

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268B0001

EXPERIMENTAL PERIODICALS
CO-PALLETIZATION DROPSHIP DISCOUNTS
FOR HIGH EDITORIAL PUBLICATIONS, 2004

Docket No. MC2004-1

UNITED STATES POSTAL SERVICE MOTION FOR ESTABLISHMENT OF A
PROCEDURAL MECHANISM AND SCHEDULE GOVERNING FURTHER
PROCEEDINGS IN LIGHT OF PROJECTED SETTLEMENT
(May 18, 2004)

The United States Postal Service hereby moves that the Commission establish certain procedural mechanisms designed to encourage the parties to consider expeditious resolution of the issues in this proceeding based upon a proposed Stipulation and Agreement, which would allow the Commission to expedite its consideration of the Postal Service's request. The Postal Service also hereby appends to this Motion the proposed Stipulation and Agreement for consideration by all parties in this proceeding.

In Order No. 1392¹, the Commission granted the Postal Service's request for expedition in this docket in certain respects. The Commission gave interested parties until March 17, 2004, to intervene. It required parties, in their notices of intervention, to state whether they intended to seek a hearing, and to identify with particularity any genuine issues of material fact that would warrant a hearing. The Commission authorized settlement negotiations, appointed Postal Service counsel as settlement

¹ Notice And Order On Filing Of Request Seeking Experimental Periodicals Discounts, Docket No. MC2004-1 (Feb. 27, 2004).

coordinator, and authorized the settlement coordinator to hold a settlement conference. It also designated the Consumer Advocate to represent the general public.

Seven parties have intervened in this proceeding, and some issues of material fact were identified at the Prehearing Conference. Tr. 1/10-13. These issues have been pursued through extensive discovery to Postal Service witness Taufique. At this time, however, Postal Service counsel believes that no participant plans to conduct additional discovery, or intends to seek a hearing. As a result of informal settlement discussions, and the settlement conference held on March 22, 2004, the Postal Service believes that there is substantial support for, and no opposition to, a settlement agreement.

The Postal Service believes that a procedural schedule for the Commission to consider settlement should be established, and hereby submits its suggested schedule for additional items that may be needed to build the record and provide due process in this proceeding:

Designation of direct testimony and written cross-examination – June 1

Declarations supporting designated direct testimony and interrogatory responses – June 4

Signature pages to the stipulation and agreement returned to the Postal Service and filed with the Commission – June 8

Comments on the settlement – June 15

Reply comments – June 21.

The Postal Service appreciates the efforts the Commission has already made to expedite this proceeding, and requests that the further steps discussed in this motion be adopted.²

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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/s/ _____
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May 18, 2004

² The Postal Service Board of Governors will meet on July 19-20, 2004, with the next meeting on September 13-14z, 2004.

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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 February 25, 2004, 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 an experimental change in the Domestic Mail Classification Schedule (DMCS) to enhance the rate categories and discounts for Periodicals mail that is co-palletized and dropshipped. The request was designated as Docket No. MC2004-1 by the Commission. The basis for the request is explained in the Docket No. MC2004-1 direct testimony of witness Altaf Taufique (USPS-T-1).

II. TERMS AND CONDITIONS

1. This Stipulation and Agreement represents a negotiated settlement of all issues raised by the Docket No. MC2004-1 Request of the United States Postal Service for a Recommended Decision on Experimental Periodicals Co-Palletization Dropship Discounts for High Editorial Publications.

2. The undersigned participants stipulate and agree, for purposes of this proceeding only, that the following materials provide substantial evidence supporting and justifying a Recommended Decision recommending the proposed experimental changes to DMCS §§ 421 and 511, and Rate Schedule 421: the Docket No. MC2004-1 direct testimony and materials filed in support of the Postal Service's Request, and any written cross-examination, as revised and supplemented, that is designated before the record closes. The proposed DMCS language 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 stipulate and agree that the experimental DMCS and Rate Schedule changes set forth in the Attachment to this Stipulation and Agreement are in accordance with the polices of title 39, United States Code, and in particular, the criteria and factors of 39 U.S.C. §§ 3622 and 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 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 experimental classification and fees as filed in this Stipulation and Agreement, or if the Governors of the Postal Service fail to approve the Commission's Recommended Decision adopting the experimental classification and fees 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. MC2004-1 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. The undersigned participants request that the Commission expeditiously issue a decision recommending adoption of the experimental DMCS and Rate Schedule provisions appended to this Stipulation and Agreement.

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

* Signature pages are attached.

PERIODICALS
CLASSIFICATION SCHEDULE

[Revised Section for Co-palletization Dropship Discounts:]

- 421.50 **Co-palletization Dropship Discounts.** Either a per-piece or a per-pound co-palletization dropship discount (but not both) applies to Outside County subclass nonletter mail qualifying under section 421.49, that is presented on sectional center facility (SCF) or area distribution center (ADC) pallets containing more than one publication, as specified by the Postal Service. The discount is limited to those pieces which could not be prepared on a qualifying pallet under section 421.48 or 421.49, if the mail had been prepared without such combining. The per-pound discounts apply only to editorial pounds, and are also limited to publications that weigh 9 ounces or more, which contain no more than 15 percent advertising matter, and which have a mailed circulation of no more than 75,000 copies per issue. A participating mailer or consolidator must provide pre-consolidation and post-consolidation documentation for all qualifying pieces, as specified by the Postal Service. This section expires the later of:
- a. two years after the implementation date for the revisions to this section specified by the Board of Governors, or
 - b. if, by the expiration date specified in (a), a proposal for a permanent replacement for the co-palletization dropship discounts is pending before the Postal Rate Commission:
 - i. three months after the Commission takes action on such request under 39 U.S.C. § 3624 or, if applicable,
 - ii. on the implementation data for a permanent replacement for the co-palletization dropship discounts.

PACKAGE SERVICES
CLASSIFICATION SCHEDULE

[Revised Section for Sample Periodical in Package Services:]

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 section 321.22 and 323.22; and
- c. Copies of a publication that is entered as Periodicals class mail, except:
 - i. copies sent by a printer to a publisher, ~~and except~~
 - ii. 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.); ~~and~~
 - iii. sample copies enclosed or attached with merchandise sent at Parcel Post or Bound Printed Matter rates.

Additions to the DMCS are underlined, while deletions are marked with ~~strike-through~~.

**PERIODICALS
RATE SCHEDULE 421**

OUTSIDE COUNTY (INCLUDING SCIENCE OF AGRICULTURE)

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

(Proposed new language is underlined.)

Automation flat	Piece	0.283
5-Digit		
Nonautomation	Piece	0.256
Automation letter	Piece	0.195
Automation flat	Piece	0.226
Carrier Route		
Basic	Piece	0.163
High density	Piece	0.131
Saturation	Piece	0.112
Discounts		
Percentage editorial discount	Piece	0.00074
Worksharing discount DDU	Piece	0.018
Worksharing discount DSCF	Piece	0.008
Worksharing discount DADC	Piece	0.002
Worksharing discount pallets	Piece	0.005
Worksharing dropship pallet discount	Piece	0.010
Experimental Discounts		
Co-palletization discounts DSCF		
	Piece	0.010
<u>Zones 1&2 Avoided</u>	<u>Pound</u>	<u>0.014</u>
<u>Zone 3 Avoided</u>	<u>Pound</u>	<u>0.019</u>
<u>Zone 4 Avoided</u>	<u>Pound</u>	<u>0.034</u>
<u>Zone 5 Avoided</u>	<u>Pound</u>	<u>0.056</u>
<u>Zone 6 Avoided</u>	<u>Pound</u>	<u>0.079</u>
<u>Zone 7 Avoided</u>	<u>Pound</u>	<u>0.107</u>
<u>Zone 8 Avoided</u>	<u>Pound</u>	<u>0.131</u>
Co-palletization discounts DADC		
	Piece	0.007
<u>Zones 1&2 Avoided</u>	<u>Pound</u>	<u>0.008</u>
<u>Zone 3 Avoided</u>	<u>Pound</u>	<u>0.013</u>
<u>Zone 4 Avoided</u>	<u>Pound</u>	<u>0.028</u>
<u>Zone 5 Avoided</u>	<u>Pound</u>	<u>0.050</u>
<u>Zone 6 Avoided</u>	<u>Pound</u>	<u>0.073</u>
<u>Zone 7 Avoided</u>	<u>Pound</u>	<u>0.101</u>
<u>Zone 8 Avoided</u>	<u>Pound</u>	<u>0.125</u>

SCHEDULE 421 NOTES

1. The rates in this schedule also apply to Nonprofit (DMCS Section 422.2) and Classroom rate categories. These categories receive a 5 percent discount on all components of postage except advertising pounds. Moreover, the 5 percent discount does not apply to commingled nonsubscriber,

(Proposed new language is underlined.)

nonrequestor, complimentary, and sample copies in excess of the 10 percent allowance under DMCS sections 412.34 and 413.42, or to Science of Agriculture mail.

2. Rates do not apply to otherwise Outside County mail that qualifies for the Within County rates in Schedule 423.
3. Charges are computed by adding the appropriate per-piece charge to the sum of the nonadvertising pound portion and the advertising pound portion, as applicable.
4. For postage calculations, multiply the proportion of nonadvertising content by this factor and subtract from the applicable piece rate.
5. Advertising pound rate is not applicable to qualifying Nonprofit and Classroom publications containing 10 percent or less advertising content.
6. For a Ride-Along item enclosed with or attached to a periodical, add \$0.124 per copy.
7. Experimental discounts expire the later of a) two years after the implementation date for the revisions to DMCS section 421.50 specified by the Board of Governors, or b) if, by the expiration date specified in (a), a proposal for a permanent replacement for the co-palletization dropship discounts is pending before the Postal Rate Commission, then 1) three months after the Commission takes action on such request under 39 U.S.C. § 3624 or, if applicable, 2) on the implementation date for a permanent replacement for the co-palletization dropship discounts.

(Proposed new language is underlined.)

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

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May 18, 2004