

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

EXPERIMENTAL PREMIUM
FORWARDING SERVICE

Docket No. MC2005-1

NOTICE OF THE UNITED STATES POSTAL SERVICE
REGARDING DECISION OF THE GOVERNORS
(May 12, 2005)

The United States Postal Service hereby provides notice of the attached
Decision of the Governors:

Decision of the Governors of the United States Postal Service on
the Opinion and Recommended Decision of the Postal Rate
Commission Approving Stipulation and Agreement on Experimental
Premium Forwarding Service, Docket No. MC2005-1.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE
ON THE OPINION AND RECOMMENDED DECISION OF THE POSTAL RATE
COMMISSION APPROVING STIPULATION AND AGREEMENT ON EXPERIMENTAL
PREMIUM FORWARDING SERVICE, DOCKET No. MC2005-1**

May 10, 2005

STATEMENT OF EXPLANATION AND JUSTIFICATION

On April 15, 2005, the Postal Rate Commission issued its Opinion and Recommended Decision Approving Stipulation and Agreement in Docket No. MC2005-1, Experimental Premium Forwarding Service. Pursuant to a Request by the Postal Service, the Commission recommended experimental classification and fee schedule changes for the provision of Premium Forwarding Service (PFS). Under PFS, the Postal Service will reship all the mail of a customer who relocates temporarily for a period between two weeks and one year, with most of the mail being packaged into a weekly Priority Mail shipment. We find that the Commission's recommendations are supported by substantial record evidence, and are in accord with the policies of the Postal Reorganization Act. Pursuant to 39 U.S.C. § 3625, we approve the Recommended Decision.

The Postal Service initiated this proceeding on November 19, 2004, with its Request for a Recommended Decision on Experimental Premium Forwarding Service. The Request proposed a new Domestic Mail Classification Schedule (DMCS) § 937 and a new Fee Schedule 937 for the experimental provision of PFS. PFS will provide customers who relocate temporarily with an additional option for managing their mail that expands upon the currently available options of forwarding and hold mail. A customer utilizing PFS will be charged a \$10.00 enrollment fee to cover the one-time costs per customer of setting up the service, as well as a \$10.00 weekly per-shipment charge that covers the costs of preparing a weekly shipment (\$2.85), plus the zone 6, three pound Priority Mail rate (\$7.15). The choice of this Priority Mail rate relies on assumptions as to the average

distance and weight of the weekly PFS shipments.¹ The Request proposed that the experiment run for two years, with an extension available if the Postal Service files a request for a permanent classification change before the end of the two-year period.

In its Opinion and Recommended Decision, the Commission found, and we agree, that PFS will be a desirable and attractive supplement to the currently available options for customers who relocate temporarily, and that it therefore satisfies the classification criteria of 39 U.S.C. § 3623(c).² While the existing forwarding option provides for piece-by-piece forwarding of certain mail classes, PFS will reship all of a customer's mail to a temporary address, primarily in a weekly Priority Mail shipment sent on a designated day. As the Commission found, combining these features will provide a customer who relocates temporarily with a "predictable, consistent and expeditious" means of receiving mail addressed to the customer's primary address.³

PFS should also benefit the Postal Service financially by contributing additional revenues to cover costs under the experimental fees. The financial risk presented to the Postal Service will be slight, since all of the costs of PFS are volume-variable.⁴ We agree with the Commission that the experiment is consistent with the criteria of 39 U.S.C. § 3622(b).⁵

Overall, the PFS experiment reflects a careful balance of policy and operational choices, with a simple product definition helping to minimize cost to customers, and thereby encourage customer acceptance. The Commission found, and we agree, that these choices warrant moving forward with the PFS experiment.⁶

¹ A major reason PFS was proposed as an experiment is to test these weight and distance assumptions. See Tr. 2/342.

² PRC Op. at 15-16.

³ *Id.*

⁴ Tr. 2/61.

⁵ PRC Op. at 20.

⁶ *Id.* at 17.

Following negotiations among the participants, the Postal Service on March 1, 2005, filed a Stipulation and Agreement designed to settle all of the issues in this proceeding. The Commission thoroughly describes the settlement proposal and its background,⁷ and we need not repeat that detailed description here. The Stipulation and Agreement largely conformed to the terms of the Postal Service's original Request, while containing clarified DMCS language that specifies how different types of mail will be handled under PFS and an expanded data collection plan that may assist in evaluation of the experiment. The Stipulation and Agreement was signed by three of the four participants in the case.

The Recommended Decision approved the Stipulation and Agreement. It incorporated the Agreement's clarified DMCS language as well as its Fee Schedule language.⁸ The Commission identified and recommended only one minor modification, correcting a typographical error in DMCS § 937.11.⁹

PFS requires an effective means for communicating to customers exactly how the full range of mail addressed to a primary address will be reshipped. Progress towards this complex necessity is provided by the Commission in the form of Appendix A to the Opinion, a *Customer Information Table* that improves on one provided by the Postal Service during discovery. Appendix A describes how mail will be reshipped under PFS based on its class, shape, and whether it requires a scan upon delivery. The Postal Service has committed in the data collection plan to present such a table for the convenience of customers, and we thank the Commission for its helpful suggestions in this regard.

⁷ See *id.* at 12-14.

⁸ The recommended new Fee Schedule 937 incorporates some non-substantive formatting changes that we adopt.

⁹ We commend the Commission for identifying this error and determining how best to resolve it.

The Commission was able to conclude its consideration of the Postal Service's Request within the 150 days contemplated by its rules governing the consideration of experimental classification cases. The Commission's effort and cooperation are appreciated, and allow us to take action that will enable the Postal Service to implement the proposed experiment on its preferred schedule.

The Commission concluded that the requested classification and fee schedule changes are supported by substantial evidence of record, and satisfy the applicable criteria and policies of the Postal Reorganization Act. We agree, and therefore approve the classification and fee schedule changes recommended by the Commission.

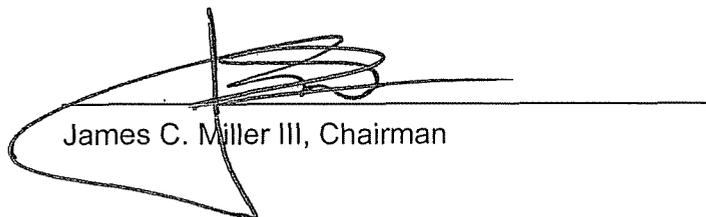
ESTIMATE OF ANTICIPATED REVENUE

The Postal Reorganization Act requires that our Decision include an estimate of anticipated revenues (39 U.S.C. § 3625(e)). The evidentiary record indicates that the PFS experiment should have a minimal impact on postal revenues. We anticipate that the experiment should generate approximately \$2.0 million in PFS-specific contribution. The risk presented by this experiment is small, since all of its identified costs are volume-variable.

ORDER

In accordance with the foregoing Decision of the Governors, the changes in classification set forth in Attachment A hereto, and the changes in fees set forth in Attachment B hereto, and incorporated herein, are hereby approved and ordered into effect. In accordance with Resolution 05-5 of the Board of Governors, dated May 10, 2005, the changes will take effect at 12:01 a.m. on August 7, 2005.

By The Governors:



James C. Miller III, Chairman

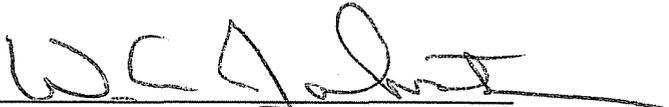
**RESOLUTION OF THE BOARD OF GOVERNORS
OF THE
UNITED STATES POSTAL SERVICE
Resolution No. 05-5**

Effective Date of New Classification

RESOLVED:

Pursuant to Section 3625(f) of Title 39, United States Code, the Board of Governors determines that the classification and fee schedule changes that were ordered to be placed into effect by the Decision of the Governors of the United States Postal Service on the Opinion and Recommended Decision of the Postal Rate Commission Approving Stipulation and Agreement on Experimental Premium Forwarding Service, Docket No. MC2005-1, adopted on May 10, 2005, shall become effective at 12:01 a.m. on August 7, 2005.

The foregoing Resolution was adopted by the Board of Governors on May 10, 2005.



William T. Johnstone, Secretary

Changes in Domestic Mail Classification Schedule

Special Services Classification Schedule

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937 PREMIUM FORWARDING SERVICE

937.1 Definition

937.11 Premium Forwarding Service provides residential delivery customers, and certain post office box customers, the option to receive substantially all classes of mail addressed to a primary address instead at a temporary address by means of a weekly Priority Mail shipment. Parcels that are too large for the weekly shipment, mail pieces that require a scan upon delivery or arrive postage due at the office serving the customer's primary address, and certain Priority Mail pieces may be re-routed as specified by the Postal Service. Re-routed Express Mail, First-Class Mail, and Priority Mail pieces incur no additional reshipping charges. Re-routed Standard Mail and Package Service pieces may be re-routed postage due, primarily Priority Mail postage due, as specified by the Postal Service. Mail sent to a primary address for which an addressee has activated Premium Forwarding Service is not treated as undeliverable-as-addressed.

937.2 Availability

937.21 Premium Forwarding Service is available for a period of at least two weeks and not more than twelve months, as specified by the Postal Service. Customers may not use Premium Forwarding Service simultaneously with temporary or permanent forwarding orders. Premium Forwarding Service is not available to customers whose primary address consists of a size three, four or five post office box, subject to exceptions allowed by the Postal Service, or a centralized delivery point.

937.3 Customer Requirements

937.31 A customer must complete and submit a Premium Forwarding Service application together with all postage and fees for the full duration of service to the post office responsible for delivery to that customer's primary address, as specified by the Postal Service.

937.4 **Other Services**

937.41 Premium Forwarding Service may not be combined with any ancillary or special services beyond those purchased by the original mailer.

937.5 **Rates and Fees**

937.51 The postage rate for mail reshipped by Premium Forwarding Service consists of the rate specified in Rate Schedule 223 for a three-pound parcel mailed to zone 6 on the enrollment date.

937.52 Fees for Premium Forwarding Service are specified in Fee Schedule 937.

937.6 **Duration of the Premium Forwarding Service Experiment**

937.61 The provisions of section 937 expire the later of:

- a. [insert date two years after the implementation date specified by the Postal Service Board of Governors], or
- b. if, by the expiration date specified above, a request for the establishment of a permanent Premium Forwarding Service is pending before the Postal Rate Commission, the later of :
 - (1) three months after the Commission takes action on such proposal under section 3624 of title 39, or, if applicable,
 - (2) the implementation date for a permanent Premium Forwarding Service classification.

Changes in Fee Schedule

FEE SCHEDULE 937

PREMIUM FORWARDING SERVICE

<u>Description</u>	<u>Fee</u>
<u>Enrollment fee</u>	<u>\$10.00</u>
<u>Weekly reshipment fee</u>	<u>\$2.85</u>

SCHEDULE 937 NOTE

1. The weekly reshipment fee is in addition to the postage applicable to a 3-pound parcel mailed to zone 6, as stated in Rate Schedule 223 (Priority Mail).