

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

EXPERIMENTAL PARCEL RETURN SERVICES

Docket No. MC2003-2

**REQUEST OF THE UNITED STATES POSTAL SERVICE
FOR A RECOMMENDED DECISION ON EXPERIMENTAL
PARCEL RETURN SERVICES**

UNITED STATES POSTAL SERVICE

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May 28, 2003

Documents relating to this request may be served upon Mr. Foucheaux at the
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Pursuant to chapter 36 of title 39, United States Code, the United States Postal Service has determined that an experimental change in the Domestic Mail Classification Schedule (DMCS) to establish rate categories, and rates and fees, for certain parcels and bound printed matter, that are returns from customers to merchants, 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 supporting the implementation of these experimental changes, collectively referred to as "Parcel Return Services," as herein requested.

The proposed experimental Parcel Return Services are designed to expand to merchandise returns the benefits of worksharing that have been successful for outbound (merchants to customers) parcels. They target the same shippers who have benefited from the Parcel Select service, under which business-to-residential shippers deposit parcels closer to their destinations. Return parcels most likely would be picked up at the same facility where the packages originally were entered (such as the

Destination Bulk Mail Center or the Destination Delivery Unit). Shippers would benefit by being able to take advantage of increased efficiency in their routes by dropping off and picking up parcels at the same time, and obtaining more favorable rates that reflect savings in transportation and mail processing costs. The Postal Service would benefit through increased efficiency in processing these returns and the potential generation of new revenue. See Direct Testimony of John Gullo on Behalf of the United States Postal Service (USPS-T-1).

In this experiment, three rate categories of Parcel Return Services products are proposed:

- Parcel Select Return Delivery Unit (RDU)
- Parcel Select Return Bulk Mail Center (RBMC)
- Bound Printed Matter Return Bulk Mail Center (RBMC)

The RDU rate would be charged for parcels addressed and captured at the post office identified on the return label. The RBMC rates would be charged where shippers pick up parcels or bound printed matter at an RBMC. The pricing of these products is set forth in the testimony of James Kiefer (USPS-T-3), who determined the proposed rates based upon appropriate passthrough percentages.

In order to maintain consistency with the rates currently in effect, the cost avoidance measures underlying these proposals are estimated using the same cost base as that underlying the Commission's rate recommendations in Docket No. R2001-1. The Postal Service's proposals are supported by the record in Docket No.

R2001-1.1 The cost calculations are shown in the testimony of witness Eggleston (USPS-T-2)

As demonstrated in the testimony of witness Kiefer (USPS-T-3), the Postal Service's overall revenue position will not be affected materially under the proposed experiment. The rates selected are based on costs avoided and incurred, and employ less than full passthroughs. Thus, the proposed experiment minimizes any potential risk of significant, negative financial results or harm to the Postal Service, mailers using the new services, or other mailers.

By designating this request as one which involves an experimental change, the Postal Service intends for the Commission to apply its expedited rules of practice and procedure for experimental changes, §§ 3001.67 - 3001.67d of title 39, Code of Federal Regulations. Among other purposes, the rules pertaining to experimental filings are designed to facilitate the Postal Service's compliance with its statutory duty to "plan, develop, promote, and provide adequate and efficient postal services," 39 U.S.C. § 403(a), by allowing it to expeditiously change classifications and rates as an experiment to gather real-world information on costs, customer response, and actual operations. The experimental rules also contemplate review of proposed experiments in

¹ The Postal Service's use, in this proceeding, of costing methods employed by the Commission in the most recent omnibus rate case is not intended to imply the Postal Service's agreement that the Commission's methods generate the most accurate cost estimates possible. The Postal Service reserves the right to contest particular costing methods in future cases and will continue to advocate improvements in the Commission's methods. For purposes of this case, however, the Commission's current methods are employed in order to place the proposed discounts on a consistent footing with the Package Services rates currently in effect, and to segregate from this proceeding costing inquiries that would better be pursued in a proceeding of greater scope.

the absence of historical cost, volume, revenue and other data that normally would underlie a request for a permanent change in mail classifications.

This filing is consistent with the logic of the experimental rules. The Postal Service lacks data about how much response there will be. During the term of the experiment, more complete data would be gathered with the potential for supporting a request to establish the proposed or a similar change on a permanent basis. The Postal Service's plans for the collection of additional data are described in witness Gullo's testimony (USPS-T-1).

The Postal Service proposes that this experimental classification be in effect for two years, which will provide the Postal Service adequate time to aggregate and fully analyze data collected under the experiment, so that a request for a permanent change in mail classification could be prepared if the data are determined to support such a request. If such a request is made within the experimental period, the Postal Service asks that the experiment continue until action on that request can be completed, thus avoiding disruption to both mailers and the Postal Service.

The Postal Service believes that the classifications embodied in this proposed experiment will be attractive to mailers and will contribute to the long-term viability of the postal system. The proposed classifications will further the general policies of efficient postal operations and reasonable rates and fees enunciated in the Postal Reorganization Act. See 39 U.S.C. §§ 101(a), 403(a), and 403(b). The requested changes also conform to the criteria of 39 U.S.C. §§ 3622(b) and 3623(c).

Use of the more flexible and expedited procedures afforded by the experimental rules is appropriate for this proposal. The expedition allowed by the experimental rules

is appropriate in light of the interest in putting these services into effect in time for the 2003 holiday mailing season. Flexibility is required because the detailed, conventional data necessary to support a request for a permanent classification change currently are unavailable. The unavailability of these data and the Postal Service's plans for collecting them are further explained in its testimony, its data collection plan (USPS-T-1), its Compliance Statement (Attachment F to this Request), and in the Motion Of United States Postal Service for Waiver, which accompanies this Request.

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 E to this Request.

The instant filing incorporates by reference materials submitted with the Postal Service's Request in Docket No. R2001-1. The Postal Service believes that its submissions comply with the Commission's filing requirements in Rules 54 and 64 of the Rules of Practice and Procedure (39 C.F.R. §§ 3001.54 and 64). As the Commission may conclude otherwise, the Postal Service is today filing a separate motion for a waiver of the pertinent filing requirements in Rules 54 and 64.

WHEREFORE, the Postal Service requests that the Commission submit a recommended decision in accordance with this Request.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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INDEX OF ATTACHMENTS TO REQUEST, MC2003-2
Experimental Parcel Returns Services

- Attachment A: Domestic Mail Classification Schedule Language
- Attachment B: Rate and Fee Schedules
- Attachment C: Certified Financial Statement
- Attachment D: Certification
- Attachment E: Index of Testimonies, Exhibit Titles, and Associated Attorneys
- Attachment F: 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), and 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 (December 20, 2002).

The Postal Service has proposed other amendments to some of the sections in the 900 series in Docket No. MC2003-1, but those proposed amendments are not included in this filing.

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

* * * * *

PACKAGE SERVICES CLASSIFICATION SCHEDULE

521.11 Duration Of Parcel Select Return Services

a. The provisions of the sections listed in (b) below, which pertain to Parcel Select Return Services, will expire the later of:

i. two years after the implementation date specified by the Postal Service Board of Governors, or

ii. if, by the expiration date specified in (i), a proposal to make Parcel Return Services permanent is pending before the Postal Rate Commission, the later of

A. three months after the Commission takes action on such proposal under section 3624 of Title 39, or

B. -- if applicable -- on the implementation date for permanent Parcel Return Services.

b. The sections that will expire, as set forth in (a) above, include:

Sections 521.21 (the references to 521.27 and 521.28); 521.27; 521.28; 521.7c; 570a (the references to schedules 521.2F and 521.2G); 585; 2010e, 2032, and 3050 (the references to Parcel Select Return Service).

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, 521.25, 521.26, 521.27, or 521.28.

* * *

521.27 **Parcel Select Return Service—Return Delivery Unit (RDU) Rate Category.**

The Parcel Select Return Service—RDU rate category applies to merchandise returned as Parcel Post subclass mail prepared as specified by the Postal Service; entered as specified by the Postal Service; and retrieved in bulk at a designated delivery unit, or other equivalent facility, as specified by the Postal Service.

521.28 **Parcel Select Return Service—Return BMC (RBMC) Rate Category.**

The Parcel Select Return Service—RBMC rate category applies to merchandise returned as Parcel Post subclass mail prepared as specified by the Postal Service; entered as specified by the Postal Service; and retrieved in bulk at a bulk mail center, or other equivalent facility, as specified by the Postal Service.

* * *

521.7 **Nonmachinable Surcharges.**

* * *

c. Parcel Select Return Service—RBMC Parcel Post mail that does not meet machinability criteria specified by the Postal Service is subject to a nonmachinable surcharge.

* * *

522.11 **Duration Of Bound Printed Matter Return Service**

a. The provisions of the sections listed in (b) below, which pertain to Bound Printed Matter Return Service, will expire the later of:

i. two years after the implementation date specified by the Postal Service Board of Governors, or

ii. if, by the expiration date specified in (i), a proposal to make Parcel Return Services permanent is pending before the Postal Rate Commission, the later of

A. three months after the Commission takes action on such proposal under section 3624 of Title 39, or

B. -- if applicable -- on the implementation date for permanent Parcel Return Services.

b. The sections that will expire, as set forth in (a) above, include:

Sections 522.27; 570b (the reference to schedule 522E); 585; 2010e, 2032 and 3050 (the references to Bound Printed Matter Return Service).

* * *

522.2 **Description of Rate Categories**

* * *

522.27 Bound Printed Matter Return Service—Return BMC (RBMC) Rate Category.

The Bound Printed Matter Return Service—RBMC rate category applies to merchandise returned as Bound Printed Matter subclass mail prepared as specified by the Postal Service; entered as specified by the Postal Service; and retrieved in bulk at a bulk mail center, or other equivalent facility, as specified by the Postal Service. The flats differential described in section 522.4 does not apply to Bound Printed Matter Return Service mail.

* * *

560 **ANCILLARY SERVICES**

Package Services mail, except Parcel Post or Bound Printed Matter subclass mail entered under sections 521.27, 521.28, or 522.27, will receive the following services upon payment of the appropriate fees:

Service	Schedule
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 (limited to parcel-shaped Package Services Mail)	948
i. Shipper Paid Forwarding	936
j. Signature Confirmation limited to parcel-shaped Package Services Mail	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:

	Schedule
a. Parcel Post subclass	
Inter-BMC	521.2A
Intra-BMC	521.2B
Parcel Select	
Destination BMC	521.2C
Destination SCF	521.2D
Destination Delivery Unit	521.2E
<u>Parcel Select Return Services</u>	
<u>Return Delivery Unit</u>	<u>521.2F</u>
<u>Return BMC</u>	<u>521.2G</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
<u>Bound Printed Matter Return Service</u>	
<u>Return BMC</u>	<u>522E</u>
c. Media Mail subclass	523
d. Library Mail subclass	524
e. Fees	1000

580 AUTHORIZATIONS AND LICENSES

585 Parcel Return Services

585.1 A permit fee as set forth in Schedule 1000 must be paid once each 12-month period by mailers utilizing Parcel Select Return Service or Bound Printed Matter Return Service. In addition, the permit holder must pay the accounting fee specified in Fee Schedule 1000 once each 12-month period for each advance deposit account. These fees apply to either return service.

585.2 The Parcel Return Services permit may be canceled for failure to maintain sufficient funds in a trust account to cover postage and fees on returned parcels, for distributing labels that do not conform to Postal Service specifications, or for other reasons specified by the Postal Service.

* * *

SPECIAL SERVICES
CLASSIFICATION SCHEDULE

* * *

932 **MERCHANDISE RETURN SERVICE**

* * *

932.22 Merchandise Return service is available for the return of any parcel under the following classification schedules:

- a. First-Class Mail
- b. Package Services, except Parcel Post or Bound Printed Matter subclass mail entered under section 521.27, 521.28, or 522.27.

* * *

943 **INSURANCE**

* * *

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, except Parcel Post or Bound Printed Matter subclass mail entered under section 521.27, 521.28, or 522.27;
- c. Regular and Nonprofit subclasses of Standard Mail, for Bulk Insurance only, for mail subject to residual shape surcharge.

* * *

944 **COLLECT ON DELIVERY**

* * *

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, except Parcel Post or Bound Printed Matter subclass mail entered under section 521.27, 521.28, or 522.27.

* * *

945 **RETURN RECEIPT**

* * *

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, except Parcel Post or Bound Printed Matter subclass mail entered under section 521.27, 521.28, or 522.27.

* * *

948 **DELIVERY CONFIRMATION**

* * *

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 that is parcel-shaped, as specified by the Postal Service.

except Parcel Post or Bound Printed Matter subclass mail entered under section 521.27, 521.28, or 522.27.

* * *

949 **SIGNATURE CONFIRMATION**

* * *

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, except Parcel Post or Bound Printed Matter subclass mail entered under section 521.27, 521.28, or 522.27.

* * *

951 **PARCEL AIRLIFT (PAL)**

* * *

951.21 Parcel Airlift service is available for mail sent under the Package Services Classification Schedule, except Parcel Post or Bound Printed Matter subclass mail entered under section 521.27, 521.28, or 522.27.

* * *

952 **SPECIAL HANDLING**

* * *

952.21 Special Handling service is available for mail sent under the following classification schedules:

- a. First-Class Mail
- b. Package Services, except Parcel Post or Bound Printed Matter subclass mail entered under section 521.27, 521.28, or 522.27.

* * *

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.
- e. Parcel Select Return Service and Bound Printed Matter Return Service delivery, subject to expiration under the conditions set forth in sections 521.11 and 522.11.

* * *

2032 **Return.**

Return is the delivery of undeliverable-as-addressed mail to the sender. Parcel Select Return Service mail and Bound Printed Matter Return Service mail do not constitute returned mail within the meaning of this section, subject to expiration under the conditions set forth in sections 521.11 and 522.11.

* * *

3000 **POSTAGE AND PREPARATION**

* * *

3050 Parcel Select Return Service and Bound Printed Matter Return Service Postage

Parcel Select Return Service and Bound Printed Matter Return Service mail that is entered under section 521.27, 521.28, or 522.27 may be

delivered to the addressee prior to payment of postage. Postage on mail in these categories will be determined and paid by the addressee following receipt, in a manner and within a time specified by the Postal Service. This section is subject to expiration under the conditions set forth in sections 521.11 and 522.11.

**PACKAGE SERVICES
RATE SCHEDULE 521.2F**

**PARCEL POST
PARCEL SELECT RETURN SERVICES
RETURN DELIVERY UNIT RATE CATEGORY**

Weight (lbs.)	Rate	Weight (lbs.)	Rate
1	\$2.00	36	\$2.00
2	2.00	37	2.00
3	2.00	38	2.00
4	2.00	39	2.00
5	2.00	40	2.00
6	2.00	41	2.00
7	2.00	42	2.00
8	2.00	43	2.00
9	2.00	44	2.00
10	2.00	45	2.00
11	2.00	46	2.00
12	2.00	47	2.00
13	2.00	48	2.00
14	2.00	49	2.00
15	2.00	50	2.00
16	2.00	51	2.00
17	2.00	52	2.00
18	2.00	53	2.00
19	2.00	54	2.00
20	2.00	55	2.00
21	2.00	56	2.00
22	2.00	57	2.00
23	2.00	58	2.00
24	2.00	59	2.00
25	2.00	60	2.00
26	2.00	61	2.00
27	2.00	62	2.00
28	2.00	63	2.00
29	2.00	64	2.00
30	2.00	65	2.00
31	2.00	66	2.00
32	2.00	67	2.00
33	2.00	68	2.00
34	2.00	69	2.00
35	2.00	70	2.00
		Oversized	7.51

Notes:

1. Regardless of weight, any parcel that measures more than 108 inches (but not more than 130 inches) in combined length and girth must pay the oversized rate.

**PACKAGE SERVICES
RATE SCHEDULE 521.2G**

**PARCEL POST
PARCEL SELECT RETURN SERVICES
RETURN BMC RATE CATEGORY
MACHINABLE PIECES**

Weight (lbs.)	Zones 1 & 2	Zone 3	Zone 4	Zone 5
1	\$2.10	\$2.13	\$2.19	\$2.28
2	2.67	2.70	2.77	2.88
3	3.22	3.25	3.34	3.46
4	3.42	3.76	3.86	4.00
5	3.59	4.16	4.29	4.49
6	3.75	4.52	4.65	4.94
7	3.90	4.83	4.98	5.35
8	4.47	5.12	5.28	5.74
9	4.60	5.36	5.59	6.09
10	4.77	5.67	5.88	6.42
11	4.90	5.88	6.14	6.72
12	5.05	6.08	6.40	7.01
13	5.18	6.24	6.64	7.27
14	5.30	6.36	6.89	7.52
15	5.41	6.53	7.10	7.76
16	5.52	6.70	7.30	7.98
17	5.65	6.86	7.52	8.19
18	5.74	7.01	7.71	8.38
19	5.86	7.16	7.89	8.57
20	5.96	7.30	8.05	8.74
21	6.05	7.44	8.20	8.91
22	6.16	7.56	8.34	9.06
23	6.24	7.72	8.48	9.21
24	6.33	7.84	8.60	9.36
25	6.41	7.96	8.72	9.49
26	6.51	8.07	8.85	9.62
27	6.59	8.20	8.96	9.74
28	6.66	8.32	9.05	9.86
29	6.75	8.44	9.16	9.97
30	6.83	8.54	9.26	10.07
31	6.91	8.62	9.35	10.18
32	7.00	8.74	9.45	10.27
33	7.06	8.84	9.53	10.37
34	7.14	8.92	9.61	10.45
35	7.20	9.03	9.69	10.54

Notes:

1. Parcels that weigh less than 15 pounds but measure more than 84 inches in combined length and girth are charged the applicable rate for a 15-pound parcel.

**PACKAGE SERVICES
RATE SCHEDULE 521.2G, CONTINUED**

**PARCEL POST
PARCEL SELECT RETURN SERVICES
RETURN BMC RATE CATEGORY
NONMACHINABLE PIECES**

Weight (lbs.)	Zones 1 & 2	Zone 3	Zone 4	Zone 5	Weight (lbs.)	Zones 1 & 2	Zone 3	Zone 4	Zone 5
1	\$3.45	\$3.48	\$3.54	\$3.63	36	\$8.65	\$10.49	\$11.14	\$12.00
2	4.02	4.05	4.12	4.23	37	8.72	10.56	11.20	12.06
3	4.57	4.60	4.69	4.81	38	8.76	10.63	11.25	12.11
4	4.77	5.11	5.21	5.35	39	8.82	10.71	11.29	12.16
5	4.94	5.51	5.64	5.84	40	8.85	10.76	11.33	12.21
6	5.10	5.87	6.00	6.29	41	8.92	10.85	11.37	12.26
7	5.25	6.18	6.33	6.70	42	8.95	10.90	11.42	12.30
8	5.82	6.47	6.63	7.09	43	8.99	10.96	11.46	12.33
9	5.95	6.71	6.94	7.44	44	9.04	11.02	11.50	12.36
10	6.12	7.02	7.23	7.77	45	9.07	11.07	11.64	12.39
11	6.25	7.23	7.49	8.07	46	9.14	11.14	11.67	12.42
12	6.40	7.43	7.75	8.36	47	9.19	11.18	11.70	12.45
13	6.53	7.59	7.99	8.62	48	9.22	11.25	11.72	12.48
14	6.65	7.71	8.24	8.87	49	9.27	11.30	11.75	12.51
15	6.76	7.88	8.45	9.11	50	9.28	11.35	11.77	12.54
16	6.87	8.05	8.65	9.33	51	9.35	11.39	11.80	12.57
17	7.00	8.21	8.87	9.54	52	9.39	11.47	11.82	12.60
18	7.09	8.36	9.06	9.73	53	9.40	11.50	11.83	12.63
19	7.21	8.51	9.24	9.92	54	9.44	11.52	11.86	12.66
20	7.31	8.65	9.40	10.09	55	9.48	11.54	11.89	12.69
21	7.40	8.79	9.55	10.26	56	9.52	11.56	11.91	12.72
22	7.51	8.91	9.69	10.41	57	9.57	11.56	11.91	12.75
23	7.59	9.07	9.83	10.56	58	9.60	11.58	11.93	12.78
24	7.68	9.19	9.95	10.71	59	9.63	11.59	11.95	12.81
25	7.76	9.31	10.07	10.84	60	9.68	11.60	11.95	12.84
26	7.86	9.42	10.20	10.97	61	9.72	11.61	11.97	12.87
27	7.94	9.55	10.31	11.09	62	9.75	11.62	12.01	12.90
28	8.01	9.67	10.40	11.21	63	9.78	11.62	12.06	12.93
29	8.10	9.79	10.51	11.32	64	9.82	11.62	12.09	12.96
30	8.18	9.89	10.61	11.42	65	9.85	11.64	12.13	12.99
31	8.26	9.97	10.70	11.53	66	9.90	11.64	12.18	13.02
32	8.35	10.09	10.80	11.62	67	9.94	11.65	12.23	13.05
33	8.41	10.19	10.88	11.72	68	9.94	11.65	12.25	13.08
34	8.49	10.27	10.96	11.80	69	9.99	11.65	12.30	13.11
35	8.55	10.38	11.04	11.89	70	10.02	11.65	12.34	13.14
					Oversized	25.99	26.31	27.00	28.05

Notes:

1. Parcels that weigh less than 15 pounds but measure more than 84 inches in combined length and girth are charged the applicable rate for a 15-pound parcel. Regardless of weight, any parcel that measures more than 108 inches (but not more than 130 inches) in combined length and girth must pay the oversized rate.

**PACKAGE SERVICES
RATE SCHEDULE 522E**

**BOUND PRINTED MATTER
BPM RETURN SERVICE
RETURN BMC RATE CATEGORY**

Weight	Zones 1 & 2	Zone 3	Zone 4	Zone 5
1.0	\$1.63	\$1.68	\$1.72	\$1.80
1.5	1.63	1.68	1.72	1.80
2.0	1.70	1.76	1.82	1.92
2.5	1.77	1.85	1.92	2.05
3.0	1.84	1.93	2.02	2.17
3.5	1.91	2.02	2.12	2.30
4.0	1.98	2.10	2.22	2.42
4.5	2.05	2.19	2.32	2.55
5.0	2.12	2.27	2.42	2.67
6.0	2.26	2.44	2.62	2.92
7.0	2.40	2.61	2.82	3.17
8.0	2.54	2.78	3.02	3.42
9.0	2.68	2.95	3.22	3.67
10.0	2.82	3.12	3.42	3.92
11.0	2.96	3.29	3.62	4.17
12.0	3.10	3.46	3.82	4.42
13.0	3.24	3.63	4.02	4.67
14.0	3.38	3.80	4.22	4.92
15.0	3.52	3.97	4.42	5.17

PROPOSED CHANGES TO FEE SCHEDULE 1000

Description	Fee
Add:	
Parcel Return Services Accounting Fee (per year)	475.00
Parcel Return Services Permit Fee (per year)	150.00

CERTIFIED FINANCIAL STATEMENTS

The United States Postal Service Certified Financial Statements for the Years Ended September 30, 2002 and September 30, 2001, with report of independent auditors Ernst and Young, are reprinted in the following pages.

[Certified Financial Statements are filed today only in hard copy -- electronic to follow.]

CERTIFICATION

I, William P. Tayman, Jr., Manager, Corporate Financial Planning, United States Postal Service, am familiar with the attached Request of the United States Postal Service for a Recommended Decision on Experimental Parcel Return Services, together with the accompanying direct testimony and exhibits.

Pursuant to Rule 54(p) of the Postal Rate Commission's Rules of Practice and Procedure, 39 C.F.R. § 3001.54(p), I hereby certify that I have read the Request, that the cost statements and supporting data submitted as part of that Request, which purport to reflect the books of the Postal Service, accurately set forth the results shown by such books, and that, to the best of my knowledge, information, and belief, every statement contained in the Request is proper.

William P. Tayman, Jr.

INDEX OF TESTIMONIES: DOCKET NO. MC2003-2

WITNESS	TESTIMONY	EXHIBIT		WORKPAPERS		ATTORNEY
		TITLE	N O		N O	
Mr. Gullo	USPS-T-1	[None]		[None]		Scott L. Reiter 202-268-2900 Brian M. Reimer 202-268-3037
Ms. Eggleston	USPS-T-2	Cost Summary Acceptance Cost Estimates Mail Proc. Cost Estimates Storage Cost Estimates Transportation Cost Estimates Scanning Cost Estimates Postage Due Cost Estimates Postage Due Survey Data	A B C D E F G H	[None]		Scott L. Reiter 202-268-2999 Brian M. Reimer 202-268-3037

Mr. Kiefer	USPS-T-3	Proposed Parcel Select Return Service Rates	A	Major Input Assumptions For Proposed Rate Sch.	1	Scott L. Reiter 202-268-2999 Brian M. Reimer 202-268-3037
		Proposed Bound Printed Matter Service Rates	B	Current Intra-BMC Parcel Post Rates	2	
		Proposed Fee Schedule 1000 Changes	C	Current BPM Single Piece Rates	3	
		Parcel Return Services Financial Impacts	D	Distribution of Docket No. R2002-1 TYAR	4	
		Proposed DMCS Changes	E	RBMC Forecast Volume Distribution	5	
				Distribution of Forecast PSRS RBMC Pieces	6	
				Calculation of RDU Cost Savings by Weight	7	
				Distribution of Cost Savings by Weight	8	
				Oversized Mail Savings Calculation	9	
				Proposed Parcel Select Return Service Rates	10	
				Proposed BPM Parcel Return Service Rates	11	
				Revenue Impacts	12	
				Financial Summary	13	
Mr. Wittnebel	USPS-T-4	[None]		[None]		Scott L. Reiter 202-268-2999 Brian M. Reimer 202-268-3037

Docket No. MC2003-2 Request

ATTACHMENT F

COMPLIANCE STATEMENT

This Attachment contains a statement of the manner in which the Postal Service has supplied the information requested in sections 54, 64, and 67 of the Commission's Rules of Practice and Procedure (39 CFR §§3001.54, 3001.64, and 3001.67). 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: 54(a)(1)

REQUIREMENT: This rule requires a description of any changes proposed by the Postal Service in the attribution procedures applied by the Commission in the most recent general rate proceeding in which its recommended rates or fees were adopted. If a request proposes to change the cost attribution principles applied by the Commission in the most recent general rate proceeding in which its recommended rates were adopted, the Postal Service's request shall include an alternate cost presentation satisfying Rule 54(h) that shows what the effect on the Postal Service's request would be if it did not propose changes in attribution principles. If the required information is set forth in the Postal Service's prepared direct evidence, it shall be deemed to be part of the formal request without statement.

Insofar as they apply, the Postal Service incorporates by reference the testimonies and costing presentations submitted with its Request in Docket No. R2001-1.¹ Costing principles and their specific application to the proposed experimental Parcel Return Service are discussed in the testimony and supporting documentation of witness Eggleston (USPS-T-2).

¹ See 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, Docket No. R2001-1, Attachment G (Sept. 24, 2001). The Compliance Statement in that case provides direction to pertinent testimony and documentation.

RULE: 54(b)(1), (2), (3), (4)

INFORMATION REQUESTED: These rules request the submission of schedules of the existing effective rates of postage and fees for all postal services and those rates and fees as proposed to be changed or adjusted. The schedules must:

- (1) show the full rates and, where applicable, the phased rates under section 3626 of title 39, U.S.C., and any proposed adjustment to such phased rates under section 3627 of title 39, U.S.C., indicated by the circumstances known at the time of the filing;
- (2) be presented in a summary fashion and a tariff-like form, specifying those rules, regulations and practices which establish the conditions of mailability and the standards of service. Specifically, they must address such functions as mail pickup and delivery, processing and other similar functions;
- (3) contain a statement of the degree of economic substitutability between the various classes and subclasses; and
- (4) be accompanied by an identification of all nonpostal services.

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

Attachment A to this Request includes the proposed changes to Domestic Mail Classification Schedule § 521 for the Parcel Select Return Service, § 522 for the Bound Printed Matter Return Service, as well as changes to other sections of the Domestic Mail Classification Schedule that are needed to implement the experiment.

Attachment B sets forth the proposed addition to Fee Schedule 521.2F and 521.2G for the Parcel Select Return Service, Fee Schedule 522E for the BPM Return Service, and Fee Schedule 1000 for accounting and permit fees.

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 generally are published in the Domestic Mail Manual and are

incorporated by reference in 39 C.F.R. § 111.1. The practices of the Postal Service regarding, and the conditions for, the Parcel Return Service are discussed in the testimony of witness Gullo (USPS-T-1). The Postal Service's response to Rule 54(b)(2) 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 and Identification of Nonpostal Services.

With regard to classes of mail and special services generally, and identification of nonpostal services, 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).

The proposed implementation of an experimental classification and fees for the Parcel Return Service is not expected to cause substitution among mail classes or rate categories, 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.²

4. Identification of Nonpostal Services

There are no nonpostal services in this request.

² See Motion of United States Postal Service for Waiver, Docket No. MC2003-2 (May 28, 2003).

RULE:54(c)

INFORMATION REQUESTED:

This rule requires "an identification of the characteristics of the mailer and recipient, and a description of the contents of items mailed within the various classes and subclasses of mail and service."

With regard 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. With regard to the experimental Parcel Return Service, information responsive to this rule may be found in the testimony of witness Gullo (USPS-T-1).

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.

RULE: 54(d)

INFORMATION REQUESTED:

This rule requests "an identification of the physical attributes of the items mailed by class and subclass, including shape, weight, and distance."

With regard 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. The operations involved in offering the experimental Parcel Return Service, including a description of the types of mail affected, are described in the testimony of witness Gullo (USPS-T-1).

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.

RULE: 54(e)

INFORMATION REQUESTED:

To the extent such information is not included within material supplied under rule 54(b)(2), this rule requests "a summary statement describing special service arrangements provided to, or requested or required of, mailers by the Postal Service which bear upon the cost of service or the value of the mail service to both the sender and the recipient, e.g., services relating to mailer preparations in excess of requirements specified by the [*Domestic Mail Manual*], pick-up and delivery, expedited or deferred processing, and other similar activities performed."

Information responsive to this rule is contained in the Request and supporting materials filed in Docket No. R2001-1 (see Compliance Statement, Rule 54(e)), which are incorporated by reference here. The requirements for the Parcel Return Service are described in the testimony of witness Gullo (USPS-T-1) and in the DMM, which is referenced in response to Rule 54(b).

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.

RULE: 54(f)(1)

INFORMATION REQUESTED:

This rule requests the submission of "the total actual accrued costs during the most recent fiscal year for which they are reasonably available."

The total actual accrued costs for FY 2002 are presented in the Cost & Revenue Analysis (CRA) Report, on file with the Commission. Operating and other expenses for FY 2002 are contained in the United States Postal Service Annual Report for FY 2002. Copies of the Annual Report have been filed with the Commission.

RULE:54(f)(2) (Basic Submissions)

INFORMATION REQUESTED:

This rule requests:

- for the year in which the filing is made, estimates of the total actual accrued costs of the Postal Service, assuming the prefiling (existing) rates and fees;
- for the year in which the filing is made, estimates of the total actual accrued costs of the Postal Service, assuming the proposed rates and fees;
- for a year which forms the basis for the proposed rates and fees , beginning not more than 24 months after the filing date of the Request, estimates of the total actual accrued costs of the Postal Service, assuming the prefiling (existing) rates and fees;
- for a year which forms the basis for the proposed rates and fees, estimates of the total actual accrued costs of the Postal Service, assuming the proposed rates and fees.

With regard 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 experimental nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs, either in the present fiscal year or a rollforward analysis in a future test year. Moreover, in light of the relative magnitudes of any costs for the proposed Parcel Return Services compared to total costs, estimates for all other mail categories and services will not be materially affected if it is recommended and approved.

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.

RULE:54(f)(2) (Methods and Procedures)

INFORMATION REQUESTED:

For the estimated total accrued costs specified in this provision, the rule requests an explanation of the methods and procedures used for the cost projections, including

- an explanation of the projection of total volumes;
- an explanation of the effect of the projected volume levels on estimated total costs;
- specification of the cost savings which will be realized from gains and improvements in total productivity, indicating such factors as operational and technological advances and innovations;
- identification of abnormal costs which are expected to be incurred in the test year.

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 experimental nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total 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.

RULE:54(f)(3)(i) and (ii) (Operating Costs)

INFORMATION REQUESTED:

This rule requires that the cost presentations prepared in response to paragraphs (f)(1) and (f)(2) of Rule 54 must show the following:

- the Postal Service's operating costs, described in "sufficient detail as to the accounting and functional classifications and with such reasonable explanation so that the actual or estimated amount for each item of expense may be readily understood"; and
- full explanations for the amounts included for depreciation on capital facilities and equipment, debt service, contingencies, and extraordinary or nonrecurring expenses.

The Postal Service incorporates by reference the testimony and supporting documentation of witness Tayman submitted with the Postal Service's Request in Docket No. R2001-1. Witness Tayman's testimony presents operating costs and other financial expenses with regard to all existing mail categories and services. Because of the experimental nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total 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.

RULE: 54(f)(3)(iii) (Cost Assignment and Distribution)

INFORMATION REQUESTED:

This rule requires that the cost presentations prepared in response to paragraphs (f)(1) and (f)(2) of Rule 54 must show the assignment and distribution of costs to each of the functions "comprising the mail process," including,

- an itemization of costs by the major accounts as reflected by the Service's books of account for all cost segments;
- an itemization of costs by functions such as collection, acceptance, general overheads, etc.;
- an assignment and distribution of the costs by account, together with related mail volumes, for each function;
- an assignment and distribution of the costs by account, together with related mail volumes, to "such subfunctions within each category for which information is available or can be developed";
- an explanation of the method by which the costs by account are assigned and distributed to functions.

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 experimental nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total 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.

RULE:54(g)

INFORMATION REQUESTED:

This rule requests historical costs for "each fiscal year since the last filing pursuant to this section" to be submitted "in a form as nearly consistent as possible with the filing under [rule 54(f)], together with explanations of any departures from such form and the effect of such departures."

Operating and other expenses for FY 2001 and FY 2002 are contained in the United States Postal Service Annual Reports, which have been filed with the Commission. Total and distributed costs for FY 2001 and FY 2002 are presented in the Cost & Revenue Analysis (CRA) Reports, also on file with the Commission.

RULE:54(h)(1)

INFORMATION REQUESTED:

This rule requests the separation of actual and estimated total costs, for the fiscal years specified in Rule 54(f), as between postal services (including international mail) and nonpostal services. "The presentation shall show the methodology for separating postal costs as between postal services and nonpostal services, and shall be in sufficient detail to allow a determination that no nonpostal costs have been assigned or allocated to postal services."

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. These materials discuss separation of costs among domestic, international, and nonpostal services (see Compliance Statement, Rule 54(h)(1)). Because of the experimental nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total 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.

RULE: 54(h)(2) and (3) (Separation of costs by functions)

INFORMATION REQUESTED:

For the actual and estimated total costs presented for the years specified in rule 54(f), these rules request the costs to be separated as follows:

- those direct costs which can be attributed to each class of mail or type of mail service;
- those indirect costs which can be attributed to each class of mail or type of mail service;
- any other costs of the Service which can be reasonably assigned to each class of mail or type of mail service;
- any other costs of the Postal Service which cannot be attributed or reasonably assigned.

The methodology used to derive these costs is requested to be set forth in detail.

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 experimental nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total 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.

RULE: 54(h)(4), (12)

INFORMATION REQUESTED:

This rule applies to the costs identified in rule 54(h)(2). It requests that these costs be separately attributed to mail classes, subclasses, and special services. It also requests identification of the methodology used in attribution and an analysis of the effect of costs on the following:

- volume;
- peaking patterns;
- priority of handling;
- mailer preparations;
- quality of service;
- the physical nature of the item mailed;
- expected gains in total productivity, indicating such factors as operational and technological advances and innovations;
- any other factor affecting costs.

The data relevant to the analyses of the effect on costs of these factors is also to be provided.

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 (see Compliance Statement, Rule 54(h)(4), (12)). Because of the experimental nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total 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.

RULE:54(h)(5) - (h)(10) ("Roll-Forward" model)

INFORMATION REQUESTED:

These provisions generally specify particular items which are to be included in the presentation of the process by which base year costs are rolled-forward to test-year costs, such as listings of the forecasting factors, piggyback factors, interim period workpapers, and an overall summary cost table. Rules 54(h)(6) and (7) request an explanation of the attributable cost final adjustments and the "other services" adjustments.

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. Cost estimates for the Parcel Return Service have not been developed through the roll-forward process described in those materials. Because of the experimental nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total 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.

RULE: 54(h)(11) (Nonattributed costs)

REQUIREMENT:

This rule applies to costs that are identified as "nonattributed or unassigned" pursuant to rule 54(h)(2). It requests an explanation as to why such costs cannot be attributed or assigned. It further requests the identification, to the extent possible, of all such costs which benefit more than one class of mail or type of service (but not all classes or types), together with the mail classes or types of services so benefitted.

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. The Compliance Statement therein (Rule 54(h)(11)) discusses nonattributed costs generally, and the extent to which they benefit more than one class of mail. Because of the experimental nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total 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.

RULE: 54(i)

REQUIREMENT:

This rule requires a statement of the criteria employed by the Postal Service in construction of the proposed rate schedule. The statement is to include:

- the identification of the relationship between the revenues derived from the rates and fees for a particular class and subclass of mail or service and the costs attributed and assigned to that class or subclass of service;
- the identification of the procedures and methods used to apportion (to postal services) that part of the total revenue requirement, which is in excess of costs attributed;
- such other studies, information and data relevant to the criteria established by section 3622 of title 39, U.S.C., with appropriate explanations as will assist the Commission in determining whether or not the proposed rates or fees are in accordance with such criteria.

The instant Request proposes only the establishment of an experimental classification, rates and fees for the Parcel Return Service. The testimonies and exhibits of witnesses Eggleston (USPS-T-2) and Kiefer (USPS-T-3) respond to this Rule. Because of the experimental nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total 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.

RULE:54(j)(1), (2), (3), and (4)

INFORMATION REQUESTED:

These rules request specification of revenues for certain fiscal years, including the test year. Revenues are to be submitted for

- test year, assuming prefiling (existing) rates and fees;
- test year, assuming proposed rates and fees.

The actual and estimated revenues for these years are to be shown in total and separately for each class and subclass of mail and postal service and for all other sources from which the Postal Service collects revenues.

Each revenue presentation is to be supported by identification of the methods and procedures employed.

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 experimental nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total 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.

RULE:54(j)(5) (volume estimates)

REQUIREMENT:

This rule requires that the Postal Service present for each class and subclass of mail and special service

- for each postal quarter beginning with the first quarter of the most recent complete fiscal year and ending one year beyond the last quarter of the test year, actual or estimated mail volumes at the prefiled (existing) rates and fees;
- for each postal quarter beginning with the quarter in which the rates are assumed to become effective and ending one year beyond the last quarter of the test year, the estimated volume of mail assuming the effectiveness of the proposed rates.

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 experimental nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total 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.

RULE:54(j)(5), (6), (7) (Demand study -- methodology and documentation)

REQUIREMENT:

These rules require that the volume estimates provided pursuant to Rule 54(j)(5) must be derived from an econometric demand study relating postal volumes to their economic and noneconomic determinants, including postal rates, discounts and fees, personal income, business conditions, competitive and complementary postal services, competitive and complementary nonpostal activities, population, trend, seasonal patterns and other factors. The study must be furnished with the request, and any departure from the assumptions and specifications in the demand study made in estimating volumes of any class or subclass of mail must be explained. If different billing determinants are used for volume forecasting and revenue forecasting purposes, a supporting rationale must be provided.

For volume and revenue estimates, and subject to rule 54(a)(2), the Postal Service is to provide:

- a detailed explanation of the methodology employed to forecast volumes for each class and subclass of mail and postal service. Representative derivations of these forecasts from the econometric demand study must be presented in detail for two major mail classes, showing each intermediate value or factor employed. For remaining classes and subclasses of mail, such derivations may be summarized, except where their derivations depart from the representative methods presented;
- a detailed explanation of the methodology employed to forecast changes in revenues for each class and subclass of mail and postal service resulting from changes in rates and fees;
- a computer implementation of the methodology employed to forecast volumes and revenues for each class and subclass of mail and postal service. The computer implementation must comply with Rule 31(k)(3), and must be able to compute forecasts of volumes and revenues compatible with those specified in Rules 54(j)(2), (3), and (5) for
 - o any set of rates and fees within a reasonable range of the prefiled (existing) and the proposed rates,
 - o any date of implementation within the range spanned by the assumed date of implementation and the start of the test year,
 - o alternative forecasts of the economic determinants of postal volumes, other than postal rates and fees, and
 - o alternative values of any parameters with assigned values that are

based upon unverifiable judgments.

Subject to rule 54(a)(2), the Postal Service must make available at the offices of the Commission, in a form that can be read directly by a standard digital computer, the following:

- all of the input files and programs needed to replicate the requested econometric demand study;
- any input files and programs employed to derive a price index for any class or subclass of mail or postal service from postal rates, discounts, and fees;
- any input files and programs used to prepare data for use in the requested econometric demand study.

With regard to volume projections generally and estimates pertaining to classes of mail and special services the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2001-1. Because of the experimental nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total 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.

RULE: 54(k)

INFORMATION REQUESTED:

This rule requests that the Postal Service provide for the two fiscal years immediately preceding the year in which the request is filed, the Balance Sheet, the Statement of Income and Expense, basic statistical information, and the Statement of Income and Expense by budget category. This includes data with respect to the following:

- (1) the Balance Sheet and a supporting schedule for each item that appears thereon;
- (2) the Statement of Income and Expense and a supporting schedule for each item appearing thereon;
- (3) as appropriate, statistical data with respect to revenue, pieces (by physical attributes, showing separately amounts of mail identified as stamped, metered, and imprinted, or other), weight, distance, postal employees (number, total payroll, productivity, etc.), postal space, post offices (number, classes, etc.), and any other pertinent factors which have been utilized in the development of the suggested rate schedule; and
- (4) the Statement of Income and Expense by cost segment.

In addition, this rule requires that the Postal Service provide a reconciliation of the budgetary information with the actual accrued costs for the most recent fiscal year. If the fiscal information for the immediately preceding fiscal year is not fully available on the date of filing, the Postal Service is required to make a preliminary or pro forma submittal, and file an updated report once the fiscal information is completed.

Financial information for FY 2001 and FY 2002 has been provided to the Commission in the United States Postal Service Annual Reports for FY 2001 and FY 2002. Attachment C to this Request includes the Audited Financial Statements for FY 2001 and 2002. Cost and Revenue Analysis Reports for FY 2000, FY 2001, and FY 2002 are on file with the Commission.

RULE: 54(l)(i)

REQUIREMENT:

This rule requires a statement (which can be in workpaper form) indicating for each class and subclass of mail and postal service the relevant billing determinants (e.g., the volume of mail related to each rate element in determining revenues) separately for the current rates and the proposed rates. Proposed changes in rate design and the related adjustments are to be explained in detail.

With regard to billing determinants pertaining to classes of mail and special services in general, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2001-1, and the Billing Determinants for FY 2001 and FY 2002, which are on file with the Commission. An explanation regarding the proposed changes in rate design is provided in the testimony of witness Kiefer (USPS-T-3). Because of the experimental nature of the service being proposed, the Postal Service has not prepared a full analysis of the billing determinants for current and proposed rates.

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.

RULE: 54(l)(ii)

REQUIREMENT:

This rule requires, subject to subsection (a)(2), the base year volume of third-class bulk mail by ounce increment for each shape (letter-size, flat, irregular parcels, and parcels), submitted separately for regular and preferred, by presort level.

The Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2001-1. This information is not affected by the proposed experimental Parcel Return Service.

RULE:54(m)

REQUIREMENT:

This Rule requires a statement, which can be in workpaper form, presenting detailed calculations of continuing appropriations according to 39 U.S.C. § 2401(c), phasing appropriations under 39 U.S.C. § 3626, and any proposed adjustment to such phased rates under 39 U.S.C. '§3627 indicated by circumstances known at the time of the filing. Calculation of all the phased rates for the entire applicable phasing period are to be explained in detail.

With regard to mail categories and special services in general, the Postal Service incorporates by reference the materials submitted with its Request in Docket No.

R2001-1. This rule is not applicable to the instant Request, since there are no changes proposed to any preferred subclasses of mail.

Rule: 54(n)

REQUIREMENT:

This Rule requires identification of any performance goals which have been established for the classes and subclasses of mail. The Request is to identify the achieved levels of service for those classes and subclasses of mail and mail services for which performance goals have been set.

The Postal Service incorporates by reference the material filed with the Request in Docket No. R2001-1 (see Compliance Statement, Rule 54(n)).

Rule: 54(o)

REQUIREMENT:

This Rule requires seven sets of workpapers to be filed with the Request.

The required workpapers or their equivalents are supplied as an exhibit to the testimony of the Postal Service witnesses Eggleston (USPS-T-2) and Kiefer (USPS-T-3). Workpapers for testimony filed in Docket No. R2001-1 are on file with the Commission.

Rule: 54(p)

INFORMATION REQUESTED:

This Rule requests one or more certifications stating that the cost statements and supporting data submitted as part of the formal request, as well as the accompanying workpapers, which purport to reflect the books of the Postal Service, accurately set forth the results shown by such books. The requested certification is to be signed by one or more representatives of the Postal Service authorized to make such certification.

The requested certification is submitted as Attachment D to this Request.

Rule: 54(q)

INFORMATION REQUESTED:

This Rule requests an opinion from an independent public accountant to the extent and as required by 39 U.S.C. § 2008(e).

An opinion by the independent accounting firm of Ernst & Young covering the Fiscal Years 2001 and 2002 Audited Financial Statements is contained in Attachment C to this Request.

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.

See response to Rule 54(b).

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.

See response to Rule 54(c), (d) and (e).

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.

See response to Rule 54(f)(1)-(3), 54(h), and 54(j).

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.

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.

The testimonies of witnesses Gullo (USPS-T-1), Eggleston (USPS-T-2), and Kiefer (USPS-T-3) 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.

See response to Rule 54(o).

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.

Compliance with pertinent parts of Rule 54 is explained above in this Compliance Statement. Other pertinent information is provided in the response to this rule in Docket No. R2001-1 and in the testimony and supporting materials filed in that docket. These materials are incorporated by reference. A motion setting forth grounds for waiver of portions of Rule 54 accompanies this Request.

In addition to the information required by Rules 54 and 64, Rule 67 establishes specific requirements for experiments. Each requirement is listed below, followed by the response.

RULE: 67(b)(4)

INFORMATION REQUESTED:

The desired duration of the experiment as indicated by the Postal Service in its request and, specifically, in its proposed Domestic Mail Classification Schedule language.

Proposed classification provisions, including the desired duration of the experiment, are provided in Attachment A to the instant Request.

RULE: 67c

INFORMATION REQUESTED:

A plan for data collection including designation of unavailable data called for by § 3001.64.

A proposed data collection plan for the experiment is addressed in the testimony of witness Gullo (USPS-T-1).