

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

Postal Rate and Fee Changes, 2005)

Docket No. R2005-1

OFFICE OF THE CONSUMER ADVOCATE
NOTICE TO THE COMMISSION OF AN AGREEMENT
REACHED WITH THE POSTAL SERVICE THAT OCA WILL NOT
FILE A DIRECT CASE, IN EXCHANGE FOR POSTAL SERVICE
COMMITMENTS BENEFICIAL TO CONSUMERS
(July 19, 2005)

The Office of the Consumer Advocate (OCA) hereby notifies the Commission that it will not be filing a direct case in the Docket No. R2005-1 proceeding. The Postal Service and OCA have engaged in negotiations recently concerning an agreement that OCA would not file a direct case. In return for OCA refraining from filing a direct evidentiary case, the Postal Service has made two commitments. First, the Postal Service has agreed to establish a working group, to include OCA, to investigate the possibility of a non-denominated stamp that, once purchased, would be valid in the future for first-ounce, single-piece, First-Class Mail postage, regardless of the then-current rate. Second, the Postal Service has agreed to post, for certain products, nationwide service performance data at usps.com on a quarterly basis. The Postal Service will also post a notice at its post offices, including stations and branches, advising customers that performance data are available at its website. The specific terms of these commitments will be addressed in the near future in a letter summarizing the agreement.

With respect to the first commitment made by the Postal Service, OCA has long held the view that consumers would make the transition from one First-Class rate to the next (following an omnibus rate increase) with greater ease if the Postal Service would make available a non-denominated “forever” stamp. OCA is gratified that the Postal Service is willing to form a working group to study that possibility.

With respect to the second commitment, OCA is pleased that the Postal Service is willing to make available performance data on its website for several of the classes of mail used extensively by consumers. This will enable purchasers of postal services to make the choice of a service based both on price information and service achievements. Patrons of retail facilities will be notified of the availability of this information when they visit a post office.

OCA is expecting a letter from the Postal Service in the next day or two that will contain the details of the two commitments described above. At that time, OCA will submit the letter to the Commission’s website for review by the Commission, the participants in the current rate case, and the public.

In agreeing not to file a direct case, OCA determined that its position in the current proceeding could be satisfactorily expressed in initial and reply briefs citing evidence adduced during the discovery and hearing stages of the case. While some of OCA’s views might have been presented more forcefully in testimony, the commitments made by the Postal Service constitute a sufficient enough benefit to constitute a valuable trade-off, overall.

OCA wishes to comment briefly on Presiding Officer's Ruling No. R2005-1/46.¹ In that ruling the Presiding Officer directs the Postal Service to furnish to OCA and other interested participants electronic information from the Delivery Operations Information System (DOIS) that has been deployed in an increasing number of delivery offices in the last 4 years. While the ruling does not expressly state that OCA should use the data in the instant proceeding as part of its direct case, that possibility is suggested. In our agreement with the Postal Service, however, we have made a commitment not to do so, and we intend to honor that commitment. OCA notes that the Postal Service and OCA reached agreement prior to the issuance of Ruling No. 46.

Yesterday the Postal Service filed with the Commission the status report required by Ruling No. 46 – "Status Report of the United States Postal Service Regarding DOIS Data in Response to Presiding Officer's Ruling No. R2005-1/46."² In the report, the Postal Service explains the 4-step process it will follow to comply with the ruling:

- Step I. Originate Data Extraction Projected (Completed)
- Step II. Extract Data for a Small Sample of Zip Codes
- Step III. Review of the Test Data
- Step IV. Full Sample Data Production

The Postal Service estimates a "complete timeline" of "about 8 weeks."³ This suggests that the Postal Service will provide the data sometime around September 19, 2005. If OCA had not reached agreement with the Postal Service not to file a direct

¹ "Presiding Officer's Ruling Granting, in Part, Office of the Consumer Advocate Motion to Compel Responses to Interrogatories OCA/USPS-74, 76-77, 100(A), and 101," issued July 8, 2005.

² Filed July 18, 2005.

case and had chosen to present an econometric analysis of city carrier costs in the current rate case, very likely such an analysis would have required at least an additional 5 weeks. Thus, the analysis would have been filed on or about October 24, 2005.

Assuming that the Postal Service and other participants would have asked for approximately 3 weeks of written discovery and an oral hearing, receipt of this evidence probably would have been completed by about November 23, 2005. The Postal Service and other participants might have chosen to rebut OCA's testimony, and might have been expected to do so by December 9, 2005. A hearing on such rebuttal testimony probably would have been scheduled for the following week – December 16, 2005. Initial briefs on the carrier cost variability issue would likely have been exchanged within a week or so of the hearing, and reply briefs about one week after that. Thus, all of the litigation concerning the city carrier cost issue might have continued until early January 2006. Under §3624 of title 39, the Commission's decision should be issued by February 8, 2006.

OCA plans to learn about the DOIS data, as Ruling No. 46 provides, and use it in a future econometric analysis. If time permits, OCA will present the results of such an analysis in a paper, along the lines of the approach we took when we disseminated Professor Mark Roberts' econometric analysis of the volume variability of mail processing costs in "An Empirical Model of Labor Demand for Mail Sorting Operations,"

³ Report at 7.

May 31, 2002.⁴ If the next omnibus rate case is filed before we are able to complete our study and present it informally, we will submit our study based on the DOIS database as part of OCA's direct case in the next omnibus proceeding.

OCA extends thanks to the Postal Service for the cordial atmosphere in which our negotiations were conducted and brought to a successful conclusion.

Respectfully submitted,

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⁴ See <http://www.prc.gov/OCA/papers/LaborDemand/labordemand.pdf>. Three weeks after the paper was published, Professor Roberts conducted a 1 ½ hour seminar followed by a workshop. Professor Roberts answered all questions posed to him to the best of his ability.