

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

EXPERIMENTAL PREMIUM
FORWARDING SERVICE

Docket No. MC2005-1

REPLY BRIEF OF THE UNITED STATES POSTAL SERVICE
IN SUPPORT OF THE STIPULATION AND AGREEMENT
(March 25, 2005)

The United States Postal Service and the Office of the Consumer Advocate (OCA) have both filed pleadings requesting that the Commission issue an opinion and recommended decision favoring implementation of the Premium Forwarding Service (PFS) experiment according to the terms of the Stipulation and Agreement filed on March 1, 2005.¹ Mr. David B. Popkin, the only participant not to sign the Stipulation and Agreement, has filed a brief asking the Commission to recommend DMCS language that differs from that agreed to by the signatories to the Stipulation and Agreement.² Because the various arguments advanced by Mr. Popkin would either add unnecessary costs or complexities to the proposed experiment, or are unsupported by the record (or both), they provide no basis for the Commission to issue a decision that varies from the terms of the Stipulation and Agreement.

I. THE PFS EXPERIMENT'S POLICIES CONCERNING PARCELS AGREED TO IN THE STIPULATION AND AGREEMENT SHOULD NOT BE MODIFIED.

In this proceeding, the Postal Service has consistently noted the importance of simplicity in the PFS product definition, because of the experimental nature of this proposal and the importance of offering a relatively low weekly per-shipment charge. Minimizing the complexity of PFS was a primary design goal, and as such the Postal Service proposed a simple experiment with a straightforward product design that relies

¹ See Initial Brief of the United States Postal Service in Support of the Stipulation and Agreement (March 21, 2005); 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). Mr. Douglas F. Carlson signed the Stipulation and Agreement, but did not submit a brief.

² See Initial Brief of David B. Popkin (March 21, 2005).

upon manual processes for setting up PFS and reshipping PFS mail.³ In addition, the Postal Service believes that keeping the price of the weekly shipment relatively low is important for customer acceptance of PFS, while at the same time the assumptions underlying the proposed charges should be conservative in light of the experimental nature of this proposal⁴ and the statutory need to cover costs. The disposition of parcels under PFS serves both of these goals.⁵

A. The Manner in Which PFS Shipments are Prepared and the Reshipment of Certain Parcels Priority Mail Postage Due Reflects a Balanced Approach that Maintains the Simplicity of the Service and Keeps the Weekly Shipment Charge Lower.

While the Postal Service recognizes that the use of Priority Mail postage due reshipment for outside Standard Mail and Package Services parcels introduces the possibility of additional costs for a PFS customer, this aspect of the product definition represents a balanced approach that should result in few, if any, additional expenses for PFS customers (so long as they manage the receipt of their mail), while also keeping the price of the per-shipment charge lower.⁶ Customers typically have control over when and where parcels are sent to them, since parcels (especially larger and heavier ones) are often products ordered by a customer, or are gifts from persons likely to know that the recipient has relocated temporarily.⁷ Thus, so long as they are clearly informed about this aspect of the product definition,⁸ customers would have an incentive to see

³ See Postal Service Initial Brief at 6-7.

⁴ See *id.* at 5-6.

⁵ The PFS product definition includes shipping some pieces outside the weekly shipment, because the pieces require a scan at delivery or are too large to fit into the package selected for the weekly shipment, or because holding the pieces for inclusion in the shipment would delay their delivery to the temporary address. Express Mail, First-Class Mail, and Priority Mail would be reshipped without any additional charge, consistent with the fact that all mail pieces that would receive free reshipping under PFS also would receive free forwarding under a forwarding order. See Response of Postal Service Witness Cobb to DFC/USPS-T1-1. Standard Mail and Package Services parcels that are not placed in the PFS package would be reshipped Priority Mail postage due.

In addition, contrary to Mr. Popkin's assertion at page 2 of his Initial Brief, Periodicals would never be reshipped Priority Mail postage due because they would be placed in the PFS container. See Responses of Postal Service Witness Cobb to OCA/USPS-T1-32, 38.

⁶ The reshipping of Package Services and Standard Mail parcels Priority Mail postage due is also consistent with the premium nature of the PFS proposal; as witness Cobb notes, PFS is designed to expedite the delivery of all of a customer's mail to a temporary address. See Response of Postal Service Witness Cobb to OCA/USPS-T1-13.

⁷ See USPS-T-4 at 7, Attachment C, page 2; Response of Postal Service Witness Cobb to OCA/USPS-T1-34.

⁸ The Postal Service recognizes that clearly informing customers about this aspect of the product definition is a necessary prerequisite for the exercise of their control over when and where parcels are sent to them. See, e.g., Responses of Postal Service Witness Cobb to OCA/USPS-T1-25, 34. This

that parcels are sent directly to temporary addresses, and should consequently receive few Priority Mail postage due parcels.⁹ In addition, since only those customers who fail to exercise that control would incur additional expenses, the price of the weekly shipment would be kept lower for all PFS customers.¹⁰

The manner in which PFS shipments would be prepared is also consistent with the goals of simplicity and a relatively low per-shipment charge. Contrary to Mr. Popkin's assertions, the Postal Service would provide standardized guidance to employees concerning the packaging of the PFS shipment.¹¹ These standardized instructions would not, as Mr. Popkin seems to prefer, designate specific weights, volumes, and dimensions that would and would not be included in PFS shipments. Such instructions would complicate the repackaging activity and therefore increase the cost of the service unnecessarily.¹² In addition, these instructions would not require that parcels be placed in the container first; if parcels were packaged first, customers would not have the incentive to direct them to their temporary address, and the price of the weekly shipment would have to be higher.¹³ This method takes into account the fact that local conditions at each delivery unit – including the availability of boxes and each customer's unique mix of flats, letters, and parcels – likely differ.¹⁴

recognition is reflected in the expanded data collection plan, wherein the Postal Service has committed to preparing a table that informs customers of the potential need to pay Priority Mail postage due. See Stipulation and Agreement, Attachment C.

⁹ Customers would also have the right to refuse postage due pieces, thus providing an ultimate means for avoiding unexpected costs. See, e.g., Response of Postal Service Witness Cobb to OCA/USPS-T1-34.

¹⁰ See Responses of Postal Service Witness Cobb to OCA/USPS-T1-34, DBP/USPS-T1-69.

¹¹ As witness Cobb explains, employees packaging the PFS shipment would make educated packaging decisions, guided by standardized instructions that would direct them to choose from the available containers based primarily on the weight, volume, and dimensions of the letters, flats, and periodicals received during the week, that would direct them to generally not increase the size of the container solely to ensure that a parcel fits, and that would direct them not to place parcels in the container first. See Responses of Postal Service Witness Cobb to DBP/USPS-T1-27, OCA/USPS-T1-36. In addition, employees would be directed to use the existing Priority Mail supplies if possible. See Response of Postal Service Witness Cobb to DBP/USPS-T1-2. This could include use of the Priority Mail Flat Rate Envelope, see Response of Postal Service Witness Koroma to DFC/USPS-T4-1, but not the Flat Rate Box, see Response of Postal Service Witness Cobb to OCA/USPS-T1-27. Thus, Mr. Popkin's various assertions at ¶¶ 4 and 6 of his brief concerning guidance to employees are inaccurate.

¹² See Response of Postal Service Witness Cobb to DBP/USPS-T1-54.

¹³ See Response of Postal Service Witness Cobb to OCA/USPS-T1-36.

¹⁴ See Response of Postal Service Witness Cobb to DBP/USPS-T1-54. Mr. Popkin's apparent argument, that the possibility of disparate treatment among customers with similar mail justifies detailed guidelines, fails to consider the fact that variations in local conditions and customer mail could warrant varying guidelines in different locations. As witness Cobb also notes, if there had to be detailed guidelines that seek to preclude the possibility of different treatment, the rule that would add the least complexity (and additional costs) would be one stating that no packages be sent in the PFS shipment. *Id.*

The reshipment via Priority Mail postage due of Standard Mail and Package Services parcels that are not placed in the PFS shipment, along with standardized instructions that provide broad-based guidance rather than detailed requirements, together reflect a balanced approach to the handling of parcels that serves to keep the price of the service lower, and that should result in minimal if any additional expenses for most PFS customers. In addition, the fact that PFS would be an experiment allows the Postal Service to determine customer reaction to PFS and evaluate whether information gathered during the experiment justifies some other policy; as the OCA notes, the proposed service is “fair and reasonable for purposes of an experiment.”¹⁵

B. Mr. Popkin’s Proposed Modifications Are Inconsistent With the Experimental Nature of this Proposal and Would Increase the Costs of the Service.

Mr. Popkin argues that the DMCS should be modified so that 1) orange Priority Mail pouches would be used as a reshipment container to prevent the occurrence of outside parcels; 2) mail requiring a scan should be placed in the PFS container through a procedure whereby the barcodes of those pieces are associated with a barcode on the outside of the PFS container; and 3) postage due pieces should be reshipped in the PFS container. Each of these modifications is inconsistent with the experimental service proposed in this proceeding and would likely involve costs not quantified on the record.

First, Mr. Popkin’s proposal that the Postal Service utilize the orange Priority Mail pouch is inconsistent with the PFS product definition and with the scope of the Postal Service’s proposed discretion to determine what containers should be used under PFS. The Presiding Officer noted in Ruling No. 7 that “the Commission will not instruct the Postal Service on what specific types of containers it must use in processing mail,” because “[s]uch decisions are left to the discretion of the Postal Service.”¹⁶ The Postal Service has clearly expressed its belief that the orange pouches are completely unsuited for use with PFS — a service designed for individuals and households — due to the fact that they are re-usable mail processing equipment not intended for residential delivery or the custody of residential customers.¹⁷

¹⁵ See OCA Comments at 5.

¹⁶ Presiding Officer’s Ruling No. MC2005-1/7 (March 17, 2005), at 2.

¹⁷ See Responses of Postal Service Witness Cobb to DBP/USPS-T1-64, 77.

Second, Mr. Popkin's argument that mail pieces requiring a scan upon delivery should be placed in the PFS container through a procedure whereby the barcodes of those pieces are associated with a barcode on the outside of the PFS container would add unnecessary complexity to this experimental proposal with little or no benefit to PFS customers. As witness Cobb has explained, Mr. Popkin's approach has not been studied with respect to PFS, and thus would have unknown cost consequences, and is in any event inconsistent with the manual nature of the proposed experiment.¹⁸ In addition, any benefits that could result from this approach appear to be minimal at best. This approach would only reduce the possibility of additional expenses for two types of parcels—Standard Mail and Package Services parcels that require a scan upon delivery—many of which would be sent directly to the temporary address anyway.¹⁹ Further, even if Standard Mail and Package Services parcels that require a scan upon delivery are sent to the primary address, many would likely be too large to fit into the PFS shipment.²⁰ In the end, therefore, this proposed modification would simply add additional costs and complexity to what is designed as a simple experimental product, and would be unlikely to benefit for PFS customers.

Finally, witness Cobb has clearly explained that reshipping postage due pieces in the PFS container would be inconsistent with the simplicity of experiment and would be inconvenient for customers.²¹ While Mr. Popkin may apparently feel differently, the Postal Service believes that most customers would not want the delivery of their weekly shipment to be contingent upon the payment of the postage that is due for an individual piece of mail included in the package. Not delivering the weekly shipment until the postage due is paid would also be inconsistent with PFS' goal of expediting delivery of mail to customers.²²

Overall, Mr. Popkin's concern about customer cost arising from use of Priority Mail postage due is certainly rational, but his proposed modifications to address that concern are inconsistent with the proposed experiment and inferior to the approach agreed to by the signatories in the Stipulation and Agreement. The Stipulation approach reflects a careful balance that takes into account the premium nature of the

¹⁸ See Response of Postal Service Witness Cobb to DBP/USPS-T1-82.

¹⁹ See *infra* at 2-3.

²⁰ See USPS-T-4, Attachment C, page 2.

²¹ See Response of Postal Service Witness Cobb to DBP/USPS-T1-68.

²² Inclusion in the PFS package would also appear to preclude a customer's ability to refuse postage due mail.

service, the need to maintain simplicity in the product design, the need to keep the price of weekly shipments low while maintaining conservative costing and pricing assumptions, and the fact that customers who manage the receipt of their mail should receive fewer Priority Mail postage due pieces. The Commission should thus not alter the proposed DMCS language in the ways proposed by Mr. Popkin.²³

II. MR. POPKIN'S PROPOSAL TO ALLOW SIMULTANEOUS USE OF PFS AND FORWARDING IS INCONSISTENT WITH THE PFS PROPOSAL.

Mr. Popkin's proposal that the DMCS language (in the Stipulation and Agreement) be modified so that a customer who wants to change her temporary address can simultaneously use PFS and a forwarding order is inconsistent with the nature of PFS and the simplicity of the experimental product design. PFS is proposed as a premium service whose goal would be to expedite the delivery of all of a customer's mail to a temporary address.²⁴ Prohibiting simultaneous use of PFS and forwarding serves that goal by preventing situations in which mail is rerouted through a variety of addresses, both primary and temporary.²⁵ The Postal Service also has an interest in minimizing the number of addresses through which a particular piece of mail flows.²⁶ Mr. Popkin justifies his proposed DMCS modification by characterizing the need to return to a facility of the post office serving a PFS customer's primary address to, in effect, change the temporary address as "completely unacceptable and inappropriate." As witness Cobb explains, however, this aspect of the product design constitutes a balance among the facts that: allowing remote enrollment would add unnecessary complexities and costs to the PFS experiment,²⁷ and would be

²³ For example, taking action to require the inclusion of Package Services parcels in the weekly shipment would be inconsistent with the assumptions underlying the pricing of the \$10.00 per-shipment charge, and would lead to an increase in that charge. While Mr. Popkin criticizes the choice of zone 6 as one of the bases for the Priority Mail postage portion of the per-shipment charge, he points to no record evidence supporting his position; instead, witness Koroma correctly notes that the choice of zone 6 is appropriately conservative considering the experimental nature of this proposal. See USPS-T-4 at 7-8. The most fundamental justification for a PFS experiment is to test the key assumptions concerning the average weight and zone of PFS shipments.

²⁴ See Postal Service Initial Brief at 4.

²⁵ See Response of Postal Service Witness Cobb to DBP/USPS-T1-57.

²⁶ *Id.*

²⁷ PFS is a simple experiment that is not designed for customers who are unsure of their temporary address, or expect to change their temporary address periodically; as such, allowing remote enrollment in order to facilitate mobility is not required and would add unnecessary complexity, and likely cost, to the product design. See *id.*; Response of Postal Service Witness Cobb to DBP/USPS-T1-70. The Postal Service remains interested in finding means for meeting customer needs such as those expressed by Mr.

inconsistent with the customer verification process.²⁸ Because PFS would be a fee-for-service offering that involves collecting and dispensing funds together with wholesale redirection of a customer's mail flow, verification of customer identity is important to prevent fraud and preserve the security of the mail.²⁹ While Mr. Popkin may believe the Postal Service is being "overly cautious" in this regard, the Postal Service takes its responsibility for maintaining mail security very seriously.³⁰

In the end, the fact that a customer whose temporary address changes would have to return to her primary address to re-enroll in PFS is not problematic, and should not justify altering the terms proposed in the Stipulation and Agreement. As witness Cobb has noted, PFS is simply one among a number of options available to customers who are temporarily away from home.³¹ A customer whose temporary address changes could, for example, terminate her service (which could be done remotely)³² and submit a forwarding order.³³ In light of the numerous options available to the small set of PFS customers whose temporary address may change, adding complexities to the proposed experiment is unnecessary and inappropriate. In addition, the experiment would allow the Postal Service to explore whether changes to this aspect of the product definition are appropriate for any permanent service.

IV. CONCLUSION.

Overall, Mr. Popkin raises some reasonable points concerning certain aspects of the proposed product definition. His proposed modifications to the DMCS language agreed to by the signatories to the Stipulation and Agreement would, however, either add unnecessary costs and complexities to what is a simple experiment, or are wholly unsupported by the record.³⁴ As such, they provide no basis for a deviation from the

Popkin; while the means may not be found using the manual processes proposed for PFS, other approaches could become part of any permanent service.

²⁸ See Response of Postal Service Witness Cobb to DBP/USPS-T1-70.

²⁹ See Response of Postal Service Witness Cobb to DBP/USPS-T1-10.

³⁰ In addition, Mr. Popkin continues to argue with witness Cobb's distinction between facilities that share a single supervisor, and facilities that do not, which she bases on the grounds that interaction among offices within a multi-facility post office is more routine and commonplace. The evidentiary record supports that distinction; despite his disagreement, Mr. Popkin can point to no record evidence to the contrary.

³¹ See Responses of Postal Service Witness Cobb to DBP/USPS-T1-71-74.

³² See Response of Postal Service Witness Cobb to DBP/USPS-T1-55.

³³ See Response of Postal Service Witness Cobb to DBP/USPS-T1-74.

³⁴ The Postal Service also notes that Mr. Popkin's first proposed "modification" reflects a fundamental misreading of proposed DMCS 937.11, particularly the use of the term "re-routed." The second sentence of that section states that certain mail pieces would be "re-routed," in contrast to being included in the

terms of the Stipulation and Agreement. The Commission should therefore issue an opinion and recommended decision favoring implementation of the PFS experiment according to the terms of the Stipulation and Agreement.

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weekly PFS shipment. The third and fourth sentences expand upon the second sentence through their use of the term "re-routed," and specify the policies for outside mail pieces articulated by witness Cobb in the attachment to OCA/USPS-T-32. Thus, the fourth sentence only applies to outside parcels, and provides no support for the Postal Service charging Priority Mail postage due for parcels sent within the PFS package.