

Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Experimental Premium Forwarding Service)

Docket No. MC2005-1

OFFICE OF THE CONSUMER ADVOCATE COMMENTS
IN SUPPORT OF MOTION OF THE UNITED STATES POSTAL SERVICE
FOR CONSIDERATION OF ATTACHED STIPULATION AND AGREEMENT
AS THE BASIS FOR RECOMMENDED DECISION
(March 21, 2005)

The Office of the Consumer Advocate hereby comments in support of the motion of the United States Postal Service for consideration of the Stipulation and Agreement as the basis for recommended decision filed March 1, 2005.¹ A signature page in support of the Stipulation and Agreement was filed with the Commission on March 4, 2005, by Shelley S. Dreifuss, Director of OCA. On March 14 and 15, 2005, OCA designated Postal Service responses to interrogatories by OCA and participants David B. Popkin and Douglas F. Carlson as written cross-examination for the record.

OCA fully supports the Postal Service's application for a Commission recommendation approving the Experimental Premium Forwarding Service (PFS). OCA believes the PFS service will provide a valuable and desirable postal product that has heretofore only been provided without separate classification as Snowbird service "on various terms by local officials in some locales." (OCA/USPS-T2-2(a), see Rothschild, USPS-T2 at 4.)

¹ The "Presiding Officer's Ruling Establishing Final Procedural Schedule," Ruling No. MC2005-1/6 established March 21, 2005 and March 28, 2005 as the dates for filing briefs.

As proposed, the PFS service appears simple—for a non-refundable registration fee of \$10 and a prepayment of \$10 for each week, between two weeks to one year, a customer can receive all mail at a temporary address. Most mail will be reshipped every Wednesday in a Priority Mail container or containers. Other mail will be re-routed as soon as feasible. (Cobb, USPS-T1 at 1, Koroma, USPS-T4 at 2-3.) Alternatives to PFS service are temporary and permanent forwarding service, but they do not offer the same advantages as PFS service. (Cobb, USPS-T-1 at 10.)

The PFS service appears more complex when the potential costs to the customer and the operational details are examined. Certain accountable mail will be forwarded immediately and parcels that will not fit into the PFS reshipment box will be forwarded outside the PFS shipment. In some cases, the Postal Service will forward mail as Priority Mail postage due and in other cases the mail will be forwarded without charge.

Except as noted below, the Postal Service will reship as PFS mail all First-Class letters and flats, standard mail, and periodicals in one or more boxes as required by the volume of mail received, together with only those parcels that may fit into the box after other mail is first introduced. (OCA/USPS-T-1-36, 38) Priority Mail, Express Mail, and First-Class accountable mail, such as delivery confirmation mail or signature confirmation mail, will not be held for reshipment, but forwarded immediately without additional fee. (Cobb, USPS-T-1 at 2, OCA/USPS-T1-32(2).) Other accountable mail (Standard Mail and Package Services) will be forwarded at Priority Mail postage due rates. (*Ibid.*)

During the discovery phase of this proceeding, it became apparent to the Postal Service that a modification to the original proposal was necessary. The Postal Service decided to modify the planned service to provide that First-Class packages too large for the weekly PFS reshipment would be forwarded without postage due rather than with postage due as originally proposed. (Cobb, USPS-T-1 at 2, OCA/USPS-T1-32.) Section 937.11 of the proposed DMCS language makes this explicit. This is a reasonable accommodation in recognition of the otherwise potential cost to PFS customers of charging Priority Mail postage due rates for First-Class Mail that will not fit into the weekly reshipment packages.

All other classes of parcels (Standard Mail and Package Services) that are too large to fit into a reshipment box will also be re-routed, but they will be forwarded at the appropriate Priority Mail postage due rate. (Cobb, USPS-T-1 at 2-3, OCA/USPS-T1-32.) Consequently, part of the Stipulation and Agreement includes a provision to measure the volume of packages re-routed as Priority Mail postage due in order to determine the extra costs to PFS customers for such mail. The Data Collection Plan also includes a provision to conduct market research to measure customer dissatisfaction, if any, stemming from inadequate Postal Service explanations about the potential cost for mail re-routed as Priority Mail postage due.

The Stipulation and Agreement represents a settlement of the proceeding in order to permit the experiment to move forward. Some issues concerning PFS service may need to be resolved later if the service is to become permanent; such as the requirement that mailers wishing to terminate PFS and re-enroll must be present at their local postal facility. (DBP/USPS-T1-70, 73.) Also, the desirability of re-routing some

mail as Priority Mail postage due may become an issue. The plan to pack weekly shipment boxes with letters and periodicals first, and only adding parcels if there is extra room, thus potentially increasing postage due mail, might be more carefully considered. (OCA/USPS-T1-36.) Also, some costs have been estimated with proxies and they may need further refinement. Finally, the revenue gained from Priority Mail postage due, once determined from actual volumes, may demonstrate the overall cost coverage for the PFS service is out of line. On balance, at this time OCA believes the proposed service is fair and reasonable for purposes of an experiment and OCA supports the Stipulation and Agreement.

OCA commends the Postal Service for timely proposing to modify some aspects of the original proposal to resolve potential areas of disagreement with the view of insuring that the proposed experimental service is fair to customers, particularly as it relates to the forwarding of First-Class parcels without postage due.

OCA also commends the Postal Service's agreement to modify part of the proposed Data Collection Plan to improve the type of data to be collected and reported. Also constructive is the Postal Service's agreement to provide in its data collection reports, to the extent feasible, copies of the advertisements it uses to inform customers about PFS service. This will permit a better analysis of PFS as advertised by the Postal Service and the extent of information available to the consumer. These additions to the Stipulation and Agreement and the Data Collection Plan are desirable and likely will provide necessary information if and when the Postal Service seeks approval of a permanent PFS service. The information that the Data Collection Plan will gather can provide the Commission with more actual data to support a recommended decision

rather than requiring the Commission to rely upon proxy studies or estimates as would otherwise be the case.

The Data Collection Plan attached to the Stipulation and Agreement provides for the collection and reporting of basic information such as the number of PFS customers, PFS revenue, the number of weekly PFS reshipments with a break-out of reshipments using flat rate envelopes, and the zone and weight of reshipments. Also, the Postal Service will summarize in its reports the qualitative issues that arise during operations.

Because PFS is an experiment and actual marketing and cost data have not been gathered, there is naturally information not now available that would be important in determining whether permanent service should be recommended by the Commission. For these reasons, the settlement terms expand the originally proposed Data Collection Plan in an attempt to gather that information and to apprise the Commission during the experimental period about the success of PFS.

To determine operational costs and the impact on customers if a permanent classification is requested, the Postal Service agrees in paragraph 8 of the Stipulation and Agreement to collect data

(a) on the volume of PFS reshipments of additional boxes that are sent in addition to the weekly PFS reshipment, box, i.e., second box reshipments and

(b) the volume of packages re-routed as Priority Mail postage due.

The data will be collected using one of the Postal Service's existing statistical systems, a special study, and/or local master logs and tracking logs. The Postal Service will, as possible and practicable, "develop indicators of statistical reliability for each estimate."

Thus, more reliable data will be compiled to measure these volumes which were areas of concern raised in the interrogatories.

Further, as part of the negotiations on the Stipulation and Agreement and included in the Data Collection Plan, the Postal Service agrees to develop a table containing information similar to the table in its response to OCA/USPS-T1-32, that will inform consumers and the public how mailpieces by class and shape would be delivered to them at their temporary address, i.e., via the weekly PFS reshipment, rerouted outside of PFS without charge, or as Priority Mail postage due. To determine whether customers are being adequately informed of the potential additional costs of parcels forwarded as Priority Mail postage due, this table will be reported to the Commission after the first year of operation.

The Postal Service also agrees to provide after the first year of operation, to the extent possible and practicable, advertising and informational materials used to inform the public, including posters, rack labels, enclosures in Priority Mail boxes, internet information, customer Mailing Guide information, retail signage and other materials. This provision is similar to one recently included in the Experimental Priority Mail Flat-Rate Box Stipulation and Agreement Data Collection Plan recommended by the Commission.²

In addition, the Postal Service agrees to provide the results after the first year and a half of operations of market research reflecting customer satisfaction with the PFS experiment and the extent of any customer dissatisfaction with Postal Service

² "Opinion and Recommended Decision Approving Stipulation and Agreement," *Experimental Priority Mail Flat Rate Box*, Docket No. MC2004-2, October 6, 2004.

explanations concerning the potential for PFS users being charged the cost for forwarding mail outside the weekly PFS shipments as Priority Mail postage due.

The OCA, therefore, requests the Commission to accept the Stipulation and Agreement and the Data Collection Plan, attached thereto, as the basis for recommending the Experimental Premium Forwarding Service.

Respectfully submitted,

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