to be set by the Board of Governors for Rate Schedules 421 and 423 resulting from Docket No. R2001-1.\]](#)

443.2 **Incidental First-Class Mail Attachments and Enclosures.** First-Class Mail that meets one or more of the definitions in section 210 b through d may be attached to or enclosed with Periodicals class mail, with postage paid on the combined piece at the applicable Periodicals rate, if the attachment or enclosure is incidental to the piece to which it is attached or with which it is enclosed.

444 **Identification**

Periodicals class mail must be identified as required by the Postal Service. Nonsubscriber and nonrequester copies, including sample and complimentary copies, must be identified as required by the Postal Service.

445 **Filing of Information**

Information relating to Periodicals class mail must be filed with the Postal Service under 39 U.S.C. 3685.

446        **Enclosures and Supplements**

Periodicals class mail may contain enclosures and supplements as specified by the Postal Service. An enclosure or supplement may not contain writing, printing or sign thereof or therein, in addition to the original print, except as authorized by the Postal Service, or as authorized under section 443.2.

450        **DEPOSIT AND DELIVERY**

451        **Deposit**

Periodicals class mail must be deposited at places and times designated by the Postal Service.

452        **Service**

Periodicals class mail is given expeditious handling insofar as is practicable.

453        **Forwarding and Return**

Undeliverable-as-addressed Periodicals class mail will be forwarded or returned to the mailer, as specified by the Postal Service. Undeliverable-as-addressed combined First-Class and Periodicals class mail pieces will be forwarded or returned, as specified by the Postal Service. Additional charges when Periodicals class mail is returned will be based on the applicable First-Class Mail rate.

470        **RATES AND FEES**

The rates and fees for Periodicals class mail are set forth as follows:

	<b>Schedule</b>
a. Outside County	421
b. Within County	423
c. Science of Agriculture	421
d. Fees	1000

**480 AUTHORIZATIONS AND LICENSES****481 Entry Authorizations**

Prior to mailing at Periodicals rates, a publication must be authorized for entry as Periodicals class mail by the Postal Service. Each authorized publication will be granted one original entry authorization at the post office where the office of publication is maintained. An authorization for the establishment of an account to enter a publication at an additional entry office may be granted by the Postal Service upon application by the publisher. An application for re-entry must be made whenever the publisher proposes to change the publication's title, frequency of issue or office of original entry.

**482 Nonprofit, Classroom and Science of Agriculture Authorization**

Prior to entering Nonprofit, Classroom, and Science of Agriculture Periodicals Mail, a publication must obtain an additional Postal Service entry authorization to mail at those rates.

**483 Mailing by Publishers and News Agents**

Periodicals class mail may be mailed only by publishers or registered news agents. A news agent is a person or concern engaged in selling two or more Periodicals publications published by more than one publisher. News agents must register at all post offices at which they mail Periodicals class mail.

**484 Fees**

Fees for original entry, additional entry, re-entry, and registration of a news agent are set forth in Schedule 1000.

**PACKAGE SERVICES  
CLASSIFICATION SCHEDULE**

510        **DEFINITION**

511        **General**

Any mailable matter may be mailed as Package Services mail except:

- a. Matter required to be mailed as First-Class Mail;
- b. Copies of a publication that is entered as Periodicals class mail, except copies sent by a printer to a publisher, and except copies that would have traveled at the former second-class transient rate. (The transient rate applied to individual copies of second-class mail (currently Periodicals class mail) forwarded and mailed by the public, as well as to certain sample copies mailed by publishers.)

512        **Written Additions**

Package Services mail may have the following written additions placed on the wrapper, on a tag or label attached to the outside of the parcel, or inside the parcel, either loose or attached to the article:

- a. Marks, numbers, name, or letters descriptive of contents;
- b. "Please Do Not Open Until Christmas," or words of similar import;
- c. Instructions and directions for the use of an article in the package;
- d. Manuscript dedication or inscription not in the nature of personal correspondence;
- e. Marks to call attention to any word or passage in text;
- f. Corrections of typographical errors in printed matter;
- g. Manuscripts accompanying related proof sheets, and corrections in proof sheets to include: corrections of typographical and other errors, alterations of text, insertion of new text, marginal instructions to the printer, and rewrites of parts if necessary for correction;

- h. Handstamped imprints, except when the added matter is itself personal or converts the original matter to a personal communication;
- i. An invoice.

## 520 DESCRIPTION OF SUBCLASSES

### 521 Parcel Post Subclass

521.1 **Definition.** The Parcel Post subclass consists of Package Services mail that is not mailed under sections 522, 523, or 524.

### 521.2 Description of Rate Categories

521.21 **Inter-BMC Rate Category.** The inter-BMC rate category applies to all Parcel Post subclass mail not mailed under sections 521.22, 521.23, 521.24, [\[or \]521.25, or 521.26.](#)

521.22 **Intra-BMC Rate Category.** The intra-BMC rate category applies to Parcel Post subclass mail originating and destinating within a designated BMC or auxiliary service facility service area, Alaska, Hawaii or Puerto Rico.

521.23 **Parcel Select—Destination Bulk Mail Center (DBMC) Rate Category.** The Parcel Select—DBMC rate category applies to Parcel Post subclass mail prepared as specified by the Postal Service in a mailing of at least 50 pieces entered at a designated destination BMC, auxiliary service facility, or other equivalent facility, as specified by the Postal Service.

521.24 **Parcel Select—Destination Sectional Center Facility (DSCF) Rate Category.** The Parcel Select—DSCF rate category applies to Parcel Post subclass mail prepared as specified by the Postal Service in a mailing of at least 50 pieces sorted to five-digit destination ZIP Codes as specified by the Postal Service [\(except as described in Section 521.25\)](#) and entered at a designated destination processing and distribution center or facility, or other equivalent facility, as specified by the Postal Service.

[521.25 \*\*Surcharge for Parcel Select—Destination Sectional Center Facility \(DSCF\) Rate Nonmachinable Parcels sorted to 3-digit Zip Codes.\*\* The Parcel Select—DSCF Surcharge applies, in addition to the appropriate DSCF Parcel Select Rate, to mail that does not meet the machinability criteria specified by the Postal Service and is prepared in a mailing of at least 50 pieces sorted to three-digit destination ZIP Codes as specified by the Postal Service and entered at a designated destination processing and](#)

distribution center or facility, or other equivalent facility, as specified by the Postal Service.

- 521.2[5]6 **Parcel Select—Destination Delivery Unit (DDU) Rate Category.** The Parcel Select—DDU rate category applies to Parcel Post subclass mail prepared as specified by the Postal Service in a mailing of at least 50 pieces, and entered at a designated destination delivery unit, or other equivalent facility, as specified by the Postal Service.
- 521.3 **Bulk Parcel Post.** Bulk Parcel Post mail is Parcel Post mail consisting of properly prepared and separated single mailings of at least 300 pieces or 2000 pounds. Pieces weighing less than 15 pounds and measuring over 84 inches in length and girth combined or pieces measuring over 108 inches in length and girth combined are not mailable as Bulk Parcel Post mail.
- 521.31 **Barcode Discount.** The barcode discount applies to Bulk Parcel Post mail that is entered at designated facilities, bears a barcode specified by the Postal Service, is prepared as specified by the Postal Service, and meets all other preparation and machinability requirements of the Postal Service.
- 521.4 **Bulk Mail Center (BMC) Presort Discounts**
- 521.41 **BMC Presort Discount.** The BMC presort discount applies to Inter-BMC Parcel Post subclass mail that is prepared as specified by the Postal Service in a mailing of 50 or more pieces, entered at a facility authorized by the Postal Service, and sorted to destination BMCs, as specified by the Postal Service.
- 521.42 **Origin Bulk Mail Center (OBMC) Discount.** The origin bulk mail center discount applies to Inter-BMC Parcel Post subclass mail that is prepared as specified by the Postal Service in a mailing of at least 50 pieces, entered at the origin BMC, and sorted to destination BMCs, as specified by the Postal Service.
- 521.5 **Barcode Discount.** The barcode discount applies to Inter-BMC, Intra-BMC, and Parcel Select—DBMC Parcel Post subclass mail that is entered at designated facilities, bears a barcode specified by the Postal Service, is prepared as specified by the Postal Service in a mailing of at least 50 pieces, and meets all other preparation and machinability requirements of the Postal Service.



**521.6 Oversize Parcel Post**

521.61 **Excessive Length and Girth.** Parcel Post subclass mail pieces exceeding 108 inches in length and girth combined, but not greater than 130 inches in length and girth combined, are available.

521.62 **Balloon Rate.** Parcel Post subclass mail pieces exceeding 84 inches in length and girth combined and weighing less than 15 pounds are subject to a rate equal to that for a 15 pound parcel for the zone to which the parcel is addressed.

**521.7 Nonmachinable Surcharges.**

**a.** Inter-BMC, Intra-BMC, and Parcel Select—DBMC Parcel Post mail that does not meet machinability criteria specified by the Postal Service is subject to a nonmachinable surcharge.

**b.** Parcel Select—DSCF Parcel Post mail that does not meet machinability criteria specified by the Postal Service, and which is sorted to three-digit destination ZIP Codes as specified by the Postal Service, is subject to a nonmachinability surcharge for 3-digit nonmachinable DSCF Parcel Post.

521.8 **Pickup Service.** Pickup service is available for Parcel Post subclass mail under terms and conditions specified by the Postal Service.

**522 Bound Printed Matter Subclass**

522.1 **Definition.** The Bound Printed Matter subclass consists of Package Services mail weighing not more than 15 pounds, which:

- a. Consists of advertising, promotional, directory, or editorial material, or any combination thereof;
- b. Is securely bound by permanent fastenings including, but not limited to, staples, spiral bindings, glue, and stitching; loose leaf binders and similar fastenings are not considered permanent;
- c. Consists of sheets of which at least 90 percent are imprinted with letters, characters, figures or images or any combination of these, by any process other than handwriting or typewriting;
- d. Does not have the nature of personal correspondence;

- e. Is not stationery, such as pads of blank printed forms.

522.2 **Description of Rate Categories**

522.21 **Single-Piece Rate Category.** The single-piece rate category applies to Bound Printed Matter subclass mail which is not mailed under section 522.3 or 522.4.

522.22 **Basic Presort Rate Category.** The basic presort rate category applies to Bound Printed Matter subclass mail prepared in a mailing of at least 300 pieces, prepared and presorted as specified by the Postal Service.

522.23 **Carrier Route Presort Rate Category.** The carrier route presort rate category applies to Bound Printed Matter subclass mail prepared in a mailing of at least 300 pieces of carrier route presorted mail, prepared and presorted as specified by the Postal Service.

522.24 **Destination Bulk Mail Center (DBMC) Rate Category.** The destination bulk mail center rate category applies to Basic Presort Rate or Carrier Route Presort Rate Bound Printed Matter subclass mail prepared as specified by the Postal Service in a mailing entered at a designated destination BMC, auxiliary service facility, or other equivalent facility, as specified by the Postal Service.

522.25 **Destination Sectional Center Facility (DSCF) Rate Category.** The destination sectional center facility rate category applies to Basic Presort Rate or Carrier Route Presort Rate Bound Printed Matter subclass mail prepared as specified by the Postal Service in a mailing sorted to five-digit destination ZIP Codes as specified by the Postal Service and entered at a designated destination processing and distribution center or facility, or other equivalent facility, as specified by the Postal Service.

522.26 **Destination Delivery Unit (DDU) Rate Category.** The destination delivery unit rate category applies to Basic Presort Rate or Carrier Route Presort Rate Bound Printed Matter subclass mail prepared as specified by the Postal Service in a mailing entered at a designated destination delivery unit, or other equivalent facility, as specified by the Postal Service.

522.3 **Barcode Discount.** The parcel barcoded discount or flats barcoded discount apply[applies] to single-piece rate and Basic Presort Rate Bound Printed Matter subclass parcel or flat mail, respectively, that is entered at designated facilities, bears a barcode specified by the Postal Service, is prepared as specified by the Postal Service in a mailing of at least 50 pieces,

and meets all other preparation and machinability requirements of the Postal Service.

**522.4** **Flats Differential.** Flats-shaped single-piece rate, Basic Presort Rate, and Carrier Route Presort Rate Bound Printed Matter subclass mail that meets the preparation criteria specified by the Postal Service is eligible for a rate reduction in the form of a flats differential.

**523** **Media Mail Subclass**

**523.11** **Definition.** The Media Mail subclass consists of Package Services mail of the following types:

- a. Books, including books issued to supplement other books, of at least eight printed pages, consisting wholly of reading matter or scholarly bibliography or reading matter with incidental blank spaces for notations, and containing no advertising matter other than incidental announcements of books. Not more than three of the announcements may contain as part of their format a single order form, which may also serve as a postcard. These order forms are in addition to and not in lieu of order forms which may be enclosed by virtue of any other provision;
- b. 16 millimeter or narrower width films which must be positive prints in final form for viewing, and catalogs of such films, of 24 pages or more, at least 22 of which are printed, except when sent to or from commercial theaters;
- c. Printed music, whether in bound form or in sheet form;
- d. Printed objective test materials and accessories thereto used by or in behalf of educational institutions in the testing of ability, aptitude, achievement, interests and other mental and personal qualities with or without answers, test scores or identifying information recorded thereon in writing or by mark;
- e. Sound recordings, including incidental announcements of recordings and guides or scripts prepared solely for use with such recordings. Not more than three of the announcements may contain as part of their format a single order form, which may also serve as a postcard. These order forms are in addition to and not in lieu of order forms which may be enclosed by virtue of any other provision;
- f. Playscripts and manuscripts for books, periodicals and music;

- g. Printed educational reference charts, permanently processed for preservation;
- h. Printed educational reference charts, including but not limited to
  - i. Mathematical tables,
  - ii. Botanical tables,
  - iii. Zoological tables, and
  - iv. Maps produced primarily for educational reference purposes;
- i. Looseleaf pages and binders therefor, consisting of medical information for distribution to doctors, hospitals, medical schools, and medical students; and
- j. Computer-readable media containing prerecorded information and guides or scripts prepared solely for use with such media.

523.2 **Description of Rate** ~~[Catagories]~~Categories

523.21 **Single-Piece Rate Category.** The single-piece rate category applies to Media Mail not mailed under section 523.22 or 523.23 prepared as specified by the Postal Service.

523.22 **[Level A]Five-Digit Presort Rate Category.** The ~~[Level A]Five-Digit~~ presort rate category applies to mailings of at least ~~[500]300~~ pieces ~~[of]in~~ any Media Mail subclass presorted category, prepared and presorted to five-digit destination ZIP Codes as specified by the Postal Service.

523.23 **[Level B]Basic Presort Rate Category.** The ~~[Level B]Basic~~ Presort~~[presort]~~ rate category applies to mailings of at least ~~[500]300~~ pieces ~~[of]in any~~ Media Mail subclass presorted category, prepared and presorted ~~[to destination Bulk Mail Centers]~~, as specified by the Postal Service, other than to five-digit destination ZIP Codes.

523.3 **Barcode Discount.** The barcode discount applies to single-piece rate and ~~[Level B]Basic Presort~~ [presort] rate Media Mail that is entered at designated facilities, bears a barcode specified by the Postal Service, is prepared as specified by the Postal Service in a mailing of at least 50 pieces, and meets all other preparation and machinability requirements of the Postal Service.

**524 Library Mail Subclass****524.1 Definition**

**524.11 General.** The Library Mail subclass consists of Package Services mail of the following types:

- a. Matter designated in section 524.13, loaned or exchanged (including cooperative processing by libraries) between:
  - i. Schools or colleges, or universities;
  - ii. Public libraries, museums and herbaria, nonprofit religious, educational, scientific, philanthropic, agricultural, labor, veterans' or fraternal organizations or associations, or between such organizations and their members, readers or borrowers.
- b. Matter designated in section 524.14, mailed to or from schools, colleges, universities, public libraries, museums and herbaria and to or from nonprofit religious, educational, scientific, philanthropic, agricultural, labor, veterans' or fraternal organizations or associations; or
- c. Matter designated in section 524.15, mailed from a publisher or a distributor to a school, college, university or public library.

**524.12 Definition of Nonprofit Organizations and Associations.** Nonprofit organizations or associations are defined in section 1009.

**524.13 Library subclass mail under section 524.11.a.** Matter eligible for mailing as Library Mail under subsection a of section 524.11 consists of:

- a. Books consisting wholly of reading matter or scholarly bibliography or reading matter with incidental blank spaces for notations and containing no advertising other than incidental announcements of books;
- b. Printed music, whether in bound form or in sheet form;
- c. Bound volumes of academic theses in typewritten or other duplicated form;
- d. Periodicals, whether bound or unbound;
- e. Sound recordings;

- f. Other library materials in printed, duplicated or photographic form or in the form of unpublished manuscripts; and
- g. Museum materials, specimens, collections, teaching aids, printed matter and interpretative materials intended to inform and to further the educational work and interest of museums and herbaria.

524.14 **Library Mail under section 524.11.b.** Matter eligible for mailing as Library Mail under subsection b of section 524.11 consists of:

- a. 16-millimeter or narrower width films; filmstrips; transparencies; slides; microfilms; all of which must be positive prints in final form for viewing;
- b. Sound recordings;
- c. Museum materials, specimens, collections, teaching aids, printed matter, and interpretative materials intended to inform and to further the educational work and interests of museums and herbaria;
- d. Scientific or mathematical kits, instruments or other devices;
- e. Catalogs of the materials in subsections a through d of section 524.14 and guides or scripts prepared solely for use with such materials.

524.15 **Library Mail under section 524.11.c.** Matter eligible for mailing as Library subclass mail under subsection c of section 524.11 consists of books, including books to supplement other books, consisting wholly of reading matter or scholarly bibliography or reading matter with incidental blank spaces for notations, and containing no advertising matter other than incidental announcements of books.

524.2 **Description of Rate Categories**

524.21 **Single-Piece Rate Category.** The single-piece rate category applies to Library Mail not mailed under section 524.22 or 524.23 prepared as specified by the Postal Service.

524.22 **[Level A]Five-Digit Presort Rate Category.** The [Level A]Five-Digit Presort[presort] rate category applies to mailings of at least [500]300 pieces [of]in any Library Mail subclass presorted category, prepared and presorted to five-digit destination ZIP Codes as specified by the Postal Service.

524.23 **[Level B]Basic Presort Rate Category.** The **[Level B]Basic Presort**[presort] rate category applies to mailings of at least **[500]300** pieces **[of]in any** Library Mail **subclass presorted category**, prepared and presorted **[to destination Bulk Mail Centers]** as specified by the Postal Service, **other than to five-digit destination ZIP Codes.**

524.3 **Barcode Discount.** The barcode discount applies to Single-Piece Rate and **[Level B]Basic** Presort Rate Library Mail that is entered at designated facilities, bears a barcode specified by the Postal Service, is prepared as specified by the Postal Service in a mailing of at least 50 pieces, and meets all other preparation and machinability requirements of the Postal Service.

## 530 **PHYSICAL LIMITATIONS**

### 531 **Size**

Except as provided in section 521.61, Package Services mail may not exceed 108 inches in length and girth combined. Additional size limitations apply to individual Package Services mail subclasses.

### 532 **Weight**

Package Services mail may not weigh more than 70 pounds. Additional weight limitations apply to individual Package Services mail subclasses.

## 540 **POSTAGE AND PREPARATION**

### 541 **Postage**

Postage must be paid as set forth in section 3000. All mail mailed at a bulk or presort rate must have postage paid in a manner not requiring cancellation.

### 542 **Preparation**

All pieces in a Package Services mailing must be separately addressed. All pieces in a Package Services mailing must be identified as specified by the Postal Service, and must contain the ZIP Code of the addressee when specified by the Postal Service. All Package Services mailings must be prepared and presented as specified by the Postal Service. Two or more Package Services mailings may be commingled and mailed only when specific methods approved by the Postal Service for determining and verifying postage are followed.

543 **Non-Identical Pieces**

Pieces not identical in size and weight may be mailed at a bulk or presort rate as part of the same mailing only when specific methods approved by the Postal Service for determining and verifying postage are followed.

544 **Attachments and Enclosures**

544.1 **General.** First-Class Mail or Standard Mail may be attached to or enclosed in Package Services mail. The piece must be marked as specified by the Postal Service. Except as provided in sections 544.2 and 544.3, additional postage must be paid for the attachment or enclosure as if it had been mailed separately. Otherwise, the entire combined piece is subject to the First-Class [or] Standard Mail , or Package Services rate for which it qualifies unless the rate applicable to the host piece is higher.

544.2 **Specifically Authorized Attachments and Enclosures.** Package Services mail may contain enclosures and attachments as specified by the Postal Service and as described in subsections a and e of section 523.1, with postage paid on the combined piece at the Package Services rate applicable to the host piece.

544.3 **Incidental First-Class Attachments and Enclosures.** First-Class Mail that meets one or more of the definitions in subsections b through d of section 210, may be attached to or enclosed with Package Services mail, with postage paid on the combined piece at the Package Services rate applicable to the host piece, if the attachment or enclosure is incidental to the piece to which it is attached or with which it is enclosed.

550 **DEPOSIT AND DELIVERY**

551 **Deposit**

Package Services mail must be deposited at places and times designated by the Postal Service.

552 **Service**

Package Services mail may receive deferred service.



## 553 Forwarding and Return

Undeliverable-as-addressed Package Services mail will be forwarded on request of the addressee, returned on request of the mailer, or forwarded and returned on request of the mailer. Pieces which combine Package Services mail with First-Class Mail or Standard Mail will be forwarded if undeliverable-as-addressed, and returned if undeliverable, as specified by the Postal Service. When Package Services mail is forwarded or returned from one post office to another, additional charges will be based on the applicable single-piece Package Services mail rate.

## 560 ANCILLARY SERVICES

Package Services mail will receive the following services upon payment of the appropriate fees:

<b>Service</b>	<b>Schedule</b>
a. Address correction	911
b. Certificates of mailing	947
c. COD	944
d. Insurance	943
e. Special handling	952
f. Return receipt (merchandise only)	945
g. Merchandise return	932
h. Delivery Confirmation <u>(limited to parcel-shaped Package Services Mail)</u>	948
i. Shipper Paid Forwarding	936
j. Signature Confirmation <u>limited to parcel-shaped Package Services Mail</u>	949
k. Parcel Airlift	951

Insurance, special handling, and COD services may not be used selectively for individual pieces in a multi-piece Package Services mailing unless specific methods approved by the Postal Service for determining and verifying postage are followed.

570 **RATES AND FEES**

The rates and fees for Package Services Mail are set forth as follows:

	<b>Schedule</b>
a. Parcel Post subclass	
Inter-BMC	<del>[522.2A]</del> <u>521.2A</u>
Intra-BMC	<del>[522.2B]</del> <u>521.2B</u>
Parcel Select	
Destination BMC	<del>[522.2C]</del> <u>521.2C</u>
Destination SCF	<del>[522.2D]</del> <u>521.2D</u>
Destination Delivery Unit	<del>[522.2E]</del> <u>521.2E</u>
b. Bound Printed Matter subclass	
Single-Piece	522A
Basic Presort and Carrier Route	522B
Destination Entry Basic Presort	522C
Destination Entry Carrier Route Presort	522D
c. Media Mail subclass	<del>[323.1]</del> <u>523</u>
d. Library Mail subclass	<del>[323.2]</del> <u>524</u>
e. Fees	1000

580 **AUTHORIZATIONS AND LICENSES**

581 **Parcel Post Subclass**

The mailing fee set forth in Schedule 1000 must be paid once each 12-month period at each office of mailing or office of verification, as specified by the Postal Service, by or for mailers of any Parcel Select rate category mail in the Parcel Post subclass. Payment of the fee allows the mailer to mail at any Parcel Select rate.

582 **Bound Printed Matter Subclass**

The mailing fee set forth in Schedule 1000 must be paid once each 12-month period at each office of mailing or office of verification, as specified by the Postal Service, by or for mailers of Destination BMC, Destination SCF or Destination Delivery Unit rate category mail in the Bound Printed Matter subclass. Payment of the fee allows the mailer to mail at any destination entry Bound Printed Matter rate.

583      **Media Mail Subclass**

The mailing fee set forth in Schedule 1000 must be paid once each 12-month period at each office of mailing or office of verification, as specified by the Postal Service, by or for mailers of presorted Media Mail. Payment of the fee allows the mailer to mail at any presorted Media Mail rate.

584      **Library Mail Subclass**

The mailing fee set forth in Schedule 1000 must be paid once each 12-month period at each office of mailing or office of verification, as specified by the Postal Service, by or for mailers of presorted Library Mail. Payment of the fee allows the mailer to mail at any presorted Library Mail rate.

**SPECIAL SERVICES  
CLASSIFICATION SCHEDULE**

**910 ADDRESSING**

**911 ADDRESS CORRECTION SERVICE**

**911.1 Definition**

911.11 Address Correction Service provides a mailer both an addressee's former and current address, if the correct address is known to the Postal Service. If the correct address is not known to the Postal Service, Address Correction Service provides the reason why the Postal Service could not deliver the mailpiece as addressed.

**911.2 Availability**

911.21 Address Correction service is available to mailers of postage prepaid mail of all classes, except for mail addressed for delivery by military personnel at any military installation. Address Correction Service is mandatory for Periodicals class mail.

911.22 Automated Address Correction Service is available to mailers who can receive computerized address corrections and meet the requirements specified by the Postal Service.

**911.3 Mailer Requirements**

911.31 Mail, other than Periodicals class mail, sent under this section must bear a request for Address Correction service.

**911.4 Other Services**

911.41 Address Correction Service serves as a prerequisite for Shipper Paid Forwarding.

**911.5 Fees**

911.51 The fees for Address Correction Service are set forth in Fee Schedule 911. These fees do not apply when the correction is provided incidental to the return of the mailpiece to the sender.

912 **MAILING LIST SERVICES**

912.1 **Definition**

912.11 Mailing List services enable an eligible mailer to obtain the following services:

- a. Correction of Mailing Lists;
- b. Change-of-Address Information for Election Boards and Registration Commissions;
- c. ZIP Coding of Mailing Lists; and
- d. Sequencing of Address Cards.

912.2 **Description of Services**

a. Correction of Mailing Lists. This service provides current information concerning name and address mailing lists or correct information concerning occupant mailing lists. New names will not be added to a name and address mailing list, and street address numbers will not be added or changed for an occupant mailing list.

(1) The Postal Service provides the following corrections to name and address lists:

- i. deletion of names to which mail cannot be delivered or forwarded;
- ii. correction of incorrect house, rural, or post office box numbers; and
- iii. furnishing of new addresses, including Zip Codes, when permanent forwarding orders are on file for customers who have moved.

This service does not include the addition of new names.

(2) The Postal Service provides the following corrections to occupant lists:

- i. deletion of numbers representing incorrect or non-existent street addresses;

- ii. identification of business addresses and rural route addresses, to the extent known; and
  - iii. grouping of corrected cards or sheets by route.
- c. Change-of-Address Information for Election Boards and Registration Commissions. This service provides election boards and voter registration commissions with the current address of a resident addressee, if known to the Postal Service.
  - d. ZIP Coding of Mailing Lists. This service provides sortation of addresses to the finest possible ZIP Code level.
  - e. Sequencing of Address Cards. This service provides for the removal of incorrect addresses, notation of missing addresses and addition of missing addresses.

**912.3 Requirements of Customer**

912.31 Correction of Mailing List service is available only to the following owners of name and address or occupant mailing lists:

- a. Members of Congress
- b. Federal agencies
- c. State government departments
- d. Municipalities
- e. Religious organizations
- f. Fraternal organizations
- g. Recognized charitable organizations
- h. Concerns or persons who solicit business by mail

912.32 A customer desiring correction of a mailing list or arrangement of address cards in sequence of carrier delivery must submit the list or cards as specified by the Postal Service.

912.33 Gummed labels, wrappers, envelopes, Stamped Cards, or postcards indicative of one-time use will not be accepted as mailing lists.

912.4 **Fees**

912.41 The fees for Mailing List services are set forth in Fee Schedule 912.

920 **DELIVERY ALTERNATIVES**

921 **POST OFFICE BOX AND CALLER SERVICE**

921.1 **Post Office Box Service**

921.11 **Definition**

921.111 Post Office Box service provides the customer with a private, locked receptacle for the receipt of mail during the hours specified by the Postal Service.

921.12 **Limitations**

921.121 The Postal Service may limit the number of post office boxes occupied by any one customer.

921.122 Post Office Box service is not available to a customer whose sole purpose for using this service is to obtain free forwarding or transfer of mail by filing change-of-address orders.

921.13 **Fees**

921.131 Fees for Post Office Box service are set forth in Fee Schedule 921.

921.132 In postal facilities primarily serving academic institutions or the students of such institutions, fees for post office boxes are:

<b>Period of box use</b>	<b>Fee</b>
95 days or less	½ semiannual fee
96 to 140 days	¾ semiannual fee
141 to 190 days	Full semiannual fee
191 to 230 days	1¼ semiannual fee
231 to 270 days	1½ semiannual fee
271 days to full year	Twice semiannual fee

921.133 No refunds will be made for post office box fees paid under section 921.132.

921.134 Two box keys are available upon payment of a refundable deposit, as specified by the Postal Service. Additional keys, including replacement keys, will be provided, as specified by the Postal Service, only upon payment of the key fee set forth in Fee Schedule 921. Changing the lock on a box is available upon request of the primary box customer and payment of the lock replacement fee set forth in Fee Schedule 921.

921.2 **Caller Service**

921.21 **Definition**

921.211 Caller service provides a means for receiving mail, and enables an eligible customer to have properly addressed mail delivered through a call window or loading dock.

921.22 **Availability**

921.221 Caller service is provided to customers at the discretion of the Postal Service, based on mail volume received and capacity and utilization of post office boxes at any one facility.

921.222 Caller service is not available to a customer whose sole purpose for using this service is to obtain free forwarding or transfer of mail by filing change-of-address orders.

921.23 **Fees**

921.231 Fees for Caller service are set forth in Fee Schedule 921.

930 **PAYMENT ALTERNATIVES**

931 **BUSINESS REPLY MAIL**

931.1 **Definitions**

931.11 Business Reply Mail service enables a Business Reply Mail permit holder, or the permit holder's authorized representative, to distribute Business Reply Mail cards, envelopes, cartons and labels, which can then be used by mailers for sending First-Class Mail without prepayment of postage to an address chosen by the distributor. The permit holder guarantees payment



on delivery of postage and fees for the Business Reply Mail pieces that are returned to the addressee, including any pieces that the addressee refuses.

## 931.2 **Mailer Requirements**

931.21 Business reply cards, envelopes, cartons and labels must meet the addressing and preparation requirements specified by the Postal Service. Qualified Business Reply Mail must in addition meet the requirements presented in sections 221.24 or 222.34 for the First-Class Mail Qualified Business Reply Mail rate categories.

931.22 To qualify for the advance deposit account per-piece fees, the customer must maintain sufficient money in an advance deposit account to cover postage and fees due for returned Business Reply Mail.

931.23 To qualify for the nonletter-size weight-averaging per-piece and monthly fees set forth in Fee Schedule 931, the permit holder must be authorized for weight averaging, and receive Business Reply Mail pieces that meet the addressing and other preparation requirements specified by the Postal Service, but do not meet the machinability requirements specified by the Postal Service for mechanized or automation letter sortation.

## 931.3 **Other Services**

931.31 ***Reserved***

## 931.4 **Fees**

931.41 The fees for Business Reply Mail are set forth in Fee Schedule 931.

931.42 [The]To qualify for any service level except regular (no accounting fee) Business Reply Mail, the annual accounting fee set forth in Fee Schedule 1000 must be paid each year for each business reply advance deposit account at each facility where the mail is to be received.

931.43 The nonletter-size weight averaging monthly fee set forth in Fee Schedule 931 must be paid each month during any part of which the permit holder is authorized to use the weight averaging fees.

**931.5 Authorizations and Licenses**

- 931.51 In order to distribute business reply cards, envelopes, cartons or labels, the distributor must obtain a license or licenses from the Postal Service and pay the appropriate fee as set forth in Fee Schedule 1000.
- 931.52 Except as provided in section 931.53, the license to distribute business reply cards, envelopes, cartons, or labels must be obtained at each office from which the mail is offered for delivery.
- 931.53 If the Business Reply Mail is to be distributed from a central office to be returned to branches or dealers in other cities, one license obtained from the post office where the central office is located may be used to cover all Business Reply Mail.
- 931.54 The license to mail Business Reply Mail may be canceled for failure to pay business reply postage and fees when due, and for distributing business reply cards or envelopes that do not conform to prescribed form, style or size.
- 931.55 Authorization to pay nonletter-size weight-averaging Business Reply Mail fees as set forth in Fee Schedule 931 may be canceled for failure of a Business Reply Mail advance deposit trust account holder to meet the standards specified by the Postal Service for the weight averaging accounting method.

**932 MERCHANDISE RETURN SERVICE**

**932.1 Definition**

- 932.11 Merchandise Return service enables a Merchandise Return service permit holder to authorize its customers to return a parcel with the postage paid by the permit holder.

**932.2 Availability**

- 932.21 Merchandise Return service is available to all Merchandise Return service permit holders who guarantee payment of postage and fees for all returned parcels.
- 932.22 Merchandise Return service is available for the return of any parcel under the following classification schedules:

a. First-Class Mail

[b. Standard Mail]

[c.]b. Package Services

932.3 **Mailer Requirements**

932.31 Merchandise return labels must be prepared as specified by the Postal Service, and be made available to the permit holder's customers.

932.4 **Other Services**

932.41 The following services may be purchased in conjunction with Merchandise Return Service:

<b>Service</b>	<b>Fee Schedule</b>
a. Certificate of Mailing	947
b. Insurance	943
c. Registered Mail	942
d. Special Handling	952

932.5 **Fees**

932.51 The permit holder must pay the accounting fee specified in Fee Schedule 1000 once each 12-month period for each advance deposit account.

932.6 **Authorizations and Licenses**

932.61 A permit fee as set forth in Schedule 1000 must be paid once each 12-month period by shippers utilizing Merchandise Return service.

932.62 The merchandise return permit may be canceled for failure to maintain sufficient funds in a trust account to cover postage and fees on returned parcels or for distributing merchandise return labels that do not conform to Postal Service specifications.

**933 ON-SITE METER SERVICE**

**933.1 Definition**

933.11 On-Site Meter service enables a mailer or meter manufacturer to obtain the following meter-related services from the Postal Service at the mailer's or meter manufacturer's premises:

- a. checking a meter in or out of service; and
- b. setting or examining a meter.

**933.2 Availability**

933.21 On-Site Meter service is available on a scheduled basis, and meter setting may be performed on an emergency basis for those customers enrolled in the scheduled on-site meter setting or examination program.

**933.3 Fees**

933.31 The fees for On-Site Meter service are set forth in Fee Schedule 933. The basic meter service fee is charged whenever a postal employee is available to provide a meter-related service in section 933.11 at the mailer's or meter manufacturer's premises, even if no particular service is provided.

**934 *Reserved***

**935 BULK PARCEL RETURN SERVICE**

**935.1 Definition**

935.11 Bulk Parcel Return Service provides a method whereby high-volume parcel mailers may have machinable Standard Mail parcels returned to designated postal facilities for pickup by the mailer at a predetermined frequency specified by the Postal Service or delivered by the Postal Service in bulk in a manner and frequency specified by the Postal Service. Such parcels are being returned because they:

- a. are undeliverable-as-addressed;
- b. have been opened, resealed, and redeposited into the mail for return to the mailer using the return label described in section 935.36 below; or

- c. are found in the mailstream, having been opened, resealed, and redeposited by the recipient for return to the mailer, and it is impracticable or inefficient for the Postal Service to return the mailpiece to the recipient for payment of return postage.

**935.2 Availability**

935.21 Bulk Parcel Return Service is available only for the return of machinable parcels, as defined by the Postal Service, initially mailed under the following Standard Mail subclasses: Regular and Nonprofit.

**935.3 Mailer Requirements**

935.31 Mailers must receive authorization from the Postal Service to use Bulk Parcel Return Service.

935.32 To claim eligibility for Bulk Parcel Return Service at each facility through which the mailer requests Bulk Parcel Return Service, the mailer must demonstrate receipt of 10,000 returned machinable parcels at a given delivery point in the previous postal fiscal year or must demonstrate a high likelihood of receiving 10,000 returned parcels in the postal fiscal year for which the service is requested.

935.33 Payment for Bulk Parcel Return Service is made through advance deposit account, or as otherwise specified by the Postal Service.

935.34 Mail for which Bulk Parcel Return Service is requested must bear endorsements specified by the Postal Service.

935.35 Bulk Parcel Return Service mailers must meet the documentation and audit requirements of the Postal Service.

935.36 Mailers of parcels endorsed for Bulk Parcel Return Service may furnish the recipient a return label, prepared at the mailer's expense to specifications set forth by the Postal Service, to authorize return of opened, machinable parcels at the expense of the original mailer. There is no additional fee for use of the label.

935.4 **Other Services**

935.41 The following services may be purchased in conjunction with Bulk Parcel Return Service:

<b>Service</b>	<b>Fee Schedule</b>
a. Address Correction Service	911
b. Certificate of Mailing	947
c. Shipper-Paid Forwarding	936

935.5 **Fees**

935.51 The per return fee for Bulk Parcel Return Service is set forth in Fee Schedule 935.

935.52 The permit holder must pay the accounting fee specified in Fee Schedule 1000 once each 12-month period for each advance deposit account.

935.6 **Authorizations and Licenses**

935.61 A permit fee as set forth in Schedule 1000 must be paid once each 12-month period by mailers utilizing Bulk Parcel Return Service.

935.62 The Bulk Parcel Return Service permit may be canceled for failure to maintain sufficient funds in an advance deposit account to cover postage and fees on returned parcels or for failure to meet the specifications of the Postal Service, including distribution of return labels that do not conform to Postal Service specifications.

936 **SHIPPER-PAID FORWARDING**

936.1 **Definition**

936.11 Shipper-Paid Forwarding enables mailers to have undeliverable-as-addressed machinable Standard Mail parcels forwarded at applicable First-Class Mail [\[ or Package Service mail \]](#) rates for up to one year from the date that the addressee filed a change-of-address order. If Shipper-Paid Forwarding is elected for a parcel that is returned, the mailer will pay the applicable First-Class Mail [\[ or Package Service mail \]](#) rate, or the Bulk Parcel Return Service fee, if that service was elected.

936.2 **Availability**

936.21 Shipper-Paid Forwarding is available only for the forwarding of machinable parcels, as defined by the Postal Service, initially mailed under the following Standard Mail subclasses: Regular and Nonprofit.

936.22 Shipper-Paid Forwarding is available only if automated Address Correction Service, as described in section 911, is used.

936.3 **Mailer Requirements**

936.31 Mail for which Shipper-Paid Forwarding is purchased must meet the preparation requirements of the Postal Service.

936.32 Payment for Shipper-Paid Forwarding is made through advance deposit account, or as otherwise specified by the Postal Service.

936.33 Mail for which Shipper-Paid Forwarding is requested must bear endorsements specified by the Postal Service.

936.4 **Other Services**

936.41 The following services may be purchased in conjunction with Shipper-Paid Forwarding:

<b>Service</b>	<b>Fee Schedule</b>
a. Certificate of Mailing	947
b. Bulk Parcel Return Service	935

936.5 **Applicable Rates and Fees**

936.51 Except as provided in section 935, single-piece rates under the Letters and Sealed Parcels subclass or the Priority Mail subclass of First-Class Mail, [\[or the Parcel Post subclass of Package Services,\]](#) as set forth in Rate Schedules 221, [and 223,](#) [\[ and 521.2A, and 521.2B\]](#) apply to pieces forwarded or returned under this section.

936.52 The accounting fee specified in Fee Schedule 1000 must be paid once each 12-month period for each advance deposit account.

940        **ACCOUNTABILITY AND RECEIPTS**

941        **CERTIFIED MAIL**

941.1     **Definition**

941.11    Certified Mail service provides a mailer with evidence of mailing and, upon request, electronic confirmation that an article was delivered or that a delivery attempt was made, and guarantees retention of a record of delivery by the Postal Service for a period specified by the Postal Service.

941.2     **Availability**

941.21    Certified Mail service is available for matter mailed as First-Class Mail.

941.3     **Included Services**

941.31    If requested by the mailer, the Postal Service will indicate the time of acceptance on the mailing receipt. A mailer may obtain a copy of the mailing receipt on terms specified by the Postal Service.

941.32    If the initial attempt to deliver the mail is not successful, a notice of attempted delivery is left at the mailing address, and the date and time of the attempted delivery is made available to the mailer.

941.33    [A mailer may obtain a copy of the mailing receipt on terms specified by the Postal Service.]The date and time of delivery is made available to the mailer electronically.

941.4     **Mailer Requirements**

941.41    Certified Mail must be deposited in a manner specified by the Postal Service.

941.42    The mailer must mail the article at a post office, branch, or station, or give the article to a rural carrier, in order to obtain a mailing receipt.



941.5 **Other Services**

941.51 The following services may be obtained in conjunction with mail sent under this section upon payment of the applicable fees:

<b>Service</b>	<b>Fee Schedule</b>
a. Restricted Delivery	946
b. Return Receipt	945

941.6 **Fees**

941.61 The fee for Certified Mail service is set forth in Fee Schedule 941.

942 **REGISTERED MAIL**

942.1 **Definition**

942.11 Registered Mail service provides added protection to mail sent under this section and indemnity in case of loss or damage. The amount of indemnity depends upon the actual value of the article at the time of mailing, up to a maximum of \$25,000, and is not available for articles of no value.

942.2 **Availability**

942.21 Registered Mail service is available for prepaid First-Class Mail of any value, if the mail meets the minimum requirements for length and width specified by the Postal Service.

942.22 Registered Mail service is not available for:

- a. All delivery points because of the high security required for Registered Mail; in addition, liability is limited in some geographic areas;
- b. Mail of any class sent in combination with First-Class Mail;
- c. Two or more articles tied or fastened together, unless the envelopes are enclosed in the same envelope or container.

942.3 **Included Services**

942.31 The following services are provided as part of Registered Mail service at no additional cost to the mailer:

a. A mailing receipt;

b. Electronic confirmation, upon request, that an article was delivered or that delivery attempt was made;

[b.]c.A record of delivery, retained by the Postal Service for a specified period of time;

[c.]d.A notice of attempted delivery, left at the mailing address if the initial delivery attempt is unsuccessful; and

[d.]e.A notice of nondelivery, when Registered Mail is undeliverable-as-addressed and cannot be forwarded.

942.32 Registered Mail is forwarded and returned without additional registry charge.

942.4 **Mailer Requirements**

942.41 Registered Mail must be deposited in a manner specified by the Postal Service.

942.42 Indemnity claims for Registered Mail must be filed within a period of time, specified by the Postal Service, from the date the article was mailed. A claim concerning complete loss of registered articles may be filled by the mailer only. A claim concerning damage to or partial loss of registered articles may be filed by either the mailer or addressee.

942.5 **Other Services**

942.51 The following services may be obtained in conjunction with mail sent under this section upon payment of applicable fees:

<b>Service</b>	<b>Fee Schedule</b>
a. Collect on Delivery	944
b. Restricted Delivery	946
c. Return Receipt	945
d. Merchandise Return (shippers only)	932

942.6 **Fees**

942.61 The fees for Registered Mail are set forth in Fee Schedule 942.

- 942.62 There are no additional Registered Mail fees for forwarding and return of Registered Mail.
- 943 **INSURANCE**
- 943.1 **Express Mail Insurance**
- 943.11 **Definition**
- 943.111 Express Mail Insurance provides the mailer with indemnity for loss of, rifling of, or damage to items sent by Express Mail.
- 943.12 **Availability**
- 943.121 Express Mail Insurance is available only for Express Mail.
- 943.13 **Limitations and Mailer Requirements**
- 943.131 Insurance coverage is provided, for no additional charge, up to ~~[\$500]~~\$100 per-piece for document reconstruction, up to \$5,000 per occurrence, regardless of the number of claimants. Insurance coverage for merchandise is also provided, for no additional charge, up to \$100 per-piece. Additional merchandise insurance coverage may be purchased for a fee. The maximum liability for merchandise is \$5,000 per-piece. For negotiable items, currency, or bullion, the maximum liability is \$15.
- 943.132 Indemnity claims for Express Mail must be filed within a specified period of time from the date the article was mailed.
- 943.133 Indemnity will be paid under terms and conditions specified by the Postal Service.
- 943.134 Among other limitations specified by the Postal Service, indemnity will not be paid by the Postal Service for loss, damage or rifling:
- a. Of nonmailable matter;
  - b. Due to improper packaging;
  - c. Due to seizure by any agency of government; or
  - d. Due to war, insurrection or civil disturbances.

[913]943.14 **Other Services**

943.141 ***Reserved***

943.15 **Fees**

943.151 The fees for Express Mail Insurance service are set forth in Fee Schedule 943.

943.2 **General Insurance**

943.21 **Definition**

943.211 General Insurance provides the mailer with indemnity for loss of, rifling of, or damage to mailed items. General Insurance provides a bulk option for mail meeting the conditions described below and specified further by the Postal Service.

943.22 **Availability**

943.221 General Insurance is available for mail sent under the following classification schedules:

- a. First-Class Mail, if containing matter that may be mailed as Standard Mail or Package Services;
- b. Package Services;
- c. Regular and Nonprofit subclasses of Standard Mail, for Bulk Insurance only, for mail subject to residual shape surcharge.

943.222 General Insurance is not available for matter offered for sale, addressed to prospective purchasers who have not ordered or authorized their sending. If such matter is received in the mail, payment will not be made for loss, rifling, or damage.

943.223 The Bulk Insurance option of General Insurance service is available for mail entered in bulk at designated facilities and in a manner specified by the Postal Service, including the use of electronic manifesting.

**943.23 Included Services**

943.231 For General Insurance, the mailer is issued a receipt for each item mailed. For items insured for more than \$50, a record of delivery is retained by the Postal Service for a specified period.

943.232 For items insured for more than \$50, a notice of attempted delivery is left at the mailing address when the first attempt at delivery is unsuccessful.

943.233 Mail undeliverable as addressed will be returned to the sender as specified by the sender or by the Postal Service.

**943.24 Limitations and Mailer Requirements**

943.241 Mail insured under section 943.2 must be deposited as specified by the Postal Service.

943.242 Bulk Insurance must bear endorsements and identifiers specified by the Postal Service. Bulk Insurance mailers must meet the documentation requirements of the Postal Service.

943.243 By insuring an item, the mailer guarantees forwarding and return postage.

943.244 General Insurance, other than Bulk Insurance, provides indemnity for the actual value of the article at the time of mailing. Bulk Insurance provides indemnity for the lesser of (1) the actual value of the article at the time of mailing, or (2) the wholesale cost of the contents to the sender.

943.245 For General [\[i\]](#)Insurance, other than Bulk Insurance, a claim for complete loss may be filed by the mailer only, and a claim for damage or for partial loss may be filed by either the mailer or addressee. For Bulk Insurance, all claims must be filed by the mailer.

943.246 Indemnity claims must be filed within a specified period of time from the date the article was mailed.

943.25 **Other Services**

943.251 The following services, if applicable to the subclass of mail, may be obtained in conjunction with mail sent under this section upon payment of the applicable fees:

<b>Service</b>	<b>Fee Schedule</b>
a. Parcel Airlift	951
b. Restricted Delivery (for items insured for more than \$50)	946
c. Return Receipt (for items insured for more than \$50)	945
d. Special Handling	952
e. Merchandise Return (shippers only)	932

943.26 **Fees**

943.261 The fees for General Insurance are set forth in Fee Schedule 943.

944 **COLLECT ON DELIVERY**

944.1 **Definition**

944.11 Collect on Delivery (COD) service allows a mailer to mail an article for which full or partial payment has not yet been received and have the price, the cost of postage and fees, and anticipated or past due charges collected by the Postal Service from the addressee when the article is delivered.

944.2 **Availability**

944.21 COD service is available for collection of \$1,000 or less upon the delivery of postage prepaid mail sent under the following classification schedules:

- a. Express Mail
- b. First-Class Mail
- c. Package Services

944.22 Service under this section is not available for:

- a. Collection agency purposes;

- b. Return of merchandise about which some dissatisfaction has arisen, unless the new addressee has consented in advance to such return;
- c. Sending only bills or statements of indebtedness, even though the sender may establish that the addressee has agreed to collection in this manner; however, when the legitimate COD shipment consists of merchandise or bill of lading, the balance due on a past or anticipated transaction may be included in the charges on a COD article, provided the addressee has consented in advance to such action;
- d. Parcels containing moving-picture films mailed by exhibitors to moving-picture manufacturers, distributors, or exchanges;
- e. Goods that have not been ordered by the addressee.

### 944.3 **Included Services**

944.31 COD service provides the mailer with insurance against loss, rifling and damage to the article as well as failure to receive the amount collected from the addressee. This provision insures only the receipt of the instrument issued to the mailer after payment of COD charges, and is not to be construed to make the Postal Service liable upon any such instrument other than a Postal Service money order.

944.32 A receipt is issued to the mailer for each piece of COD mail. Additional copies of the original mailing receipt may be obtained by the mailer.

944.33 Delivery of COD mail will be made in a manner specified by the Postal Service. If a delivery to the mailing address is not attempted or if a delivery attempt is unsuccessful, a notice of attempted delivery will be left at the mailing address.

944.34 The mailer may receive a notice of nondelivery if the piece mailed is endorsed appropriately.

944.35 The mailer may designate a new addressee or alter the COD charges by submitting the appropriate form and by paying the appropriate fee as set forth in Fee Schedule 944.

### 944.4 **Limitations and Mailer Requirements**

944.41 The mailer must identify COD mail as COD mail, as specified by the Postal Service.

- 944.42 COD mail must be deposited in a manner specified by the Postal Service.
- 944.43 A mailer of COD mail guarantees to pay any return postage, unless otherwise specified on the piece mailed.
- 944.44 For COD mail sent as Package Services mail, postage at the applicable rate will be charged to the addressee:
- a. When an addressee, entitled to delivery to the mailing address under Postal Service regulations, requests delivery of COD mail that was refused when first offered for delivery;
  - b. For each delivery attempt, to an addressee entitled to delivery to the mailing address under Postal Service regulations, after the second such attempt.
- 944.45 A claim for complete loss may be filed by the mailer only. A claim for damage or for partial loss may be filed by either the mailer or addressee.
- 944.46 COD indemnity claims must be filed within a specified period of time from the date the article was mailed, and meet the requirements specified by the Postal Service.
- 944.5 **Other Services**
- 944.51 The following services, if applicable to the subclass of mail, may be obtained in conjunction with mail sent under this section upon payment of the applicable fee:

<b>Service</b>	<b>Fee Schedule</b>
a. Registered Mail, if sent as First-Class	942
b. Restricted Delivery	946
c. Special Handling	952

944.6 **Fees**

944.61 Fees for COD service are set forth in Fee Schedule 944.



945 **RETURN RECEIPT**945.1 **Regular Return Receipt****945.11** **Definition**

945.[11]111 Return Receipt service provides evidence to the mailer that an article has been received at the delivery address, including an original or copy of the recipient's signature. Mailers requesting Return Receipt service at the time of mailing will be provided, as appropriate, an original or copy of the signature of the [addressee or addressee's agent]recipient, the date delivered, and the address of delivery, if different from the address on the mailpiece. Mailers requesting Return Receipt service after mailing will be provided a copy of the recipient's signature, the date of delivery, and the name of the person who signed for the article.

945.[2]12 **Availability**

945.[21]121 Return Receipt service is available for mail sent under the following sections or classification schedules:

<b>Service</b>	<b>Fee Schedule</b>
a. Certified Mail	941
b. COD Mail	944
c. Insurance (if insured for more than \$50)	943
d. Registered Mail	942
e. Express Mail	
[f. Priority Mail (merchandise only)	
g. Standard Mail (limited to merchandise subject to residual shape surcharge and sent by Regular and Nonprofit subclasses)	
h. Package Services]	

945.[22]122 Return Receipt service is available at the time of mailing or, when purchased in conjunction with Certified Mail, COD, Insurance (if for more than \$50), Registered Mail, or Express Mail, after mailing.

945.[3]13 **Included Services**

945.[31]131 If the mailer does not receive a return receipt within a specified period of time from the date of mailing, the mailer may request evidence of delivery from the delivery record, at no additional fee.

945.[4]14 **Other Services**

945.[41]141 ***Reserved***

[945.5 **Fees]**

[945.51 The fees for Return Receipt service are set forth in Fee Schedule 945.]

945.2 **Return Receipt For Merchandise**

945.21 **Definition**

945.221 Return Receipt for Merchandise service provides evidence to the mailer that an article has been received at the delivery address. A Return Receipt for Merchandise also supplies the recipient's actual delivery address if it is different from the address used by the sender. A Return Receipt for Merchandise may not be requested after mailing.

945.22 **Availability**

945.221 Return Receipt for Merchandise is available for merchandise sent under the following sections or classification schedules:

- a. Priority Mail
- b. Standard Mail pieces subject to the residual shape surcharge
- c. Package Services

945.23 **Mailer Requirements**

945.231 Return Receipt for Merchandise must be deposited in a manner specified by the Postal Service.

945.232 Return Receipt for Merchandise mail may be addressed for delivery only in the United States and its territories and possessions, through Army/Air

Force (APO) and Navy (FPO) post offices, or through the United Nations Post Office, New York.

945.24      **Other Services**

945.241      **Reserved**

945.3      **Fees**

945.31      The fees for Return Receipt service are set forth in Fee Schedule 945.

946      **RESTRICTED DELIVERY**

946.1      **Definition**

946.11      Restricted Delivery service enables a mailer to direct the Postal Service to limit delivery to the addressee or to someone authorized by the addressee to receive such mail.

946.2      **Availability**

946.21      This service is available for mail sent under the following sections:

<b>Service</b>	<b>Fee Schedule</b>
a. Certified Mail	941
b. COD Mail	944
c. Insurance (if insured for more than \$50)	943
d. Registered Mail	942

946.22      Restricted Delivery is available to the mailer at the time of mailing or after mailing.

946.23      Restricted Delivery service is available for delivery only to natural persons specified by name.

946.3      **Included Services**

946.31      A record of delivery will be retained by the Postal Service for a period specified by the Postal Service.

946.4      **Other Services**

946.41      *Reserved*

946.5      **Fees**

946.51      The fee for Restricted Delivery service is set forth in Fee Schedule 946.

946.52      The fee (or communications charges) will not be refunded for failure to provide restricted delivery service when requested after mailing, due to prior delivery.

947      **CERTIFICATE OF MAILING**

947.1      **Definition**

947.11      Certificate of Mailing service furnishes evidence that mail has been presented to the Postal Service for mailing.

947.2      **Availability**

947.21      Certificate of Mailing service is available for matter sent using any class of mail.

947.3      **Included Service**

947.31      The mailer may obtain a copy of a Certificate of Mailing on terms specified by the Postal Service.

947.4      **Limitations**

947.31      The service does not entail retention of a record of mailing by the Postal Service and does not provide evidence of delivery.

947.5      **Other Services**

947.51      The following services, if applicable to the subclass of mail, may be obtained in conjunction with mail sent under this classification schedule upon payment of the applicable fees:

<b>Service</b>	<b>Fee Schedule</b>
a. Parcel Airlift	951
b. Special Handling	952

**947.6 Fees**

947.61 The fees for Certificate of Mailing service are set forth in Fee Schedule 947.

**948 DELIVERY CONFIRMATION****948.1 Definition**

948.11 Delivery Confirmation service provides, upon request, electronic confirmation to the mailer that an article was delivered or that a delivery attempt was made.

**948.2 Availability**

948.21 Delivery Confirmation service is available for First-Class Letters and Sealed Parcels subclass mail that is parcel-shaped, as specified by the Postal Service; Priority Mail; Standard Mail, in the Regular and Nonprofit subclasses, that is subject to the residual shape surcharge; and Package Services mail[, as well as mail subject to the residual shape surcharge in the Regular and Nonprofit subclasses of Standard Mail] that is parcel-shaped, as specified by the Postal Service.

**948.3 Mailer Requirements**

948.31 Delivery Confirmation service may be requested only at the time of mailing.

948.32 Mail for which Delivery Confirmation service is requested must meet preparation requirements specified by the Postal Service, and bear a Delivery Confirmation barcode specified by the Postal Service.

948.33 Matter for which Delivery Confirmation service is requested must be deposited in a manner specified by the Postal Service.

**948.4 Other Services**

948.41 *Reserved*

**948.5 Fees**

948.51 The fees for Delivery Confirmation service are set forth in Fee Schedule 948.

- 949           **SIGNATURE CONFIRMATION**
- 949.1       **Definition**
- 949.11      Signature Confirmation service provides, upon request, electronic confirmation to the mailer that an article was delivered or that a delivery attempt was made, and a copy of the signature of the recipient.
- 949.2       **Availability**
- 949.21      Signature Confirmation is available for Letters and Sealed Parcels subclass mail that is parcel-shaped, as specified by the Postal Service; Priority Mail; and Package Services mail that is parcel-shaped, as specified by the Postal Service.
- 949.3       **Mailer Requirements**
- 949.31      Signature Confirmation service may be requested only at the time of mailing.
- 949.32      Mail for which Signature Confirmation service is requested must meet preparation requirements specified by the Postal Service, and bear a Delivery Confirmation barcode specified by the Postal Service.
- 949.33      Matter for which Signature Confirmation is requested must be deposited in a manner specified by the Postal Service.
- 949.4       **Other Services**
- 949.41            *Reserved*
- 949.5       **Fees**
- 949.51      The fees for Signature Confirmation service are set forth in Fee Schedule 949.

950        **PARCEL HANDLING**

951        **PARCEL AIRLIFT (PAL)**

951.1     **Definition**

951.11    Parcel Airlift service provides for air transportation of parcels on a space available basis to or from military post offices outside the contiguous 48 states.

951.2     **Availability**

951.21    Parcel Airlift service is available for mail sent under the Package Services Classification Schedule.

951.3     **Mailer Requirements**

951.31    The minimum physical limitations established for the mail sent under the classification schedule for which postage is paid apply to Parcel Airlift mail. In no instance may the parcel exceed 30 pounds in weight, or 60 inches in length and girth combined.

951.32    Mail sent under this section must be endorsed as specified by the Postal Service.

951.33    Parcel Airlift mail must be deposited in a manner specified by the Postal Service.

951.4     **Forwarding and Return**

951.41    Parcel Airlift mail sent for delivery outside the contiguous 48 states is forwarded as set forth in section 2030 of the General Definitions, Terms and Conditions. Parcel Airlift mail sent for delivery within the contiguous 48 states is forwarded or returned as set forth in section 353 as appropriate.

951.5 **Other Services**

951.51 The following services, if applicable to the subclass of mail, may be obtained in conjunction with mail sent under this section upon payment of the applicable fees:

<b>Service</b>	<b>Fee Schedule</b>
a. Certificate of Mailing	947
b. Insurance	943
c. Restricted Delivery (if insured for more than \$50)	946
d. Return Receipt (if insured for more than \$50)	945
e. Special Handling	952

951.6 **Fees**

951.61 The fees for Parcel Airlift service are set forth in Fee Schedule 951.

952 **SPECIAL HANDLING**

952.1 **Definition**

952.11 Special Handling service provides preferential handling to the extent practicable during dispatch and transportation.

952.2 **Availability**

952.21 Special Handling service is available for mail sent under the following classification schedules:

- a. First-Class Mail
- b. Package Services

952.3 **Mailer Requirements**

952.31 Mail sent under this section must be identified as specified by the Postal Service.

952.32 Mail sent under this section must be deposited in a manner specified by the Postal Service.



952.33 Special Handling service is mandatory for matter that requires special attention in handling, transportation and delivery.

952.4 **Forwarding and Return**

952.41 If undeliverable as addressed, Special Handling mail that is forwarded to the addressee is given special handling without requiring payment of an additional handling fee. However, additional postage at the applicable Standard Mail rate is collected on delivery.

952.5 **Other Services**

952.51 The following services, if applicable to the subclass of mail, may be obtained in conjunction with mail sent under this section upon payment of the applicable fees:

<b>Service</b>	<b>Fee Schedule</b>
a. COD Mail	944
b. Insurance	943
c. Parcel Airlift	951
d. Merchandise Return (shippers only)	932

952.6 **Fees**

952.61 The fees for Special Handling service are set forth in Fee Schedule 952.

960 **STAMPED PAPER**

961 **STAMPED ENVELOPES**

961.1 **Definition**

961.11 Plain Stamped Envelopes and printed Stamped Envelopes are envelopes with postage thereon offered for sale by the Postal Service.

961.2 **Availability**

961.21 Stamped Envelopes are available for:

- a. First-Class Mail within the first rate increment.

- b. Standard Mail mailed at a minimum per-piece rate as specified by the Postal Service.

961.22 Printed Stamped Envelopes may be obtained by special request.

961.3 **Fees**

961.31 The fees for Stamped Envelopes are set forth in Fee Schedule 961.

962 **STAMPED CARDS**

962.1 **Definition**

962.11 Stamped Cards are cards with postage imprinted or impressed on them, and supplied by the Postal Service for the transmission of messages. Double Stamped Cards consist of two attached cards, one of which may be detached by the receiver and returned by mail as a single Stamped Card.

962.2 **Availability**

962.21 Stamped Cards are available for First-Class Mail.

962.3 **Fees**

962.31 The fees for Stamped Cards are set forth in Fee Schedule 962.

970 **POSTAL MONEY ORDERS**

971 **MONEY ORDER SERVICE**

971.1 **Definition**

971.11 Money Order service provides the customer with an instrument for payment of a specified sum of money.

971.2 **Limitations**

971.21 The maximum value for which a domestic postal money order may be purchased is ~~[\$700]~~\$1,000. Other restrictions on the number or dollar value of postal money order sales, or both, may be imposed by law or under regulations prescribed by the Postal Service.

**971.3 Included Services**

971.31 A receipt of purchase is provided at no additional cost.

971.32 The Postal Service will replace money orders that are spoiled or incorrectly prepared, regardless of who caused the error, without charge if replaced on the date originally issued.

971.33 If a replacement money order is issued after the date of original issue because the original was spoiled or incorrectly prepared, the applicable money order fee may be collected from the customer.

971.34 Inquiries or claims may be filed by the purchaser, payee, or endorsee.

**971.4 Other Services**

971.41 ***Reserved***

**971.5 Fees**

971.51 The fees for Money Order service are set forth in Fee Schedule 971.

**980 ACCEPTANCE ALTERNATIVES****981 NETPOST MAILING ONLINE****981.1 Definition**

Netpost Mailing Online is a service that allows mailers to submit electronic documents, with address lists, for subsequent conversion into hard copy form, entry as mail, and delivery.

**981.2 Availability**

981.21 Netpost Mailing Online is available for documents submitted in an electronic form, along with an address list, to be entered under the following classification schedules:

- a. Express Mail;
- b. First-Class Mail;
- c. Regular and Nonprofit subclasses of Standard Mail.

- 981.22 Except as provided in section 981.23, documents presented through [Netpost](#) Mailing Online are eligible for only the following rate categories:
- a. Express Mail Next Day Service and Second Day Service
  - b. First-Class Mail Letters and Sealed Parcels Automation Letters [\[Basic\]](#)[Mixed AADC](#)
  - c. First-Class Mail Letters and Sealed Parcels Automation Flats [\[Basic\]](#)[Mixed ADC](#)
  - d. First-Class Mail Cards Automation [\[Basic\]](#)[Mixed AADC](#)
  - e. First-Class Mail Single-Piece Priority Mail
  - f. Standard Mail Regular Automation [\[Basic\]](#)Letters [Mixed AADC](#)
  - g. Standard Mail Regular Automation Basic Flats
  - h. Standard Mail Nonprofit Automation [\[Basic\]](#)[Letters Mixed AADC](#) (starting on a date to be specified by the Postal Service)
  - i. Standard Mail Nonprofit Automation Basic Flats (starting on a date to be specified by the Postal Service)
- 981.23 That portion of a [Netpost](#) Mailing Online mailing consisting of pieces with addresses that cannot be made to meet Postal Service addressing requirements is not eligible for any Automation [\[Basic\]](#) rate categories, but instead may be sent, at the option of the [Netpost](#) Mailing Online customer, at the applicable single-piece rates for First-Class Mail Letters and Sealed Parcels, First-Class Mail Cards, or Priority Mail.
- 981.3 **Mailer Requirements**
- 981.31 Documents and address lists must be presented in electronic form, as specified by the Postal Service, through the Internet site specified by the Postal Service. Documents must be prepared using application software approved by the Postal Service.

**981.4 Other Special Services**

Other special services [that are] may be available in conjunction with [ the subclass of mail chosen by the] Netpost Mailing Online [ customer are available for Mailing Online pieces only], as specified by the Postal Service.

**981.5 Fees**

981.51 The fees for Netpost Mailing Online are described in Fee Schedule 981.

**981.6 Functionally Equivalent Systems**

981.61 **General.** Mailpieces created by a system certified by the Postal Service to be functionally equivalent to Netpost Mailing Online are eligible for the same rate categories as Netpost Mailing Online mailpieces. Mailpieces created by a certified, functionally equivalent service are in no case eligible for rate categories providing larger discount than Netpost Mailing Online mailpieces would receive.

981.62 **Definition.** A functionally equivalent system is one which is capable of all of the following, comparable to Netpost Mailing Online, as specified by the Postal Service:

- a. accepting documents and mailing lists from remote users in electronic form, such as via the Internet or converting documents and mailing lists to electronic form;
- b. using the electronic documents, mailing lists, and other software including sortation software certified by the Postal Service that sorts to the finest level of sortation possible, to create barcoded mailpieces meeting the requirements for automation category mail, with 100 percent standardized addresses on all pieces claiming discounted rates;
- c. commingling mailpieces from all sources without diversion to any other system and batching them according to geographic destination prior to printing and mailing; and
- d. generating volumes that exceed on average any otherwise applicable volume minimums.

981.63      **Certification**

981.631      **General.** Functionally equivalent systems must meet the requirements for certification specified by the Postal Service.

981.632      **Fee.** Functionally equivalent systems are subject to the annual certification fee set forth in Fee Schedule 1000.

981.633      **Cancellation.** Certification can be cancelled by the Postal Service for failure to continue to meet the requirements of this section and those specified by the Postal Service.

981.7        **Duration of Experimental Service Period**

981.71      The provisions of section 981 expire the later of:

- a. three years after the implementation date specified by the Postal Service Board of Governors, or
- b. if, by the expiration date specified in (a), a proposal to make [Netpost](#) Mailing Online permanent is pending before the Postal Rate Commission, the later of:
  - i. three months after the Commission takes action on such proposal under section 3624 of Title 39, or
  - ii. —if applicable—on the implementation date for a permanent [Netpost](#) Mailing Online.

## GENERAL DEFINITIONS, TERMS AND CONDITIONS

### 1000 GENERAL DEFINITIONS

As used in this Domestic Mail Classification Schedule, the following terms have the meanings set forth below.

#### 1001 Advertising

Advertising includes all material for the publication of which a valuable consideration is paid, accepted, or promised, that calls attention to something for the purpose of getting people to buy it, sell it, seek it, or support it. If an advertising rate is charged for the publication of reading matter or other material, such material shall be deemed to be advertising. Articles, items, and notices in the form of reading matter inserted in accordance with a custom or understanding that textual matter is to be inserted for the advertiser or his products in the publication in which a display advertisement appears are deemed to be advertising. If a publisher advertises his own services or publications, or any other business of the publisher, whether in the form of display advertising or editorial or reading matter, this is deemed to be advertising.

#### 1002 Aspect Ratio

Aspect ratio is the ratio of width to length.

#### 1003 Bills and Statements of Account

1003.1 A bill is a request for payment of a definite sum of money claimed to be owing by the addressee either to the sender or to a third party. The mere assertion of an indebtedness in a definite sum combined with a demand for payment is sufficient to make the message a bill.

1003.2 A statement of account is the assertion of the existence of a debt in a definite amount but which does not necessarily contain a request or a demand for payment. The amount may be immediately due or may become due after a certain time or upon demand or billing at a later date.

1003.3 A bill or statement of account must present the particulars of an indebtedness with sufficient definiteness to inform the debtor of the amount he is required for acquittal of the debt. However, neither a bill nor a statement of account need state the precise amount if it contains sufficient

information to enable the debtor to determine the exact amount of the claim asserted.

1003.4 A bill or statement of account is not the less a bill or statement of account merely because the amount claimed is not in fact owing or may not be legally collectible.

1004 **Girth**

Girth is the measurement around a piece of mail at its thickest part.

1005 **Invoice**

An invoice is a writing showing the nature, quantity, and cost or price of items shipped or sent to a purchaser or consignor.

1006 **Permit Imprints**

Permit imprints are printed indicia indicating postage has been paid by the sender under the permit number shown.

1007 **Preferred Rates**

Preferred rates are the reduced rates established pursuant to 39 U.S.C. 3626.

1008 **ZIP Code**

The ZIP Code is a numeric code that facilitates the sortation, routing, and delivery of mail.

1009 **Nonprofit Organizations and Associations**

Nonprofit organizations or associations are organizations or associations not organized for profit, none of the net income of which benefits any private stockholder or individual, and which meet the qualifications set forth below for each type of organization or association. The standard of primary purpose applies to each type of organization or association, except veterans' and fraternal. The standard of primary purpose requires that each type of organization or association be both organized and operated for the primary purpose. The following are the types of organizations or associations that may qualify as authorized nonprofit organizations or associations.



- a. Religious. A nonprofit organization whose primary purpose is one of the following:
  - i. To conduct religious worship;
  - ii. To support the religious activities of nonprofit organizations whose primary purpose is to conduct religious worship;
  - iii. To perform instruction in, to disseminate information about, or otherwise to further the teaching of particular religious faiths or tenets.
- b. Educational. A nonprofit organization whose primary purpose is one of the following:
  - i. The instruction or training of the individual for the purpose of improving or developing his capabilities;
  - ii. The instruction of the public on subjects beneficial to the community.

An organization may be educational even though it advocates a particular position or viewpoint so long as it presents a sufficiently full and fair exposition of the pertinent facts to permit an individual or the public to form an independent opinion or conclusion. On the other hand, an organization is not educational if its principal function is the mere presentation of unsupported opinion.

- c. Scientific. A nonprofit organization whose primary purpose is one of the following:
  - i. To conduct research in the applied, pure or natural sciences;
  - ii. To disseminate systematized technical information dealing with applied, pure or natural sciences.
- d. Philanthropic. A nonprofit organization primarily organized and operated for purposes beneficial to the public. Philanthropic organizations include, but are not limited to, organizations that are organized for:
  - i. Relief of the poor and distressed or of the underprivileged;
  - ii. Advancement of religion;

- iii. Advancement of education or science;
- iv. Erection or maintenance of public buildings, monuments, or works;
- v. Lessening of the burdens of government;
- vi. Promotion of social welfare by organizations designed to accomplish any of the above purposes or:
  - (A) To lessen neighborhood tensions;
  - (B) To eliminate prejudice and discrimination;
  - (C) To defend human and civil rights secured by law; or
  - (D) To combat community deterioration and juvenile delinquency.
- e. Agricultural. A nonprofit organization whose primary purpose is the betterment of the conditions of those engaged in agriculture pursuits, the improvement of the grade of their products, and the development of a higher degree of efficiency in agriculture. The organization may advance agricultural interests through educational activities; the holding of agricultural fairs; the collection and dissemination of information concerning cultivation of the soil and its fruits or the harvesting of marine resources; the rearing, feeding, and management of livestock, poultry, and bees, or other activities relating to agricultural interests. The term agricultural nonprofit organization also includes any nonprofit organization whose primary purpose is the collection and dissemination of information or materials relating to agricultural pursuits.
- f. Labor. A nonprofit organization whose primary purpose is the betterment of the conditions of workers. Labor organizations include, but are not limited to, organizations in which employees or workmen participate, whose primary purpose is to deal with employers concerning grievances, labor disputes, wages, hours of employment and working conditions.
- g. Veterans'. A nonprofit organization of veterans of the armed services of the United States, or an auxiliary unit or society of, or a trust or foundation for, any such post or organization.
- h. Fraternal. A nonprofit organization that meets all the following criteria:

- i. Has as its primary purpose the fostering of brotherhood and mutual benefits among its members;
- ii. Is organized under a lodge or chapter system with a representative form of government;
- iii. Follows a ritualistic format; and
- iv. Is comprised of members who are elected to membership by vote of the members.

2000 **DELIVERY OF MAIL**

2010 **Delivery Services**

The Postal Service provides the following modes of delivery:

- a. Caller service. The fees for caller service are set forth in Fee Schedule 921.
- b. Carrier delivery service.
- c. General delivery.
- d. Post office box service. The fees for post office box service are set forth in Fee Schedule 921.

2020 **Conditions of Delivery**

2021 **General.** Except as provided in section 2022, 2030, and 3030, mail will be delivered as addressed unless the Postal Service is instructed otherwise by the addressee in writing.

2022 **Refusal of Delivery.** The addressee may control delivery of his mail. The addressee may refuse to accept a piece of mail that does not require a delivery receipt at the time it is offered for delivery or after delivery by returning it unopened to the Postal Service. For mail that requires a delivery receipt, the addressee or his representative may read and copy the name of the sender of registered, insured, certified, COD, return receipt, and Express Mail prior to accepting delivery. Upon signing the delivery receipt the piece may not be returned to the Postal Service without the applicable postage and fees affixed.

- 2023      **Receipt.** If a signed receipt is required, mail will be delivered to the addressee (or competent member of his family), to persons who customarily receive his mail or to one authorized in writing to receive the addressee's mail.
- 2024      **Jointly Addressed Mail.** Mail addressed to several persons may be delivered to any one of them. When two or more persons make conflicting orders for delivery for the same mail, the mail shall be delivered as determined by the Postal Service.
- 2025      **Commercial Mail Receiving Agents.** Mail may be delivered to a commercial mail receiving agency on behalf of another person. In consideration of delivery of mail to the commercial agent, the addressee and the agent are considered to agree that:
- a. No change-of-address order will be filed with the post office when the agency relationship is terminated;
  - b. When remailed by the commercial agency, the mail is subject to payment of new postage.
- 2026      **Mail Addressed To Organizations.** Mail addressed to governmental units, private organizations, corporations, unincorporated firms or partnerships, persons at institutions (including but not limited to hospitals and prisons), or persons in the military is delivered as addressed or to an authorized agent.
- 2027      **Held Mail.** Mail will be held for a specified period of time at the office of delivery upon request of the addressee, unless the mail:
- a. Has contrary retention instructions;
  - b. Is perishable; or
  - c. Is registered, COD, insured, return receipt, certified, or Express Mail for which the normal retention period expires before the end of the specified holding period.
- 2030      **Forwarding and Return**
- 2031      **Forwarding.** Forwarding is the transfer of undeliverable-as-addressed mail to an address other than the one originally placed on the mailpiece. All post offices will honor change-of-address orders for a period of time specified by the Postal Service.

2032 **Return.** Return is the delivery of undeliverable-as-addressed mail to the sender.

2033 **Applicable Provisions.** The provisions of sections 150, 250, 350, 450, 550, 935 and 936 apply to forwarding and return.

2034 **Forwarding for Postal Service Adjustments.** When mail is forwarded due to Postal Service adjustments (such as, but not limited to, the discontinuance of the post office of original address, establishment of rural carrier service, conversion to city delivery service from rural, readjustment of delivery districts, or renumbering of houses and renaming of streets), it is forwarded without charge for a period of time specified by the Postal Service.

3000 **POSTAGE AND PREPARATION**

3010 **Packaging**

Mail must be packaged so that:

- a. The contents will be protected against deterioration or degradation;
- b. The contents will not be likely to damage other mail, Postal Service employees or property, or to become loose in transit;
- c. The package surface must be able to retain postage indicia and address markings;
- d. It is marked by the mailer with a material that is neither readily water soluble nor easily rubbed off or smeared, and the marking will be sharp and clear.

3020 **Envelopes**

Paper used in the preparation of envelopes may not be of a brilliant color. Envelopes must be prepared with paper strong enough to withstand normal handling.

3030 **Payment of Postage and Fees**

Postage must be fully prepaid on all mail at the time of mailing, except as authorized by law or this Schedule. Except as authorized by law or this Schedule, mail deposited without prepayment of sufficient postage shall be

delivered to the addressee subject to payment of deficient postage, returned to the sender, or otherwise disposed of as specified by the Postal Service. Mail deposited without any postage affixed will be returned to the sender without any attempt at delivery.

**3040 Methods for Paying Postage and Fees**

Postage for all mail may be prepaid with postage meter indicia, adhesive stamps, permit imprint, or other payment methods specified by the Postal Service. Prior authorization for use of certain payment methods may be required, as specified by the Postal Service. A fee is charged for authorization to use a permit imprint, as set forth in Schedule 1000.

**3050 *Reserved***

**3060 Special Service Fees**

Fees for special services may be prepaid in any manner appropriate for the class of mail indicated or as otherwise specified by the Postal Service.

**3070 Marking of Unpaid Mail**

Matter authorized for mailing without prepayment of postage must bear markings identifying the class of mail service. Matter so marked will be billed at the applicable rate of postage set forth in this Schedule. Matter not so marked will be billed at the applicable First-Class rate of postage.

**3080 Refund of Postage**

When postage and special service fees have been paid on mail for which no service is rendered for the postage or fees paid, or collected in excess of the lawful rate, a refund may be made. There shall be no refund for registered, COD, general insurance, and Express Mail Insurance fees when the article is withdrawn by the mailer after acceptance. In cases involving returned articles improperly accepted because of excess size or weight, a refund may be made.

**3090 Calculation of Postage**

When a rate schedule contains per-piece and per-pound rates, the postage shall be the sum of the charges produced by those rates. When a rate schedule contains a minimum per-piece rate and a pound rate, the postage

shall be the greater of the two. When the computation of postage yields a fraction of a cent in the charge, the next higher whole cent must be paid.

## 4000 **POSTAL ZONES**

### 4010 **Geographic Units of Area**

In the determination of postal zones, the earth is considered to be divided into units of area thirty minutes square, identical with a quarter of the area formed by the intersecting parallels of latitude and meridians of longitude. The distance between these units of area is the basis of the postal zones.

### 4020 **Measurement of Zone Distances**

The distance upon which zones are based shall be measured from the center of the unit of area containing the dispatching sectional center facility or multi-ZIP coded post office not serviced by a sectional center facility. A post office of mailing and a post office of delivery shall have the same zone relationship as their respective sectional center facilities or multi-ZIP coded post offices, but this shall not cause two post offices to be regarded as within the same local zone.

### 4030 **Definition of Zones**

4031 **Local Zone.** The local zone applies to mail mailed at any post office for delivery at that office; at any city letter carrier office or at any point within its delivery limits for delivery by carriers from that office; at any office from which a rural route starts for delivery on the same route; and on a rural route for delivery at the office from which the route starts or on any rural route starting from that office.

4032 **First Zone.** The first zone includes all territory within the quadrangle of entry in conjunction with every contiguous quadrangle, representing an area having a mean radial distance of approximately 50 miles from the center of a given unit of area. The first zone also applies to mail between two post offices in the same sectional center.

4033 **Second Zone.** The second zone includes all units of area outside the first zone lying in whole or in part within a radius of approximately 150 miles from the center of a given unit of area.

4034        **Third Zone.** The third zone includes all units of area outside the second zone lying in whole or in part within a radius of approximately 300 miles from the center of a given unit of area.

4035        **Fourth Zone.** The fourth zone includes all units of area outside the third zone lying in whole or in part within a radius approximately 600 miles from the center of a given unit of area.

4036        **Fifth Zone.** The fifth zone includes all units of area outside the fourth zone lying in whole or in part within a radius of approximately 1,000 miles from the center of a given unit of area.

4037        **Sixth Zone.** The sixth zone includes all units of area outside the fifth zone lying in whole or in part within a radius of approximately 1,400 miles from the center of a given unit of area.

4038        **Seventh Zone.** The seventh zone includes all units of area outside the sixth zone lying in whole or in part within a radius of approximately 1,800 miles from the center of a given unit of area.

4039        **Eighth Zone.** The eighth zone includes all units of area outside the seventh zone.

4040        **Zoned Rates**

Except as provided in section 4050, rates according to zone apply for zone-rated mail sent between Postal Service facilities including armed forces post offices, wherever located.

4050        **APO/FPO Mail**

4051        **General.** Except as provided in section 4052, the rates of postage for zone-rated mail transported between the United States, or the possessions or territories of the United States, on the one hand, and Army, Air Force and Fleet Post Offices on the other, or among the latter, shall be the applicable zone rates for mail between the place of mailing or delivery and the city of the postmaster serving the Army, Air Force or Fleet Post Office concerned.

4052        **Transit Mail.** The rates of postage for zone-rated mail that is mailed at or addressed to an Armed Forces post office and is transported directly to or from Armed Forces post offices at the expense of the Department of Defense, without transiting any of the 48 contiguous states (including the District of Columbia), shall be the applicable local zone rate; provided,



however, that if the distance from the place of mailing to the embarkation point or the distance from the point of debarkation to the place of delivery is greater than the local zone for such mail, postage shall be assessed on the basis of the distance from the place of mailing to the embarkation point or the distance from the point of debarkation to the place of delivery of such mail, as the case may be. The word "transiting" does not include enroute transfers at coastal gateway cities which are necessary to transport military mail directly between military post offices.

5000 **PRIVACY OF MAIL**

5010 **First-Class and Express Mail**

Matter mailed as First-Class Mail or Express Mail shall be treated as mail which is sealed against postal inspection and shall not be opened except as authorized by law.

5020 **All Other Mail**

Matter not paid at First-Class Mail or Express Mail rates must be wrapped or secured in the manner specified by the Postal Service so that the contents may be examined. Mailing of sealed items as other than First-Class Mail or Express Mail is considered consent by the sender to the postal inspection of the contents.

6000 **MAILABLE MATTER**

6010 **General**

Mailable matter is any matter which:

- a. Is not mailed in contravention of 39 U.S.C. Chapter 30, or of 17 U.S.C. 109;
- b. While in the custody of the Postal Service is not likely to become damaged itself, to damage other pieces of mail, to cause injury to Postal Service employees or to damage Postal Service property; and
- c. Is not mailed contrary to any special conditions or limitations placed on transportation or movement of certain articles, when imposed under law by the U.S. Department of the Treasury; U.S. Department of Agriculture; U.S. Department of Commerce; U.S. Department of Health and Human

Services, U.S. Department of Transportation; and any other Federal department or agency having legal jurisdiction.

**6020 Minimum Size Standards**

The following minimum size standards apply to all mailable matter:

- a. All items must be at least 0.007 inch thick, and
- b. all items, other than keys and identification devices, which are 0.25 inch thick or less must be
  - i. rectangular in shape,
  - ii. at least 3.5 inches in width, and
  - iii. at least 5 inches in length.

**6030 Maximum Size and Weight Standards**

Where applicable, the maximum size and weight standards for each class or subclass of mail are set forth in sections 130, 230, 330, 430, 521.6, and 530. Additional limitations may be applicable to specific subclasses, and rate and discount categories as provided in the eligibility provisions for each subclass or category.

## ABBREVIATIONS AND ACRONYMS

AADC	Automated Area Distribution Center
ACS	Address Change Service
ADC	Area Distribution Center
AMC	Airport Mail Center
AR	Actual Rate
ASF	Auxiliary Service Facility
BCS	Barcode Sorters
BMC	Bulk Mail Center
BMM	Bulk Metered Mail
BPM	Bound Printed Matter
BRM	Business Reply Mail
BRMAS	Business Reply Mail Accounting System
BY	Base Year
CCS	Carrier Cost System
C.O.D.	Collect on Delivery
CRA	Cost and Revenue Analysis
CSBCS	Carrier Sequence Bar Code Sorters
DBMC	Destination Bulk Mail Center
DDU	Destination Delivery Unit
DMCS	Domestic Mail Classification Schedule

DMM	Domestic Mail Manual
DPS	Delivery Point Sequencing
DSCF	Destination Sectional Center Facility
ECR	Enhanced Carrier Route
ECSI	Educational, Cultural, Scientific and Informational
FIM	Facing Identification Mark
FY	Fiscal Year
GFY	Government Fiscal Year
IBIP	Information Based Indicia Program
IOCS	In-Office Cost System
NECR	Nonprofit Enhanced Carrier Route
OBMC	Origin BMC
ODIS	Origin-Destination Information System
PAL	Parcel Airlift
PETE	Priority-End-to-End
QBRM	Qualified Business Reply Mail
RFRA	Revenue Foregone Reform Act
RPW	Revenue, Pieces and Weight
SCF	Sectional Center Facility

## PARTICIPANTS AND COUNSEL

AOL TIME WARNER (*AOL-TW*)

John Burzio  
Thomas W. McLaughlin  
Timothy L. Keegan

ADVO, INC. (*Advo*)

John M. Burzio  
Thomas W. McLaughlin  
Timothy L. Keegan

ALLIANCE OF INDEPENDENT STORE OWNERS AND PROFESSIONALS (*AISOP*)\*

Donna E. Hanbery

ALLIANCE OF NONPROFIT MAILERS (*ANM*)

David M. Levy

AMAZON.COM, INC. (*Amazon*)\*

William J. Olson  
John S. Miles

AMERICAN BANKERS ASSOCIATION (*ABA*)

Irving D. Warden

AMERICAN BUSINESS MEDIA (*ABM*)

David R. Straus

AMERICAN LIBRARY ASSOCIATION (*ALA*)

David M. Levy  
Mary Rae Costabile

AMERICAN POSTAL WORKERS UNION, AFL-CIO (*APWU*)

Susan L. Catler

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\* Limited Participator

Docket No. R2001-1

ASSOCIATION FOR POSTAL COMMERCE (*PostCom*)

Ian D. Volner  
N. Frank Wiggins

ASSOCIATION OF ALTERNATE POSTAL SYSTEMS (*AAPS*)\*

Bonnie S. Blair

ASSOCIATION OF AMERICAN PUBLISHERS (*AAP*)

Mark L. Pelesh  
John R. Przepyszny

ASSOCIATION OF LEADING AG MEDIA COMPANIES (*ALAGMC*)\*

Charles L. Pace

ASSOCIATION OF PRIORITY MAIL USERS, INC. (*APMU*)

William J. Olson  
John S. Miles

AUTOMATIC DATA PROCESSING, INC. (*ADP*)\*

Michael W. Hall

BANTA CORPORATION (*Banta*)\*

Thomas K. Murray

BRAD A. EICKHOLT (*EICKHOLT*)\*

Brad A. Eickholt

BROWN PRINTING COMPANY (*Brown*)\*

Russell A. Shores

DOUGLAS F. CARLSON (*Carlson*)\*

Douglas F. Carlson

CLASSROOM PUBLISHERS ASSOCIATION (*CPA*)\*

Stephen F. Owen, Jr.

COALITION OF RELIGIOUS PRESS ASSOCIATIONS (*CRPA*)

Stephen M. Feldman

CONTINUITY SHIPPERS ASSOCIATION (*CSA*)

Aaron Horowitz

DIRECT MARKETING ASSOCIATION, INC. (*DMA*)  
Dana T. Ackerly II

R.R. DONNELLY & SONS COMPANY (*Donnelly*)\*  
Ian D. Volner  
N. Frank Wiggins

DOW JONES & COMPANY, INC. (*Dow Jones*)  
Michael F. McBride  
John W. Lawrence  
Bruce W. Neeley

ELECTRONIC DATA SERVICE (*EDS*)\*  
Michael W. Hall

ENVELOPE MANUFACTURERS ASSOCIATION (*EMA*)\*  
Timothy J. May

EXPERIAN (*Experian*)\*  
Joe Lubenow

GREETING CARD ASSOCIATION (*GCA*)  
Alan R. Swendiman

HALLMARK CARDS, INC. (*Hallmark*)\*  
David F. Stover  
Sheldon Bierman

THE HEARST CORPORATION (*Hearst*)\*  
Thomas A. Bisdale

KEYSPAN CORPORATION D\B\A KEYSPAN ENERGY (*KEYSPAN*)  
Michael W. Hall

KNIGHT-RIDDER, INC. (*Knight-Ridder*)\*  
William B. Baker

LIFETIME ADDRESSING, INC. (*Lifetime Addressing*)\*  
Camille Q. Bradford  
Jack Mayer

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\* Limited Participator

Docket No. R2001-1

THE LONG ISLAND POWER AUTHORITY (*Long Island Power*)\*

Michael W. Hall  
Stanley B. Klimberg

MAGAZINE PUBLISHERS OF AMERICA, INC. (*MPA*)

James Pierce Myers

MAIL ORDER ASSOCIATION OF AMERICA (*MOAA*)

David C. Todd

MAILING AND FULFILLMENT SERVICE ASSOCIATION (*MFSA*)

Ian D. Volner  
N. Frank Wiggins

MAJOR MAILERS ASSOCIATION (*MMA*)

Michael W. Hall

THE MCGRAW-HILL COMPANIES, INC. (*McGraw-Hill*)

Timothy W. Bergin

LEONARD MEREWITZ (*MEREWITZ*)\*

Leonard Merewitz

PETER J. MOORE & ASSOCIATES, L.L.C. (*Moore*)\*

Peter J. Moore

NATIONAL ASSOCIATION OF LETTER CARRIERS, AFL-CIO (*NALC*)

Bruce H. Simon

NATIONAL ASSOCIATION OF POSTMASTERS OF THE UNITED STATES (*NAPUS*)\*

Robert M. Levi

NATIONAL ASSOCIATION OF PRESORT MAILERS (*NAPM*)

Henry A. Hart

NATIONAL FEDERATION OF INDEPENDENT PUBLICATIONS (*NFIP*)

Stephen M. Feldman

NATIONAL LEAGUE OF POSTMASTERS (*NLP*)\*

Sheryl Bonifer



NATIONAL NEWSPAPER ASSOCIATION (*NNA*)

Senny Boone  
Tonda F. Rush

NATIONAL POSTAL MAIL HANDLERS UNION (*NPMHU*)\*

Bruce R. Lerner

NATIONAL RETAIL FEDERATION (*NRF*)

David C. Todd

NEWSPAPER ASSOCIATION OF AMERICA (*NAA*)

William B. Baker  
Robert J. Brinkmann

OFFICE OF THE CONSUMER ADVOCATE (*OCA*)

Shelley S. Dreifuss  
Emmitt Rand Costich  
Kenneth E. Richardson  
Frederick Dooley

PARCEL SHIPPERS ASSOCIATION (*PSA*)

Timothy J. May

PITNEY BOWES, INC. (*Pitney Bowes*)

Ian D. Volner  
N. Frank Wiggins

DAVID B. POPKIN (*Popkin*)\*

David B. Popkin

READER'S DIGEST ASSOCIATION, INC. (*RDA*)\*

Michael A. Brizel

RECORDING INDUSTRY ASSOCIATION OF AMERICA, INC. (*RIAA*)

Ian D. Volner  
N. Frank Wiggins

SATURATION MAIL COALITION (*SMC*)

John M. Burzio  
Thomas W. McLaughlin  
Timothy L. Keegan

---

\* Limited Participator

Docket No. R2001-1

STAMPS.COM (*Stamps.com*)

David P. Hendel

UNITED PARCEL SERVICE (*UPS*)

John E. McKeever  
Phillip E. Wilson, Jr.  
Laura A. Biancke

UNITED STATES POSTAL SERVICE (*Postal Service*)

Daniel J. Foucheaux, Jr.  
Anthony F. Alverno  
Richard T. Cooper  
Susan M. Duchek  
Frank R. Heselton  
Kenneth N. Hollies  
Eric P. Koetting  
Nan K. MacKenzie  
Joseph F. Moore  
Brian M. Reimer  
Scott L. Reiter  
David H. Rubin  
Michael T. Tidwell

VAL-PAK DEALERS' ASSOCIATION, INC. (*Val-Pak*)

William J. Olson  
John S. Miles

VAL-PAK DIRECT MARKETING SYSTEMS, INC. (*Val-Pak*)

William J. Olson  
John S. Miles

## PARTICIPANTS

AOL TIME WARNER, INC. (*AOL Time Warner*) - AOL TIME WARNER, directly and through wholly and jointly owned subsidiaries, owns America On Line Inc., Time Inc., Warner Communications Inc., Turner Broadcasting System, Inc., and Time Warner Entertainment Company. Through these companies, AOL Time Warner provides internet service, publishes and distributes books and magazines, and is actively engaged in the fields of filmed entertainment, recorded music, music publishing, cable television programming, and cable television systems. AOL Time Warner is a large user of all classes of mail.

ADVO, INC. (*Advo*) – Advo provides bulk mailing services and advertising programs, including shared mail programs, to advertisers and retailers. Advo has an interest in matters affecting bulk mail classifications and rates.

ALLIANCE OF INDEPENDENT STORE OWNERS AND PROFESSIONALS (*AISOP*) – AISOP represents approximately 3,500 small business retailers, service providers, professionals, and self-employed persons who rely on the mail to reach customers in their trade areas. AISOP also represents the mailers and publishers who serve its members. Together with other trade associations, AISOP monitors issues of concern to small business advertisers, in particular, postal rates and regulations.

ALLIANCE OF NONPROFIT MAILERS (*ANM*) – ANM is a nonprofit corporation which represents the interests of nonprofit organizations in postal matters. ANM members include many of the nation's largest charitable, religious, educational, scientific, and other nonprofit organizations, as well as many smaller nonprofit organizations and umbrella groups. ANM members rely heavily on nonprofit Standard A Mail and nonprofit Periodicals.

AMAZON.COM, INC. (*Amazon*) – Amazon is a leading Internet-based retailer, offering more than 18 million unique items in categories including books, music, video, toys, electronics, home improvement products, and software. The company makes use of several classes of mail, including Priority Mail, destination-entered Standard B Mail, and First-Class Mail.

AMERICAN BANKERS ASSOCIATION (*ABA*) – ABA is a nonprofit membership organization composed of banks located in all 50 states and the District of Columbia. The banking industry is one of the largest users of First-Class Mail.

AMERICAN BUSINESS MEDIA (*ABM*) – ABM, formerly participating as American Business Press (*ABP*), is an association of the nation’s leading publishers of business, professional, and medical periodicals, that are mailed almost exclusively at regular Periodicals rates. ABM members publish more than 1,000 periodicals and pay roughly \$200 million in periodical postage alone, in addition to expenditures for other classes of mail.

AMERICAN LIBRARY ASSOCIATION (*ALA*) – ALA is a national association of libraries with members who are direct or indirect users of most classes of mail and are particularly heavy users of the library rate subclass of Standard Mail.

AMERICAN POSTAL WORKERS UNION, AFL-CIO (*APWU*) – APWU, an affiliate of the AFL-CIO, is the exclusive collective bargaining representative of postal employees nationwide in the clerk, maintenance, and motor vehicle service crafts. APWU is also the National Labor Relations Board certified bargaining representative of Postal employees in several non-mail processing units. APWU members are concerned about changes in postal operations that may have a significant effect on their employment.

ASSOCIATION FOR POSTAL COMMERCE (*PostCom*) – PostCom, formerly the Advertising Mail Marketing Association, has members that include the nation’s largest advertising mailers, printers, and shippers, encompassing both commercial and nonprofit entities. PostCom’s members rely heavily on all mail classes.

ASSOCIATION OF ALTERNATIVE POSTAL SYSTEMS (*AAPS*) – AAPS is a trade association whose members deliver saturation mail. AAPS members compete with the Postal Service for the distribution of pieces that would otherwise qualify as Standard A Mail.

ASSOCIATION OF AMERICAN PUBLISHERS (*AAP*) – AAP is the principal representative of the book and journal publishing industry in the United States. Its members include large and small publishing houses, as well as university, religious, and nonprofit publishers. AAP’s members are extensive users of all classes of mail, particularly Parcel Post, Bound Printed Matter, Special Standard, and Library Rate.

ASSOCIATION OF LEADING AG MEDIA COMPANIES (formerly Agricultural Publishers Association) (*ALAGMC*) - The Association of Leading AG Media Companies is a non-profit corporation. It comprises 16 member companies who publish 100 state and regional agricultural magazines and newspapers, providing farming “know how” to rural families for over 100 years. Member publishers use all classes of mail, relying upon Periodicals as the principal means of distribution of their publications, First-Class Mail for business correspondence, billing and statements of account, Standard Mail for promotion and subscription sales and for distribution of books and educational materials published by members.

ASSOCIATION OF PRIORITY MAIL USERS, INC. (*APMU*) – APMU is a nonprofit association of business firms that are substantial users of postal services, particularly Priority Mail. Their use of postal services is significant both in terms of quantity of items mailed and amount of postage paid.

AUTOMATIC DATA PROCESSING, INC. (*ADP*) - A limited participant in this proceeding, is a large user of mail services and incurs more than \$500 million annually in total postage charges, primarily for investor communications mail distribution.

BANTA CORPORATION (*Banta*) – Banta, a technologically-advanced market leader in printing and digital imaging, serves publishers of educational and general books, special-interest magazines, consumer and business catalogs, and direct marketing materials. One of the largest mailers in the nation, Banta prepares First-Class, Priority, Periodicals, Standard A, and Standard B Mail. In addition to printing and digital imaging, Banta offers multimedia and software packages, interactive media, and online services.

BRAD A. EICKHOLT (*Eickholt*) – A private citizen interested in postal issues, Mr. Eickholt is representing himself in this proceeding.

BROWN PRINTING COMPANY (*Brown*) – Brown, with four printing plant locations, is a major printer of magazines and catalogs that utilize Periodicals, Standard A and B mail. Postage expenditures exceed \$150 million each year.

DOUGLAS F. CARLSON (*Carlson*) – Mr. Carlson, an administrative analyst at the University of California, Berkeley, is representing himself in this proceeding.

CLASSROOM PUBLISHERS ASSOCIATION (*CPA*) – CPA is a trade association whose members publish classroom magazines, books, and other classroom materials. CPA members use postal services to mail their publications and are substantially impacted by any increase in postal rates.

COALITION OF RELIGIOUS PRESS ASSOCIATIONS (*CRPA*) – CRPA represents the interests of religious publishers. CRPA members are almost exclusively not-for-profit publications and organizations. Members use all classes of mail, but their major volume consists of Periodicals and Standard A Mail.

CONTINUITY SHIPPERS ASSOCIATION (*CSA*) – CSA members make use of all classes of mail, in particular Standard A parcels, Bulk Parcel Return Service, and Bound Printed Matter.

DIRECT MARKETING ASSOCIATION, INC. (*DMA*) – DMA is a trade association representing more than 3,000 direct marketers. DMA members utilize all classes of mail but particularly Standard A Mail.

R.R. DONNELLY & SONS COMPANY (*Donnelly*) – Donnelly’s operations span catalog and periodical publishing, direct mail printing and presentation services, and parcel shipping, as well as electronic commerce, database management, retail, and financial services. As one of the world’s largest printers, Donnelly is the single largest customer of the Postal Service on a consolidated basis. Donnelly has a particular interest in the rates and classifications proposed for Standard A flats, Periodicals, First-Class Mail, and parcels.

DOW JONES & COMPANY, INC. (*Dow Jones*) – Dow Jones is a large user of the U.S. Mail, predominantly in Periodicals, for *The Wall Street Journal and Barron’s*.

ELECTRONIC DATA SERVICES (*EDS*) – Magazine Subscription Fulfillment Division provides fulfillment services for magazines, including the receiving of invoices, renewals, orders and promotions. In this capacity, EDS receives over 55M pieces of Qualified Business Reply Mail each year. EDS spends in excess of \$45M on QBRM and outgoing postage annually. EDS is also a limited participant.

ENVELOPE MANUFACTURERS ASSOCIATION (*EMA*) – The Envelope Manufacturers Association is an association of companies, primarily small businesses, from every section of the nation. Its members are in the business of manufacturing, distributing and selling envelopes. Its principal interest is the rates proposed for First-Class single piece cards.

EXPERIAN (*Experian*) – Experian is a major provider of direct mail marketing services and user of the United States mail.

GREETING CARD ASSOCIATION (*GCA*) – GCA is a trade association representing more than 170 greeting card publishers and suppliers to the industry. Its members account for more than 90 percent of the greeting card market in the United States. GCA is an advocate for the 95 percent of American households that mail greeting cards.

HALLMARK CARDS, INC. (*Hallmark*) – Hallmark is the largest publisher of greeting cards in the United States and is a large user of postal services. Since its primary product line is greeting cards, generally sent by First-Class Mail, Hallmark has a major interest in changes affecting First-Class.

THE HEARST CORPORATION (*Hearst*) – Hearst is a New York-based diversified media company that owns daily newspapers such as the *San Francisco Examiner*, weekly newspapers, and magazines such as *Redbook* and *Good Housekeeping*. Hearst also has interests in broadcast and cable TV and makes use of all classes of mail.

KEYSPAN CORPORATION D\B\A KEYSPAN ENERGY (*KeySpan*) – KeySpan is engaged primarily in the distribution of natural gas and the generation of electricity. KeySpan is a

large user of mail services and incurs more than \$12 million annually in total postage charges, primarily for customers' billing and business reply mail.

KNIGHT-RIDDER, INC. (*Knight-Ridder*) – Knight-Ridder is a diversified media company that has interests in newspapers. Knight-Ridder provides information services to customers and businesses. It makes extensive use of First-Class, Periodicals, and Standard Mail.

LEONARD MEREWITZ (*Merewitz*) - A private citizen concerned in postal issues, Mr. Merewitz is representing himself in this proceeding.

LIFETIME ADDRESSING, INC. (*Lifetime Addressing*) – Lifetime Addressing is a consulting organization working with clients interested in reducing the cost and improving the quality of First-Class Mail services. Lifetime Addressing focuses on improving address quality, reducing undeliverable as addressed mail, and lowering overall postal costs.

THE LONG ISLAND POWER AUTHORITY (*Long Island Power*) – Long Island Power, a corporate municipal instrumentality and subdivision of the State of New York, is engaged in the purchase and distribution at retail of electricity in a portion of the State of New York that has a population of approximately three million. In connection with providing electric service, Long Island Power is a large user of mail services, primarily for customer billing and Qualified Business Reply Mail.

MAGAZINE PUBLISHERS OF AMERICA (*MPA*) – MPA is an association of more than 200 publishers of consumer magazines. MPA members use Periodicals to distribute their publications and use other classes for their billing and marketing operations.

MAIL ORDER ASSOCIATION OF AMERICA (*MOAA*) – MOAA is an association of companies engaged in mail-order retailing. The members of MOAA make extensive use of First-Class and Standard Mail.

MAILING & FULFILLMENT SERVICE ASSOCIATION (*MFSA*) - The Mailing & Fulfillment Service Association is a trade association of approximately 500 members. Members are users primarily of Standard A mail. MFSA is the national trade association for the mailing and fulfillment services industry. For more than 80 years MFSA has been working to improve the business environment for mailing and fulfillment companies and to provide opportunities for the learning and professional development of the managers of these companies. MFSA provides management education, employee training, business surveys unique to the industry, networking opportunities, excellent low cost insurance through The Hartford Group, instant postal information, other business news, and individual help with technical, employment, and postal issues.

MAJOR MAILERS ASSOCIATION (*MMA*) – MMA, an association of First-Class mailers, is organized for the purpose of promoting fair and equitable postal rates, classifications,

and rules. MMA members are among the largest users of presorted and prebarcoded First-Class Mail. MMA representatives participate on the Postal Service's Mailers' Technical Advisory, First-Class, and Letters Implementation Committees.

THE MCGRAW-HILL COMPANIES, INC. (*McGraw-Hill*) – McGraw-Hill publishes more than 150 business, professional, and technical publications that are distributed primarily through Periodicals class, as well as by First-Class Mail. McGraw-Hill also relies on Standard Mail to promote and market its diverse products and services. In addition, McGraw-Hill uses First-Class and Express Mail for general correspondence.

PETER J. MOORE & ASSOCIATES, L.L.C. (*Moore*) – Moore is a consulting company which, among its other activities, provides consultation on postal matters to a broad spectrum of clients representing all mail classes.

NATIONAL ASSOCIATION OF LETTER CARRIERS, AFL-CIO (*NALC*) – NALC, an affiliate of the AFL-CIO, is the collective bargaining representative for more than 220,000 city letter carriers employed by the Postal Service.

NATIONAL ASSOCIATION OF POSTMASTERS OF THE U.S. (*NAPUS*) - NAPUS is a management association, whose dues-paying members include more than 42,000 active and retired postmasters in the United States. NAPUS members derive their livelihood from their employment with the Postal Service, or receive annuities and health coverage as a result of prior employment with the Postal Service. NAPUS represents the approximately 28,000 postmasters who manage individual postal facilities throughout the nation. Moreover, NAPUS members serve as the vital link between postal reliant communities and U.S. postal policy. Actions taken by the Postal Service to alter postal classifications, rates, and fees for special services affect the working conditions of NAPUS members and impact communities in which postmasters serve.

NATIONAL ASSOCIATION OF PRESORT MAILERS (*NAPM*) – NAPM represents presort mailers and presort service bureaus that provide a means for small businesses to participate in the Postal Service's presort programs. Collectively, NAPM members process more than 66 million pieces of mail daily.

NATIONAL FEDERATION OF INDEPENDENT PUBLICATIONS (*NFIP*) – The National Federation of Independent Publications is a coalition of publishers of periodicals edited for and distributed to small circulation, specialized readerships through the United States. Its members represent a wide array of literary presses, newspapers and magazines covering environmental, ethnic, pop culture, arts and cultural, feminist, youth and student issues. All its members substantially rely on Periodicals for the delivery of their newspapers and magazines.



NATIONAL LEAGUE OF POSTMASTERS (*League*) - The National League of Postmasters, established in 1897, is a non-profit professional management association representing the nation's Postmasters, as well as other postal employees and retirees. The League supports efforts to provide consistent, affordable and predictable postal services to rural and urban areas of the nation.

NATIONAL NEWSPAPER ASSOCIATION (*NNA*) – NNA, a not-for-profit trade organization, represents more than 3,400 community newspapers in the United States. NNA's members use all classes of mail and rely heavily upon Periodicals within county and outside county.

NATIONAL POSTAL MAIL HANDLERS UNION, AFL-CIO (*NPMHU*) – NPMHU serves as the exclusive bargaining representative for more than 58,000 mail handlers employed by the Postal Service. As a result, the members of NPMHU have an interest in the financial well-being of the Postal Service.

NATIONAL RETAIL FEDERATION (*NRF*) - NRF is the world's largest retail trade association representing leading department, specialty, mass merchandise and independent stores. NRF members represent an industry that encompasses more than 1.4 million United States retail establishments and employs more than 20 million people, or one in five American workers. NRF members are significant users of First-Class Mail in connection with their retail, credit, and other operations.

NEWSPAPER ASSOCIATION OF AMERICA (*NAA*) – NAA is a nonprofit organization representing more than 2,000 newspapers in the United States and Canada. Most NAA members are daily newspapers, accounting for 87 percent of the daily circulation in the United States.

OFFICE OF THE CONSUMER ADVOCATE (*OCA*) – OCA, pursuant to its Congressional mandate, must “represent the interests of the general public” in rate and classification proceedings before the Commission. In carrying out this responsibility, OCA gives voice to segments of the general public generally unable to pay for private representation in Commission proceedings, such as individual consumers, small businesses, and nonprofit organizations.

PARCEL SHIPPERS ASSOCIATION (*PSA*) – PSA is an association consisting of approximately 100 members, primarily small businesses, from every section of the nation. Its members make use of Parcel Post service and Bound Printed Matter, in addition to other classes of mail.

PITNEY BOWES, INC. (*Pitney Bowes*) – Pitney Bowes is a major manufacturer and distributor of dedicated postal meters and computer-based metering technology.

DAVID B. POPKIN (*Popkin*) – Mr. Popkin is a citizen-advocate for improved postal services.

READER'S DIGEST ASSOCIATION, INC. (*RDA*) – RDA is a global leader in publishing and direct marketing. One of the heaviest users of the Postal Service, it relies on all classes of mail.

RECORDING INDUSTRY ASSOCIATION OF AMERICA (*RIAA*) – RIAA is a trade association that represents the U.S. Recording Industry. RIAA members use all mail classes and have a particular interest in Standard A parcels.

SATURATION MAIL COALITION (*SMC*) – SMC is a coalition of national, regional, and local mailers and mail users that use Standard A enhanced carrier route saturation mail for the distribution of free community papers, shopper publications, co-op envelope mail, and shared mail programs. Coalition members use a variety of mail classes in the course of their business.

STAMPS.COM (*Stamps.com*) – Stamps.com is a provider of postage delivered via the Internet to a user's computer under the Postal Service's Information Based Indicia Program (IBIP). Stamps.com's service can be used for a number of mail classes.

UNITED PARCEL SERVICE (*UPS*) – UPS provides parcel delivery services throughout the United States via air and ground operations and also provides expedited letter and international delivery service. UPS competes with the Postal Service but is also a substantial user of postal services, especially First-Class Mail.

UNITED STATES POSTAL SERVICE (*Postal Service*) – The Postal Service was created as an independent establishment of the executive branch by the Postal Reorganization Act of 1970. According to the Act, "The Postal Service shall have as its basic function the obligation to provide postal services to bind the Nation together through the personal, educational, literary, and business correspondence of the people. It shall provide prompt, reliable, and efficient services to patrons in all areas and shall render postal services to all communities." The Postal Service's operating revenues approached \$63 billion in 1999, and it delivered more than 200 billion pieces of mail.

VAL-PAK DEALERS' ASSOCIATION, INC. (*Val-Pak*) – Val-Pak Dealers' Association is an association of approximately 250 franchisees of Val-Pak Direct Marketing Systems, Inc. Its members are heavy users of Standard Mail, as well as other classes of mail.

VAL-PAK DIRECT MARKETING SYSTEMS, INC. (*Val-Pak*) – Val-Pak Direct Marketing Systems is the nation's largest direct mail cooperative advertising firm and operates through franchises nationwide. The franchises and approximately 1,200 sales representatives provide direct mail advertising services for more than 130,000

advertisers, primarily small business owners. Val-Pak Direct Marketing Systems and its franchises are heavy users of Standard A ECR Mail, as well as other classes of mail.



LIST OF SIGNATORIES TO  
STIPULATION AND AGREEMENT

1. Automatic Data Processing, Inc.
2. AOL Time Warner
3. Advo, Inc.
4. Alliance of Independent Store Owners and Professionals
5. Alliance of Nonprofit Mailers
6. Amazon.com
7. American Bankers Association
8. American Business Media
9. American Library Association
10. Association for Postal Commerce
11. Association of Alternate Postal Systems
12. Association of American Publishers
13. Association of Leading AG Media Companies
14. Banta Corporation
15. Brown Printing Co.
16. Classroom Publishers Association
17. Coalition of Religious Press Associations
18. Continuity Shippers Association
19. Direct Marketing Association
20. Dow Jones & Co.
21. Electronic Data Services
22. Envelope Manufacturers Association
23. Experian
24. Greeting Card Association
25. Hallmark Cards, Inc.
26. The Hearst Corporation
27. KeySpan Corporation
28. Knight-Ridder, Inc.
29. Lifetime Addressing, Inc.
30. Long Island Power Authority
31. Magazine Publishers of America
32. Mail Order Association of America
33. Mailing and Fulfillment Services Association
34. Major Mailers Association
35. McGraw-Hill Companies, Inc.
36. Leonard Merewitz
37. National Association of Letter Carriers
38. National Association of Postmasters of the United States
39. National Association of Presort Mailers
40. National Federation of Independent Publications
41. National League of Postmasters
42. National Newspaper Association
43. National Retail Federation
44. Newspaper Association of America
45. Office of the Consumer Advocate
46. Parcel Shippers Association
47. Peter J. Moore & Associates
48. Pitney Bowes, Inc.
49. R.R. Donnelley & Sons Company
50. Reader's Digest Association, Inc.
51. Recording Industry Association of America
52. Saturation Mail Coalition
53. Stamps.com
54. United Parcel Service
55. United States Postal Service
56. Val-Pak Dealers' Association, Inc.
57. Val-Pak Direct Marketing Systems, Inc.



## WITNESSES' TESTIMONY

ABDIRAHMAN, ABDULKADIR	<i>Postal Service</i>	USPS-T-42
BENTLEY, RICHARD E.		
<i>KeySpan</i>		KE-SRT-1
<i>MMA</i>		MMA-SRT-1
BERNSTEIN, PETER	<i>Postal Service</i>	USPS-T-10
BOZZO, A. THOMAS	<i>Postal Service</i>	USPS-T-14
BRADLEY, MICHAEL D.	<i>Postal Service</i>	USPS-T-16
CLIFTON, JAMES A.	<i>ABA and NAPM</i>	ABA&NAPM-SRT-1
COCHRANE, JAMES P.	<i>Postal Service</i>	USPS-T-40
CRIDER, JOHN D.	<i>MMA</i>	MMA-SRT-2
EGGLESTON, JENNIFER L.	<i>Postal Service</i>	USPS-T-25
GILLOTTE, JAY	<i>NAPM</i>	NAPM-SRT-1
HARAHUSH, THOMAS W.	<i>Postal Service</i>	USPS-T-5
HATFIELD, PHILIP A.	<i>Postal Service</i>	USPS-T-18
HOPE, LARAIN B.	<i>Postal Service</i>	USPS-T-31
HUNTER, HERBERT B. III	<i>Postal Service</i>	USPS-T-4
KANEER, KIRK T.	<i>Postal Service</i>	USPS-T-38
KAY, NANCY R.	<i>Postal Service</i>	USPS-T-21
KIEFER, JAMES M.	<i>Postal Service</i>	USPS-T-33
KINGSLEY, LINDA A.	<i>Postal Service</i>	USPS-T-39
KOROMA, SAMUEL J.	<i>Postal Service</i>	USPS-T-37, USPS-T-44
LOETSCHER, L. PAUL	<i>Postal Service</i>	USPS-T-41
MAYES, VIRGINIA J.	<i>Postal Service</i>	USPS-T-23
MAYO, SUSAN W.	<i>Postal Service</i>	USPS-T-35, USPS-T-36
MEEHAN, KAREN	<i>Postal Service</i>	USPS-T-11
MILLER, MICHAEL W.	<i>Postal Service</i>	USPS-T-22, USPS-T-24
MOELLER, JOSEPH D.	<i>Postal Service</i>	USPS-SRT-1, USPS-T-28, USPS-T-32
MUSGRAVE, GERALD L.	<i>Postal Service</i>	USPS-T-9
NIETO, NORMA B.	<i>Postal Service</i>	USPS-T-26
PAFFORD, BRADLEY V.	<i>Postal Service</i>	USPS-T-3

PATELUNAS, RICHARD L. <i>Postal Service</i>	UPSP-T-12
PICKETT, JOHN T. <i>Postal Service</i>	USPS-T-17
RILEY, MICHAEL J. <i>APWU</i>	APWU-T-1
ROBINSON, MAURA <i>Postal Service</i>	USPS-T-29
ROTHSCHILD, BETH B. <i>Postal Service</i>	USPS-T-27
SCHENK, LESLIE M. <i>Postal Service</i>	USPS-T-43
SCHERER, THOMAS M. <i>Postal Service</i>	USPS-T-30
SHAW, ROBERT L. <i>Postal Service</i>	USPS-T-1
SMITH, MARC A. <i>Postal Service</i>	USPS-T-15
SPATOLA, DON M. <i>Postal Service</i>	USPS-T-20
TAKIS, WILLIAM M. <i>Postal Service</i>	USPS-T-19
TAUFIQUE, ALTAF H. <i>Postal Service</i>	USPS-T-34
TAYMAN, WILLIAM P. <i>Postal Service</i>	USPS-T-6
THRESS, THOMAS E. <i>Postal Service</i>	USPS-T-8
TOLLEY, GEORGE S. <i>Postal Service</i>	USPS-T-7
VAN-TY-SMITH, ELIANE <i>Postal Service</i>	USPS-T-13
XIE, JENNIFER J. <i>Postal Service</i>	USPS-T-2



Revenue Requirement for Test Year with  
Proposed Revenues and Costs  
(\$000)

	USPS Filing	1/	PRC
Mail and Special Services Revenue	74,780,057		74,690,895
Appropriations	30,857		30,857
Investment Income	28,900		28,900
 Total Revenues & Operating Receipts	 74,839,814		 74,750,652
 Postmasters	 1,963,492		 1,963,766
Supervisors	3,846,018		3,847,614
Clerks & Mailhandlers, CAG A-J	19,716,861		19,696,048
Clerks, CAG K	8,167		8,176
City Delivery Carriers, In-Office	4,682,731		4,672,954
City Delivery Carriers, Street Time	10,589,085		10,607,229
Vehicle Service Drivers	595,885		595,791
Rural Carriers	5,024,824		5,028,086
Custodial Maintenance Service	3,050,678		3,050,045
Motor Vehicle Service	812,248		812,500
Miscellaneous Operating Costs	457,643		457,678
Transportation	5,228,523		5,230,588
Building Occupancy	1,766,688		1,766,692
Supplies & Services	3,368,917		3,368,562
Research & Development	47,438		47,438
Administration & Regional Operations	6,706,094		6,706,066
General Management Systems	22,287		22,287
Depreciation & Servicewide Costs	4,819,927		4,818,340
Final Adjustments	(694,052)		(755,333)
 Total Accrued Costs	 72,013,454		 71,944,527
 Contingency	 2,160,404		 2,158,336
 Recovery of Prior Years Losses	 632,808		 618,424
 Total Revenue Requirement	 74,806,666		 74,721,287
 Net Surplus (Deficiency)	 33,148		 29,365

/1 Revenues and RPYL: USPS-T-6 at 71-72  
Accrued Costs: USPS Exhibit 12H  
Final Adjustment, USPS-T-12A at 22  
Contingency: 3.0% of Total Accrued Costs



## DEVELOPMENT OF REVENUE REQUIREMENT AND COST ROLLFORWARD CORRECTIONS

*Introduction.* This appendix explains the various corrections made by the Commission to the Postal Service's test year revenue requirement estimates. All corrections, except for one, were made to the revenue requirement under both the USPS R2001-1 costing methodology and the Commission's R2000-1 costing methodology.<sup>1</sup> For the purposes of discussion in this appendix, the revenue requirement changes resulting from corrections in the rollforward will be described on the basis of the Commission's R2000-1 costing methodology, as filed by the Postal Service.

Implementation of the Commission's corrections was made using the Commission's cost rollforward model, PRC LR-2.

### 1. Corrections of USPS Errors in the Rollforward Process

#### a. Error in Certified and Insurance Transactions

A review of the mail volume cost effect factors in witness Patelunas' Exhibit 12A showed an inconsistency with the factors in the file used in the USPS CRA/Rollforward model. USPS Exhibit 12A at 15-18. It was apparent that the base year costs for certified mail were affected by the FY 2001, FY 2002 and test year rollforward volume factors for insurance and the base year costs for insurance were being affected by the rollforward volume factors for certified mail.

Presiding Officer's Information Request No. 2, Question 12 requested that the Postal Service provide the appropriate corrections for the error. Tr. 11B/4398-4400. Witness

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<sup>1</sup> The Postal Service filed the base year and cost rollforward workpapers using the Commission's R2000-1 cost methodologies as Library Reference J-74 (Base Year Development) and Library Reference J-75 (Cost Rollforward).

Patelunas' responses provide revisions to the test year results of the cost rollforward using the USPS cost methodology. The revisions to the library references detailing the rollforward using the R2000-1 PRC cost methodology are provided by the Postal Service as an institution in response to the same POIR. Using the Commission's cost rollforward model the correction increases the total accrued costs, including contingency, by \$13.8 million.

b. Post Office (PO) Box Volume Correction

In response to Presiding Officer's Information request No. 6, Question 8, witness Patelunas noted that the PO Box volume shown in the answer to POIR 2, Question 6 should be used in the rollforward because the Test Year Before Rates volume shown in USPS Exhibit 12A had not been updated properly. Tr. 11B/4411-12. A comparison of the volumes used in the rollforward for PO Boxes and the volumes shown in the response to POIR 2, Question 6 showed differences in all years of the rollforward, not just the Test Year Before Rates. Tr. 14/5631-35.

The Commission uses the PO Box volumes shown in the USPS response to POIR 2, Question 6 to rollforward the costs of PO Boxes. The effect of using those volumes rather than what was shown in USPS Exhibit 12A increases the total accrued costs, including contingency, by \$3.8 million in the test year after rates.

c. International Special Service Volumes

As noted in the Opinion at Section II.C.2.a. the Commission moved the international special service volumes from international mail to the special services registry, insurance, and money orders. The affect is to increase total accrued costs, plus contingency, by \$1.2 million in the test year after rates.

d. Updated City Delivery Carrier Street Time Factors

Presiding Officer's Information Request No. 5, Question 5 noted that the Carrier Access Test/Foot Access Test factors in both the USPS treatment and the PRC treatment of city carrier street time costs were based on data from the FY 1996 and FY 1997 City Carrier Cost Survey. Tr. 11B/4337-38. The Postal Service responded with new data from the FY 2000 City Carrier Cost Survey and the Commission has included this new data in the base year city carrier cost worksheets. Additionally, the Commission found that the load time variabilities in the PRC version of the city carrier street time workpapers were not consistent with the Commission's R2000-1 load time variabilities. The Commission corrects this inconsistency.

e. Correction of Subclass Piggyback Factors

The Postal Services' response to Presiding Officer's Information Request No. 7, Question 6 and Presiding Officer's Information Request No. 8, Question 4 confirmed errors found in the calculation of the base year and test year before rates piggyback factors used in discount cost studies and the final adjustments. Tr. 11C/4486-95 and Tr. 14/5648-54. Substituting the corrected piggyback factors in the PRC version of the discount cost studies only slightly altered the unit costs used as inputs into the calculation of the final adjustments. The corrected unit costs and the corrected piggyback factors were used to calculate the final adjustments.

The final adjustments were reduced by \$7.1 million using the corrected factors and unit costs. After applying the contingency, total accrued costs were increased by \$7.3 million in the test year after rates.

f. Other Corrections

The Commission has corrected other errors found in its review of the PRC version of the cost rollforward provided by the Postal Service. These corrections are:

- Use of correct FY 2001 Priority Mail volumes in the rollforward mail volume effect.
- Correction of the mail volume, non-volume workload, and additional workday cost effects for component 30, Higher Level Supervisors as per Presiding Officer's Information Request No. 5, Question 10. Tr. 11B/4409.
- Correction of the Test Year After Rates Alaska Air Adjustment Factor as per Presiding Officer's Information Request No. 7, Question 5. Tr. 11B/4418-20.
- Correction of the final adjustment for certified mail mistakenly applied to insurance as per response to Presiding Officer's Information Request No. 2, Question 12. Tr. 11B/4435-36.

g. Effect on Recovery of Priors Years Losses

Under the Commission's Docket No. R2000-1 cost methodology, the cost rollforward produces net losses for FY 2001 and FY 2002 that are smaller than those produced under the Postal Service's proposed cost methodology. The Service has provided a comparison worksheet in Library Reference J-79 which shows the differences in rollforward costs, workload mix adjustments, and mail mix final adjustments produced under the two costing methods. This worksheet also develops the amount for the Recovery of Priors Years Losses using the PRC R2000-1 cost method. Using the Commission's cost method the Recovery of Prior Years Losses is calculated as \$621.6 million, as compared to the \$632.8 million calculated by witness Tayman using the USPS cost method.

After correcting the rollforward for the various adjustments described above, the Commission has adjusted the Recovery of Prior Years Losses to \$618.4 million. The table below provides a comparison of the calculations of the Prior Year Loss recovery provided by the Postal Service and the calculation of the Commission.

	<b>USPS-T-6 USPS Cost Method (\$ 000s)</b>	<b>USPS LR-J-79 PRC Cost Method (\$ 000s)</b>	<b>PRC Calculation after Rollforward Corrections (\$ 000s)</b>
Deficit from Operations since commencement on July 1, 1971 through September 30, 2000	3,679,744	3,679,744	3,679,744
Plus: Estimated net loss in FY 2001	1,666,394	1,627,857	1,613,574
Plus: Estimated net loss in FY 2002	1,349,138	1,286,784	1,272,499
Less: Funds from Public Law No. 94-421	1,000,000	1,000,000	1,000,000
Total Recovery Required	5,695,276	5,594,385	5,565,817
Annual Increment (1/9)	632,808	621,598	618,424

## 2. Summary

The corrections to the cost rollforward using the Commission's Docket No. R2000-1 cost methodology, as presented by the Postal Service in Library References J-74, J-75, and J-79, will increase the Test Year After Rates revenue requirement by \$22.7 million.





Comparison of Costs Attributed by  
Cost Segment and Component  
(\$ 000's)

	PRC R2001-1 Test Year			USPS R2001-1 Test Year		
	<u>Accrued Cost</u>	<u>Attributable Cost</u>	<u>Percent Attributable</u>	<u>Accrued Cost</u>	<u>Attributable Cost</u>	<u>Percent Attributable</u>
1. Postmasters						
EAS 22 and Below	1,919,462	351,659	18.32	1,919,182	351,379	18.31
EAS 23 and Above	44,304	-	0.00	44,304	-	0.00
BMC Managers	-	-	0.00	-	-	0.00
Total	1,963,766	351,659	17.91	1,963,486	351,379	17.90
2. Supervisors & Technical Personnel						
Mail Processing	960,822	923,889	96.16	962,783	780,266	81.04
Window Service	207,075	95,611	46.17	206,697	95,754	46.33
Time and Attendance	74,773	47,797	63.92	74,788	43,452	58.10
Employee & Labor Relations	204	131	64.22	205	119	58.05
City Carriers	952,276	481,901	50.61	951,799	450,164	47.30
Expedited Delivery	11,720	5,055	43.13	11,720	5,054	43.12
Rural Carriers	23,617	11,520	48.78	23,600	11,503	48.74
Vehicle Service	37,190	22,740	61.15	37,196	22,745	61.15
Higher Level Supervisors	220,395	67,322	30.55	217,378	60,718	27.93
Superv. Qual. Cntrl./Rev. Prot.	39,765	38,309	96.34	39,856	32,632	81.87
Superv. Central Mail Mark-Up	49,569	49,459	99.78	49,548	45,812	92.46
Joint Supv. Clerks & Carriers	350,599	252,053	71.89	350,847	225,339	64.23
Gen.Supv., Mail Process.	321	309	96.26	321	263	81.93
Gen.Supv., Coll.& Del.	138	69	50.00	138	65	47.10
Other Supv., Training	54,490	29,678	54.47	54,512	26,429	48.48
Other	864,657	-	0.00	864,656	-	0.00
Total	3,847,611	2,025,843	52.65	3,846,044	1,800,315	46.81

Comparison of Costs Attributed by  
Cost Segment and Component  
(\$ 000's)

	PRC R2001-1 Test Year			USPS R2001-1 Test Year		
	<u>Accrued Cost</u>	<u>Attributable Cost</u>	<u>Percent Attributable</u>	<u>Accrued Cost</u>	<u>Attributable Cost</u>	<u>Percent Attributable</u>
3. Clerks & Mailhandlers, CAG A-J						
Mail Processing	14,706,961	14,140,839	96.15	15,620,617	12,817,416	82.05
Window Service	2,476,503	1,143,451	46.17	2,384,924	1,104,835	46.33
Expedited Delivery	54,433	53,838	98.91	54,429	23,471	43.12
Administrative Clerks	2,163,094	1,382,926	63.93	1,426,266	835,654	58.59
Time & Attendance	282,888	180,831	63.92	219,017	127,248	58.10
Specific Fixed	12,170	12,170	100.00	11,635	11,635	100.00
Total	19,696,049	16,914,055	85.88	19,716,888	14,920,259	75.67
4. Clerks, CAG K	8,176	5,033	61.56	8,166	5,024	61.52
6. City Carrier In-Office						
Direct Labor	3,933,307	3,454,419	87.82	3,941,419	3,490,487	88.56
CAG K and LTO	259	228	88.03	260	229	88.08
Support	739,388	652,162	88.20	741,039	653,588	88.20
Total	4,672,954	4,106,809	87.88	4,682,718	4,144,304	88.50
7. City Carrier Street						
Elemental Load	1,587,896	1,534,694	96.65	1,599,136	1,545,796	96.66
Cov. Rel. Load - SSS	156,777	156,777	100.00	-	-	0.00
Cov. Rel. Load - MSS	790,328	-	0.00	-	-	0.00
Access - SSS	526,872	526,872	100.00	-	-	0.00
Access - MSS	2,394,625	184,088	7.69	3,517,703	397,787	11.31
Other Attributable	2,176,909	1,055,693	48.50	2,175,844	982,178	45.14
Route	2,973,824	131,101	4.41	3,296,402	131,468	3.99
Total	10,607,231	3,589,225	33.84	10,589,085	3,057,229	28.87
Grand Total City Carriers	15,280,185	7,696,034	50.37	15,271,803	7,201,533	47.16

Comparison of Costs Attributed by  
Cost Segment and Component  
(\$ 000's)

	PRC R2001-1 Test Year			USPS R2001-1 Test Year		
	Accrued <u>Cost</u>	Attributable <u>Cost</u>	Percent <u>Attributable</u>	Accrued <u>Cost</u>	Attributable <u>Cost</u>	Percent <u>Attributable</u>
8. Vehicle Service Drivers	595,791	364,609	61.20	595,885	364,702	61.20
10. Rural Carriers						
Evaluated Routes	4,237,360	1,981,385	46.76	4,234,407	1,978,423	46.72
Other Routes	383,649	183,347	47.79	383,338	183,036	47.75
Equip. Maint. Allow.	407,077	-	0.00	407,077	-	0.00
Total	5,028,086	2,164,732	43.05	5,024,822	2,161,459	43.02
11. Custodial Maint. Service						
Mail Proc. Equip. Mtn.	1,404,874	956,209	68.06	1,405,507	832,963	59.26
Clean.&Prot. Personnel	1,073,708	676,358	62.99	1,073,708	656,410	61.13
Bldg. & Plant Maint. Personnel	495,447	312,095	62.99	495,447	302,890	61.13
Contract Cleaners	76,016	47,884	62.99	76,016	46,472	61.13
Total	3,050,045	1,992,546	65.33	3,050,678	1,838,735	60.27
12. Motor Vehicle Service						
Personnel	321,644	84,121	26.15	321,531	64,000	19.90
Supplies & Materials	438,055	123,788	28.26	437,944	99,945	22.82
Vehicle Hire	52,799	28,100	53.22	52,809	23,091	43.73
Total	812,498	236,009	29.05	812,284	187,036	23.03
13. Misc. Operating Costs						
Drive out and Carfare	64,246	8,531	13.28	64,234	8,661	13.48
Tolls & Ferriage	1,564	-	0.00	1,564	-	0.00
Other	391,867	175	0.04	391,867	-	0.00
Total	457,677	8,706	1.90	457,665	8,661	1.89

Comparison of Costs Attributed by  
Cost Segment and Component  
(\$ 000's)

	PRC R2001-1 Test Year			USPS R2001-1 Test Year		
	Accrued <u>Cost</u>	Attributable <u>Cost</u>	Percent <u>Attributable</u>	Accrued <u>Cost</u>	Attributable <u>Cost</u>	Percent <u>Attributable</u>
14. Transportation						
Domestic Air	1,672,655	1,672,655	100.00	1,670,596	1,624,323	97.23
Alaskan Air	119,476	9,224	7.72	119,601	8,456	7.07
Highway	2,464,415	2,014,168	81.73	2,465,250	2,015,000	81.74
Railroad	251,967	250,438	99.39	252,013	250,484	99.39
Domestic Water	32,208	29,947	92.98	32,216	29,955	92.98
International Water	689,868	768,090	111.34	688,840	767,064	111.36
Total	5,230,589	4,744,522	90.71	5,228,516	4,695,282	89.80
15. Building Occupancy						
Rents	926,804	926,804	100.00	926,804	925,054	99.81
Fuel & Utilities	561,685	353,820	62.99	561,685	343,385	61.13
Other	278,203	255	0.09	278,201	-	0.00
Total	1,766,692	1,280,879	72.50	1,766,690	1,268,439	71.80
16. Supplies & Services						
Custodial & Building	127,379	80,240	62.99	127,379	77,873	61.13
Operating Equip. Maintenance	363,428	265,441	73.04	363,721	227,496	62.55
Stamps & Dispensers	178,371	177,881	99.73	178,437	177,947	99.73
Advertising	175,000	102,056	58.32	174,999	-	0.00
Stmp. Cds. & Emb. Stmp. Env.	10,871	10,871	100.00	10,870	10,870	100.00
Money Orders	1,891	1,891	100.00	1,892	1,892	100.00
Misc. Attrib. PMPC/Intl/DC S&S	162,199	162,199	100.00	162,199	160,655	99.05
Misc. Postal Supp. & Serv.	1,043,104	656,397	62.93	1,043,104	592,988	56.85
Other	1,306,318	22,393	1.71	1,306,318	7	0.00
Total	3,368,561	1,479,369	43.92	3,368,919	1,249,728	37.10

Comparison of Costs Attributed by  
Cost Segment and Component  
(\$ 000's)

	PRC R2001-1 Test Year			USPS R2001-1 Test Year		
	Accrued Cost	Attributable Cost	Percent Attributable	Accrued Cost	Attributable Cost	Percent Attributable
18. Administrative & Regional Operations						
Workers Compensation	1,204,255	455,348	37.81	1,204,255	413,533	34.34
Repriced Annual Leave	88,437	55,129	62.34	88,437	50,066	56.61
Holiday Leave	3,900	2,431	62.33	3,900	2,208	56.62
Retiree Health Benefits	1,210,058	754,312	62.34	1,210,058	685,041	56.61
Annuitant COLA/LI	960,392	598,678	62.34	960,392	543,699	56.61
USPS Protection Force	99,275	62,536	62.99	99,275	60,692	61.14
Unemployment Compensation	65,200	40,644	62.34	65,200	36,911	56.61
CSRS/FERS Retire. Prin.	1,449,854	903,793	62.34	1,449,854	820,795	56.61
Money Orders	2,422	2,422	100.00	2,416	-	0.00
Other Personnel	1,198,128	22,829	1.91	1,198,128	-	0.00
Other	424,146	51,686	12.19	424,146	223	0.05
Total	6,706,067	2,949,808	43.99	6,706,061	2,613,168	38.97
20. Depreciation & Other Servicewide Costs						
Vehicle Deprec.	218,764	56,501	25.83	218,764	44,583	20.38
Mail Proc. Equip. Deprec.	1,568,305	787,252	50.20	1,568,305	690,072	44.00
Bldg. & Leasehold Deprec.	783,124	783,124	100.00	783,124	783,124	100.00
Indemnities	39,628	39,628	100.00	41,215	41,215	100.00
Note Interest Expense	415,838	263,216	63.30	415,838	245,565	59.05
Retirement Interest Expense	1,668,956	1,040,374	62.34	1,668,956	944,833	56.61
Other Interest	47,022	-	0.00	47,022	-	0.00
Other	76,702	-	0.00	76,702	-	0.00
Total	4,818,339	2,970,095	61.64	4,819,926	2,749,392	57.04
17. Res., Develop., & Engr.	47,438	-	0.00	47,438	-	0.00
19. Support Services	22,286	-	0.00	22,286	-	0.00
Grand Total All Segments	72,699,856	45,183,899	62.15	72,707,557	41,415,112	56.96



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Summary of PRC Attributable Costs  
Test Year/PRC Recommended Rates  
(\$000)

	Short Run <u>Variable</u>	Product Specific <u>Costs</u>	Longer-Run <u>Variable</u>	Total <u>Attributable</u>	Final <u>Adjustments</u>	Net <u>Attributable</u>	Contingency <u>@ 3.0 Percent</u>	Grand Total <u>Attributable</u>
First-Class Mail:								
Single-Piece Letters	13,271,330	11,064	2,357,039	13,293,458	(435)	13,293,023	398,791	13,691,814
Presort Letters	5,913,137	9,650	984,490	5,932,437	(121,234)	5,811,203	174,336	5,985,539
Total Letters	19,184,467	20,714	3,341,529	19,225,895	(121,669)	19,104,226	573,127	19,677,353
Single-Piece Cards	605,356	575	101,076	606,506	0	606,506	18,195	624,701
Presort Post Cards	160,671	584	26,050	161,839	(6,066)	155,773	4,673	160,446
Total Cards	766,027	1,159	127,126	768,345	(6,066)	762,279	22,868	785,147
Total First-Class	19,950,494	21,873	3,468,655	19,994,240	(127,735)	19,866,505	595,995	20,462,500
Priority Mail								
Express Mail	3,338,020	229,120	418,755	3,796,260	(25,849)	3,770,411	113,112	3,883,523
Mailgrams	585,434	6,631	107,898	598,696	(392)	598,304	17,949	616,253
	771		125	771	0	771	23	794
Periodicals:								
Within County	83,907		12,941	83,907	(3,981)	79,926	2,398	82,324
Regular Rate	2,435,002		358,790	2,435,002	(30,194)	2,404,808	72,144	2,476,952
Total Periodicals	2,518,909		371,731	2,518,909	(34,175)	2,484,734	74,542	2,559,276
Standard Mail:								
Enhanced Carrier Route	2,842,652	3,124	427,866	2,848,900	(7,497)	2,841,403	85,242	2,926,645
Regular Bulk	9,519,004	4,757	1,636,412	9,528,518	(395,613)	9,132,905	273,987	9,406,892
Total Standard Mail	12,361,656	7,881	2,064,278	12,377,418	(403,110)	11,974,308	359,229	12,333,537
Package Services:								
Parcel Post	1,191,693	146	168,385	1,191,985	(167,651)	1,024,334	30,730	1,055,064
Bound Printed Matter	543,999		88,151	543,999	0	543,999	16,320	560,319
Media Mail	284,070		46,849	284,070	0	284,070	8,522	292,592
Total Package Services	2,019,762	146	303,385	2,020,054	(167,651)	1,852,403	55,572	1,907,975
USPS Penalty Mail								
Free Mail for the Blind & Hndc	388,880		75,155	388,880	(388,880)	0	0	0
	40,065		6,541	40,065	(410)	39,655	1,190	40,845
TOTAL DOMESTIC MAIL	41,203,991	265,651	6,816,523	41,735,293	(1,148,202)	40,587,091	1,217,613	41,804,704
International Mail	1,497,661	75,953	142,843	1,649,567	10,678	1,660,245	49,807	1,710,052
TOTAL ALL MAIL	42,701,652	341,604	6,959,366	43,384,860	(1,137,524)	42,247,336	1,267,420	43,514,756





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PRC Distribution of Attributable Costs to Classes and Services  
Test Year/PRC Recommended Rates  
(\$000)

	<u>Post- Masters</u>	<u>Supervisors</u>	<u>Clerks &amp; Mailhandlers CAG A - J</u>	<u>Clerks, CAG K</u>	<u>City Delivery Carriers</u>	<u>Vehicle Service Drivers</u>	<u>Rural Carriers</u>	<u>Custodial Maintenance Service</u>	<u>Motor Vehicle Service</u>	<u>Misc. Operating Costs</u>
First-Class Mail:										
Single-Piece Letters	107,309	663,632	6,059,950	2,022	2,066,031	30,639	311,754	686,454	44,593	2,126
Presort Letters	77,765	286,014	1,978,797	684	1,452,266	25,930	336,146	262,704	32,221	1,587
Total Letters	185,074	949,646	8,038,747	2,706	3,518,297	56,569	647,900	949,158	76,814	3,713
Single-Piece Cards	2,976	32,267	277,787	83	116,668	241	18,959	24,591	1,910	123
Presort Post Cards	2,355	7,891	51,651	17	43,725	311	13,460	6,086	1,046	51
Total Cards	5,331	40,158	329,438	100	160,393	552	32,419	30,677	2,956	174
Total First-Class	190,405	989,804	8,368,185	2,806	3,678,690	57,121	680,319	979,835	79,770	3,887
Priority Mail										
Priority Mail	25,675	101,205	1,251,900	165	208,968	35,426	41,260	80,399	17,624	192
Express Mail	5,409	25,770	249,104	-	43,228	1,908	11,201	13,263	6,753	311
Mailgrams	-	43	222	-	307	1	14	17	30	-
Periodicals:										
Within County	402	3,837	21,097	8	23,748	2,623	14,537	2,113	1,182	25
Regular Rate	11,008	113,709	866,519	358	404,012	45,144	155,159	87,433	16,462	405
Total Periodicals	11,410	117,546	887,616	366	427,760	47,767	169,696	89,546	17,644	430
Standard Mail:										
Enhanced Carrier Route	28,593	121,676	511,837	105	983,861	58,617	494,109	73,667	36,913	1,103
Regular Bulk	60,080	464,947	3,694,343	901	1,903,246	68,562	606,208	441,441	41,780	2,047
Total Standard Mail	88,673	586,623	4,206,180	1,006	2,887,107	127,179	1,100,317	515,108	78,693	3,150
Package Services:										
Parcel Post	6,573	41,515	391,219	105	74,722	64,006	28,554	40,502	15,458	76
Bound Printed Matter	2,911	22,799	185,062	52	77,859	19,689	22,864	22,118	9,344	75
Media Mail	1,530	11,235	106,560	29	26,665	4,610	6,001	12,555	3,433	24
Total Package Services	11,014	75,549	682,841	186	179,246	88,305	57,419	75,175	28,235	175
USPS Penalty Mail										
USPS Penalty Mail	-	23,035	234,827	283	23,225	1,261	1,924	18,621	526	23
Free Mail for the Blind & Hndc	-	1,681	15,583	-	4,035	474	2,851	2,100	193	5
TOTAL DOMESTIC MAIL	332,586	1,921,256	15,896,458	4,812	7,452,566	359,442	2,065,001	1,774,064	229,468	8,173
International Mail	8,798	38,400	422,343	-	38,074	5,167	3,745	35,079	3,064	267
TOTAL ALL MAIL	341,384	1,959,656	16,318,801	4,812	7,490,640	364,609	2,068,746	1,809,143	232,532	8,440

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	<u>Post- Masters</u>	<u>Supervisors</u>	<u>Clerks &amp; Mailhandlers CAG A - J</u>	<u>Clerks, CAG K</u>	<u>City Delivery Carriers</u>	<u>Vehicle Service Drivers</u>	<u>Rural Carriers</u>	<u>Custodial Maintenance Service</u>	<u>Motor Vehicle Service</u>	<u>Misc. Operating Costs</u>
Special Services:										
Registered Mail	324	2,265	21,228	18	6,405	-	2,193	4,800	171	10
Insured Mail	4,189	23,066	147,458	70	130,742	-	80,467	11,968	2,340	176
Certified Mail	630	4,235	37,060	1	8,805	-	9,721	2,018	223	13
Collect-On-Delivery	89	486	3,167	2	2,836	-	2,174	294	82	4
Money Orders	987	11,354	119,043	-	-	-	1,400	5,515	18	-
Stamped Cards	10	-	-	-	-	-	-	-	-	-
Stamped Envelopes	71	331	3,477	-	-	-	-	163	-	-
Special Handling	-	100	1,100	1	(4)	-	-	396	-	-
Post Office Boxes	3,880	8,552	87,757	-	601	-	-	145,034	2	1
Other Special Services	94	16,462	144,600	130	56,013	-	31	13,211	645	63
Total Special Services	10,274	66,851	564,890	222	205,398	-	95,986	183,399	3,481	267
Total Attributable	351,658	2,026,507	16,883,691	5,034	7,696,038	364,609	2,164,732	1,992,542	236,013	8,707
Other Costs	1,612,108	1,821,107	2,812,357	3,142	7,584,145	231,182	2,863,354	1,057,503	576,487	448,971
Total Costs	1,963,766	3,847,614	19,696,048	8,176	15,280,183	595,791	5,028,086	3,050,045	812,500	457,678

Prior Years Loss Recovery  
Total Revenue Requirement

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PRC Distribution of Attributable Costs to Classes and Services  
Test Year/PRC Recommended Rates  
(\$000)

	<u>Trans- portation</u>	<u>Building Occupancy</u>	<u>Supplies &amp; Services</u>	<u>Research &amp; Development</u>	<u>Admin. &amp; Regional Operations</u>	<u>General Management Systems</u>	<u>Depreciation &amp; Service- wide Costs</u>	<u>Total Attributable Costs</u>
First-Class Mail:								
Single-Piece Letters	589,730	349,440	501,840	-	912,960	-	964,981	13,293,461
Presort Letters	397,177	138,890	134,349	-	410,698	-	397,208	5,932,436
Total Letters	986,907	488,330	636,189	-	1,323,658	-	1,362,189	19,225,897
Single-Piece Cards	11,788	14,932	22,520	-	43,487	-	38,196	606,528
Presort Post Cards	5,524	3,636	4,169	-	11,958	-	9,974	161,854
Total Cards	17,312	18,568	26,689	-	55,445	-	48,170	768,382
Total First-Class	1,004,219	506,898	662,878	-	1,379,103	-	1,410,359	19,994,279
Priority Mail	1,377,254	79,891	257,187	-	180,685	-	138,428	3,796,259
Express Mail	121,269	15,560	18,431	-	32,099	-	29,196	573,502
Mailgrams	-	20	19	-	56	-	43	772
Periodicals:								
Within County	75	1,918	1,841	-	6,211	-	4,289	83,906
Regular Rate	342,758	55,465	54,661	-	153,024	-	128,885	2,435,002
Total Periodicals	342,833	57,383	56,502	-	159,235	-	133,174	2,518,908
Standard Mail:								
Regular - Other	61,243	59,170	62,177	-	206,097	-	150,199	2,849,367
- ECR	457,774	241,986	244,376	-	657,338	-	643,649	9,528,678
Total Standard Mail	519,017	301,156	306,553	-	863,435	-	793,848	12,378,045
Package Services:								
Parcel Post	354,443	26,046	19,491	-	59,378	-	69,897	1,191,985
Bound Printed Matter	88,093	13,462	11,170	-	32,429	-	36,070	543,997
Special Rate	61,205	7,161	7,004	-	15,532	-	20,526	284,070
Total Package Services	503,741	46,669	37,665	-	107,339	-	126,493	2,020,052
USPS Penalty Mail	6,900	13,715	10,236	-	27,669	-	26,636	388,881
Free Mail for the Blind & Hndc	6,104	995	961	-	2,433	-	2,648	40,063
TOTAL DOMESTIC MAIL	3,881,337	1,022,287	1,350,432	-	2,752,054	-	2,660,825	41,710,761
International Mail	863,186	23,826	59,191	-	84,887	-	58,369	1,644,396
TOTAL ALL MAIL	4,744,523	1,046,113	1,409,623	-	2,836,941	-	2,719,194	43,355,157

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PRC Distribution of Attributable Costs to Classes and Services  
Test Year/PRC Recommended Rates  
(\$000)

	<u>Trans- portation</u>	<u>Building Occupancy</u>	<u>Supplies &amp; Services</u>	<u>Research &amp; Development</u>	<u>Admin. &amp; Regional Operations</u>	<u>General Management Systems</u>	<u>Depreciation &amp; Service- wide Costs</u>	<u>Total Attributable Costs</u>
Special Services:								
Registered Mail	-	5,210	1,420	-	3,571	-	8,747	56,362
Insured Mail	-	15,247	8,656	-	36,179	-	25,128	485,686
Certified Mail	-	2,633	1,353	-	5,685	-	34,208	106,585
Collect-On-Delivery	-	370	278	-	826	-	2,810	13,418
Money Orders	-	7,250	11,267	-	14,321	-	9,890	181,045
Stamped Cards	-	-	2,790	-	-	-	-	2,800
Stamped Envelopes	-	213	7,636	-	370	-	289	12,550
Special Handling	-	62	70	-	144	-	286	2,155
Post Office Boxes	-	194,495	13,603	-	30,791	-	150,751	635,467
Other Special Services	-	9,287	22,670	-	20,978	-	18,796	302,980
Total Special Services	-	234,767	69,743	-	112,865	-	250,905	1,799,048
Total Attributable	4,744,523	1,280,880	1,479,366	-	2,949,806	-	2,970,099	45,154,205
Other Costs	486,065	485,812	1,889,196	47,438	3,756,260	22,287	1,848,241	27,545,655
Total Costs	5,230,588	1,766,692	3,368,562	47,438	6,706,066	22,287	4,818,340	72,699,860

PRC Distribution of Attributable Costs to Classes and Services  
 Test Year/PRC Recommended Rates  
 (\$000)

	<u>Final</u> <u>Adjustments</u>	<u>Contingency</u>	<u>Total PRC</u> <u>Attributable</u> <u>Costs</u>
First-Class Mail:			
Single-Piece Letters	(435)	398,791	13,691,817
Presort Letters	(121,234)	174,336	5,985,538
Total Letters	(121,669)	573,127	19,677,355
Single-Piece Cards	-	18,196	624,724
Presort Post Cards	(6,066)	4,674	160,461
Total Cards	(6,066)	22,869	785,185
Total First-Class	(127,735)	595,996	20,462,540
Priority Mail	(25,849)	113,112	3,883,522
Express Mail	(392)	17,193	590,303
Mailgrams	-	23	795
Periodicals:			
Within County	(3,981)	2,398	82,323
Regular Rate	(30,194)	72,144	2,476,952
Total Periodicals	(34,175)	74,542	2,559,275
Standard Mail:			
Regular - Other	(7,497)	85,256	2,927,126
- ECR	(395,613)	273,992	9,407,057
Total Standard Mail	(403,110)	359,248	12,334,183
Package Services:			
Parcel Post	(167,651)	30,730	1,055,064
Bound Printed Matter	-	16,320	560,317
Special Rate	-	8,522	292,592
Total Package Services	(167,651)	55,572	1,907,973
USPS Penalty Mail	(388,881)	-	-
Free Mail for the Blind & Hndc	(410)	1,190	40,843
TOTAL DOMESTIC MAIL	(1,148,203)	1,216,877	41,779,435
International Mail	10,678	49,652	1,704,726
TOTAL ALL MAIL	(1,137,525)	1,266,529	43,484,161

PRC Distribution of Attributable Costs to Classes and Services  
Test Year/PRC Recommended Rates  
(\$000)

	Final		Total PRC
	<u>Adjustments</u>	<u>Contingency</u>	<u>Attributable</u>
			<u>Costs</u>
Special Services:			
Registered Mail	501	1,706	58,569
Insured Mail	-	14,571	500,257
Certified Mail	21,414	3,840	131,839
Collect-On-Delivery	-	403	13,821
Money Orders	-	5,431	186,476
Stamped Cards	-	84	2,884
Stamped Envelopes	-	377	12,927
Special Handling	-	65	2,220
Post Office Boxes	-	19,064	654,531
Other Special Services	(28,252)	8,242	282,970
Total Special Services	(6,337)	53,781	1,846,492
Total Attributable	(1,143,862)	1,320,310	45,330,653
Other Costs	388,529	838,026	28,772,210
Total Costs	(755,333)	2,158,336	74,102,863
Prior Years Loss Recovery			618,424
Total Revenue Requirement			74,721,287

**Unit Attributable Cost Comparison  
 Test Year**

	PRC R2000-1 (\$)	PRC R2001-1 (\$)	Change Over PRC R2000-1 (%)
First-Class			
Single Letter	0.2780	0.2923	5.16%
Presort Letter	0.1121	0.1166	3.96%
Total Letter	0.1996	0.2004	0.40%
Cards	0.1392	0.1491	7.07%
Priority Mail	2.8227	3.2969	16.80%
Express Mail	9.6126	8.8148	-8.30%
Periodicals:			
Within County	0.0937	0.0965	2.97%
Regular Rate	0.2416	0.2719	12.53%
Standard Mail:			
Enhanced Carrier Route	0.0778	0.0805	3.45%
Regular Bulk	0.1529	0.1590	3.99%
Total Standard Mail	0.1224	0.1291	5.44%
Package Services:			
Parcel Post	2.8176	2.8428	0.89%
Bound Printed Matter	0.9271	0.9520	2.68%
Media Mail	1.6378	1.5757	-3.79%
Free for the Blind	0.5869	0.8717	48.51%
International Mail	1.6230	1.4185	-12.60%
Registry	6.7029	5.6688	-15.43%
Certified	1.6006	1.7244	7.73%
Insurance	1.7298	1.7771	2.74%
COD	4.7613	4.4576	-6.38%
Money Orders	0.7670	0.8122	5.88%





**Test Year Volume, Cost , Revenue, and Cost Coverage by Class  
at Commission Recommended Rates**

	Volume (\$000)	Attributable Cost (\$ 000)	Revenue (\$ 000)	Contribution to Institutional Cost (\$ 000)	Cost/Pc. (Cents)	Rev./Pc. (Cents)	Contribution to Institutional Cost/Pc. (Cents)	Cost Coverage	Change in Rev./Pc.
<b>First-Class Mail:</b>									
Letters	98,194,585	19,677,353	37,781,209	18,103,857	20.039	38.476	18.437	192.0%	7.7%
Cards	5,266,951	785,147	1,119,629	334,482	14.907	21.258	6.351	142.6%	9.7%
<b>Priority Mail</b>	<b>1,177,948</b>	<b>3,883,523</b>	<b>6,195,606</b>	<b>2,312,083</b>	<b>329.685</b>	<b>525.966</b>	<b>196.280</b>	<b>159.5%</b>	<b>13.5%</b>
Express Mail	69,911	616,253	1,133,705	517,452	881.479	1,621.633	740.155	184.0%	9.4%
Mailgrams	2,725	794	1,131	337	29.146	41.500	12.354	142.4%	0.0%
<b>Periodicals:</b>									
Within County	853,535	82,324	82,526	202	9.645	9.669	0.024	100.2%	1.7%
Outside County	9,109,637	2,476,952	2,510,278	33,326	27.190	27.556	0.366	101.3%	10.3%
<b>Standard Mail:</b>									
Regular	47,294,024		11,041,955			23.347			7.8%
Nonprofit	11,882,923		1,669,058			14.046			6.6%
Regular and Nonprofit	59,176,947	9,406,891	12,711,013	3,304,122	15.896	21.480	5.583	135.1%	7.5%
Enhanced Carrier Route (ECR)	33,119,953		5,558,192			16.782			6.2%
Nonprofit ECR	3,236,397		325,208			10.048			6.5%
ECR and NECR	36,356,351	2,926,645	5,883,400	2,956,755	8.050	16.183	8.133	201.0%	6.2%
<b>Package Services:</b>									
Parcel Post	371,140	1,055,064	1,203,850	148,787	284.277	324.366	40.089	114.1%	6.4%
Bound Printed Matter	588,557	560,319	695,568	135,249	95.202	118.182	22.980	124.1%	9.0%
Media Mail	158,641		270,708			170.642			4.0%
Library Rate	27,047		49,962			184.719			3.3%
Media and Library	185,688	292,592	320,670	28,078	157.572	172.693	15.121	109.6%	3.9%
USPS Penalty Mail	353,484								
Free-for-the-Blind Mail	46,859	40,845		(40,845)	87.164				
International Mail 1/	1,205,553	1,710,052	1,917,956	207,903	141.848	159.093	17.245	112.2%	8.4%
<b>Total All Mail</b>	<b>212,959,871</b>	<b>43,514,755</b>	<b>71,556,542</b>	<b>28,041,787</b>	<b>20.433</b>	<b>33.601</b>	<b>13.168</b>	<b>164.4%</b>	<b>7.5%</b>
<b>Special Services:</b>									
Registry	10,332	58,570	98,549	39,979	566.884	953.832	386.948	168.3%	7.2%
Insurance	61,775	109,783	143,810	34,027	177.713	232.796	55.083	131.0%	9.3%
Certified	302,902	522,312	696,674	174,362	172.436	230.000	57.564	133.4%	9.5%
COD	3,100	13,818	17,701	3,883	445.756	571.008	125.252	128.1%	0.0%
Money Orders	229,607	186,476	303,572	117,096	81.215	132.214	50.998	162.8%	2.8%
Stamped Cards	170,412	2,887	3,408	521	1.694	2.000	0.306	118.1%	0.0%
Stamped Envelopes	400,000	12,925	16,102	3,177	3.231	4.026	0.794	124.6%	0.0%
Box/Caller Service	17,232	654,530	854,712	200,182	3,798.256	4,959.917	1,161.661	130.6%	14.5%
Other Special Services		2,220	460,856	458,637					
Other Costs		282,966		(282,966)					
Other Income			589,816	589,816					
<b>Total Mail &amp; Services</b>	<b>212,959,871</b>	<b>45,361,242</b>	<b>74,741,743</b>	<b>29,380,501</b>	<b>21.300</b>	<b>35.097</b>	<b>13.796</b>	<b>164.8%</b>	<b>7.7%</b>
<b>Institutional Costs</b>		<b>28,741,619</b>							
Prior Years Loss Recovery		618,424							
Appropriations			30,857						
Investment Income			(21,948)						
<b>Total Revenue Requirement</b>		<b>74,721,284</b>							
<b>Total Revenues</b>			<b>74,750,652</b>						
<b>Net Surplus (Loss)</b>			<b>29,367</b>						

**Schedule 1**

Appendix G

1/ Not subject to PRC jurisdiction.

**Schedule 2**  
**COMMISSION RECOMMENDED RATES**  
**APPLIED TO TEST YEAR VOLUMES**

FIRST CLASS	Units (000)	Rate (cents)	Revenues (\$ 000)
<b>Letters &amp; Sealed Parcels Subclass</b>			
<b>Regular</b>			
<b>Single-Piece</b>			
First-ounce	46,517,984	37.0	17,211,654
Additional ounces	17,566,638	23.0	4,040,327
Nonmachinable Surcharge	942,145	12.0	113,057
Qualified Business Reply Mail	323,161	34.0	109,875
Total Pieces (or Postage Revenue)	46,841,145		21,474,913
Revenue x Adjustment Factor			21,648,285
Single-Piece Fees			19,596
Address Correction			188,246
Business Reply			2,025
Certificate of Mailing			7,071
Special Handling			21,865,222
Total Single-Piece Revenue			
<b>Presort</b>			
First-ounce	3,547,712	35.2	1,248,795
Heavy-Piece Discount	195,194	(4.1)	(8,003)
Additional ounces	647,226	22.5	145,626
Nonmachinable Surcharge	867,416	5.5	47,708
Total Pieces (or Postage Revenue)	3,547,712		1,434,125
Revenue x Adjustment Factor			1,437,565
Presort Fees			1,484
Address Correction			13
Certificate of Mailing			492
Presort Permit			4
Merch. Ret. Permit			1,439,558
Total Presort Revenue			
<b>Total Regular Letters</b>	<b>50,388,857</b>		<b>23,304,780</b>
<b>Automation</b>			
<b>Non-Carrier Route</b>			
<b>Letters</b>			
Mixed AADC, First Oz.	2,869,415	30.9	886,649
AADC, First Oz.	3,071,403	30.1	924,492
3-Digit, First Oz.	24,748,096	29.2	7,226,444
5-Digit, First Oz.	15,542,395	27.8	4,320,786
Heavy-Piece Discount	86,188	(4.1)	(3,534)
Additional Ounces	1,252,596	22.5	281,834
<b>Flats</b>			
Mixed AADC, First Oz.	91,967	34.1	31,361
AADC, First Oz.	49,304	33.3	16,418
3-Digit, First Oz.	63,015	32.2	20,291
5-Digit, First Oz.	515,103	30.2	155,561
Heavy-Piece Discount	311,024	(4.1)	(12,752)
Additional Ounces	1,559,588	22.5	350,907
Nonmachinable Surcharge	143,545	5.5	7,895
Total Pieces (or Postage Revenue)	46,950,697		14,206,353
Revenue x Adjustment Factor			14,205,858
<b>Carrier Route</b>			
First Ounce	855,031	27.5	235,134
Heavy-Piece Discount	3,421	(4.1)	(140)
Additional Ounces	37,473	22.5	8,431
Total Pieces (or Postage Revenue)	855,031		243,425
Revenue x Adjustment Factor			243,721
<b>Automation Fees</b>			19,999
Address Correction			175
Certificate of Mailing			6,629
Presort Permit			48
Merch. Ret. Permit			47,805,728
<b>Total Automation Letters</b>	<b>47,805,728</b>		<b>14,476,430</b>
<b>Total First-Class Letters</b>	<b>98,194,585</b>		<b>37,781,209</b>

**COMMISSION RECOMMENDED RATES  
APPLIED TO TEST YEAR VOLUMES**

<u>FIRST CLASS (cont)</u>	<u>Units (000)</u>	<u>Rate (cents)</u>	<u>Revenues (\$ 000)</u>
<b>Cards Subclass</b>			
<b>Regular</b>			
<b>Single-Piece</b>			
Stamped Cards	170,412	23.0	39,195
Post Cards at Card Rate	2,271,862	23.0	522,528
Post Cards at Letter Rate	114,937	37.0	42,527
Qualified Business Reply Mail	68,342	20.0	13,668
Total Pieces (or Postage Revenue)	<u>2,625,552</u>		<u>617,918</u>
Revenue x Adjustment Factor			619,540
Single-Piece Fees			
Address Correction			1,098
Business Reply			10,097
Certificate of Mailing			114
Total Single-Piece Revenue			630,849
<b>Presort</b>			
Cards	216,053	21.2	45,803
Total Pieces (or Postage Revenue)	<u>216,053</u>		<u>45,803</u>
Revenue x Adjustment Factor			45,607
Presort Fees			
Address Correction			90
Certificate of Mailing			1
Presort Permit			30
Total Presort Revenue			45,728
<b>Total Regular Cards</b>	<b>2,841,605</b>		<b>676,577</b>
<b>Automation</b>			
<b>Non-Carrier Route</b>			
Mixed AADC Cards	235,969	19.4	45,778
AADC Cards	252,580	18.7	47,232
3-Digit Cards	1,159,241	18.3	212,141
5-Digit Cards	725,953	17.6	127,768
Total Pieces (or Postage Revenue)	<u>2,373,742</u>		<u>432,919</u>
Revenue x Adjustment Factor			432,919
<b>Carrier Route</b>			
Cards	51,603	17.0	8,773
Total Pieces (or Postage Revenue)	<u>51,603</u>		<u>8,773</u>
Revenue x Adjustment Factor			8,773
Automation Fees			
Address Correction			1,015
Certificate of Mailing			9
Presort Permit			336
Total Automation Cards			443,051
<b>Total Automation Cards</b>	<b>2,425,346</b>		<b>443,051</b>
<b>Total First-Class Cards</b>	<b>5,266,951</b>		<b>1,119,629</b>
<b>TOTAL FIRST-CLASS MAIL</b>	<b><u>103,461,536</u></b>		<b><u>38,900,838</u></b>

**COMMISSION RECOMMENDED RATES  
APPLIED TO TEST YEAR VOLUMES**

**Priority Mail**

Zone	Pieces	Revenues
Local, 1, 2, 3	482,439,753	\$ 2,045,339,882
4	166,204,443	\$ 839,080,555
5	192,512,060	\$ 1,059,454,303
6	108,261,395	\$ 624,561,022
7	80,892,212	\$ 514,984,304
8	147,638,137	\$ 1,034,841,055
	1,177,948,000	\$ 6,118,261,121
Less Presort		\$ (3,160,391)
Postage Revenue		\$ 6,115,100,731
times base year revenue adjustments		1.012435355
Revenue from rates		<b>6,191,144,178</b>
Pickup revenue		\$ 3,269,967
Revenue from fees		
Address Correction		\$ 86,404
Business Reply		\$ 698,998
Certificate of Mailing		\$ 137,655
Merchandise Return		\$ 55,042
Special Handling		\$ 213,373
Total revenue from fees		\$ 1,191,472
<b>Total Priority Mail Revenue</b>		<b>\$ 6,195,605,617</b>

**COMMISSION RECOMMENDED RATES  
APPLIED TO TEST YEAR VOLUMES**

**Express Mail**

	Pieces		Revenues
Same day service	-	\$	-
Next day - post office to addressee	69,113,504	\$	1,091,979,730
Next day - post office to post office	486,801	\$	26,408,804
Customer designed	310,695	\$	13,326,816
<hr/>			
Total Domestic Service	69,911,000	\$	1,131,715,351
Revenue Adjustment Factor			0.996861938
<hr/>			
Postage Revenue		\$	1,128,163,958
Pick-up Revenue		\$	5,540,920
<hr/>			
<b>Total Express Mail Revenue</b>		<b>\$</b>	<b>1,133,704,879</b>
<hr/>			

**COMMISSION RECOMMENDED RATES  
APPLIED TO TEST YEAR VOLUMES**

**PERIODICALS-Within County**

	Rate (cents)	Pieces (000)	Pounds (000)	Revenues (000)	
	-----	-----	-----	-----	
<b>Piece Rate Revenue</b>					
Basic Presort	10.6	64,575		6,845	
3-Digit Presort	9.7	36,701		3,560	
5-Digit Presort	8.7	140,617		12,234	
Carrier Route Presort	5.0	611,642		30,582	
		-----			
		853,535			
<b>Pound Rate Revenues</b>					
Regular	14.6		133,029	19,422	
Delivery Office	11.2		116,248	13,020	
<b>Piece Discounts</b>					
High density	(1.6)	69,259		(1,108)	
Saturation	(2.2)	32,799		(722)	
Delivery office entry	(0.6)	335,089		(2,011)	
<b>Automation Discounts for Automation Compatible Mail</b>					
from Required:					
Pre-barcoded letters	(5.6)	385		(22)	
Pre-barcoded flats	(2.9)	738		(21)	
from 3-Digit:					
Pre-barcoded letters	(4.9)	2,847		(139)	
Pre-barcoded flats	(2.4)	2,664		(64)	
from 5-Digit:					
Pre-barcoded letters	(4.1)	3,334		(137)	
Pre-barcoded flats	(2.0)	26,457		(529)	
<b>Revenue from Rates</b>				-----	
Times Adjustment Factor		0.999706		80,910	
<b>Fees</b>					
Address Correction				1,575	
Periodicals Application				65	
Total Fees					1,640
<b>TOTAL PERIODICALS-Within County</b>				-----	<b>82,526</b>

**COMMISSION RECOMMENDED RATES  
APPLIED TO TEST YEAR VOLUMES**

**PERIODICALS-Regular Rate**

<b>Pound Rate Revenue</b>		<b>Rate</b>	<b>Pieces</b>	<b>Pounds</b>	<b>Revenues</b>	
<b>Advertising</b>		<b>(cents)</b>	<b>(000)</b>	<b>(000)</b>	<b>(000)</b>	
		-----	-----	-----	-----	
	Delivery Office	15.8		17,984	2,842	
	SCF	20.3		725,928	147,363	
	ADC	22.3		149,494	33,337	
	Zones: 1 & 2	24.8		165,747	41,105	
	3	26.7		146,693	39,167	
	4	31.5		195,230	61,497	
	5	38.9		177,974	69,232	
	6	46.6		69,634	32,449	
	7	55.9		52,554	29,378	
	8	63.8		48,721	31,084	487,455
	Nonadvertising	19.3		1,982,591	382,640	382,640

**Science of Agriculture**

	Delivery office	11.9		96	12	
	SCF	15.2		2,040	310	
	ADC	16.7		843	141	
	Zones 1 & 2	18.6		3,814	709	1,172

**COMMISSION RECOMMENDED RATES  
APPLIED TO TEST YEAR VOLUMES**

	Rate (cents)	Pieces (000)	Pounds (000)	Revenues (000)	
<b><u>PERIODICALS-Piece Rate Revenue</u></b>					
Required Preparation	37.3	522,799		195,004	
Presorted to 3-Digit	32.4	1,365,246		442,340	
Presorted to 5-Digit	25.6	2,404,146		615,461	
Presorted to Carrier Route	16.3	2,818,180		459,363	1,712,168
<b>Piece Discounts</b>					
Prepared to Delivery Office	(1.8)	58,689		(1,056)	
Prepared to SCF	(0.8)	2,751,008		(22,008)	
Prepared to ADC	(0.2)	639,933		(1,280)	
High Density	(3.2)	21,055		(674)	
Saturation	(5.1)	20,491		(1,045)	
Editorial content	(7.4)	4,066,032		(300,886)	
Worksharing discount-pallets	(0.5)	4,912,354		(24,562)	
Worksharing dropship discount-pallets	(1.0)	2,574,796		(25,748)	(377,259)
<b>Automation Discounts for Automation Compatible Mail</b>					
From Required:					
Pre-barcode letter	(9.2)	43,771		(4,027)	
Pre-barcode flats	(4.8)	121,187		(5,817)	(9,844)
From 3-Digit:					
Pre-barcode letter	(7.5)	37,179		(2,788)	
Pre-barcode flats	(4.1)	941,806		(38,614)	(41,402)
From 5-Digit:					
Pre-barcode letter	(6.1)	993		(61)	
Pre-barcode flats	(3.0)	1,973,966		(59,219)	(59,280)
				-----	2,095,649
					2,095,649
	Times Adjustment Factor		0.999660		2,094,937
<b>Fees</b>					
				13,120	
	Address Correction			539	13,658
	Periodicals Application				
Ride-Along revenue					12,400
				-----	2,120,995
<b>TOTAL PERIODICALS-Regular Rate</b>					<b>2,120,995</b>
<b>TOTAL PERIODICALS-OUTSIDE COUNTY</b>					<b>2,510,278</b>



**COMMISSION RECOMMENDED RATES  
APPLIED TO TEST YEAR VOLUMES**

**PERIODICALS-Nonprofit**

<b>Pound Rate Revenue</b>		Rate (cents)	Pieces (000)	Pounds (000)	Revenues (000)	
Advertising						
	Delivery Office	15.8		101	16	
	SCF	20.3		39,256	7,969	
	ADC	22.3		10,021	2,235	
	Zones:					
	1 & 2	24.8		7,483	1,856	
	3	26.7		11,303	3,018	
	4	31.5		19,972	6,291	
	5	38.9		20,645	8,031	
	6	46.6		8,059	3,756	
	7	55.9		4,939	2,761	
	8	63.8		4,850	3,094	39,026
Nonadvertising		19.3		422,292		81,502
Advertising - Commingled						
	Delivery Office	15.8		0	0	
	SCF	20.3		198	40	
	ADC	22.3		58	13	
	Zones:					
	1 & 2	24.8		45	11	
	3	26.7		50	13	
	4	31.5		73	23	
	5	38.9		161	63	
	6	46.6		38	18	
	7	55.9		27	15	
	8	63.8		1	0	196
Non-advertising - Commingled		19.3		449		87
<b>Piece Rate Revenue</b>						
	Required Preparation	37.3	113,166		42,211	
	Presorted to 3-digit	32.4	257,438		83,410	
	Presorted to 5-digit	25.6	515,584		131,990	
	Presorted to Carrier Route	16.3	1,051,205		171,346	428,957
Commingled, Required Preparation		37.3	176		66	
	Presorted to 3-digit	32.4	559		181	
	Presorted to 5-digit	25.6	2,166		555	
	Presorted to Carrier Route	16.3	567		93	894
<b>Piece Discounts</b>						
	Prepared to Delivery Office	(1.8)	2,102		(38)	
	Prepared to SCF	(0.8)	416,725		(3,334)	
	Prepared to ADC	(0.2)	174,365		(349)	
	High-Density	(3.2)	47,862		(1,532)	
	Saturation			12,514		(638)
	Editorial content	(7.4)	1,728,002		(127,872)	
	Worksharing discount-pallets	(0.5)	1,340,887		(6,704)	
	Additional worksharing dropship discount-pallets	(1.0)	702,822		(7,028)	(147,495)
Commingled						
	Delivery Office	(1.8)	0		0	
	Prepared to SCF	(0.8)	1,019		(8)	
	Prepared to ADC	(0.2)	312		(1)	
	Editorial Discount	(7.4)	886		(66)	(74)
<b>Automation Discounts for Automation Compatible Mail</b>						
from Required:						
	Pre-barcoded letters	(9.2)	19,443		(1,789)	
	Pre-barcoded flats	(4.8)	20,538		(986)	(2,775)
from 3-Digit:						
	Pre-barcoded letters	(7.5)	37,799		(2,835)	
	Pre-barcoded flats	(4.1)	152,229		(6,241)	(9,076)
from 5-Digit:						
	Pre-barcoded letters	(6.1)	2,010		(123)	
	Pre-barcoded flats	(3.0)	414,065		(12,422)	(12,545)
Commingled:						
	Basic Letter	(9.2)	0		0	
	Basic Flat		(4.8)	11		(1)
	3-Digit Flat		(4.1)	500		(21)
	5-Digit Flat		(3.0)	2,091		(63)
	High Density	(3.2)	0		0	(84)
Postage not receiving 5% discount				40,045		
Postage receiving 5% discount				338,569		
Discount (5%)					(16,928)	
Total						361,685
	Times Adjustment Factor			1.020390		369,060
<b>Fees</b>	Address Correction				3,581	
	Periodicals Application				147	3,728
<b>TOTAL PERIODICALS-Nonprofit</b>						372,788

**COMMISSION RECOMMENDED RATES  
APPLIED TO TEST YEAR VOLUMES**

**PERIODICALS-Classroom**

<b>Pound Rate Revenue</b>		Rate (cents)	Pieces (000)	Pounds (000)	Revenues (000)	
Advertising		-----	-----	-----	-----	
Delivery Office		15.8		0	\$0	
SCF		20.3		195	\$40	
ADC		22.3		147	\$33	
Zones:	1 & 2	24.8		147	\$36	
	3	26.7		584	\$156	
	4	31.5		1,111	\$350	
	5	38.9		1,143	\$445	
	6	46.6		236	\$110	
	7	55.9		309	\$173	
	8	63.8		350	\$223	1,565
Nonadvertising		19.3		27,850		5,375
<b>Piece Rate Revenue</b>						
Required Preparation		37.3	9,269		3,457	
Presorted to 3-digit		32.4	15,752		5,104	
Presorted to 5-digit		25.6	17,006		4,353	
Presorted to Carrier Route		16.3	16,378		2,670	15,584
<b>Piece Discounts</b>						
Prepared to Delivery Office		(1.8)	67		(1)	
Prepared to SCF		(0.8)	2,315		(19)	
Prepared to ADC		(0.2)	2,039		(4)	
High Density		(3.2)	23		(1)	
Saturation		(5.1)	385		(20)	
Editorial content		(7.4)	53,794		(3,981)	
Worksharing discount-pallets		(0.5)	40,350		(202)	
Worksharing dropship discount-pallets		(1.0)	21,149		(212)	(4,438)
<b>Automation Discounts for Automation Compatible Mail</b>						
from Required:						
Pre-barcoded letters		(9.2)	174		(16)	
Pre-barcoded flats		(4.8)	1,822		(88)	
from 3-Digit:						(104)
Pre-barcoded letters		(7.5)	178		(13)	
Pre-barcoded flats		(4.1)	10,031		(411)	(425)
from 5-Digit:						
Pre-barcoded letters		(6.1)	16		(1)	
Pre-barcoded flats		(3.0)	13,345		(400)	(401)
Postage not receiving 5% discount						1,565
Postage receiving 5% discount						15,592
Discount (5%)						(780)
Total						16,377
						16,383
Fees:						
	Address Correction					108
	Periodicals Application					4
						112
<b>TOTAL PERIODICALS -- Classroom</b>						16,495

**COMMISSION RECOMMENDED RATES  
APPLIED TO TEST YEAR VOLUMES**

	Unit	Rate (\$)	TYAR Volume (000)	Revenue (000)	
<b><u>Standard Mail Regular Subclass</u></b>					
<b><u>Presort Category</u></b>					
<b>Letters</b>					
Basic	per piece	\$0.268	1,176,608	\$315,331	
3/5-Digit	per piece	0.248	719,207	178,363	
subtotal				1,895,815	\$493,694
<b>Nonletters, Piece-Rated</b>					
Basic	per piece	0.344	341,581	117,504	
3/5-Digit	per piece	0.288	553,512	159,411	
subtotal				895,093	276,915
<b>Nonletters, Pound-Rated</b>					
Basic	per piece	0.198	448,495	88,802	
3/5-Digit	per piece	0.142	866,640	123,063	
subtotal				1,315,135	211,865
Basic	per pound	0.708	209,426	148,274	
3/5-Digit	per pound	0.708	435,908	308,623	
subtotal				645,334	456,897
			pieces >	4,106,043	1,439,371
<b>Dropship Discounts:</b>					
<b>Piece-Rated</b>					
BMC	per piece	(0.021)	376,769	(7,912)	
SCF	per piece	(0.026)	465,107	(12,093)	
subtotal				841,876	(20,005)
<b>Pound-Rated</b>					
BMC	per pound	(0.100)	127,842	(12,784)	
SCF	per pound	(0.125)	90,964	(11,371)	
subtotal				218,806	(24,155)
<b>Revenue from Rates</b>			pieces >	<b>4,106,043</b>	<b>\$1,395,211</b>
<b>Fees</b>					
Address Correction				\$1,143.3	
Bulk Permit				549.9	
Certificate of Mailing				0.5	
BPRS Permit				0.6	
					<b>\$1,694.3</b>
<b><u>Total Revenue -- Presort Category</u></b>					<b><u>\$1,396,905</u></b>

**COMMISSION RECOMMENDED RATES**

	Unit	Rate (\$)	TYAR Volume (000)	Revenue (000)
<b>Standard Mail Regular Subclass (con)</b>				
<b>Automation Category</b>				
<b>Letters</b>				
Mixed AADC	per piece	0.219	1,830,446	400,868
AADC	per piece	0.212	2,338,186	495,695
3-Digit	per piece	0.203	13,850,027	2,811,555
5-Digit	per piece	0.190	12,401,473	2,356,280
subtotal			30,420,132	6,064,398
<b>Flats, Piece-Rated</b>				
Basic	per piece	0.300	197,929	59,379
3/5-Digit	per piece	0.261	6,307,710	1,646,312
subtotal			6,505,639	1,705,691
<b>Flats, Pound-Related</b>				
Basic	per piece	0.154	222,145	34,210
3/5-Digit	per piece	0.115	6,040,066	694,608
subtotal			6,262,211	728,818
Basic	per pound	0.708	95,010	67,267
3/5-Digit	per pound	0.708	2,033,587	1,439,780
subtotal			2,128,597	1,507,047
			pieces >	43,187,982
				10,005,954
<b>Dropship Discounts</b>				
<b>Piece-Rated</b>				
BMC	per piece	(0.021)	12,222,371	(256,670)
SCF	per piece	(0.026)	6,847,968	(178,047)
			19,070,339	(434,717)
<b>Pound-Rated</b>				
BMC	per pound	(0.100)	687,406	(68,741)
SCF	per pound	(0.125)	754,762	(94,345)
			1,442,168	(163,086)
<b>Revenue from Rates</b>			pieces >	<b>43,187,982</b>
				<b>\$9,408,151</b>
<b>Fees</b>				
Address Correction				\$ 12,025.3
Bulk Permit				5,784.0
Certificate of mailing				4.8
BPRS Permit				6.2
				<b>17,820</b>
<b>Total Revenue -- Automation Category</b>				<b>\$9,425,971</b>
<b>Regular Subclass Total</b>				
Total Postage/Pieces (excluding fees)			47,294,025	\$ 10,803,362
Times Revenue Adjustment Factor				1.00501
Adjusted Revenue				10,857,487
Plus Fees				19,515
Plus Residual Shape Revenue				161,327
Barcode Discount				(15,992)
Nonmachinable Letter Surcharge				\$ 19,618
<b>Total Revenue - Regular</b>				<b>\$ 11,041,954</b>
Revenue per Piece				\$ 0.2335

COMMISSION RECOMMENDED RATES APPLIED TO TEST YEAR VOLUMES					
	Unit	Rate (\$)	TYAR Volume (000)	Revenue (000)	
<b>Standard Mail</b>					
<b>Enhanced Carrier Route Subclass</b>					
<b>Letters</b>					
Basic	per piece	\$0.194	3,432,723	\$665,948	
Automated	per piece	0.171	2,038,508	348,585	
High Density	per piece	0.164	351,119	57,584	
Saturation	per piece	0.152	3,747,346	569,597	
subtotal				9,569,696	\$1,641,714
<b>Nonletters, Piece-Rated</b>					
Basic	per piece	0.194	6,534,687	1,267,729	
High Density	per piece	0.169	1,018,964	172,205	
Saturation	per piece	0.160	6,577,266	1,052,363	
subtotal				14,130,917	2,492,297
<b>Nonletters, Pound-Rated</b>					
Basic	per piece	0.068	5,800,088	394,406	
High Density	per piece	0.043	785,178	33,763	
Saturation	per piece	0.034	2,834,075	96,359	
subtotal				9,419,341	524,528
Basic	per pound	0.610	1,837,443	1,120,840	
High Density	per pound	0.610	289,336	176,495	
Saturation	per pound	0.610	881,220	537,544	
subtotal				3,007,999	1,834,879
			pieces >	33,119,954	\$6,493,418
<b>Dropship Discounts</b>					
<b>Piece-Rated</b>					
BMC		(0.021)	3,359,667	(70,553)	
SCF		(0.026)	12,612,004	(327,912)	
DDU		(0.032)	5,281,369	(169,004)	
subtotal				21,253,040	(567,469)
<b>Pound-Rated</b>					
BMC		(0.100)	288,551	(28,855)	
SCF		(0.125)	1,693,538	(211,692)	
DDU		(0.157)	917,792	(144,093)	
subtotal				2,899,881	(384,640)
<b>Revenue from Rates</b>			pieces >	33,119,954	\$ 5,541,309
<b>Fees</b>					
Address Correction				9,221.9	
Bulk Permit				4,435.7	
Certificate of Mailing				3.7	
BPRS Permit				4.8	
					13,666
<b>Enhanced Carrier Route Subclass Total</b>					
Total Postage/Pieces (excluding fees)				33,119,954	\$5,541,309
Times Revenue Adjustment Factor					1.00002
Adjusted Revenue					5,541,420
Plus Fees					13,666
Plus Residual Shape Revenue					3,109
<b>Total Revenue - Enhanced Carrier Route</b>					\$5,558,195
Revenue per Piece					0.1678

**COMMISSION RECOMMENDED RATES  
APPLIED TO TEST YEAR VOLUMES**

	Unit	Rate (\$)	TYAR Volume (000)		Revenue (000)
<b><u>Standard Mail Nonprofit Subclass</u></b>					
<b><u>Presort Category</u></b>					
<b>Letters</b>					
Basic	per piece	\$0.165	764,797		\$126,192
3/5-Digit	per piece	0.153	1,132,895		173,333
subtotal				1,897,692	\$299,525
<b>Nonletters, Piece-Rated</b>					
Basic	per piece	0.230	100,820		23,189
3/5-Digit	per piece	0.183	129,045		23,615
subtotal				229,865	46,804
<b>Nonletters, Pound-Rated</b>					
Basic	per piece	0.110	48,844		5,373
3/5-Digit	per piece	0.063	44,894		2,828
subtotal				93,738	8,201
Basic	per pound	0.584	18,778		10,966
3/5-Digit	per pound	0.584	15,356		8,968
subtotal				34,134	19,934
			pieces >	2,221,295	374,464
<b>Dropship Discounts:</b>					
<b>Piece-Rated</b>					
BMC	per piece	(0.021)	79,079		(1,661)
SCF	per piece	(0.026)	571,300		(14,854)
subtotal				650,379	(16,515)
<b>Pound-Rated</b>					
BMC	per pound	(0.100)	1,710		(171)
SCF	per pound	(0.125)	3,380		(423)
subtotal				5,090	(594)
<b>Revenue from Rates</b>			pieces >	<b>2,221,295</b>	<b>\$357,355</b>
<b>Fees</b>					
Address Correction					\$618.5
Bulk Permit					10,200.9
Certificate of Mailing					0.2
BPRS Permit					0.3
					<b>\$10,819.9</b>
<b><u>Total Revenue -- Presort Category</u></b>					<b>\$368,175</b>

**COMMISSION RECOMMENDED RATES  
APPLIED TO TEST YEAR VOLUMES**

	Unit	Rate (\$)	TYAR Volume (000)	Revenue (000)	
<b>Standard Mail Nonprofit Subclass (con)</b>					
<b>Automation Category</b>					
<b>Letters</b>					
Mixed AADC	per piece	0.144	738,997	106,416	
AADC	per piece	0.136	806,053	109,623	
3-Digit	per piece	0.129	3,752,153	484,028	
5-Digit	per piece	0.114	2,647,522	301,818	
subtotal				7,944,725	1,001,885
<b>Flats, Piece-Rated</b>					
Basic	per piece	0.189	86,452	16,339	
3/5-Digit	per piece	0.166	1,103,394	183,163	
subtotal				1,189,846	199,502
<b>Flats, Pound-Related</b>					
Basic	per piece	0.069	46,443	3,205	
3/5-Digit	per piece	0.046	480,615	22,108	
subtotal				527,058	25,313
Basic	per pound	0.584	16,640	9,718	
3/5-Digit	per pound	0.584	149,122	87,087	
subtotal				165,762	96,805
			pieces >	9,661,629	1,323,505
<b>Dropship Discounts</b>					
<b>Piece-Rated</b>					
BMC	per piece	(0.021)	2,314,744	(48,610)	
SCF	per piece	(0.026)	1,336,099	(34,739)	
				3,650,843	(83,349)
<b>Pound-Rated</b>					
BMC	per pound	(0.100)	26,167	(2,617)	
SCF	per pound	(0.125)	25,992	(3,249)	
				52,159	(5,866)
<b>Revenue from Rates</b>		pieces>		9,661,629	\$1,234,290
<b>Fees</b>					
Address Correction					2,690.2
Bulk Permit				44,369.2	
Certificate of mailing					1.1
BPRS Permit				1.4	47,062
<b>Total Revenue -- Automation Category</b>					
<b>Nonprofit Subclass Total</b>					\$1,281,352
Total Postage/Pieces (excluding fees)			11,882,924		\$1,591,645
Times Revenue Adjustment Factor					1.00005
Adjusted Revenue					1,591,725
Plus Fees					57,882
Plus Residual Shape Revenue					4,806
Less Barcode Discount					(320)
Nonmachinable Letter Surcharge					\$14,964
<b>Total Revenue - Nonprofit</b>					\$1,669,056
Revenue per Piece					\$ 0.1405

**COMMISSION RECOMMENDED RATES  
APPLIED TO TEST YEAR VOLUMES**

	Unit	Rate (\$)	TYAR Volume (000)	Revenue	
<b>Standard Mail</b>					
<b>Nonprofit Enhanced Carrier Route Subclass</b>					
<b>Letters</b>					
Basic	per piece	\$0.126	543,371	\$68,465	
Automated	per piece	0.111	299,864	33,285	
High Density	per piece	0.102	73,189	7,465	
Saturation	per piece	0.095	696,147	66,134	
subtotal				1,612,571	\$175,349
<b>Nonletters, Piece-Rated</b>					
Basic	per piece	0.126	1,022,320	128,812	
High Density	per piece	0.110	10,865	1,195	
Saturation	per piece	0.104	306,161	31,841	
subtotal				1,339,346	161,848
<b>Nonletters, Pound-Rated</b>					
Basic	per piece	0.050	183,010	9,151	
High Density	per piece	0.034	3,986	136	
Saturation	per piece	0.028	97,484	2,730	
subtotal				284,480	12,017
Basic	per pound	0.370	54,488	20,161	
High Density	per pound	0.370	1,264	468	
Saturation	per pound	0.370	28,954	10,713	
subtotal				84,706	31,342
			pieces >	3,236,397	\$380,556
<b>Dropship Discounts</b>					
<b>Piece-Rated</b>					
BMC		(0.021)	725,803	(15,242)	
SCF		(0.026)	1,148,372	(29,858)	
DDU		(0.032)	548,431	(17,550)	
subtotal				2,422,606	(62,650)
<b>Pound-Rated</b>					
BMC		(0.100)	13,536	(1,354)	
SCF		(0.125)	49,831	(6,229)	
DDU		(0.157)	8,588	(1,348)	
subtotal				71,955	(8,931)
<b>Revenue from Rates</b>			pieces >	3,236,397	\$ 308,975
<b>Fees</b>					
Address Correction				901.1	
Bulk Permit				14,862.6	
Certificate of Mailing				0.4	
BPRS Permit				0.5	
					15,765
<b>Nonprofit ECR Subclass Total</b>					
Total Postage/Pieces (excluding fees)				3,236,397	\$ 308,975
Times Revenue Adjustment Factor					0.99987
Adjusted Revenue					308,935
Plus Fees					15,765
Plus Residual Shape Revenue					510
<b>Total Revenue - Nonprofit ECR</b>					\$ 325,209
Revenue per Piece					\$ 0.1005



**COMMISSION RECOMMENDED RATES  
APPLIED TO TEST YEAR VOLUMES**

**Package Service - Parcel Post**

		<u>Pieces</u>	<u>Revenues</u>			<u>Pieces</u>	<u>Revenues</u>
<b>Inter-BMC</b>				<b>Intra-BMC</b>			
Zone	1 & 2	4,363,334	21,377,703	Zone	Local	1,722,183	6,384,423
	3	6,180,862	33,641,866		1 & 2	15,491,992	66,343,211
	4	8,900,334	59,668,156		3	2,866,048	13,390,947
	5	5,440,962	41,612,406		4	508,277	2,601,680
	6	2,986,982	26,401,864		5	31,858	191,317
	7	2,027,894	18,866,476				
	8	3,475,508	38,381,207				
	Subtotal	<u>33,375,877</u>	<u>239,949,678</u>		Subtotal	<u>20,620,358</u>	<u>88,911,578</u>
	Times revenue adjustment		241,333,152		Times revenue adjustment		90,553,704

**Parcel Select**

DBMC Zone	1 & 2	160,142,991	474,607,718
	3	32,370,615	130,836,043
	4	5,518,664	25,436,079
	5	203,696	1,023,623
	DDU	100,982,000	145,988,567
	DSCF	15,074,034	33,094,678
	Subtotal	<u>314,292,000</u>	<u>810,986,707</u>
	Times revenue adjustment		833,359,023

**Other Postage Revenue**

Pickup fees	379,616
Alaska Bypass	11,684,460
Parcel Enclosures	271,819
OMAS	10,235,653
Total Other Postage Revenue	<u>22,571,548</u>
<b>Total Postage Revenue</b>	<b>1,187,817,426</b>

**Fees**

Address Correction	250,400	
Bulk Permit	21,300	
Certificate of Mailing	11,200	
Special Handling	51,000	
Parcel air lift	9,000	
Merchandise return	44,900	
Total Fees	<u>387,800</u>	387,800

**Adjustments to Revenue**

Barcode Discount	(4,967,459)	
BMC Presort Discount	(952,021)	
OBMC Entry Discount	(2,623,929)	
Nonmachinable Surcharges:	24,188,659	
Total Adjustments to Revenue	<u>15,645,250</u>	15,645,250

**TOTAL PARCEL POST REVENUE** **1,203,850,476**

**COMMISSION RECOMMENDED RATES  
APPLIED TO TEST YEAR VOLUMES**

**PACKAGE SERVICE - Bound Printed Matter**

**Single Piece Rate**

Zone	Piece & Pound Revenue	
	Pieces	Revenue
1 & 2	13,477,751	\$ 27,474,990
3	2,492,433	\$ 5,423,199
4	3,296,712	\$ 7,448,059
5	4,204,985	\$ 10,017,483
6	1,993,351	\$ 5,071,124
7	1,048,559	\$ 2,837,538
8	2,112,096	\$ 6,263,678
<b>Total</b>	<b>28,625,887</b>	<b>\$ 64,536,071</b>

**Bulk Rate Nondropshipped Revenue**

Piece Rate 1.155

Zone	Revenue		Pound Revenue	
	Pieces	Revenue	Pounds	Rate
1 & 2	83,219,290	\$ 96,118,280	213,105,224	0.09
3	45,283,220	\$ 52,302,119	113,991,223	0.11
4	39,480,504	\$ 45,599,982	94,436,812	0.15
5	35,163,412	\$ 40,613,741	73,901,059	0.20
6	13,717,887	\$ 15,844,160	25,918,423	0.25
7	10,668,225	\$ 12,321,799	21,563,504	0.31
8	15,309,520	\$ 17,682,495	28,081,067	0.42
<b>Total</b>	<b>242,842,057</b>	<b>\$ 280,482,576</b>	<b>570,997,314</b>	

**Bulk Rate Dropshipped Revenue**

DBMC 0.90  
DSCF 0.68  
DDU 0.61

Zone	Piece Revenue		Pound Revenue	
	Pieces	Revenue	Pounds	Rate
1 & 2	146,701,912	\$ 131,298,211	375,669,436	0.07
3	25,196,893	\$ 22,551,219	63,428,014	0.10
4	7,279,102	\$ 6,514,797	17,411,511	0.14
5	167,979	\$ 150,341	353,033	0.19
DSCF	118,705,364	\$ 80,719,647	303,976,796	0.06
DDU	19,037,653	\$ 11,593,930	48,750,996	0.03
<b>Total</b>	<b>317,088,903</b>	<b>\$ 252,828,146</b>	<b>809,589,786</b>	

Volume 588,556,847

Revenue from rates	
Single-piece catalogs	\$ 64,536,071
times base year revenue adjustments	\$ 65,415,388
Bulk-rate catalogs	\$ 674,876,881
times base year revenue adjustments	\$ 673,989,122
<b>Total Revenue from Rates</b>	<b>\$ 739,404,509</b>

**Revenue from Fees**

Address Correction	\$ 559,700
Bulk Permit	\$ 40,000
Certificate of Mailing	\$ 17,700
Special Handling	\$ -
Merchandise Return	\$ 71,200
<b>Total Revenue from fees</b>	<b>\$ 688,600</b>

**Adjustments to Revenue**

Flat Differential	\$ (20,691,092)
Carrier Route	\$ (13,663,122)
Prebarcoding	\$ (10,170,640)
<b>Total Adjustments</b>	<b>\$ (44,524,855)</b>

**TOTAL BOUND PRINTED MATTER REVENUE \$ 695,568,254**

COMMISSION RECOMMENDED RATES  
APPLIED TO TEST YEAR VOLUMES

Package Service - Media Mail and Library Rate

**Revenue From Rates**

	<b>Media Mail</b>	<b>Library Rate</b>	<b>Combined</b>
Single Piece			
First Pound			
Barcoded	\$ 7,500,895	\$ 154,621	\$ 7,655,516
Non-Barcoded	\$ 146,439,426	\$ 35,727,079	\$ 182,166,505
Pounds 2-7	\$ 43,419,161	\$ 11,066,300	\$ 54,485,460
Pounds 8-70	\$ 7,776,246	\$ 1,884,869	\$ 9,661,114
Total Non-Presorted	<u>\$ 205,135,727</u>	<u>\$ 48,832,868</u>	<u>\$ 253,968,595</u>
times base year revenue adjustments	\$ 206,337,528	\$ 49,113,410	\$ 255,450,938
Presorted			
First Pound--Presort Level A (5-Digit)	\$ 830,599	\$ 112,560	\$ 943,159
First Pound--Presort Level B (BMC)			
Barcoded	\$ 3,707,950	\$ 3,073	\$ 3,711,023
Non-Barcoded	\$ 51,159,363	\$ 333,645	\$ 51,493,008
Pounds 2-7	\$ 9,163,344	\$ 293,862	\$ 9,457,206
Pounds 8-70	\$ 139,700	\$ 40,446	\$ 180,146
Total Presorted	<u>\$ 65,000,956</u>	<u>\$ 783,586</u>	<u>\$ 65,784,542</u>
times base year revenue adjustments	\$ 64,055,164	\$ 797,951	\$ 64,853,114
<b>Revenue from fees</b>	<b>Media Mail</b>	<b>Library Rate</b>	<b>Combined</b>
Address Correction	\$ 80,800	\$ 42,600	\$ 123,400
Bulk Permit	\$ 203,600	\$ -	\$ 203,600
Certificate of Mailing	\$ 4,800	\$ 800	\$ 5,600
Special Handling	\$ 7,200	\$ 3,700	\$ 10,900
Merchandise Return	\$ 19,200	\$ 3,300	\$ 22,500
Total Revenue from fees	<u>\$ 315,600</u>	<u>\$ 50,400</u>	<u>\$ 366,000</u>
<b>Total Revenue</b>	<u><b>\$ 270,708,292</b></u>	<u><b>\$ 49,961,761</b></u>	<u><b>\$ 320,670,053</b></u>

## Commission Recommended Fees Applied to Test Year Transactions

**SPECIAL SERVICES**

**A. Address Correction Fees**

		Automated		Manual		Revenues
		Transactions	Fee	Transactions	Fee	(000)
		(000)		(000)		
<b><u>First Class</u></b>						
Regular:	Single-piece Letters	11,534	\$ 0.20	24,698	\$ 0.70	\$ 19,596
	Presort Letters	874	0.20	1,871	0.70	1,484
	Single-piece Cards	647	0.20	1,384	0.70	1,098
	Presort Cards	53	0.20	114	0.70	90
Auto:	Automation Letters	11,772	0.20	25,207	0.70	19,999
	Automation Cards	597	0.20	1,279	0.70	1,015
	<b>Total First-Class</b>	25,477		54,553		43,282
	<b>Priority</b>	0	0.20	123	0.70	86
<b><u>Periodicals</u></b>						
	In County	4,940	0.20	838	0.70	1,575
	Regular Rate	41,153	0.20	6,984	0.70	13,120
	Non-profit	11,233	0.20	1,906	0.70	3,581
	Classroom	338	0.20	57	0.70	108
	<b>Total Periodicals</b>	57,664		9,787		18,383
<b><u>Standard Mail</u></b>						
	Presort	8,722	0.20	25	0.70	1,762
	Automation	72,854	0.20	207	0.70	14,715
	ECR	50,118	0.20	142	0.70	10,123
	<b>Total Bulk Std.</b>	131,694		374		26,600
<b><u>Package Services</u></b>						
	Parcel Post	1,228	0.20	7	0.70	250
	BPM	2,788	0.20	3	0.70	560
	Media Mail	400	0.20	1	0.70	81
	Library Rate	207	0.20	2	0.70	43
	<b>Total Pkg Services</b>	4,624		12		933
<b>Grand Total Address Correction</b>		219,458		64,849		<b>\$ 89,286</b>
<b>Grand Total Trans. (Auto &amp; Manual)</b>				<b>284,308</b>		

## Commission Recommended Fees Applied to Test Year Transactions

### B. Bulk/Presort Mailing Fees

	<u>Transactions</u>	<u>Fee</u>	<u>Revenues</u>
<b><u>First Class</u></b>			
<b>Regular:</b> letter presort	3,280	\$ 150	\$ 491,949
post card presort	200	150	29,959
<b>Auto:</b> auto letter	44,194	150	6,629,052
auto post card	2,242	150	336,314
	<hr/>		<hr/>
<b>Total First Class</b>	<b>49,915</b>		<b>7,487,274</b>
<b><u>Standard</u></b>			
<b>Regular:</b> Presort	3,666	150	549,911
Automation	38,560	150	5,784,046
ECR	29,571	150	4,435,663
Total Reg. Bulk	<hr/>		<hr/>
	71,797		10,769,620
<b>Nonprofit:</b> NP Presort	68,006	150	10,200,886
NP Automation	295,795	150	44,369,242
NP ECR	99,084	150	14,862,558
Total NP Bulk	<hr/>		<hr/>
	462,885		69,432,686
	<hr/>		<hr/>
<b>Total Standard</b>	<b>534,682</b>		<b>80,202,306</b>
<b><u>Package Services</u></b>			
Media Mail	1,357	150	203,602
Destination Entry			
Parcel Select	142	150	21,339
Bound Printed Matter	266	150	39,960
Total Destination Entry	<hr/>		<hr/>
	409		61,299
	<hr/>		<hr/>
<b>Total Package Services</b>	<b>1,766</b>		<b>264,900</b>
<b><u>Merchandise Return</u></b>			
1st class	341	150	51,085
Priority	367	150	55,042
Standard	-	150	-
Package Services	923	150	138,513
	<hr/>		<hr/>
<b>Total Merchandise Return</b>	<b>1,631</b>		<b>244,640</b>
<b>Bulk Parcel Return Service</b>	92	150	13,754
	<hr/>		<hr/>
<b>Total Bulk/Presort Mailing Fees</b>	<b>588,086</b>		<b>\$ 88,212,875</b>

### Commission Recommended Fees Applied to Test Year Transactions

#### C. Business Reply Fees

	Volume (000)	Fee	Revenues (000)
<b><u>Advance Deposit</u></b>			
QBRM with quarterly fee	130,501	\$ 0.008	\$ 1,044
QBRM without quarterly fee	261,001	0.06	15,660
<b>Total QBRM</b>	<b>391,502</b>		<b>16,704</b>
Non-QBRM Advance Deposit	424,225	0.10	42,423
Nonletter-Size	6,154	0.01	62
Priority	2,738	0.10	274
Subtotal - Per Piece	824,619		59,462
Accounting Fee	108	475	51,407
Nonletter-Size Monthly Fee	0	750	36
QBRM Quarterly Fee	1	1,800	6,786
Permit Fee	188	150	28,181
Subtotal - Fees	297		86,410
<b>Advance Total</b>	<b>824,916</b>		<b>145,872</b>
<b><u>Nonadvance Deposit</u></b>			
1st Class	87,909	0.60	52,745
Priority	709	0.60	425
<b>Nonadvance Total</b>	<b>88,617</b>		<b>53,170</b>
<b>Grand Total</b>	<b>913,534</b>		<b>\$ 199,042</b>

## Commission Recommended Fees Applied to Test Year Transactions

### D. Certificate of Mailing Fees

<u>TRANSACTIONS</u>	Basic	Firm book	First 1000	Additional 1000	Subclass Total	Class Total
<b>First-Class Regular:</b> letter	2,108,600	423,043	-	-	2,531,643	
letter presort	-	-	2,871	157	3,028	
post card	118,192	23,713	-	-	141,904	
post card presort	-	-	175	10	184	
<b>First-Class Auto:</b> auto letter	-	-	38,689	2,111	40,800	
auto post card	-	-	1,963	107	2,070	2,719,630
<b>Priority</b>	134,588	3,420	3,406	343	141,757	141,757
<b>Standard Regular:</b> Presort	212	101	53	-	365	
Automation	2,225	1,059	557	-	3,841	
ECR	1,706	812	427	-	2,946	
<b>Standard Nonprofit:</b> Presort	114	54	29	-	198	
Automation	498	237	125	-	859	
ECR	167	79	42	-	288	8,497
<b>Package Services:</b> Parcels	11,903	1,474	-	-	13,378	
BPM	18,876	2,338	-	-	21,214	
Media Mail	5,088	630	-	-	5,718	
Library Rate	867	107	-	-	975	41,285
<b>International Mail</b>	23,188	218	1,985	-	25,391	25,391
<b>Totals</b>	2,426,224	457,288	50,321	2,728	2,936,560	2,936,560
<u>REVENUES</u>						
Fee >>	\$0.90	\$0.30	\$4.50	\$0.50		
<b>First-Class Regular:</b> letter	\$1,897,740	\$126,913	\$0	\$0	\$2,024,653	
letter presort	-	-	12,920	78	12,999	
post card	106,373	7,114	-	-	113,486	
post card presort	-	-	787	5	792	
<b>First-Class Auto:</b> auto letter	-	-	174,101	1,056	175,156	
auto post card	-	-	8,833	54	8,886	\$2,335,972
<b>Priority</b>	121,129	1,026	15,328	172	137,655	137,655
<b>Standard Regular:</b> Standard Presort	190	30	238	-	459	
Automation	2,002	318	2,508	-	4,828	
ECR	1,535	244	1,923	-	3,702	
<b>Standard Nonprofit:</b> Standard Presort	103	16	129	-	248	
Automation	448	71	561	-	1,080	
ECR	150	24	188	-	362	10,679
<b>Package Services:</b> Parcel Post	10,713	442	-	-	11,155	
BPM	16,989	701	-	-	17,690	
Media Mail	4,579	189	-	-	4,768	
Library Rate	781	32	-	-	813	34,426
<b>International Mail</b>	20,869	65	8,931	-	29,866	29,866
<b>Totals</b>	\$2,183,601	\$137,186	\$226,447	\$1,364	\$2,548,598	\$2,548,598

### Commission Recommended Fees Applied to Test Year Transactions

<b>E. Certified Mail Fees</b>	<b>Transactions (000)</b>	<b>Fee</b>	<b>Revenues (000)</b>	
Basic Fee	302,902	\$ 2.30	\$ 696,674	
<b>F. Collect on Delivery Fees</b>	<b>Value</b>	<b>Transactions (000)</b>	<b>Fee</b>	<b>Revenues (000)</b>
<b>Fee charge for Collectable amount or Insurance coverage up to</b>	\$ 50	1,295	\$ 4.50	\$ 5,827
	100	700	5.50	3,852
	200	669	6.50	4,350
	300	194	7.50	1,458
	400	106	8.50	901
	500	75	9.50	712
	600	47	10.50	492
	700	6	11.50	66
	800	0	12.50	2
	900	1	13.50	19
	1,000	0	14.50	-
				-
Total before Additional Services		3,094		17,679
Additional Services -- only Restricted Delivery from other subservices				
Registered COD		6	4.00	22
Notice of Non-Delivery		0	3.00	-
Alteration of COD		0	3.00	-
Restricted Delivery		0	3.50	-
<b>Total Collect on Delivery</b>		<b>3,100</b>		<b>\$ 17,701</b>



## Commission Recommended Fees Applied to Test Year Transactions

### G. Insurance

	Value	Transactions	Fee	Revenues
<b>Domestic Liability up to</b>	\$ 50	30,424,746	\$ 1.30	\$ 39,552,170
	100	16,133,571	2.20	35,493,857
	200	7,842,074	3.20	25,094,638
	300	2,578,234	4.20	10,828,581
	400	1,139,679	5.20	5,926,329
	500	1,003,578	6.20	6,222,181
	600	366,219	7.20	2,636,779
	700	176,522	8.20	1,447,478
	800	210,686	9.20	1,938,311
	900	77,604	10.20	791,561
	1,000	238,337	11.20	2,669,372
	1,100	18,025	12.20	219,906
	1,200	38,103	13.20	502,964
	1,300	17,704	14.20	251,399
	1,400	11,930	15.20	181,333
	1,500	62,149	16.20	1,006,816
	1,600	9,826	17.20	169,010
	1,700	4,765	18.20	86,718
	1,800	4,261	19.20	81,810
	1,900	2,774	20.20	56,032
	2,000	87,027	21.20	1,844,977
	2,100	4,861	22.20	107,916
	2,200	2,462	23.20	57,112
	2,300	3,413	24.20	82,604
	2,400	8,728	25.20	219,941
	2,500	16,674	26.20	436,851
	2,600	425	27.20	11,557
	2,700	914	28.20	25,786
	2,800	1,485	29.20	43,360
	2,900	1,067	30.20	32,212
	3,000	11,978	31.20	373,714
	3,100	852	32.20	27,434
	3,200	1,437	33.20	47,700
	3,300	578	34.20	19,775
	3,400	2,156	35.20	75,899
	3,500	2,687	36.20	97,281
	3,600	27	37.20	1,018
	3,700	636	38.20	24,304
	3,800	0	39.20	-
	3,900	1,532	40.20	61,587
	4,000	1,754	41.20	72,278
	4,100	286	42.20	12,061
	4,200	680	43.20	29,378
	4,400	320	44.20	14,134
	4,300	0	45.20	-
	4,500	1,570	46.20	72,550
	4,600	0	47.20	-
	4,700	1,128	48.20	54,366
	4,800	0	49.20	-
	4,900	0	50.20	-
	5,000	8,590	51.20	439,799
<b>International</b>				
Canada		290,195	\$ 2.70	\$ 783,913
Other		960,850	3.73	3,583,167
<b>Total Insurance</b>		<b>61,775,100</b>		<b>\$ 143,809,920</b>

**Commission Recommended Fees  
Applied to Test Year Transaction**

<b>H. Merchandise Return</b>	<u>Transactions</u>	<u>Fee</u>	<u>Revenues</u>
Accounting Fee	1,631	\$ 475	\$ 774,693
Transactions			
1st class	1,495,401	-	-
Priority	1,611,248	-	-
Standard	0	-	-
Package Services	4,054,690	-	-
Total Transactions	<u>7,161,339</u>		<u>-</u>
<b>Total Merchandise Return</b>			<b>\$ 774,693</b>

**I. Money Orders**

	<u>Transactions (000)</u>	<u>Fee (\$)</u>	<u>Revenues (000)</u>
APO-FPO	574	\$ 0.25	\$ 144
Domestic (up to \$500)	204,718	0.90	184,246
Domestic (\$500 to \$1000)	22,746	1.25	28,433
International	1,569	3.00	4,707
Inquiry fees	<u>877</u>	3.00	<u>2,631</u>
Subtotal	229,607		220,161
Money Order Float Interest			50,847
Outstanding MO taken into revenue			31,984
MO Comm redeem international for issue			<u>580</u>
<b>Total Money Orders</b>	<b>229,607</b>		<b>\$ 303,572</b>

**J. On-Site Meter Service**

	<u>Transactions (000)</u>	<u>Fee</u>	<u>Revenues (000)</u>
Meter service (per employee)	139	\$ 35.00	\$ 4,879
Meter reset and/or examined	32	5.00	158
Check In/Out Service (per meter)	<u>83</u>	4.00	<u>331</u>
<b>Total On-Site Meter Service</b>	<b>254</b>		<b>\$ 5,368</b>

### Commission Recommended Fees Applied to Test Year Transactions

#### K. Parcel Air Lift

	<u>Transactions (000)</u>	<u>Fee</u>	<u>Revenues (000)</u>
Fees in addition to parcel postage			
Up to 2 pounds	2.9	\$ 0.45	\$ 1.3
Over 2 up to 3 pounds	0.3	0.85	0.2
Over 3 up to 4 pounds	0.7	1.25	0.9
Over 4 pounds	<u>3.9</u>	1.70	<u>6.6</u>
<b>Total Parcel Air Lift</b>	<b>7.8</b>		<b>\$ 9.0</b>

#### L. Permit Imprint

	<u>Transactions</u>	<u>Fee</u>	<u>Revenue</u>
	61,727	\$ 150	\$ 9,259,122

## Commission Recommended Fees Applied to Test Year Transactions

### M. Post Office Boxes and Caller Service

		Volume	Annual Fee	Revenues
<b>Group 1</b>				
Box Size:	1	633,320	\$ 70	\$ 44,332,400
	2	256,693	100	25,669,300
	3	76,354	200	15,270,800
	4	15,221	410	6,240,610
	5	9,441	660	6,231,060
		<b>991,029</b>		<b>97,744,170</b>
<b>Group 2</b>				
Box Size:	1	754,571	58	43,765,118
	2	286,706	90	25,803,540
	3	94,343	160	15,094,880
	4	20,338	340	6,914,920
	5	10,555	630	6,649,650
		<b>1,166,513</b>		<b>98,228,108</b>
<b>Group 3</b>				
Box Size:	1	1,321,448	48	63,429,504
	2	532,875	76	40,498,500
	3	178,944	136	24,336,384
	4	37,677	236	8,891,772
	5	21,063	418	8,804,334
		<b>2,092,007</b>		<b>145,960,494</b>
<b>Group 4</b>				
Box Size:	1	2,451,932	38	93,173,416
	2	1,102,024	68	74,937,632
	3	364,220	126	45,891,720
	4	80,497	220	17,709,340
	5	39,237	350	13,732,950
		<b>4,037,910</b>		<b>245,445,058</b>
<b>Group 5</b>				
Box Size:	1	1,167,138	26	30,345,588
	2	532,636	44	23,435,984
	3	157,411	68	10,703,948
	4	21,092	130	2,741,960
	5	13,915	250	3,478,750
		<b>1,892,192</b>		<b>70,706,230</b>
<b>Group 6</b>				
Box Size:	1	2,879,729	24	69,113,496
	2	1,433,258	36	51,597,288
	3	407,978	66	26,926,548
	4	47,022	120	5,642,640
	5	74,366	194	14,427,004
		<b>4,842,353</b>		<b>167,706,976</b>
<b>Group 7</b>				
Box Size:	1	209,353	18	3,768,354
	2	115,794	26	3,010,644
	3	29,262	46	1,346,052
	4	3,297	80	263,760
	5	1,273	140	178,220
		<b>358,979</b>		<b>8,567,030</b>
<b>Group E</b>				
Box Size:	1-5	1,605,896	-	-
<b>Unadjusted Revenue</b>		<b>16,986,879</b>		<b>834,358,066</b>
Revenue Adjustment Factor				0.9323
<b>Box Revenue</b>		<b>16,986,879</b>		<b>\$ 777,908,119</b>
Caller Service (except Group E)		87,055	824	71,733,320
Reserved Number		158,453	32	5,070,496
<b>Grand Total</b>		<b>17,232,387</b>		<b>\$ 854,711,935</b>

## Commission Recommended Fees Applied to Test Year Transactions

### N. Registered Mail

Domestic Value up to	----- Covered by USPS Insurance -----			- not Covered by USPS Insurance --		
	Fees	Transactions (000)	Revenues (000)	Fees	Transactions (000)	Revenues (000)
\$0	N/A	-	\$ -	\$ 7.50	2,417	\$ 18,128
100	\$ 8.00	562	4,498	N/A		
500	8.85	1,012	8,952	N/A		
1,000	9.70	665	6,453	N/A		
2,000	10.55	567	5,979	N/A		
3,000	11.40	345	3,928	N/A		
4,000	12.25	192	2,358	N/A		
5,000	13.10	209	2,743	N/A		
6,000	13.95	107	1,490	N/A		
7,000	14.80	99	1,464	N/A		
8,000	15.65	66	1,039	N/A		
9,000	16.50	39	649	N/A		
10,000	17.35	117	2,026	N/A		
11,000	18.20	30	554	N/A		
12,000	19.05	29	562	N/A		
13,000	19.90	44	879	N/A		
14,000	20.75	27	552	N/A		
15,000	21.60	32	702	N/A		
16,000	22.45	14	309	N/A		
17,000	23.30	20	462	N/A		
18,000	24.15	21	514	N/A		
19,000	25.00	13	326	N/A		
20,000	25.85	39	1,012	N/A		
21,000	26.70	31	817	N/A		
22,000	27.55	12	319	N/A		
23,000	28.40	8	239	N/A		
24,000	29.25	12	356	N/A		
25,000	30.10	138	4,164	N/A		
Subtotals		4,452	53,349		2,417	18,128
<b>International</b>						
\$ 100	8.00	3,347	26,773			
500	8.85	20	180			
1,000	9.70	4	41			
Totals		7,823	80,343		2,417	18,128
Combined Total before Handling Charges					10,240	98,471
Handling Charges	\$ 0.85	92	\$ 78			
<b>Combined Total for Registered Mail</b>					<b>10,332</b>	<b>\$ 98,549</b>

### Commission Recommended Fees Applied to Test Year Transactions

#### O. Restricted Delivery Fees

	<u>Transactions</u>	<u>Fee</u>	<u>Revenues</u>
Registry	13,817	\$ 3.50	\$ 48,358
Collect on Delivery	0	3.50	0
Insurance	48,039	3.50	168,136
Certified Mail	2,993,663	3.50	10,477,821
<b>Total Restricted Delivery Fees</b>	<b>3,055,519</b>		<b>\$ 10,694,316</b>

#### P. Return Receipt Fees

	<u>Transactions (000)</u>	<u>Fee</u>	<u>Revenues (000)</u>
<b>Requested at time of mailing</b>			
Electronic	9,450	\$ 1.30	\$ 12,286
Registry	2,290	1.75	4,007
Certified Mail	200,766	1.75	351,341
Insured mail	1,547	1.75	2,707
Merchandise	1,690	3.00	5,071
<b>Requested after mailing</b>			
Registry	18	3.25	58
Certified Mail	5,887	3.25	19,134
Insured mail	-	3.25	-
<b>Total Return Receipt Fees</b>			
Electronic	9,450		12,286
Registry	2,307		4,065
Certified Mail	206,653		370,474
Insured mail	1,547		2,707
Merchandise	1,690		5,071
<b>Total Return Receipt</b>	<b>221,648</b>		<b>\$ 394,603</b>

### Commission Recommended Fees Applied to Test Year Transactions

#### Q. Periodicals Application Fees

	<u>Transactions</u>	<u>Fee</u>	<u>Revenues</u>
<b>Within County</b>			
Original Entry	162	\$ 375	\$ 60,846
Reentry	68	40	2,731
Additional Entry	18	60	1,090
News Agents	0	40	-
	<hr/>		<hr/>
Total Within County	249		\$ 64,667
<b>Regular Rate Publications</b>			
Original Entry	1,352	375	506,881
Reentry	569	40	22,752
Additional Entry	151	60	9,078
News Agents	0	40	-
	<hr/>		<hr/>
Total Regular Rate	2,072		\$ 538,710
<b>Nonprofit Publications</b>			
Original Entry	369	375	138,359
Reentry	155	40	6,210
Additional Entry	41	60	2,478
News Agents	0	40	-
	<hr/>		<hr/>
Total Nonprofit	566		\$ 147,048
<b>Classroom</b>			
Original Entry	11	375	4,163
Reentry	5	40	187
Additional Entry	1	60	75
News Agents	0	40	-
	<hr/>		<hr/>
Total Classroom	17		\$ 4,425
<b>Summary</b>			
Original Entry	1,894	375	710,250
Reentry	797	40	31,880
Additional Entry	212	60	12,720
News Agents	0	40	-
	<hr/>		<hr/>
<b>Total Periodicals Application Fees</b>	<b>2,903</b>		<b>\$ 754,850</b>

### Commission Recommended Fees Applied to Test Year Transactions

<b>R. Special Handling Fees</b>		<u>Transactions</u>	<u>Fee</u>	<u>Revenue</u>
<b>First-Class</b>		1,188,356	\$ 5.95	\$ 7,070,718
<b>Priority</b>				
up to 10 lbs		32,975	5.95	196,202
> 10 lbs		2,081	8.25	17,171
Total Priority		35,056		\$ 213,373
<b>Package Services</b>				
Parcel Post	up to 10 lbs	4,715	5.95	28,052
	> 10 lbs	2,786	8.25	22,981
Total Parcel Post		7,500		\$ 51,033
Media Mail	up to 10 lbs	1,062	5.95	6,317
	> 10 lbs	102	8.25	842
Total Special rate		1,164		\$ 7,159
Bound Printed Matter	up to 10 lbs	4	5.95	25
	> 10 lbs	0	8.25	0
Total BPM		4		\$ 25
Library Rate	up to 10 lbs	403	5.95	2,399
	> 10 lbs	159	8.25	1,310
Total Library Rate		562		\$ 3,708
International Mail	up to 10 lbs	0	5.95	0
	> 10 lbs	1,209	8.25	9,978
Total International		1,209		\$ 9,978
<b>Total Special Handling Fees</b>		<b>1,233,852</b>		<b>\$ 7,355,994</b>



## Commission Recommended Fees Applied to Test Year Transactions

### S. Stamped Envelopes

	Size 6-3/4		Size 10		Revenues
	Transactions	Fee	Transactions	Fee	
<b>Plain Envelopes:</b>					
Single	4,044,206	\$ 0.08	41,413,919	\$ 0.08	\$ 3,636,650
Note: Below are boxes of 500, except household					
Regular, Window, Precancelled	26,991	12.00	251,913	14.00	3,850,669
Regular, Precancelled Window					
Total Plain Envelope transactions (in 500's)			369,820		
Total Plain Envelope revenues					7,487,319
<b>Printed Envelopes:</b>					
Regular, Window, Precancelled	27,400	17.00	396,546	20.00	8,396,720
Regular, Precancelled Window					
Household Regular,	9,560	3.50	52,781	3.50	218,193
Household Window (Box of 50)					
Total Printed Envelope transactions (in 500's)			430,180		
Total Printed Envelope Revenues					8,614,913
Total Stamped Envelope transactions (in 500's)			800,000		
<b>Total Stamped Envelope sales</b>			<b>400,000,000</b>		
<b>Total Envelope Revenues</b>					<b>\$ 16,102,232</b>

	Transactions (000)	Fee (\$)	Revenues (000)
<b>T. Zip Coding of Mail Lists</b> (per 1000 addresses)	0.4	\$ 100	\$ 44
<b>U. Correction of Mailing Lists</b> (per change of address)	1,963	\$ 0.30	\$ 589
<b>V. Address Changes for Election Boards, etc.</b> (per change of address)	1,321	\$ 0.27	\$ 357
<b>W. Carrier Sequencing of Address Cards</b>	N/A	\$ 0.30	N/A

### Commission Recommended Fees Applied to Test Year Transactions

**X. Delivery Confirmation**

	Volume (000)	Fee	Revenue (000)
First-Class Manual	3,345	\$ 0.55	\$ 1,840
First-Class Electronic	1,553	0.13	202
<b>Total First-Class</b>	<b>4,898</b>		<b>2,042</b>
Priority Manual	63,693	0.45	28,662
Priority Electronic	109,933	-	-
<b>Total Priority</b>	<b>173,625</b>		<b>28,662</b>
<b>Standard Electronic</b>	-	0.13	-
Parcel Select Electronic	117,859	-	-
Other Package Services Manual	6,057	0.55	3,331
Other Package Services Electronic	4,442	0.13	577
<b>Total Package Services</b>	<b>128,357</b>		<b>3,909</b>
<b>Total Delivery Confirmation</b>	<b>306,881</b>		<b>\$ 34,612</b>

**Y. Stamped Cards**

	Transactions (000)	Fee (\$)	Revenues (000)
	170,412	\$ 0.02	\$ 3,408

**Z. Bulk Parcel Return Service**

	Transactions	Fee (\$)	Revenues
Per Piece	1,010,307	\$ 1.80	\$ 1,818,552
Accounting Fee	92	475	43,556
<b>Total Bulk Parcel Return Service</b>			<b>\$ 1,862,108</b>

### Commission Recommended Fees Applied to Test Year Transactions

#### AA. Signature Confirmation

	Volume (000)	Fee	Revenue (000)
First-Class Manual	21	\$ 1.80	\$ 39
First-Class Electronic	10	1.30	13
<b>Total First-Class</b>	<b>31</b>		<b>52</b>
Priority Manual	1,203	1.80	2,166
Priority Electronic	138	1.30	180
<b>Total Priority</b>	<b>1,341</b>		<b>2,345</b>
Package Services Manual	119	1.80	214
Package Services Electronic	64	1.30	83
<b>Total Package Services</b>	<b>183</b>		<b>297</b>
<b>Total Signature Confirmation</b>	<b>1,556</b>		<b>\$ 2,694</b>

Comparison of Markups

	R2001-1 PRC Recommended Rates	R2000-1	R97-1	R94-1	R90-1	R87-1	R84-1	R80-1	R77-1	R76-1	R74-1	R71-1
All Mail & Special Services	64.8	58.7	55.3	56.8	50.0	48.0	52.0	27.0	24.0	52.0	69.0	85.0
First-Class Mail:												
Letters	92.0	78.8	72.4	74.5	61.7	58.0	59.0	25.0	24.0	63.0	87.0	96.0
Cards	42.6	33.0	50.5	36.7	45.9	64.0	93.0	33.0	49.0	104.0	129.0	173.0
Priority Mail	59.5	61.9	66.1	97.2	85.4	76.0	104.0	58.0	66.0	121.0	132.0	213.0
Express Mail	84.0	51.3	13.6	18.9	28.6	69.0	139.0	123.0	422.0	--	--	--
Mailgrams	42.4	33.3	725.5	1.6	2.8	11.0	81.0	193.0	137.0	--	--	--
Periodicals:												
Within County	0.2	0.3	0.5	2.7	1.5	5.0	1.0	--	--	--	1.0	--
Regular Rate	--	0.9	1.0	16.3	23.2	25.0	24.0	21.0	0.0	19.0	17.0	29.0
Nonprofit 1/	--	(3.9)	0.7	4.1	1.1	5.0	3.0	--	--	--	--	--
Classroom	--	1.7	(16.3)	6.8	--	5.0	--	--	--	--	--	--
Outside County	1.3	0.1	0.8	13.8	--	--	--	--	--	--	--	--
Controlled Circulation	--	--	--	--	--	--	--	--	33.0	49.0	82.0	162.0
Standard Mail:												
Single Piece	--	--	--	4.5	20.1	26.0	15.0	--	4.0	4.0	4.0	75.0
Regular	--	37.4	34.6	23.4	47.0	41.0	46.0	34.0	20.0	55.0	82.0	104.0
Nonprofit	--	7.4	13.7	1.7	0.9	8.0	(1.0)	--	--	--	--	--
Regular and Nonprofit	35.1	32.1	31.2	19.0	--	--	--	--	--	--	--	--
Enhanced Carrier Route (ECR)	--	99.4	103.0	109.4	--	--	--	--	--	--	--	--
Nonprofit ECR	--	36.1	43.0	53.8	--	--	--	--	--	--	--	--
ECR and NECR	101.0	94.9	99.4	105.2	--	--	--	--	--	--	--	--
Package Services:												
Parcel Post	14.1	14.9	8.0	7.4	11.5	12.0	16.0	6.0	3.0	21.0	41.0	56.0
Bound Printed Matter	24.1	13.9	35.6	36.6	44.5	49.0	74.0	39.0	25.0	63.0	90.0	169.0
Media Mail	--	1.9	5.6	4.6	4.8	6.0	12.0	6.0	2.0	35.0	38.0	54.0
Library Rate	--	(4.5)	(17.9)	0.8	0.0	1.0	2.0	--	--	--	1.0	--
Media and Library	9.6	1.0	1.8	4.1	--	--	--	--	--	--	--	--
Government Mail 2/	--	--	--	--	--	120.0	136.0	132.0	116.0	206.0	229.0	212.0
Free-for-the-Blind Mail	--	--	--	--	--	--	--	--	--	--	--	--
International Mail	12.2	6.3	25.3	21.8	48.1	23.0	48.0	16.0	29.0	57.0	62.0	103.0
Special Services	66.0	63.1	43.5	34.7	28.2	9.0	30.0	21.0	18.0	2.0	8.0	75.0

1/ Nonprofit and Classroom were combined in R90-1

2/ Since R90-1, Government Mail has been distributed to all classes

Schedule 3

Appendix G

## Comparison of Markup Indices

	R2001-1 PRC Recommended	R2000-1	R97-1	R94-1	R90-1	R87-1	R84-1	R80-1	R77-1	R76-1	R74-1	R71-1
	Rates											
All Mail & Special Services	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
First-Class Mail:												
Letters	1.420	1.342	1.308	1.311	1.235	1.200	1.135	0.926	1.000	1.210	1.260	1.130
Cards	0.658	0.561	0.913	0.645	0.919	1.330	1.788	1.222	2.040	2.000	1.870	2.040
Priority Mail	0.919	1.053	1.195	1.710	1.708	1.580	2.000	2.148	2.750	2.330	1.910	2.510
Express Mail	1.296	0.873	0.245	0.332	0.572	1.420	2.673	4.556	17.580	--	--	--
Mailgrams	0.654	0.568	13.114	0.028	0.056	0.230	1.558	10.852	5.710	--	--	--
Periodicals:												
Within County	0.004	0.005	0.010	0.048	0.031	0.110	0.019	--	--	--	0.010	--
Regular Rate	--	0.015	0.017	0.286	0.465	0.510	0.462	0.778	0.000	0.370	0.250	0.340
Nonprofit 1/	--	(0.066)	0.012	0.071	0.022	0.100	0.058	--	--	--	--	--
Classroom	--	0.029	(0.294)	0.119	--	0.100	--	--	--	--	--	--
Outside County	0.021	0.002	0.015	0.242	--	--	--	--	--	--	--	--
Controlled Circulation	--	--	--	--	--	--	--	--	1.380	0.940	1.190	1.480
Standard Mail:												
Single Piece	--	--	--	0.079	0.402	0.540	0.288	--	0.170	0.080	0.060	0.880
Regular	--	0.637	0.626	0.412	0.941	0.840	0.885	1.259	0.830	1.060	1.190	1.220
Nonprofit	--	0.126	0.248	0.030	0.018	0.170	(0.019)	--	--	--	--	--
Regular and Nonprofit	0.542	0.547	0.563	0.335	--	--	--	--	--	--	--	--
Enhanced Carrier Route (ECR)	--	1.692	1.862	1.926	--	--	--	--	--	--	--	--
Nonprofit ECR	--	0.615	0.778	0.948	--	--	--	--	--	--	--	--
ECR and NECR	1.560	1.616	1.797	1.851	--	--	--	--	--	--	--	--
Package Services:												
Parcel Post	0.218	0.253	0.144	0.131	0.230	0.240	0.308	0.222	0.130	0.400	0.590	0.660
Bound Printed Matter	0.373	0.237	0.643	0.644	0.890	1.020	1.423	1.444	1.040	1.210	1.300	1.990
Media Mail	--	0.032	0.101	0.080	0.097	0.110	0.231	0.222	0.080	0.670	0.550	0.640
Library Rate	--	(0.076)	(0.324)	0.013	0.001	0.030	0.038	--	--	--	0.010	--
Media and Library	0.148	0.017	0.033	0.073	--	--	--	--	--	--	--	--
Government Mail 2/	--	--	--	--	--	2.480	2.615	4.889	4.830	3.960	3.320	2.490
Free-for-the-Blind Mail	--	--	--	--	--	--	--	--	--	--	--	--
International Mail	0.188	0.106	0.457	0.383	0.962	0.480	0.923	0.593	1.210	1.100	0.900	1.210
Special Services	1.019	1.074	0.787	0.611	0.564	0.200	0.577	0.778	0.750	0.040	0.120	0.880

1/ Nonprofit and Classroom were combined in R90-1

2/ Since R90-1, Government Mail has been distributed to all classes



Comparison of Estimated  
Test Year Volumes  
(Pieces in Thousands)

	USPS Est. <u>TYAR Volume</u>	USPS Est. TYAR Volume <u>(Adjusted)</u> <sup>1/</sup>	PRC Est. <u>TYAR Volume</u>
First-Class Mail:			
Single-Piece Letters	46,865,402	46,865,402	46,841,145
Presort Letters	3,579,306	3,579,306	3,547,712
Automation Letters	47,742,776	47,742,776	47,805,728
Workshared Letters	51,322,082	51,322,082	51,353,440
Total Letters	98,187,484	98,187,484	98,194,585
Stamped Cards	170,412	170,412	170,412
Single-Piece Post Cards	2,454,000	2,454,000	2,455,141
Single-Piece Cards	2,624,411	2,624,411	2,625,552
Presort Post Cards	216,053	216,053	216,053
Automation Post Cards	2,426,214	2,426,214	2,425,346
Workshared Cards	2,642,267	2,642,267	2,641,399
Total Cards	5,266,679	5,266,679	5,266,951
Total First Class	103,454,162	103,454,162	103,461,536
Priority Mail	1,178,757	1,178,757	1,177,948
Express Mail	69,911	69,911	69,911
Mailgrams	2,725	2,725	2,725
Periodicals:			
Within County	853,535	853,535	853,535
Regular Rate	7,110,414	7,110,414	7,110,370
Nonprofit	1,940,225	1,940,225	1,940,862
Classroom	58,335	58,335	58,404
Total Periodicals	9,962,508	9,962,508	9,963,172
Standard Mail:			
Regular Presort	4,106,231	4,106,231	4,106,043
Regular Automation	43,189,954	43,189,954	43,187,981
Total Regular	47,296,185	47,296,185	47,294,024
ECR Presort	31,087,181	31,087,181	31,081,445
ECR Automation	2,038,508	2,038,508	2,038,508
Total ECR	33,125,689	33,125,689	33,119,953
Total Regular and ECR	80,421,874	80,421,874	80,413,977
Nonprofit Presort	2,221,295	2,221,295	2,221,295
Nonprofit Automation	9,661,629	9,661,629	9,661,629
Total Nonprofit	11,882,923	11,882,923	11,882,923
Nonprofit ECR Presort	2,936,533	2,936,533	2,936,533
Nonprofit ECR Automation	299,864	299,864	299,864
Total Nonprofit ECR	3,236,397	3,236,397	3,236,397
Total Nonprofit and NECR	15,119,320	15,119,320	15,119,320
Total Standard Mail	95,541,195	95,541,195	95,533,298
Package Services:			
Parcel Post	371,533	371,533	371,140
Bound Printed Matter	588,557	588,557	588,557
Media Mail	158,641	158,641	158,641
Library Rate	27,047	27,047	27,047
Total Package Services	1,145,778	1,145,778	1,145,385
USPS Penalty Mail	353,484	353,484	353,484
Free-for-the-Blind Mail	46,859	46,859	46,859
TOTAL DOMESTIC MAIL	211,755,380	211,755,380	211,754,318
International Mail	1,205,553	1,205,553	1,205,553
TOTAL ALL MAIL	212,960,933	212,960,933	212,959,871
Special Services:			
Registered Mail	10,331	10,331	10,332
Insured Mail	61,800	61,800	61,775
Certified Mail	279,412	302,882	302,902
Collect-On-Delivery	3,100	3,100	3,100
Money Orders	229,607	229,607	229,607
Return Receipts	222,407	221,639	221,648
Delivery Confirmation	202,041	307,166	306,937
Signature Confirmation	610	1,555	1,554
Total Special Services	1,009,308	1,138,080	1,137,855

1/ Adjusted volumes for Certified Mail, Return Receipts, Delivery and Signature Confirmation were presented in USPS-T-7, page 6 (revised 10/18/01).

