

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

POSTAL RATE AND FEE CHANGES
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

RESPONSE OF UNITED STATES POSTAL SERVICE TO
NOTICE OF INQUIRY NO. 1 CONCERNING REGISTERED MAIL
(May 10, 2005)

The United States Postal Service hereby provides its comments on Notice of Inquiry No. 1 Concerning Registered Mail. In this Notice, the Commission poses several questions about postal management's intention to recommend that the Board of Governors consider deferring implementation of Registered Mail fee increases of a magnitude suggested by the Postal Service's proposal, if supported by an ongoing review of Registered Mail service.

The Postal Service review is looking at Registered Mail's operations, cost, customer needs, and fee structure.¹ However, it is too early to speculate as to what changes will be planned for Registered Mail service. The Postmaster General expects the review to finish "in time to permit development and filing of any Registered Mail request with the Commission either before or as part of the omnibus rate case that will likely be filed in calendar year 2006."² Thus, while there is no new information about Registered Mail now, by the time that the Board of Governors decides the

¹ Response of Postmaster General Potter to interrogatory OCA/USPS-T1-2, filed April 28, 2005.

² *Id.*, part (c).

implementation timing for the recommendations coming out of this proceeding, there may be more information to consider about Registered Mail.

By no means has the Postal Service or its Board of Governors already determined that the Commission's recommendation on Registered Mail fees in this docket should be deferred. The Postal Service recognizes that the Commission's recommended fee increase may differ from the proposed one. If the Commission recommends a significantly smaller fee increase for Registered Mail, then the Board might implement such change at the same time as the other recommended rate and fee changes. Moreover, the Registered Mail review team's recommendations may or may not support deferring a large recommended fee increase.

Therefore, it is premature to address many of the specific questions in the Notice of Inquiry. Nonetheless, the Postal Service has the following comments on these questions.

First, the Notice of Inquiry asks:

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?

If the Board were to defer implementation of a Registered Mail fee increase, its decision would be made within the context of the Commission's recommendations, recent or expected cost or revenue changes for Registered Mail (which could differ from those upon which the current proposal is based), as well as the result of the review

team's consideration. The purpose would not be to alter the relative institutional cost burdens on which rates and fees resulting from an omnibus rate case were predicated. Furthermore, since the length of any deferral that might be adopted is unknown, it could not be said at this time whether, as a practical matter, deferral would have that effect. In any case, the Postal Reorganization Act, by its terms and as interpreted judicially, provides the Board with independent authority to determine the date on which new rate, fee, and mail classification changes shall become effective. 39 U.S.C. § 3625(f). The Board will have the best information at the time of action on a Commission recommendation to determine the appropriate implementation dates.

If, at the time of Governors action on this docket, the Postal Service has decided to alter Registered Mail service and propose any needed changes in its classification, and a substantial impact on its costs or fee structure is likely, it would make no sense to impose upon customers an unduly large fee increase, pending Commission action in a new Registered Mail docket.

Next, the Notice asks:

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?

The Postal Service believes that the Board's authority to defer implementation of some of the rates or fees recommended in an omnibus rate case must be exercised in the context of the specific circumstances justifying deferral, as well as the revenue at issue. The Postal Service notes that the Registered Mail revenue at stake by deferring

a 70 percent fee increase represents only a small portion of total postal revenue. The annual revenue from the proposed 70 percent increase would be about \$25 million, 0.03 percent of total TYAR revenues, and about 1 percent of the total revenue increase in this docket.³ Only part of that amount might be at stake, depending on the length of any delay in implementation. Mr. Potter's statement quoted in this Notice of Inquiry does not refer to an "indefinite" deferral, but rather a delay consistent with the findings of the review team and any action taken by the Postal Service.

Another factor is whether the services involved would make a positive contribution to institutional costs during the period of deferral. When it acts, the Board can evaluate whether Registered Mail would make a positive contribution to institutional costs.

The Board has deferred implementation dates in the past. In Docket No. R97-1, the Commission encouraged the Postal Service to delay implementation of all rates and fees, and the Board of Governors did so, delaying implementation for about six months.⁴ This delay was widely supported even though it delayed rate and fee increases for some subclasses, such as Periodicals Regular Rate and Standard Mail (B) Parcel Post, and special services, such as COD, necessary for revenues to provide a contribution to institutional costs. See PRC Op., R97-1, Vol. 2, App. G, Schedule 1. The Board has also used its implementation discretion to establish deferred implementation dates for classification changes, including Delivery Confirmation (Docket No. R97-1), and electronic return receipt (Docket No. R2001-1). In those

³ Compare Exhibit USPS-27A with Exhibit USPS-27B.

⁴ PRC Op., R97-1, Vol. 1, at iii; Decision of the Governors of the United States Postal Service on the Recommended Decision of the Postal Rate Commission on Postal Rate and Fee Changes, Docket No. R97-1 (June 29, 1988), at 22-23.

cases, implementation was delayed in order to reflect the Board's current understanding of technological readiness to offer the new services.⁵

Finally, the Notice asks:

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?

The Postal Service does not believe that any of these options would pose fewer legal, policy, or practical difficulties. In this regard, it must be emphasized that Mr. Potter's statement is highly conditional on circumstances and several considerations, as noted above. Furthermore, the Postal Service has not in its Request proposed any timetable for implementation changes that might be considered.

⁵ Decision of the Governors of the United States Postal Service on the Recommended Decision of the Postal Rate Commission on Postal Rate and Fee Changes, Docket No. R97-1 (June 29, 1988), at 16; Decision of the Governors of the United States Postal Service on the Recommended Decision of the Postal Rate Commission on Postal Rate and Fee Changes, Docket No. R2001-1 (April 8, 2002), at 11.