

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

CUSTOMIZED MARKET MAIL MINOR
CLASSIFICATION CHANGES

Docket No. MC2003-1

**REQUEST OF THE UNITED STATES POSTAL SERVICE
FOR A RECOMMENDED DECISION ON CUSTOMIZED MARKET MAIL MINOR
CLASSIFICATION CHANGES**

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Anthony Alverno

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2997 Fax -6187
March 14, 2003

DOCUMENTS RELATING TO THIS REQUEST MAY BE SERVED

UPON MR. FOCHEAUX AT THE ABOVE ADDRESS.

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

CUSTOMIZED MARKET MAIL MINOR
CLASSIFICATION CHANGES

Docket No. MC2003-1

**REQUEST OF THE UNITED STATES POSTAL SERVICE
FOR A RECOMMENDED DECISION ON CUSTOMIZED MARKET MAIL MINOR
CLASSIFICATION CHANGES**
(March 14, 2003)

Pursuant to chapter 36 of Title 39, United States Code, the United States Postal Service has determined that changes¹ in the Domestic Mail Classification Schedule (DMCS) to permit certain types of nonrectangular shapes to be entered in the basic nonletter rate categories of Standard Mail Regular and Nonprofit subclasses would be in the public interest and in accordance with the policies and applicable criteria of that Title. Accordingly, the Postal Service requests the Postal Rate Commission to submit to the Governors of the Postal Service a recommended decision enabling the implementation of Customized Market Mail (CMM), as herein requested.

I. Background

CMM is proposed as an option for Regular and Nonprofit Standard Mail to allow customers to mail pieces that are currently prohibited because of their nonrectangular shape. Under DMCS § 6020, with the exception of keys or identification devices, items 1/4-inch thick or less must be rectangular to be mailable. Moreover, irregularly-shaped pieces have to be over 3/4-inch thick to be eligible for mailing as a parcel. As explained

¹ For purposes of this filing, the classification changes are referred to collectively as

in witness Ashe's testimony (USPS-T-1), CMM would offer customers the option of sending uniquely-designed advertising pieces in a manner not heretofore possible.²

The current exclusion of nonrectangular letter- and flat-size pieces has limited the options available to advertisers seeking to reach their customers with advertising messages and designs that are more unique and creative than those allowed under current mailing requirements. CMM would significantly overcome this limitation, but, as explained in witness Ashe's testimony, it would do so under controlled circumstances to ensure minimal impact on postal operations.

CMM would serve as a direct mail vehicle utilized by advertisers intending to target specific customer groups by interest, sales potential, or product, rather than by geography or similar nonspecific criteria. CMM would likely consist of low-volume, widely distributed mailings of pieces that are unusual and relatively costly to produce. Thus, CMM would be a "niche" type of mailpiece, *i.e.*, one whose characteristics, and whose consequential costs for preparation and mailing, make it suitable only for targeted, carefully developed promotional messages to a selected audience.

II. Proposed Classification Changes

The proposed classification changes are straightforward and of a limited scope. The Postal Service is proposing to expand eligibility for certain types of nonrectangular shapes that are currently not mailable under existing provisions of the Standard Mail classification schedule. Such pieces would be limited to the nonletter basic rate

"Customized Market Mail (CMM)."

² In addition, CMM would be an option for pieces over 1/4 inch thick.

categories in the Standard Mail Regular and Nonprofit subclasses. No changes in rates, fees, or surcharges are proposed. Minor clarifications are inserted throughout the classification schedule to limit the eligibility of nonrectangular shapes and to restrict the application of ancillary and special services to CMM. In addition, due to the fact that CMM would not consist of rectangular shapes and would not consist of letters or flats as currently defined, it is proposed that the residual shape surcharge apply to all items entered as CMM.

III. Minor Classification Case

By designating this request as one which involves a minor classification change, the Postal Service intends for the Commission to apply its expedited minor classification case rules of practice and procedure for experimental changes in 39 CFR §§ 3001.69 - 3001.69c. Those rules require that, to be eligible for consideration as an expedited minor classification, a proposal must (i) not involve a change in any existing rate or fee; (ii) not impose any restriction in addition to pre-existing conditions of eligibility for the entry of mail in an existing subclass or category of service, or for an existing rate element or work sharing discount; and (iii) not significantly increase or decrease the estimated institutional cost contribution of the affected subclass or category of service.

This proposal satisfies these criteria. First, it is proposed that CMM be subject to existing Standard Mail Regular and Nonprofit nonletter basic category mail rates along with the residual shape surcharge. No new rates, fees, or surcharges are requested. Eligibility standards for mail would in no manner be restricted under this proposal; to the contrary, for pieces less than ¼-inch in thickness, the proposed classification changes

would “make existing mail classifications more inclusive.”³ For pieces greater than ¼-inch but less than or equal to ¾-inch in thickness, the proposed classification changes would establish optional entry and handling procedures. CMM is thus an optional mail preparation method being proposed for mailers; customers would use it at their discretion. The optional or mandated standards that would be implemented for CMM would apply only if the mailer chooses to prepare CMM. Finally, as witness Hope explains in her testimony (USPS-T-2), CMM will not cause a significant impact on the contribution of Standard Mail toward institutional costs. Thus, the proposal clearly fits within the standards for consideration as a minor classification change.

IV. Expedited Treatment & Waiver

Use of expedited procedures is appropriate for this proposal. The expedition allowed by the minor classification case rules is appropriate in light of the interest in allowing the Postal Service the flexibility to bring new and innovative services to market. The Postal Service’s interest in expedition is set forth in a separate motion.

Flexibility is also required because the detailed, conventional data necessary to support a request for a classification change are unavailable, or would be too burdensome and expensive to produce in light of the minor changes at issue here. The unavailability of these data is explained in the Compliance Statement (Attachment D to this Request), and the Motion of United States Postal Service for Waiver, which

³ Cf. PRC Order No. 1110 at n.18.

accompanies this Request.

V. Supporting Materials

In accordance with the Commission's Rules of Practice and Procedure, the Postal Service submits herewith information and data which explain the nature and scope, significance, and effect of the proposed changes. The Postal Service's direct testimony accompanies this Request. The testimony and exhibits have been marked for identification as shown on Attachment C to this Request.

Except as specified in its Motion for Waiver, the Postal Service submits that its filing complies with the Commission's filing requirements in sections 64 and 69a of the Rules of Practice and Procedure (39 C.F.R. §§ 3001.64 and 3001.69a). The Postal Service is today filing a separate motion for a waiver of several filing requirements.

VI. Postal Reorganization Act Policies

The requested amendments to the DMCS will further the general policies of the Postal Reorganization Act to "plan, promote, and provide adequate and efficient postal services at fair and reasonable rates and fees." 39 U.S.C. § 403(a). The requested changes also conform with the criteria of 39 U.S.C. § 3623(c). Specifically, CMM promotes fairness and equity by offering mailers a new, optional method for sending creative, uniquely shaped advertising pieces. CMM is desirable from the perspective of advertisers and mailers interested in creative methods of communicating with customers. The proposal is also desirable from the Postal Service's perspective, since CMM readily fits into the existing rate design and structure of Standard Mail Regular and Nonprofit subclasses and expands postal offerings without burdening mail processing operations with highly inefficient pieces. In this sense, CMM, as structured

in this proposal, will be mutually beneficial to both mailing and advertising industries, and to the Postal Service.

WHEREFORE, the Postal Service, pursuant to 39 U.S.C. § 3623(b), hereby requests that the Commission submit a recommended decision in accordance with this Request.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Anthony Alverno

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2986 Fax -6187
March 14, 2003

INDEX OF ATTACHMENTS TO REQUEST, MC2003-1

- Attachment A: Domestic Mail Classification Schedule Language
- Attachment B: Rate Schedule Amendments
- Attachment C: Index of Testimonies, Exhibit Titles, and Associated Attorney
- Attachment D: Compliance Statement

REQUESTED CHANGES IN THE DOMESTIC MAIL CLASSIFICATION SCHEDULE

In this Request, the Postal Service asks the Commission to recommend certain changes in the Domestic Mail Classification Schedule (DMCS). The DMCS currently in effect is published at 67 Fed. Reg. 36,412 (May 23, 2002) as amended by the Decision of the Governors of the United States Postal Service on the Recommended Decision of the Postal Rate Commission Approving Stipulation and Agreement for Confirm, Docket No. MC2002-1 (August 5, 2002).⁴

Proposed additions to text are underlined, and proposed deletions appear in brackets.

* * * * *

FIRST-CLASS MAIL CLASSIFICATION SCHEDULE

210 DEFINITION

Any matter eligible for mailing, except Regular and Nonprofit Presort category mail entered as Customized Market Mail under sections 321.22 and 323.22, 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;

⁴ Changes to the DMCS implementing the Decision of the Governors of the United States Postal Service on the Opinion and Recommended Decision of the Postal Rate Commission Approving Stipulation and Agreement on Experimental Periodicals Co-Palletization Dropship Discounts, Docket No. MC2002-3, become effective on April 20, 2003 in accordance with Resolution No. 03-2 of the Board of Governors.

- 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.

* * * * *

STANDARD MAIL CLASSIFICATION SCHEDULE

* * * * *

320 DESCRIPTION OF SUBCLASSES

321 Regular Subclass

* * * * *

321.2 Presort Rate Categories

* * * * *

321.22 Basic Rate Categories.

The basic rate categories apply to presort rate category mail not mailed under section 321.23, and to all mail entered as Customized Market Mail (CMM). CMM must be marked and bear endorsements as specified by the Postal Service, and must meet the preparation, addressing, and acceptance requirements specified by the Postal Service. Notwithstanding section 6020, Customized Market Mail may be nonrectangular in shape. The following size standards apply to Customized Market Mail:

- a. Thickness: at least 0.007 inch and no more than 0.75 inch,
- b. Length: at least 5 inches and no more than 15 inches, measured for nonrectangular shapes as specified by the Postal Service.
- c. Height: at least 3.5 inches and no more than 12 inches, measured for nonrectangular shapes as specified by the Postal Service.

* * * * *

321.4 Destination Entry Discounts.

The destination entry discounts apply to Regular subclass mail, except Regular Presort category mail entered as Customized Market Mail under section 321.22, 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 entered as Customized Market Mail under section 321.22 or 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, except Regular Presort category mail entered as Customized Market Mail under section 321.22, 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, except Regular Presort category mail entered as Customized Market Mail under section 321.22, (i) that do not meet the machinability requirements specified by the Postal Service; or (ii) for which manual processing is requested.

* * * * *

323 Nonprofit Subclass

* * * * *

323.2 Presort Rate Categories

* * * * *

323.22 Basic Rate Categories.

The basic rate categories apply to presort rate category mail not mailed under section 322.23, and to all mail entered as Customized Market Mail, as defined in section 321.22.

* * * * *

323.4 Destination Entry Discounts.

Destination entry discounts apply to Nonprofit subclass mail, except Nonprofit Presort category mail entered as Customized Market Mail under section 323.22, 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 entered as Customized Market Mail under section 323.22 or 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, except Nonprofit Presort category mail entered as Customized Market Mail under section 323.22, 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, except Nonprofit Presort category mail entered as Customized Market Mail under section 323.22, (i) that do not meet the machinability requirements specified by the Postal Service; or (ii) for which manual processing is requested.

* * * * *

330 PHYSICAL LIMITATIONS

* * * * *

340 POSTAGE AND PREPARATION

* * * * *

344 Attachments and Enclosures

344.1 General

First-Class Mail may be attached to or enclosed in Standard Mail, except Regular and Nonprofit Presort category mail entered as Customized Market Mail under sections 321.22 and 323.22. 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.

* * * * *

350 DEPOSIT AND DELIVERY

* * * * *

353 Forwarding and Return

Undeliverable-as-addressed Standard Mail, except Regular and Nonprofit Presort category mail entered as Customized Market Mail under sections 321.22 and 323.22, 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, except Regular and Nonprofit Presort category mail entered as Customized Market Mail under sections 321.22 and 323.22, will receive the following services upon payment of the appropriate fees:

Service	Schedule
---------	----------

- | | |
|--|-----|
| 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, except Regular and Nonprofit Presort category mail entered as Customized Market Mail under sections 321.22 and 323.22, will receive the following additional services upon payment of the appropriate fees.

Service	Schedule
---------	----------

- | | |
|-------------------------------|-----|
| 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, except Regular and Nonprofit Presort category mail entered as Customized Market Mail under sections 321.22 and 323.22, will receive the following additional services upon payment of the appropriate fees.

Service	Schedule
---------	----------

- | | |
|--------------------------------------|-----|
| 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, except Regular Presort category mail entered as Customized Market Mail under sections 321.22, will receive the following additional services upon payment of the appropriate fees:

Service	Schedule
a. <u>Netpost</u> Mailing Online	981

365 Nonprofit

Nonprofit subclass mail, except Nonprofit Presort category mail entered as Customized Market Mail under sections 323.22, will receive the following additional services upon payment of the appropriate fees:

Service	Schedule
a. <u>Netpost</u> Mailing Online (starting on a date to be specified by the Postal Service)	981

* * * * *

**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. Regular and Nonprofit Presort category mail entered as Customized Market Mail under sections 321.22 and 323.22; and
- [b]c. 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.)

* * * * *

SPECIAL SERVICES CLASSIFICATION SCHEDULE

910 ADDRESSING

911 ADDRESS CORRECTION SERVICE

* * * * *

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 and Regular and Nonprofit Presort category mail entered as Customized Market Mail under sections 321.22 and 323.22. Address Correction Service is mandatory for Periodicals class mail.

* * * * *

940 ACCOUNTABILITY AND RECEIPTS

* * * * *

943 INSURANCE

* * * * *

943.2 General Insurance

* * * * *

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, except Regular and Nonprofit Presort category mail entered as Customized Market Mail under sections 321.22 and 323.22.

* * * * *

945 RETURN RECEIPT

* * * * *

945.2 Return Receipt For Merchandise

* * * * *

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, except Regular and Nonprofit Presort category mail entered as Customized Market Mail under sections 321.22 and 323.22
- c. Package Services

* * * * *

947 CERTIFICATE OF MAILING

* * * * *

947.2 Availability

947.21 Certificate of Mailing service is available for matter sent using any class of mail, except Regular and Nonprofit Presort category mail entered as Customized Market Mail under sections 321.22 and 323.22.

* * * * *

948 DELIVERY CONFIRMATION

* * * * *

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, except Regular and Nonprofit Presort category mail entered as Customized Market Mail under sections 321.22 and 323.22; and Package Services mail that is parcel-shaped, as specified by the Postal Service.

* * * * *

GENERAL DEFINITIONS, TERMS AND CONDITIONS

* * * * *

6000 MAILABLE MATTER

* * * * *

6020 Minimum Size Standards

Except as provided in sections 321.22 and 323.22, [T]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.

* * * * *

REQUESTED CHANGES IN THE RATE SCHEDULES

In this Request, the Postal Service asks the Commission to recommend certain changes to the rate schedules. The rate schedules currently in effect are published at 67 Fed. Reg. 36,412 (May 23, 2002) as amended by the Decision of the Governors of the United States Postal Service on the Recommended Decision of the Postal Rate Commission Approving Stipulation and Agreement for Confirm, Docket No. MC2002-1 (August 5, 2002).⁵

Proposed additions to text are underlined, and proposed deletions appear in brackets.

⁵ Changes to the rate schedules implementing the Decision of the Governors of the United States Postal Service on the Opinion and Recommended Decision of the Postal Rate Commission Approving Stipulation and Agreement on Experimental Periodicals Co-Palletization Dropship Discounts, Docket No. MC2002-3, become effective on April 20, 2003 in accordance with Resolution No. 03-2 of the Board of Governors.

**STANDARD MAIL
RATE SCHEDULE 321A**

**REGULAR
PRESORTED CATEGORIES**

	Rate
Letter, minimum piece rate	
Piece Rate	
Basic	\$ 0.268
3/5-digit	0.248
Destination Entry Discounts	
BMC	0.021
SCF	0.026
Nonletters, minimum piece rate	
Piece Rate	
Basic	0.344
3/5-digit	0.288
Destination Entry Discounts	
BMC	0.021
SCF	0.026
Nonletters, piece and pound rate	
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.
5. Pieces entered as Customized Market Mail, as defined in DMCS section 321.22, are subject to the nondestination entry, nonletter minimum per-piece basic rate and the residual shape surcharge.

**STANDARD MAIL
RATE SCHEDULE 323A**

**NONPROFIT
PRESORTED CATEGORIES**

	Rate
Letters, minimum piece rate	
Piece Rate	
Basic	\$ 0.165
3/5-digit	0.153
Destination Entry Discounts	
BMC	0.021
SCF	0.026
Nonletters, minimum piece rate	
Piece Rate	
Basic	0.230
3/5-digit	0.183
Destination Entry Discounts	
BMC	0.021
SCF	0.026
Nonletters, piece and pound rate	
Piece Rate	
Basic	0.110
3/5-digit	0.063
Pound Rate	0.584
Destination Entry Discounts (off pound rate)	
BMC	0.100
	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.
5. Pieces entered as Customized Market Mail, as defined in DMCS sections 321.22 and 323.22, are subject to the nondestination entry, nonletter minimum per-piece basic rate and the residual shape surcharge.

Attachment C

INDEX OF TESTIMONIES: DOCKET NO. MC2003-1

WITNESS	TESTIMONY	EXHIBIT		WORKPAPERS	ATTORNEY
		TITLE	NO.		
Mr. Ashe	USPS-T-1	Basic Physical Characteristics of Mail Categories	A	[None]	Anthony Alverno 202-268-2997
		Facsimile Examples of Possible CMM Mailpieces	B		
Ms. Hope	USPS-T-2	[None]		[None]	Anthony Alverno 202-268-2997

COMPLIANCE STATEMENT

This Attachment contains a statement of the manner in which the Postal Service has supplied the information requested in sections 64 and 69a of the Commission's Rules of Practice and Procedure (39 CFR §§3001.64, 3001.69a). Where information required by these rules is not included in direct testimony or exhibits of the Postal Service's witnesses, it is contained in the Request or its attachments, or has been incorporated by reference in the Request, testimony, exhibits, or attachments made available to the Commission in Docket No. R2001-1. Alternatively, the pertinent filing requirements should be waived in accordance with the accompanying motion for waiver.

Rule: 64(b)(1), (2), (3), (4)

INFORMATION REQUESTED:

These subsections request, for every classification change proposed:

- (1) copies of the currently-effective Domestic Mail Classification Schedule and the proposed changes thereto;
- (2) specification of the Rules, regulations and practices that establish the conditions of mailability and standards of service;
- (3) a statement of the degree of economic substitutability between the various classes and subclasses; and
- (4) an identification of all nonpostal services.

RESPONSE:

1. Present and Proposed Rates, Fee and Classification Schedule Provisions.

Attachments A and B to this Request include the proposed changes to the Domestic Mail Classification Schedule and the text of Rate Schedules 321A and 323A.

2. Rules, Regulations, and Practices that Establish Conditions of Mailability and Standards of Service.

The rules, regulations, and practices that establish conditions of mailability and standards of service are published in the Domestic Mail Manual, which is incorporated by reference in 39 C.F.R. § 111.1 and available on the Postal Explorer website available at pe.usps.gov. The practices of the Postal Service regarding, and the conditions for, Customized Market Mail (CMM) are discussed in the testimony of witness Ashe (USPS-T-1). The Postal Service's response to section 64(b)(2) of the Commission's Rules of Practice and Procedure should not be construed to admit that the Commission's jurisdiction extends to any of the specified rules, regulations, or practices.

3. Degree of Economic Substitutability

With regard to classes of mail and special services generally, the Postal Service incorporates by reference the testimony and supporting documentation filed with its Request in Docket No. R2001-1. Substantial information relevant to economic substitutability was included in the testimonies of witnesses Tolley, Thress, and Musgrave (USPS-T-7-9) in that docket.

As explained in witness Ashe's testimony, the proposed classification changes for Customized Market Mail are not expected to cause substitution among subclasses, or have a significant impact on mail volumes.

To the extent that the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service respectfully requests that this provision be waived.⁶

4. Identification of Nonpostal Services

There are no nonpostal services in this request.

⁶ See Motion of United States Postal Service for Waiver, Docket No. MC2003-1 (March 14, 2003).

Rule: 64(c)(1), (2), (3)

INFORMATION REQUESTED:

This Rule asks for information regarding the users of the Postal Service, the nature of the items mailed and the methods of mailing used. Specifically, this section requests the following:

- (1) an identification of the characteristics of the mailer and the recipient, and a description the contents of items mailed within each class and subclass;
- (2) identification of the physical attributes of the items mailed by class and subclass, including shape, weight and distance; and
- (3) to the extent it is not provided under paragraph (b)(2), a summary statement that describes special service arrangements provided to, or requested or required of, mailers by the Postal Service that affect the cost of service or its value to the mailer or recipient.

RESPONSE:

With regard to the classification changes at issue here, information responsive to this rule may be found in the testimony of witnesses Ashe (USPS-T-1) and Hope (USPS-T-2).

Rule: 64(d)

INFORMATION REQUESTED:

This Rule requests that effects of the changes on cost assignments, total costs, and total revenues be provided, on a before and after change basis.

RESPONSE:

With regard to estimates pertaining to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2001-1. Because of the minor nature of the classification changes being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's costs, revenues, or volumes, either in the present fiscal year or a rollforward analysis in a future test year.

To the extent that the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.⁷

⁷ See Motion of United States Postal Service for Waiver, Docket No. MC2003-1 (March 14, 2003).

Rule: 64(e)

INFORMATION REQUESTED:

This subsection requires that, whenever the Postal Service proposes to reassign a portion of one existing class or subclass of mail or service to another existing class or subclass of mail or service, the request must include a comparison of the before and after costs and revenues of handling the relevant classes or subclasses, and before and after costs and revenues of the portion that is to be reassigned.

RESPONSE:

This proposal does not involve the reassignment of part of an existing class or subclass of mail.

Rule: 64(f)

INFORMATION REQUESTED:

This Rule requests a complete statement of the reasons and bases for the proposed changes.

RESPONSE:

Witnesses Ashe (USPS-T-1) and Hope (USPS-T-2) provide the reasons and bases for the proposed changes.

Rule: 64(g)

INFORMATION REQUESTED:

This Rule sets forth the requested format and filing requisites for workpapers.

RESPONSE:

Because no data or calculations requiring the preparation of workpapers are included in the justification for this change, no workpapers have been filed.

Rule: 64(h)

INFORMATION REQUESTED:

This Rule calls for compliance with specified subsections of Rule 54 when the Postal Service proposes a change in the mail classification schedule having a rate, fee or total cost change implication.

RESPONSE:

This rule is inapplicable because the proposed classification changes do not involve a change in rates, fees or total costs.

In addition to the information required by Rule 64, Rule 69a establishes specific requirements for minor classification changes. The requirements are listed below, followed by the responses.

Rule: 69a(a)

INFORMATION REQUESTED:

- (1) A description of the proposed classification change or changes, including proposed changes in the text of the Domestic Mail Classification Schedule and any pertinent rate schedules;
- (2) A thorough explanation of the grounds on which the Postal Service submits that the requested change in mail classification is minor in character; and
- (3) An estimate, prepared in the greatest level of detail practicable, of the overall impact of the requested change in mail classification on postal costs and revenues, mail users, and competitors of the Postal Service.

RESPONSE:

- 1) A description of the classification changes is included in Attachments A and B and in the testimony of witnesses Ashe (USPS-T-1) and Hope (USPS-T-2).
- 2) The minor nature of the proposal is explained in the body of the Request and in the testimony of witnesses Ashe (USPS-T-1) and Hope (USPS-T-2).
- 3) Witnesses Ashe (USPS-T-1) and Hope (USPS-T-2) explain that the proposal would have no appreciable impact on contribution. Witness Hope (USPS-T-2) explains the impact upon competitors. To the extent that the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.⁸

⁸ See Motion of United States Postal Service for Waiver, Docket No. MC2003-1 (March 14, 2003).