

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

George Omas, Chairman;
Tony Hammond, Vice Chairman;
Dana B. Covington, Sr.;
Ruth Y. Goldway; and
Dawn A. Tisdale

Postal Rate and Fee Changes

Docket No. R2005-1

NOTICE OF INQUIRY NO. 1
CONCERNING REGISTERED MAIL

(Issued April 26, 2005)

The Postal Service in this docket seeks an across-the-board rate increase of 5.4 percent. Postal Service witness Potter advocates this as the most equitable way to raise the \$3.1 billion needed to fund the escrow account required by the Postal Civil Service Retirement System Funding Reform Act of 2003.

The Postal Service does include several exceptions to its proposed across-the-board increase request. One is a proposed increase in fees for Registered Mail of approximately 70 percent. Postal Service witness Robinson asserts that this increase is necessary to ensure that Registered Mail revenue exceeds its attributable cost, as required by § 3622(b)(3). Witness Robinson notes that Registered Mail would have a cost coverage of only 60.6 percent in the test year if new rates are not implemented. She cites cost increases “well outside the range of cost increases for other subclasses or special services” as the source of this deficiency. USPS-T-27 at 16.

Postmaster General Potter comments:

I have directed postal management to organize a cross-functional team to thoroughly review Registered Mail service, including its operations, costs, customer needs, and fee structure. I expect this review to provide postal management with a basis for determining whether to pursue classification or fee changes in a future Commission proceeding. Meanwhile, should the

Commission recommend Registered Mail fee increases of a magnitude suggested by our current proposal, and those increases be approved by the Governors, it is my intention to recommend that the Board delay implementation until the Postal Service has at least determined a course of action in response to that review.

USPS-T-1 at 6-7.

Citing these comments, witness Robinson adds that deferred implementation would

facilitate operational adjustments or re-design of the service if they were found to be needed. In addition, deferred implementation will provide a measure of protection against a large rate increase for Registered Mail customers.

USPS-T-27 at 17.

Basing an omnibus rate change request on the assumption that implementation of one or more component rates will be deferred for an undetermined period past the implementation date of other rates raises the following issues that should be explored on this record.

1. In omnibus rate cases, the Commission is asked to recommend, and the Governors are asked to approve, system-wide changes in rates based in part on the relative share of the system-wide institutional cost burden that each subclass or service is estimated to bear when new rates are simultaneously implemented. In this context, is it consistent with the Postal Reorganization Act for the Governors to defer the implementation dates of recommended rates for some services with the purpose of altering the relative institutional cost burdens on which new rates were predicated?

2. Is indefinite deferral of implementation dates for some of the rates recommended in an omnibus rate case consistent with the Postal Reorganization Act if this procedure is only applied in exigent circumstances to minor services? Does the answer to this question depend on whether the services involved are making a positive contribution to institutional costs during the period of deferral?

3. Are there other effective ways to ameliorate the potential rate shock associated with the proposed Registered Mail fees in this docket that pose fewer legal and policy difficulties, such as phasing the implementation of Registered Mail fee increases according to a specific timetable, amending the Postal Service's omnibus request, or filing a new rate request restricted to Registered Mail, if the Postal Service's reevaluation of Registered Mail fees provides a basis for proposing different rates?

Participants are invited to submit comments on these issues on or before May 10, 2005. Reply comments may be submitted on or before May 17, 2005.

By the Commission.

(S E A L)

Steven W. Williams
Secretary