

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

*Before:*

Chairman Omas,  
Vice Chairman Tisdale,  
Commissioner Goldway, and  
Commissioner Hammond

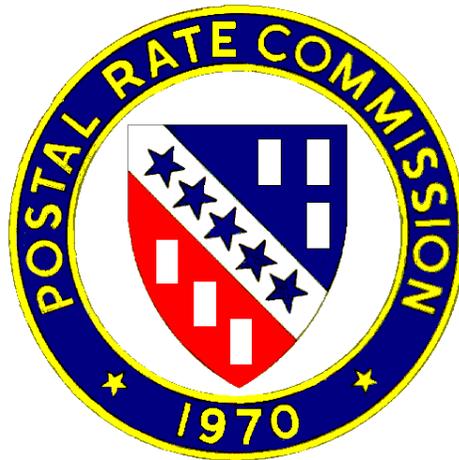
Parcel Return Service

Docket No. MC2006-1

OPINION AND RECOMMENDED DECISION

APPROVING

STIPULATION AND AGREEMENT



Washington, DC 20268-0001  
March 3, 2006

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RECOMMENDED DECISION

APPENDIX ONE

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APPENDIX A

## I. PROCEDURAL HISTORY

On October 17, 2005, the Postal Service filed with the Commission a Request for a Recommended Decision on Parcel Return Service (“Request”), in accordance with 39 U.S.C. §§ 3622 and 3623. The Postal Service proposes that Parcel Return Service categories be made permanent, and that rates and fees be identical to those that it proposed in Docket No. R2005-1 and implemented on January 8, 2006. The Commission recommends that this service be made permanent as proposed by the Postal Service.

The Postal Service has been offering Parcel Return Service on an experimental basis since October 19, 2003, in accordance with the Commission’s Recommended Decision Approving the Stipulation and Agreement in Docket No. MC2003-2 and the Governors’ Decision of September 8, 2003, approving that recommendation. The experiment had been scheduled to expire on October 19, 2005.<sup>1</sup>

The Postal Service supported its Request with the written direct testimony of three witnesses. Witness Daniel (USPS-T-1) evaluated the Postal Service’s experience with the Parcel Return Service experiment and forecasted volumes for the FY 2006 test year. Witness Miller (USPS-T-2) estimated test year 2006 costs. Witness Koroma (USPS-T-3) analyzed rates, fees, and classification language proposed for the permanent service. The Postal Service also proposed DMCS language that reflects its proposed changes.

Because Parcel Return Service appeared to mutually benefit the Postal Service, mail-order merchants, and their customers without harming other mailers, the Commission supported the Postal Service’s request that this case follow an expedited procedural schedule with an expectation that many outstanding issues might be settled.

In Order No. 1447, issued on October 21, 2005, the Commission designated Postal Service counsel as settlement coordinator. It scheduled a prehearing conference on November 17, 2005, and asked participants to identify any issues that they felt required an evidentiary hearing. None of the eight intervenors identified any such issues.

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<sup>1</sup> Expiration was tolled by the Request filed in this docket.

On December 6, 2005, the Commission issued Order No. 1448, establishing a procedural schedule that anticipated settlement of the docket. The Commission directed the parties to complete discovery of the Postal Service's direct case on December 8, 2005. Discovery proceeded through that date, with almost 50 interrogatories being directed to, and answered by, the Postal Service's witnesses and the Postal Service institutionally, in addition to seven questions answered in response to Commission Information Request No. 1.<sup>2</sup> On January 6, 2006, pursuant to Order No. 1448, the Postal Service designated the testimony of witnesses Daniel (USPS-T-1), Miller (USPS-T-2), and Koroma (USPS-T-3) for inclusion in the record. Numerous interrogatory responses, and the Postal Service's responses to Commission Information Request No. 1, were designated as well. The record was closed on January 13, 2006, by Order No. 1451.

In accordance with Order No. 1448, the Postal Service filed a Stipulation and Agreement on January 17, 2006, and moved that it form the basis for the Commission's recommended decision. The Postal Service and the office appointed by the Commission to represent the interests of the general public have signed the Stipulation and Agreement along with six of the eight intervenors. The remaining two intervenors, the American Postal Workers Union, AFL-CIO and David B. Popkin, indicated that they do not oppose the settlement.

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<sup>2</sup> Commission Information Request No. 1, December 12, 2005.

## II. SUMMARY OF PROPOSAL

Parcel Return Service is designed to provide a low-cost, user-friendly method by which a retail customer of a mail-order or on-line merchant may return a purchased item. The customer is required only to fill out a simple merchant-supplied mailing form and deposit the item with the Postal Service, either by handing it to a delivery carrier, placing it in a collection box, or submitting it to a window clerk. The Postal Service proposes to establish two permanent rate categories within Parcel Select Return Service: Return Delivery Unit (RDU) and Return Bulk Mail Center (RBMC).

Under the RDU category, the Postal Service scans the returned parcel at the local delivery unit and segregates and stores it until the merchant or its logistics provider picks up the parcel. Because no transportation and little processing is required by the Postal Service, it proposes to charge a flat rate for regular-sized parcels of \$2.11 and a flat rate of \$7.92 for over-sized parcels.

Under the RBMC category, the Postal Service does not intercept and store the returned parcel until it reaches the local Bulk Mail Center. There it is sorted according to the identity of the logistics provider and stored; then the parcel is rated and postage is applied. To reflect the variation in the transportation and sorting that the Postal Service provides, the Postal Service proposes to charge a schedule of zoned pound rates for machinable parcels. A surcharge of \$1.42 would be applied for nonmachinable parcels. Special rates would be charged for oversized parcels: \$27.39 for zones 1 and 2, \$27.73 for zone 3, \$28.46 for zone 4, and \$29.56 for zone 5.<sup>3</sup>

For both RDU and RBMC, postage is deducted from the merchant's or the logistics provider's prepaid account.

The permanent Parcel Select Return categories that the Postal Service proposes differ in several respects from the experiments authorized in Docket No. MC2003-2. The experiment authorized Bound Printed Matter Return Service. Because no one used it, the Postal Service does not propose that it be made a permanent service category. The Postal Service also proposes to make Certificates of Mailing available to customers that use Parcel Return Service to return an item. The proposed permanent

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<sup>3</sup> See DMCS Rate Schedule 521.2G.

rate for Parcel Return Service are generally 5.4 percent higher than those charged during the experiment. They are the same rates as those that the Postal Service proposed in Docket No. R2005-1. Because the Parcel Return Service rates proposed in Docket No. R2005-1 were implemented on January 8, 2006, there will be no need to amend Parcel Return Service rate schedules.

### III. EVIDENCE SUPPORTING THE PROPOSAL

Postal Service witness Daniel testifies that to stimulate sales, catalogue and on-line merchants need to provide their retail customers with a low-cost, user-friendly means of returning merchandise. She observes that on-line shopping and revenue from on-line sales are growing rapidly, but that the return rate is higher for certain product lines if they are sold on line.

She characterizes the experiment as a success. She states that “[t]he two current participants in the experiment represent scores of merchants and have handled over 13 million PRS returns for their clients” with Parcel Return Service volume growing from 4.4 million parcels (generating \$13 million in revenue) in FY 2004 to 8.8 million parcels (generating \$25 million in revenue) in FY 2005. Tr. 2/32 and 36. She concludes that this rapid growth confirms customer interest in this kind of simplified return service. Reflecting the expected growth in direct-to-customer marketing, she projects that Parcel Return Service revenue and volume will grow by roughly 50 percent in the FY 2006 test year to 12.8 million parcels, three-quarters of which she expects to be sent at the RBMC rate.

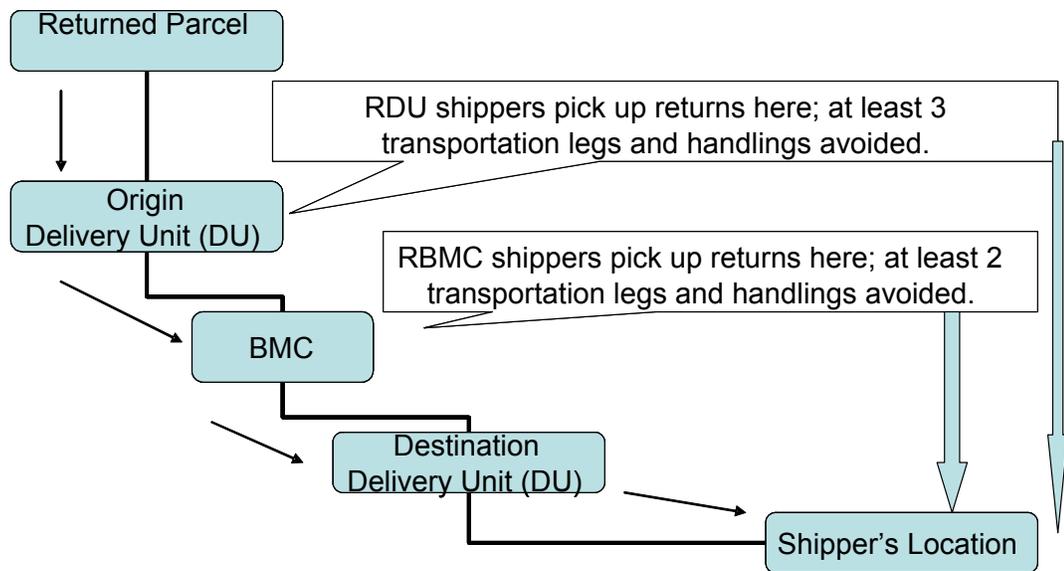
Witness Daniel notes that during the experiment, consumers were not able to purchase the ancillary services that are available with normal parcel post service. She says that some consumers would like to be able to document that they have returned an item, and some would like to insure a returned item. She proposes that Certificates of Mailing be made available to users of Parcel Return Service. She does not propose that insurance be offered, because, under Parcel Return Service, the Postal Service does not maintain custody of the item for the entire trip back to the merchant. *Id.* at 37.

Postal Service witness Miller treats RDU and RBMC as worksharing rate categories of Parcel Select. He estimates the net costs that they avoid by comparing their costs to the cost of intra-BMC Parcel Post. *Id.* at 148.

Under the RDU service, witness Miller assumes that the customer returns the item to the local delivery unit where it undergoes special scan sequences, and is stored for pick up by the merchant’s logistics provider. As Figure 1 shows, this avoids acceptance costs at the retail window of the local delivery unit, processing costs at that

unit, and at least three transportation legs (local delivery unit to local BMC, local BMC to destinating delivery unit, and destinating delivery unit to merchant's warehouse).

**Figure 1**  
**Parcel Return Service Compared to Intra-BMC Parcel Post**



Parcel Return Service-RDU incurs additional scanning and storage costs. The net unit cost avoidance is shown in the Total column of Table 1.

**Table 1**

**PRS Unit Avoided Costs**

	Acceptance	Mail Processing	Transportation	Storage	Scanning	Postage Due	Total
<b>RBMC</b>							
Machinable	(\$0.034)	(\$0.613)	(\$0.942)	\$0.014	\$0.000	\$0.072	(\$1.502)
Nonmachinable	(\$0.034)	(\$1.245)	(\$6.160)	\$0.095	\$0.000	\$0.072	(\$7.272)
Oversize	(\$0.034)	(\$2.018)	(\$17.604)	\$0.281	\$0.000	\$0.072	(\$19.303)
<b>RDU</b>							
Machinable	(\$0.034)	(\$1.450)	(\$1.040)	\$0.038	\$0.074	\$0.000	(\$2.411)
Nonmachinable	(\$0.034)	(\$5.363)	(\$6.802)	\$0.259	\$0.074	\$0.000	(\$11.866)
Oversize	(\$0.034)	\$(12.934)	\$(19.440)	\$0.766	\$0.111	\$0.000	(\$31.531)

Under the RBMC service, the customer returns the item to the local delivery unit where a routine scan indicates that it should be forwarded to the local BMC and the Postal Service transports it there. Since the transportation costs incurred vary according to weight and zone, postage is not calculated until it arrives at the local BMC. There, it is deducted from the logistics provider's account. As Figure 1 shows, this avoids the costs of acceptance and processing at the local delivery unit, and the cost of at least two transportation legs (local BMC to destinating delivery unit, and destinating delivery unit to merchant's warehouse). It incurs additional storage cost and a certain percentage incur postage due costs. The net unit cost avoidance is shown in the Total column of Table 1.

Postal Service witness Koroma uses witness Daniel's volume projections and witness Miller's cost avoidance estimates to provide a financial analysis of Parcel Return Service. He uses the result to evaluate the Parcel Return Service proposal according to the rate and classification standards of the Postal Reorganization Act.

Witness Koroma explains that the Postal Service's Request was filed while Docket No. R2005-1 was still pending. The rates proposed in its Request to establish permanent Parcel Return Service rate categories were the same as those proposed in Docket No. R2005-1. They were intended to be consistent with the overall rationale with which the Postal Service supported higher rates in Docket No. R2005-1.

Therefore, they reflect the Postal Service’s conclusion that, for public policy reasons, rates should be increased across-the-board by a uniform 5.4 percent, irrespective of actual test year subclass attributable costs or the test year costs avoided by particular rate categories. Consequently, witness Koroma notes, the permanent Parcel Return Service rates that the Postal Service proposes are not based on the customary step-by-step rate design exercise that involves explicit selection of passthroughs. Nevertheless, he provides an analysis of implicit passthroughs that would result from adopting the proposed permanent rates in order to evaluate their consistency with the ratemaking standards of the Postal Reorganization Act. *Id.* at 81 and 86.

Table 2 compares witness Koroma’s estimates of test-year costs, volumes, revenues, and implied passthroughs with corresponding Commission estimates. The differences are minor. They reflect different Commission costing methods and corrections to those methods based on the Postal Service’s responses to Commission Information Request No. 1.<sup>4</sup>

**Table 2**  
**Financial Analysis of Parcel Return Service**  
**(FY 2006)**

Values in millions

	Volume	Revenue	Avoided Costs (USPS)	Avoided Costs (PRC)	Revenue Reduction (USPS)	Revenue Reduction (PRC)	Passthrough (USPS)	Passthrough (PRC)
RDU	3.2	\$6.8	\$8.9	\$9.4	\$4.2	\$4.5	47.2%	47.4%
RBMC	9.6	\$28.4	\$17.0	\$17.8	\$8.7	\$8.7	51.3%	49.0%

Table 2 shows that the revenues that the Parcel Return Service categories are projected to earn in the test year are lower than those that they would have earned if they had been sent at intra-BMC Parcel Post rates. It also shows that they reflect about half of the reduction in costs brought about by sending them as Parcel Return Service mail. Witness Koroma asserts that the proposed prices are reasonable,

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<sup>4</sup> See PRC-LR-1 and PRC-LR-2.

pointing out that they would have only a small impact on Parcel Post net revenues, and would not materially affect the cost coverage of Parcel Post relative to other subclasses, which is the primary focus of the ratemaking standards of § 3622(b). *Id.* at 87.

#### IV. SUMMARY OF UNDERLYING STIPULATION AND AGREEMENT

The settlement submitted by the Postal Service on behalf of the signatories consists of two parts. Part I, captioned Background, identifies the authority for filing a request with the Commission, the filing date of the Request, and the docket designation. It also states that the basis for the Postal Service's Request is explained in the direct testimony of witness Daniel.

Part II, captioned Terms and Conditions, consists of nine numbered paragraphs. Paragraph No. 1 states that the agreement represents a negotiated settlement of all issues raised in the instant request.

Paragraph No. 2 provides that the signatories stipulate and agree, for purposes of this proceeding only, the record contains substantial evidence supporting and justifying a decision recommending the changes to the Domestic Mail Classification Schedule (DMCS) proposed by the Postal Service.

Paragraph No. 3 provides that on the basis of the record identified in Paragraph No. 2, for purposes of this proceeding only, the signatories stipulate and agree that the DMCS and Rate Schedule changes set forth in the attachment to the settlement agreement are in accordance with the policies of title 39, United States Code and, in particular, the criteria and factors of 39 U.S.C. §§ 3622 and 3623.

Paragraph No. 4 provides that the settlement agreement is offered in total and final settlement of this proceeding. It further states that the signatories agree that they will not file further pleadings or testimony with the Commission in this proceeding, with the exception of: (a) pleadings or testimony explicitly requested by the Commission or in reply to such pleadings; (b) pleadings or testimony opposing pleadings or testimony filed in opposition to the settlement agreement; or (c) pleadings, testimony or comments in support of this settlement agreement.

Paragraph No. 5 reserves to each signatory a right to withdraw from the settlement agreement and specifies the terms and effect of exercising this right.

Paragraph No. 6 states that the settlement agreement pertains only to the instant proceeding. It further provides that signatories shall not be considered as necessarily agreeing with or conceding the applicability of any ratemaking principle; any method or

principle of classification; any terms and conditions of service; any method of cost of service determination; any principle or method of rate or fee design; the validity or use of any data relied upon by the Postal Service in this docket for any other purpose or in any other classification or ratemaking proceeding; or the application of any rule or interpretation of law, that may underlie, or be thought to underlie, the settlement agreement.

Paragraph No. 7 provides that signatories shall not be bound or prejudiced by the settlement agreement in any future negotiation or proceeding (other than any proceeding involving the honoring, enforcement, or construction of the settlement agreement) nor shall any participant rely for any purpose on the fact that another participant entered into or did not oppose it. It also states that to the extent that matters presented in the Request in this docket have not actually been litigated, the resolution of such matters will not be entitled to precedential effect in any other proceeding.

Paragraph No. 8 sets forth the signatories' request that the Commission expeditiously issue a decision recommending adoption of the DMCS, Rate Schedule, and Fee Schedule provisions appended to the settlement agreement.

Paragraph No. 9 provides that the settlement agreement represents the entire agreement of the signatories, and states that it supersedes any understandings or representations not contained herein.

In addition to the numbered paragraphs, the Stipulation and Agreement has two attachments. Attachment A contains the changes to the Domestic Mail Classification Schedule proposed by the Postal Service in its Request. Similarly, Attachment B contains the Service's proposed rate and fee schedule changes.

## V. FINDINGS AND CONCLUSIONS

As noted above, the Stipulation and Agreement was signed by six of eight participants in this proceeding, and the non-signatories do not actively oppose its adoption. The Commission finds that all participants have had an opportunity to participate in the negotiations that led to the filing of the settlement agreement filed January 17, 2006, and that all participants have had an adequate opportunity to comment on the appropriateness of the settlement as a resolution of the issues in this case.

The Commission finds the terms of the proposed Stipulation and Agreement to be consistent with the requirements and statutory factors of the Postal Reorganization Act, and compatible with the Commission's rules on experimental classifications.

Witness Daniel asserts that the experiment has demonstrated that Parcel Return Service is operationally sound, that its costs savings are clearly identifiable, and that demand for the service is substantial and growing. For these reasons, she concludes that it should become a permanent service. *Id.* at 35-37.

The Commission concurs with witness Daniel. The record demonstrates that Parcel Return Service has been a successful experiment that deserves to be made a permanent service. It has proven to be operationally feasible, and to be attractive to mail-order and on-line merchants. The record indicates that, on a unit basis, it substantially reduces the attributable costs of Parcel Post and increases the contribution of Parcel Post to institutional costs. It has the further advantage of reducing the costs of retail merchants by allowing them to deposit outgoing mail at the BMC and DDU and, at the same time, pick up returns from the same postal facilities. It also provides a simple, user-friendly means by which consumers can return items, giving them an incentive to patronize retailers that accept returns through the Postal Service.

*Consistency with mail classification criteria of § 3623(c).* It is the Commission's duty to evaluate classification proposals in terms of the classification criteria of 39 U.S.C. § 3623(c). The criteria are:

1. the establishment and maintenance of a fair and equitable classification system for all mail;
2. the relative value to the people of the kinds of mail matter entered into the postal system and the desirability and justification for special classifications and services of mail;
3. the importance of providing classifications with extremely high degrees of reliability and speed of delivery;
4. the importance of providing classifications which do not require an extremely high degree of reliability and speed of delivery;
5. the desirability of special classifications from the point of view of both the user and of the Postal Service; and
6. such other factors as the Commission may deem appropriate.

As witness Koroma observes, Parcel Return Service simultaneously benefits consumers, commercial mailers, as well as the Postal Service, without giving an undue advantage to any. *Id.* at 88. It therefore satisfies Criterion 1. By providing the consumer with a simpler, lower-cost, more user-friendly means of returning merchandise than those currently available through the Postal Service, Parcel Return Service satisfies Criterion 2. Witness Koroma validly notes that in terms of speed and reliability, Parcel Return Service facilitates the use by merchants of logistics providers who specialize in fast efficient movement of merchandise. *Ibid.* In this sense, Parcel Return Service satisfies Criteria 3 and 4.

Parcel Return Service gives the Postal Service a broader product line that better meets the needs of direct-to-consumer merchants at a lower cost. At the same time, it provides consumers with a user-friendly means of returning items to those merchants, increasing their confidence in patronizing direct-to-consumer merchants. From the

Postal Service's perspective, it increases volumes and reduces costs. Thus, both classes of users of the mail (commercial mailers and consumers) as well as the Postal Service simultaneously benefit from the service. *Id.* at 88-89. This satisfies Criterion 5.

*Consistency with ratemaking criteria of § 3622(b).* It is the Commission's duty to evaluate rates associated with classification proposals in terms of the ratemaking criteria of 39 U.S.C. § 3622(b). Chief among them is criterion (b)(3), which requires that mail classes (such as Parcel Post) cover their attributable costs and make a reasonable contribution to institutional costs. In the context of new categories of Parcel Post service, and the special considerations arising from the unique pricing rationale of Docket No. R2005-1, which the proposed permanent rates for Parcel Return Service share, the permanent Parcel Return Service rates proposed increase the ability of Parcel Post to cover its costs and make a reasonable contribution to network costs. They therefore satisfy criterion (b)(3).

While the proposed Parcel Return Service rates satisfy criterion (b)(3), the passthroughs of not quite 50 percent that result raise concerns in terms of criterion (b)(1), which requires the Commission to evaluate whether proposed rates are fair and equitable. The Parcel Shippers Association comments that with the recent approval of an "across-the-board" rate increase for Parcel Return Service and most other postal rates and the expectation that the Postal Service will soon be filing another omnibus rate case, it is appropriate for the Settlement Agreement to maintain the discounted Parcel Return Service rates that were approved in Docket No. R2005-1. The Parcel Shippers Association acquiesces in passthroughs of roughly 50 percent as "[c]onsistent with the longstanding practice of steadily increasing passthroughs as new worksharing discounts mature[.]" The Parcel Shippers Association, however, advocates increasing these passthroughs in the next omnibus rate case to better comport with the principle of efficient component pricing. Initial Brief and Comments on Proposed Settlement of Parcel Shippers Association, January 20, 2006, at 3. The Commission concurs.

*Conclusion.* The Commission concludes that the Parcel Return Service classifications and rates proposed in the Settlement Agreement satisfy the relevant criteria of 39 U.S.C. §§ 3622(b) and 3623(c), and will further the general policies of

efficient postal operations and reasonable rates and fees enunciated in §§ 101(a), 403(a), and 403(b) of the Postal Reorganization Act.

## VI. TECHNICAL ASPECTS OF THE STIPULATION AND AGREEMENT

Because the rates and fees proposed in this docket were the same as those then pending in the Postal Service's request in Docket No. R2005-1, and those rates were, in the interim, recommended by the Commission and have been implemented as of January 8, 2006, no rate or fee changes need to be recommended as part of this Recommended Decision, with the exception of the removal of the Bound Printed Matter Return Service rate schedule. In addition, a change in wording in Fee Schedule 1000 is needed to change "Parcel Return Services" to the singular.<sup>5</sup>

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<sup>5</sup> See Notice of the United States Postal Service of Filing of Erratum to Stipulation and Agreement (January 20, 2006) for a corrected version.

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

RECOMMENDED DECISION

(Issued March 3, 2006)

The Commission, having considered the Postal Service Request has issued its Opinion thereon. Based on that Opinion, which is attached hereto and made a part hereof,

IT IS ORDERED:

1. The Motion of the United States Postal Service for Consideration of Attached Stipulation and Agreement as the Basis for Recommended Decision, filed January 17, 2006, is granted. The Stipulation and Agreement filed by the Postal Service is accepted consistent with this Opinion and Recommended Decision.
2. The Commission's Opinion and Recommended Decision shall be transmitted to the Governors of the Postal Service and the Governors shall thereby be advised that the proposed amendments to the Domestic Mail Classification Schedule set forth in Appendix One and the technical amendments to the schedules of rates and fees set forth in Appendix Two are in accordance with the policies of Title 39, United States

Code, and the factors set forth in §§ 3622(b) and 3623(c) thereof; and they are hereby recommended to the Governors for approval.

By the Commission.

(S E A L)

Steven W. Williams  
*Secretary*

**RECOMMENDED CHANGE IN  
DOMESTIC MAIL CLASSIFICATION SCHEDULE**

The following material represents changes to the Domestic Mail Classification Schedule recommended by the Postal Rate Commission in response to the Postal Service's Docket No. MC2006-1 Request. The underlined text signifies that the text is new, and shall be added upon approval by the Board of Governors. Deleted text is indicated by a strikethrough.

**PACKAGE SERVICES  
CLASSIFICATION SCHEDULE**

\* \* \*

**521 Parcel Post Subclass**

\* \* \*

**521.11 ~~Duration of Parcel Select Return Services~~**

- a. ~~The provisions of the sections listed in (b) below, which pertain to Parcel Select Return Services, will expire the later of:~~
  - i. ~~two years after the implementation date specified by the Postal Service Board of Governors, or~~
  - ii. ~~if, by the expiration date specified in (i), a proposal to make Parcel Return Services permanent is pending before the Postal Rate Commission, the later of~~
    - (A) ~~three months after the Commission takes action on such proposal under section 3624 of Title 39, or~~
    - (B) ~~—if applicable—on the implementation date for permanent Parcel Return Services.~~
- b. ~~The sections that will expire, as set forth in a. above, include sections 521.27, 521.28, 521.7c, 585, 2010e, and 3050 in their entirety, and language referencing sections 521.27, 521.28, or 521.11 in the following sections: 521.21, 560, 570 (reference to schedules 521.2F and 521.2G), 932.22b, 943.221b, 944.21c, 945.221c, 948.21, 949.21, 951.21, 952.21b, and 2032.~~

**521.2 Description of Rate Categories**

**521.21 Inter-BMC Rate Category.** The inter-BMC rate category applies to all Parcel Post subclass mail not mailed under sections 521.22, 521.23, 521.24, 521.25, 521.26, 521.27, or 521.28.

\* \* \*

521.27 **Parcel Select Return Service—Return Delivery Unit (RDU) Rate Category.** The Parcel Select Return Service—RDU rate category applies to merchandise returned as Parcel Post subclass mail prepared as specified by the Postal Service; entered as specified by the Postal Service; and retrieved in bulk at a designated delivery unit, or other equivalent facility, as specified by the Postal Service.

521.28 **Parcel Select Return Service—Return BMC (RBMC) Rate Category.** The Parcel Select Return Service—RBMC rate category applies to merchandise returned as Parcel Post subclass mail prepared as specified by the Postal Service; entered as specified by the Postal Service; and retrieved in bulk at a bulk mail center, or other equivalent facility, as specified by the Postal Service.

\* \* \*

521.7 **Nonmachinable Surcharges**

\* \* \*

- c. Parcel Select Return Service—RBMC Parcel Post mail that does not meet machinability criteria specified by the Postal Service is subject to a nonmachinable surcharge.

\* \* \*

522 **Bound Printed Matter Subclass**

\* \* \*

~~522.11 **Duration of Bound Printed Matter Return Service**~~

- ~~a. The provisions of the sections listed in (b) below, which pertain to Bound Printed Matter Return Service, will expire the later of:~~
  - ~~i. two years after the implementation date specified by the Postal Service Board of Governors, or~~

- ii. ~~if, by the expiration date specified in (i), a proposal to make Parcel Return Services permanent is pending before the Postal Rate Commission, the later of~~
  - (A) ~~three months after the Commission takes action on such proposal under section 3624 of Title 39, or~~
  - (B) ~~—if applicable— on the implementation date for permanent Parcel Return Services.~~
- b. ~~The sections that will expire, as set forth in a. above, include sections 522.27, 585, 2010e, and 3050 in their entirety, and language referencing section 522.27 or 522.11 in the following sections: 560, 570 (reference to schedule 522E), 932.22b, 943.221b, 044.21c, 945.221c, 948.21, 949.21, 951.21, 952.21b, and 2032.~~

\* \* \*

~~522.27~~ **~~Bound Printed Matter Return Service—Return BMC (RBMC) Rate Category.~~** ~~The Bound Printed Matter Return Service—RBMC rate category applies to merchandise returned as Bound Printed Matter subclass mail prepared as specified by the Postal Service; entered as specified by the Postal Service; and retrieved in bulk at a bulk mail center, or other equivalent facility, as specified by the Postal Service. The flats differential described in section 522.4 does not apply to Bound Printed Matter Return Service mail.~~

\* \* \*

**560 ANCILLARY SERVICES**

**561 All Subclasses Except Parcel Select Return Service Categories**

Package Services mail, except Parcel Select Return Service Post or Bound Printed Matter subclass mail entered under sections 521.27 or 521.28 (which is eligible for Certificates of Mailing only), or ~~522.7~~, will receive the following services upon payment of the appropriate fees:

\* \* \*

**562**      **Parcel Select Return Service**

Parcel Post subclass mail entered under sections 521.27 or 521.28 will receive Certificate of Mailing service if the customer entering the returned parcel pays the appropriate fees at the time the mail is entered. Certificate of Mailing service may not be purchased by the addressee of the returned parcel.

**570**      **RATES AND FEES**

The rates and fees for Package Services Mail are set forth as follows:

<b>Service</b>	<b>Schedule</b>
a. Parcel Post subclass	
Inter-BMC	521.2A
Intra-BMC	521.2B
Parcel Select	
Destination BMC	521.2C
Destination SCF	521.2D
Destination Delivery Unit	521.2E
Parcel Select Return Service	
Return Delivery Unit	521.F
Return BMC	521.2G
b. Bound Printed Matter subclass	
Single-Piece	522A
Basic Presort and Carrier Route	522B
Destination Entry Basic Presort	522C
Destination Entry Carrier Route Presort	522D
<del>Bound Printed Matter Return Service</del>	
Return BMC	522E
c. Media Mail subclass	523
d. Library Mail subclass	524
e. Fees	1000

**580            AUTHORIZATIONS AND LICENSES**

\* \* \*

**585            Parcel Return Services**

585.1            A permit fee as set forth in Schedule 1000 must be paid once each 12-month period by mailers utilizing Parcel Select Return Service ~~or Bound Printed Matter Return Service~~. In addition, the permit holder must pay the accounting fee specified in Fee Schedule 1000 once each 12-month period for each advance deposit account. These fees apply to either return service.

585.2            The Parcel Return Services permit may be canceled for failure to maintain sufficient funds in a trust account to cover postage and fees on returned parcels, for distributing labels that do not conform to Postal Service specifications, or for other reasons specified by the Postal Service.

**SPECIAL SERVICES  
CLASSIFICATION SCHEDULE**

\* \* \*

**932           MERCHANDISE RETURN SERVICE**

\* \* \*

932.22       Merchandise Return service is available for the return of any parcel under the following classification schedules:

\* \* \*

- b. ~~Package Services, except Parcel Post or Bound Printed Matter~~ subclass mail entered under section 521.27; or 521.28; ~~or 522.27~~.

\* \* \*

**943           INSURANCE**

\* \* \*

943.221     General Insurance is available for mail sent under the following classification schedules:

\* \* \*

- b. ~~Package Services, except Parcel Post or Bound Printed Matter~~ subclass mail entered under section 521.27; or 521.28; ~~or 522.27~~;

\* \* \*

**944           COLLECT ON DELIVERY**

\* \* \*

944.21       COD service is available for collection of \$1,000 or less upon the delivery of postage prepaid mail sent under the following classification schedules:

\* \* \*

- c. Package Services, except Parcel Post or ~~Bound Printed Matter~~ subclass mail entered under section 521.27, or 521.28, ~~or 522.27.~~

\* \* \*

**945 RETURN RECEIPT**

\* \* \*

- 945.221 Return Receipt for Merchandise is available for merchandise sent under the following sections or classification schedules:

\* \* \*

- c. Package Services, except Parcel Post or ~~Bound Printed Matter~~ subclass mail entered under section 521.27, or 521.28, ~~or 522.27.~~

\* \* \*

**947 CERTIFICATES OF MAILING**

\* \* \*

- 947.2 Availability

\* \* \*

- 947.22 Service under this section for Parcel Post subclass mail entered under section 521.27 or 521.28 is restricted to the mailer that enters the returned parcel. The addressee may not purchase this service.

\* \* \*

**948 DELIVERY CONFIRMATION**

\* \* \*

- 948.21 Delivery Confirmation service is available for First-Class Letters and Sealed Parcels subclass mail that is parcel-shaped, as specified by the Postal Service; Priority Mail; Standard Mail, in the Regular and Nonprofit subclasses, that is subject to the residual shape surcharge; and Package Services mail that is parcel-shaped, as specified by the Postal Service,

except Parcel Post or ~~Bound Printed Matter~~ subclass mail entered under section 521.27; or 521.28; ~~or 522.27.~~

\* \* \*

**949 SIGNATURE CONFIRMATION**

\* \* \*

949.21 Signature Confirmation is available for Letters and Sealed Parcels subclass mail that is parcel-shaped, as specified by the Postal Service; Priority Mail; and Package Services mail that is parcel-shaped, as specified by the Postal Service, except Parcel Post or ~~Bound Printed Matter~~ subclass mail entered under section 521.27; or 521.28; ~~or 522.27.~~

\* \* \*

**951 PARCEL AIRLIFT (PAL)**

\* \* \*

951.21 Parcel Airlift service is available for mail sent under the Package Services Classification Schedule, except Parcel Post or ~~Bound Printed Matter~~ subclass mail entered under section 521.27; or 521.28; ~~or 522.27.~~

\* \* \*

**952 SPECIAL HANDLING**

\* \* \*

952.21 Special Handling service is available for mail under the following classification schedules:

\* \* \*

b. Package Services, except Parcel Post or ~~Bound Printed Matter~~ subclass mail entered under section 521.27; or 521.28; ~~or 522.7.~~

**2000 DELIVERY OF MAIL**

**2010 Delivery Services**

The Postal Service provides the following modes of delivery:

\* \* \*

- e. ~~Parcel Select Return Service and Bound Printed Matter Return Service delivery, subject to expiration under the conditions set forth in sections 521.11 and 522.11. The rates for Parcel Select Return Service are set forth in Rate Schedules 521.2F and 521.2G.~~

\* \* \*

**2032 Return**

Return is the delivery of undeliverable-as-addressed mail to the sender. ~~Parcel Select Return Service mail and Bound Printed Matter Return Service mail does not constitute returned mail within the meaning of this section, subject to expiration under the conditions set forth in sections 521.11 and 522.11.~~

\* \* \*

**3000 POSTAGE AND PREPARATION**

\* \* \*

**3050 ~~Parcel Select Return Service and Bound Printed Matter Return Service~~ Postage**

~~Parcel Select Return Service and Bound Printed Matter Return Service mail that is entered under section 521.27, or 521.28, or 522.7 may be retrieved by the permit holder prior to payment of postage. With the exception of fees charged for Certificate of Mailing service, pPostage on mail in these categories will be determined and paid by the permit holder following receipt, in a manner and within a time specified by the Postal Service. ~~This section is subject to expiration under the conditions set forth in sections 521.11 and 522.11.~~~~

For Parcel Select Return Service mail that is entered under section 521.27 or 521.28, Certificate of Mailing service may be purchased and fees paid by the mailer entering the returned parcel.

## **RECOMMENDED CHANGES IN RATE AND FEE SCHEDULES**

The following changes represent the rate and fee schedule recommendations of the Postal Rate Commission in response to the Postal Service's Docket No. MC2006-1 Request. The changes require the deletion of one rate schedule — 522E, and modification of Fee Schedule 1000. Deleted text is indicated by a strikethrough.

**PACKAGE SERVICES  
RATE SCHEDULE 522E**

**BOUND PRINTED MATTER  
BPM RETURN SERVICE  
RETURN BMC RATE CATEGORY**

<b>Weight</b>	<b>Zones 1 &amp; 2</b>	<b>Zone 3</b>	<b>Zone 4</b>	<b>Zone 5</b>
1.0	\$1.63	\$1.68	\$1.72	\$1.80
1.5	1.63	1.68	1.72	1.80
2.0	1.70	1.76	1.82	1.92
2.5	1.77	1.85	1.92	2.05
3.0	1.84	1.93	2.02	2.17
3.5	1.91	2.02	2.12	2.30
4.0	1.98	2.10	2.22	2.42
4.5	2.05	2.19	2.32	2.55
5.0	2.12	2.27	2.42	2.67
6.0	2.26	2.44	2.62	2.92
7.0	2.40	2.61	2.82	3.17
8.0	2.54	2.78	3.02	3.42
9.0	2.68	2.95	3.22	3.67
10.0	2.82	3.12	3.42	3.92
11.0	2.96	3.29	3.62	4.17
12.0	3.10	3.46	3.82	4.42
13.0	3.24	3.63	4.02	4.67
14.0	3.38	3.80	4.22	4.92
15.0	3.52	3.97	4.42	5.17

**FEE SCHEDULE 1000**

**MISCELLANEOUS**

\* \* \*

Parcel Return Services Accounting Fee (per year)	500.00
Parcel Return Services Permit Fee (per year)	160.00

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