

ORDER NO. 1447

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

Before Commissioners: George Omas, Chairman;
 Dawn A. Tisdale, Vice Chairman;
 Ruth Y. Goldway; and
 Tony Hammond

Parcel Return Service

Docket No. MC2006-1

NOTICE AND ORDER ON FILING OF REQUEST
FOR A RECOMMENDED DECISION ON
PARCEL RETURN SERVICE

(Issued October 21, 2005)

On October 17, 2005, the Postal Service filed a request seeking a recommended decision approving a change in the Domestic Mail Classification Schedule (DMCS) making Parcel Return Service permanent.¹ A current experiment has been testing distinct rates and fees for certain parcels that are returns from customers to merchants. The Request, which includes five attachments, was filed pursuant to Chapter 36 of the Postal Reorganization Act, 39 U.S.C. § 3601 *et seq.*²

The Postal Service has been offering experimental Parcel Return Service since October 19, 2003, in accordance with the Commission's Recommended Decision Approving the Stipulation and Agreement in Docket No. MC2003-2 and the Governor's

¹ Request of the United States Postal Service for a Recommended Decision on Parcel Return Service, October 17, 2005 (Request).

² Attachment A contains the proposed classification schedule provisions; Attachment B sets forth the proposed rate and fee schedules; Attachment C is the certification required by Commission rules 64(h) and 54(p); Attachment D is an index of testimonies; and Attachment E is the statement addressing compliance with various filing requirements.

Decision of September 8, 2003, approving the recommendation. The experiment was scheduled to expire on October 19, 2005, unless a request to make the service permanent is pending before the Commission prior to that date.

In contemporaneous filings, the Postal Service requests establishment of settlement procedures³ and submits a conditional motion for waiver of the filing requirements.⁴ The Request, accompanying testimony of witnesses Daniel (USPS-T-1), Miller (USPS-T-2), and Koroma (USPS-T-3), and other related material are available for inspection in the Commission's docket room during regular business hours. They also can be accessed electronically, via the Internet, on the Commission's website (www.prc.gov).

I. Proposed Parcel Return Service

The Postal Service proposes to make permanent a Parcel Return Service applicable to merchandise returned as Parcel Post. This service allows commercial mailers or their third-party logistics providers to receive bulk delivery of returned parcels at a designated delivery unit or at a BMC. The Postal Service offers Parcel Return Service as a customer-friendly and more efficient means for consumers to return parcels to mail-order retailers. Parcel Return Service is designed to be consistent with destination entry services provided at delivery units or bulk mail centers, so that returned parcels can be picked up at the same facilities where outgoing packages are entered. This allows participants to benefit from the increased efficiency of dropping off and picking up parcels concurrently.

The experiment recommended in Docket No. MC2003-2 included Parcel Return Services for Bound Printed Matter and Parcel Select rate categories. The Bound Printed Matter category did not garner any participation. Thus, a permanent

³ United States Postal Service Request for Establishment of Settlement Procedures, October 17, 2005 (Request for Establishment of Settlement Procedures).

⁴ Statement of the United States Postal Service Concerning Compliance with Filing Requirements and Conditional Motion for Waiver, October 17, 2005 (Motion for Waiver).

classification is only requested for the Parcel Select rate categories. No permanent classification is being requested for Bound Printed Matter.

The Postal Service also seeks classification changes to allow the certificate of mailing service to be available for purchase with Parcel Return Service. This was not a part of the original experiment.

Parcel Return Service would add two new rate categories to the Parcel Post subclass, Parcel Select Return Delivery Unit (RDU), and Parcel Select Return Bulk Mail Center (RBMC). The proposed RDU rate for mail retrieved in bulk at delivery units is \$2.11 per parcel for all parcels except oversized parcels. The proposed RDU rate for oversized parcels is \$7.92. The proposed RBMC rates are identical to those proposed in the Postal Service's pending Docket No. R2005-1 Request.⁵

The proposed rates are based on workshare savings for returned parcels retrieved in bulk by shippers (or their agents) at designated delivery units or bulk mail centers. The Postal Service indicates that the cost avoidance measures underlying its proposed rates are estimated using the same cost methodology and cost model presented in Docket No. MC2003-2 by witness Eggleston. The cost model has been modified to incorporate Docket No. R2005-1 data, as well as information obtained from field personnel. The Postal Service estimates that making this service permanent would add approximately \$35 million to the Postal Service's revenue, around 2.8 percent of Parcel Post total revenue, and 0.05 percent of total domestic mail revenue. It claims that Parcel Return Service should not materially affect Parcel Post's contribution to institutional costs relative to other subclasses.

⁵ Compare Request Attachment B with Docket No. R2005-1, Request of the United States Postal Service for a Recommended Decision on Changes in Rates of Postage and Fees for Postal Services, April 8, 2005, Attachment A at 43-49.

II. Conditional Request for Waiver of Certain Filing Requirements

The Postal Service asserts that its filing complies with applicable Commission filing requirements through incorporation by reference, but, as a precautionary alternative, seeks waiver of various filing requirements should the Commission conclude otherwise.⁶ In support of its Request, the Postal Service states that its Compliance Statement (Attachment E to the Request) addresses each filing requirement and indicates which parts of the filing satisfy each rule. It also notes that it has incorporated by reference pertinent materials from Docket No. R2005-1, the most recent omnibus rate case.⁷ It contends that incorporation satisfies the filing requirements pertaining to classes of mail and special services. In addition, the Postal Service contends that the Parcel Return Service will not materially alter the rates, fees and classifications established in Docket No. R2005-1; rather, it would make permanent certain experimental classifications with the rates already proposed in that docket. *Id.* at 1. It concludes that its proposal will have only a limited impact on overall postal costs, volumes, and revenues. *Ibid.* It also asserts that there is substantial overlap between information sought in the general filing requirements and the materials provided in Docket No. R2005-1. *Id.* at 2.

Notwithstanding its principal position, the Postal Service recognizes that the Commission may find that it has failed to comply with the filing requirements. Accordingly, the Postal Service requests a waiver of certain filing requirements if the Commission concludes that the materials incorporated from the omnibus case are not sufficient to satisfy those requirements. *Id.* at 3.

⁶ The Request seeks a waiver of rules 54 and 64. Motion for Waiver at 3.

⁷ Motion for Waiver at 1 and 3.

III. The Postal Service Request For Settlement Procedures

In support of its request for settlement procedures, the Postal Service asserts that the proposed classification change is straightforward, is of limited scope, and is the culmination of a successful two-year experiment established in Docket No. MC2003-2. Further, the Postal Service states that because the experimental service that the Request is based upon resulted in settlement, it believes that the same level of widespread support exists for making the service permanent, and that it should have no significant adverse impact on other mailers or competitors. Accordingly, the Postal Service believes there is a distinct possibility for settlement.⁸ The Postal Service requests that a settlement conference be scheduled as soon as possible following the deadline for intervention. *Id.* at 2.

IV. Commission Response

Intervention. Those wishing to be heard in this matter are directed to file a notice of intervention on or before November 10, 2005. The notice of intervention shall be filed using the Internet (Filing Online) at the Commission's website (www.prc.gov), unless a waiver is obtained for hardcopy filing. 39 CFR §§ 3001.9(a) and 10(a). No decision has been made at this point on whether a hearing will be held in this case. Notices should indicate whether participation will be on a full or limited basis. See 39 CFR §§ 3001.20 and 3001.20a.

Settlement. Given the Postal Service's representations that the proposal is widely supported and should not adversely affect competitors or other mailers, the Commission will authorize settlement negotiations in this proceeding. It appoints Postal Service counsel as settlement coordinator. In this capacity, Postal Service counsel shall file periodic reports on the status of settlement discussions. The Commission authorizes the settlement coordinator to hold a settlement conference on

⁸ Request for Settlement Procedures at 1-2.

November 14-15, 2005. The Commission will make its hearing room available for this purpose upon request. Authorization of settlement discussions does not constitute a finding on the necessity of hearings in this case.

Prehearing conference. A prehearing conference will be held November 17, 2005, at 10:00 a.m. in the Commission's hearing room. Participants shall be prepared to identify any issue(s) that would indicate a need to schedule a hearing, along with other matters referred to in this ruling.

Conditional Motion for Waiver. Participants may comment on the Postal Service's conditional motion to waive certain filing requirements. Responses to the Postal Service's Motion for Waiver are due on or before November 17, 2005.

Representation of the general public. In conformance with section 3624(a) of Title 39, the Commission designates Shelley S. Dreifuss, director of the Commission's Office of the Consumer Advocate (OCA), to represent the interests of the general public in this proceeding. Pursuant to this designation, Ms. Dreifuss will direct the activities of Commission personnel assigned to assist her and, upon request, will supply their names for the record. Neither Ms. Dreifuss nor any of the assigned personnel will participate in or provide advice on any Commission decision in this proceeding.

It is ordered:

1. The Commission establishes Docket No. MC2006-1, Parcel Return Service, to consider the Postal Service Request referred to in the body of this order.
2. The Commission will sit en banc in this proceeding.

3. Postal Service counsel is appointed to serve as settlement coordinator in this proceeding. The Commission will make its hearing room available upon request for a settlement conference on November 14-15, 2005, at such times as scheduled by the settlement coordinator.
4. Shelley S. Dreifuss, director of the Commission's Office of the Consumer Advocate, is designated to represent the interests of the general public.
5. The deadline for filing notices of intervention is November 10, 2005.
6. A prehearing conference will be held November 17, 2005 at 10:00 a.m. in the Commission's hearing room.
7. Responses to the Postal Service's Conditional Motion for Waiver of certain filing requirements are due on or before November 17, 2005.
8. The Secretary shall arrange for publication of this notice and order in the *Federal Register*.

By the Commission
(SEAL)

Garry J. Sikora
Acting Secretary