

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

CUSTOMIZED MARKET MAIL MINOR
CLASSIFICATION CHANGES

Docket No. MC2003-1

**MOTION OF THE UNITED STATES POSTAL SERVICE FOR
CONSIDERATION OF THE STIPULATION AND AGREEMENT
AS THE BASIS FOR RECOMMENDED DECISION
(April 30, 2003)**

The United States Postal Service hereby moves that the Commission base its recommended decision in this docket on the Stipulation and Agreement filed herewith, in accordance with 39 U.S.C. § 3623.

The participants have been actively engaged in settlement negotiations, as reported to the Commission on April 23. In the near term, all but a handful of participants are expected to sign. The settlement coordinator remains open to discussions with participants not yet committed to signing this Stipulation and Agreement.¹

For the reasons set forth in the Stipulation and Agreement and any briefs filed in accordance with the procedural schedule, the Postal Service requests that the Commission base its recommended decision in this docket on the attached Stipulation and Agreement.

¹ Parties who wish to sign the Stipulation and Agreement should file their signature page directly with the Commission with an appropriate notice.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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April 30, 2003

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STIPULATION AND AGREEMENT

This Stipulation and Agreement is submitted pursuant to Rule 29 of the Rules of Practice and Procedure of the Postal Rate Commission, 39 C.F.R. § 3001.29, by and between the undersigned participants or through their respective attorneys. It is a negotiated settlement of all issues raised in the above-captioned docket. The undersigned participants hereby stipulate and agree to the following:

I. BACKGROUND

On March 14, 2003, pursuant to 39 U.S.C. § 3623, the United States Postal Service filed with the Postal Rate Commission a request for a decision recommending the establishment of a change in the Domestic Mail Classification Schedule (DMCS) to permit certain types of nonrectangular shapes to be entered in the basic nonletter rate categories of the Standard Mail Regular and Nonprofit subclasses. The classification changes were referred to collectively as "Customized Market Mail" (CMM). The request was designated as Docket No. MC2003-1 by the Commission. The basis for the request is explained in the direct testimony of Postal Service witnesses Christopher Ashe (USPS-T-1) and Laraine Hope (USPS-T-2).

II. TERMS AND CONDITIONS

1. This Stipulation and Agreement represents a negotiated settlement of all issues raised by the Docket No. MC2003-1 Request of the United States Postal Service for a Recommended Decision on Customized Market Mail Minor Classification Changes, filed on March 14, 2003.

2. The undersigned participants agree, for purposes of this proceeding only, that the following materials provide substantial evidence supporting and justifying a decision recommending the changes to the DMCS and Rate Schedules 321A and 323A proposed by the Postal Service in Docket No. MC2003-1: the Request and attachments thereto; the direct testimony of Postal Service witnesses Ashe (USPS-T-1) and Hope (USPS-T-2), and documents incorporated therein, as well as materials filed in support of the Postal Service's Request; and written cross-examination, as revised and supplemented, that are designated before the record closes. The proposed DMCS changes and proposed rate schedule changes are attached to this Stipulation and Agreement.

3. On the basis of such record, for purposes of this proceeding only, the undersigned participants agree that the DMCS and Rate Schedule changes set forth in the Attachment to this Stipulation and Agreement are in accordance with the policies of Title 39, United States Code, and in particular, the criteria of 39 U.S.C. § 3623.

4. This Stipulation and Agreement is offered in total and final settlement of this proceeding. The undersigned participants agree that they will file no further discovery requests, pleadings, or testimony with the Commission in this proceeding, with the

exception of: (a) pleadings or testimony explicitly requested by the Commission or in reply to such pleadings; (b) pleadings or testimony opposing pleadings or testimony filed in opposition to this Stipulation and Agreement; or (c) pleadings, testimony or comments in support of this Stipulation and Agreement.

5. If the Commission adopts a Recommended Decision that materially differs from the classification changes as set forth in this Stipulation and Agreement, or if the Governors of the Postal Service fail to approve the Commission's Recommended Decision adopting the classification changes as filed by the Postal Service, then each signatory reserves the right to withdraw from this Stipulation and Agreement. Any signatory withdrawing under the terms of this paragraph must provide written notice of its intention to withdraw to all participants within five (5) business days of the occurrence of the specific event giving rise to the right to withdraw. Any exercise of such right by one or more signatories shall not affect the operation of this Stipulation and Agreement as to other signatories.

6. This Stipulation and Agreement pertains only to the instant proceeding. The undersigned participants shall not be considered as necessarily agreeing with or conceding the applicability of any ratemaking principle, any method or principle of classification, any terms and conditions of service, any method of cost of service determination, any principle or method of rate or fee design, the validity or use of any data relied upon by the Postal Service in this docket for any other purposes or in any other classification or ratemaking proceeding, or the application of any rule or interpretation of law, that may underlie, or be thought to underlie, this Stipulation and Agreement.

7. In any future negotiation or proceeding (other than any proceedings involving the honoring, enforcement, or construction of this Stipulation and Agreement), the undersigned participants shall not be bound or prejudiced by this Stipulation and Agreement, nor shall any participant rely for any purpose on the fact that another participant entered into or did not oppose this Stipulation and Agreement. The undersigned participants also agree that, to the extent that matters presented in the Docket No. MC2003-1 Request, in any Commission Recommended Decision on that Request, or in any decision of the Governors of the Postal Service in this proceeding, have not actually been litigated, the resolution of such matters will not be entitled to precedential effect in any other proceeding.

8. As fully stated above, the agreement of the undersigned participants is intended to relate exclusively to the specific changes reflected in the proposed DMCS and Rate Schedule provisions attached hereto, and is not intended to bind or prejudice those participants in any other proceeding. The understanding of the intended consequences of the agreement applies equally to all constituent parts of the agreement.

9. The undersigned participants request that the Commission expeditiously issue a decision recommending adoption of the DMCS and Rate Schedule provisions appended to this Stipulation and Agreement.

10. For the indefinite future, the Postal Service agrees to amend mailing statements to include line items for pieces entered as CMM. Until the conclusion of the next omnibus rate proceeding, the Postal Service further agrees to file on an annual basis volume and revenue figures for CMM, based on data provided on mailing statements. Such reports will be combined with the filing of the billing determinants.

11. This Stipulation and Agreement represents the entire agreement of the signatories, and supersedes any understandings or representations not contained herein.

* Signature pages are attached.

REQUESTED CHANGES IN THE DOMESTIC MAIL CLASSIFICATION SCHEDULE

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

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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;
- 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.

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STANDARD MAIL CLASSIFICATION SCHEDULE

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320 DESCRIPTION OF SUBCLASSES

321 Regular Subclass

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321.2 Presort Rate Categories

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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.

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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.

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323 Nonprofit Subclass

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323.2 Presort Rate Categories

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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.

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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.

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330 PHYSICAL LIMITATIONS

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340 POSTAGE AND PREPARATION

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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.

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350 DEPOSIT AND DELIVERY

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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

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**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.)

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**SPECIAL SERVICES
CLASSIFICATION SCHEDULE**

910 ADDRESSING

911 ADDRESS CORRECTION SERVICE

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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.

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940 ACCOUNTABILITY AND RECEIPTS

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943 INSURANCE

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943.2 General Insurance

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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.

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945 RETURN RECEIPT

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945.2 Return Receipt For Merchandise

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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

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947 CERTIFICATE OF MAILING

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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.

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948 DELIVERY CONFIRMATION

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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.

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GENERAL DEFINITIONS, TERMS AND CONDITIONS

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6000 MAILABLE MATTER

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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.

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REQUESTED CHANGES IN THE RATE SCHEDULES

[Proposed additions to text are underlined>; proposed deletions appear in brackets.]

**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.

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SIGNATURE PAGE FOR STIPULATION AND AGREEMENT

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking
United States Postal Service

/s/
Anthony Alverno
Attorney

April 30, 2003

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For Intervenor:

Date: _____

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Pro Se

Date: _____