

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

PARCEL RETURN SERVICE

Docket No. MC2006-1

NOTICE OF THE UNITED STATES POSTAL SERVICE  
OF DECISION OF THE GOVERNORS

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 Recommended Decision of the Postal Rate Commission  
Approving Stipulation and Agreement on Parcel Return Service,  
Docket No. MC2006-1.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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March 29, 2006

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE  
ON THE RECOMMENDED DECISION OF THE POSTAL RATE COMMISSION  
APPROVING STIPULATION AND AGREEMENT ON PARCEL RETURN SERVICE,  
DOCKET NO. MC2006-1**

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March 22, 2006

**STATEMENT OF EXPLANATION AND JUSTIFICATION**

On March 3, 2006, the Postal Rate Commission issued its Opinion and Recommended Decision Approving Stipulation and Agreement on Parcel Return Service in Docket No. MC2006-1. Pursuant to a Request filed by the Postal Service on October 17, 2005, the Commission recommended that two experimental rate categories, Parcel Select Return Service—Return Delivery Unit (RDU) and Parcel Select Return Service—Return Bulk Mail Center (RBMC), be made permanent, with the rates currently in effect as a result of Docket No. R2005-1.

For the reasons explained below, we have concluded that the Commission's recommendation will help maintain a fair and equitable mail classification system, and is otherwise in accordance with the policies of the Postal Reorganization Act. Therefore, we approve the changes recommended by the Commission.

Parcel Return Service (PRS) allows consumers, using a label provided by the merchant, to return packages without the need to affix postage. They may deposit returns with a carrier, in a collection box, or at a post office. Discounted postage is paid by the merchants (or their agents), because they pick up the packages at the Delivery Unit or Bulk Mail Center nearest to where the package is deposited for return by the consumer, saving the Postal Service considerable transportation and processing expense.

The Postal Service's Request for a permanent service followed the successful operation of a two-year experimental service.<sup>1</sup> The experiment showed that, in addition to the obvious benefits to consumers, shippers benefit by being able to take advantage of increased efficiency in their routes by dropping off and picking up parcels at the same time, and by obtaining more favorable rates for the returned parcels. Merchants benefit by receiving returns sooner and by having access to electronic information about the returned parcels. The Postal Service benefits through increased efficiency in processing returns, and from the generation of new revenue, totaling \$38 million in fiscal years 2004 and 2005.<sup>2</sup> It also benefits the Postal Service by providing consumers an incentive to patronize retailers that accept returns through the Postal Service. As the Commission noted, the record indicated that "on a unit basis, [Parcel Return Service] substantially reduces the attributable costs of Parcel Post and increases the contribution of Parcel Post to institutional costs."<sup>3</sup>

Following negotiations among the participants in the proceeding, the Postal Service filed, on January 17, 2006, a Stipulation and Agreement intended to settle all issues in the case. The Stipulation and Agreement was signed by six of the eight intervenors, along with the Postal Service and the Office of the Consumer Advocate. The other two intervenors did not oppose the settlement agreement.

The Stipulation and Agreement followed the terms of the Postal Service's originally proposed classification language, with minor, clarifying changes. Other than the elimination of the Bound Printed Matter Return Service rate schedule, the Stipulation and Agreement did not include the changes in rates originally proposed, since, in the meantime, the Commission had recommended those same rates as part of the recently concluded omnibus rate proceeding, Docket No. R2005-1, and those rates have been in effect since January 8, 2006. The Stipulation and Agreement also included the Postal Service's proposal to allow customers returning parcels as PRS to purchase a certificate of mailing.

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<sup>1</sup> The experiment included a return service for Bound Printed Matter, but, because that service was not used, the Postal Service did not include it in its request for a permanent service.

<sup>2</sup> Direct Testimony of Sharon Daniel on Behalf of the United States Postal Service, USPS-T-1, at 7.

<sup>3</sup> PRC Op., MC2006-1, at 12.

The Commission's Opinion and Recommended Decision follows the Stipulation and Agreement without modification. It incorporates the changes to Domestic Mail Classification Schedule (DMCS) §§ 521, 522, 560, 570, 585, 932, 943, 944, 945, 947, 948, 949, 951, 952, 2010, 2032, and 3050, Rate Schedules 522, and Fee Schedule 1000, that are reflected in the Stipulation and Agreement. The Commission concluded that those changes are supported by substantial evidence of record, and satisfy the applicable criteria and policies of the Postal Reorganization Act.

Once again, as a result of cooperation by the participants in negotiating the terms of a Stipulation and Agreement, the Commission was able to consider the issues raised in a proceeding earlier than it would have in a fully litigated case. The Commission's continued encouragement of settlement efforts is appreciated. The settlement has allowed us to take action that will enable the Postal Service to convert the Parcel Select Return Service experiment to a permanent service as soon as practicable. This should also convince potential participants who may have sat on the sidelines of the experiment, waiting to see if the Postal Service was fully committed to the service, to participate. Such additional participation will provide further benefits to consumers, merchants, consolidators, the Postal Service, and all postal ratepayers.

### **ESTIMATE OF ANTICIPATED REVENUE**

The Postal Reorganization Act requires that our Decision include an estimate of anticipated impact on postal revenues (39 U.S.C. § 3625(e)). According to the evidentiary record, revenue from PRS is estimated to be \$38 million in FY 2006. With estimated cost savings of approximately \$25.9 million and revenue reductions of approximately \$12.9 million, PRS is estimated to have a positive impact of \$13 million on postal finances in FY 2006.

### **ORDER**

In accordance with the foregoing Decision of the Governors, the classification schedule changes set forth in Attachment A and the rates and fee schedule changes set forth in Attachment B are hereby approved and ordered into effect. In accordance with Resolution 06-3 of the Board of Governors, dated March 22, 2006, the changes will take effect at 12:01 a.m. on April 2, 2006.

By The Governors:

  
James C. Miller III, Chairman

**RESOLUTION OF THE BOARD OF GOVERNORS  
OF THE  
UNITED STATES POSTAL SERVICE**

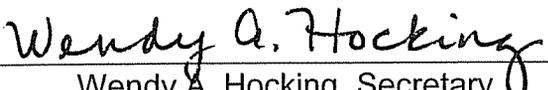
**Resolution No. 06-3**

Effective Date of New Classification, Rates, and Fees

**RESOLVED:**

Pursuant to Section 3625(f) of Title 39, United States Code, the Board of Governors determines that the changes in classification, rates, and fees 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 Parcel Return Service, Docket No. MC2006-1, adopted on March 22, 2006, shall become effective at 12:01 a.m. on April 2, 2006.

The foregoing Resolution was adopted by the Board of Governors on March 22, 2006.

  
Wendy A. Hocking, Secretary

**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, 944.21c, 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:

Service	Schedule
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	521.2F
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>	
<del>Return BMC</del>	<del>522E</del>
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 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 522.7.

\* \* \*

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, postage 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.

**PACKAGE SERVICES  
RATE SCHEDULE 522E  
BOUND PRINTED MATTER  
BPM RETURN SERVICE  
RETURN BMC RATE CATEGORY**

Current

Weight	Zones 1 & 2	Zone 3	Zone 4	Zone 5
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

Proposed

Weight	Zones 1 & 2	Zone 3	Zone 4	Zone 5
1.0	\$1.72	\$1.77	\$1.81	\$1.90
1.5	\$1.72	\$1.77	\$1.81	\$1.90
2.0	\$1.79	\$1.85	\$1.92	\$2.02
2.5	\$1.86	\$1.95	\$2.02	\$2.16
3.0	\$1.94	\$2.03	\$2.13	\$2.29
3.5	\$2.01	\$2.13	\$2.23	\$2.42
4.0	\$2.08	\$2.21	\$2.34	\$2.55
4.5	\$2.16	\$2.31	\$2.44	\$2.69
5.0	\$2.23	\$2.39	\$2.55	\$2.84
6.0	\$2.38	\$2.57	\$2.76	\$3.08
7.0	\$2.53	\$2.75	\$2.97	\$3.34
8.0	\$2.68	\$2.93	\$3.18	\$3.60
9.0	\$2.82	\$3.11	\$3.39	\$3.87
10.0	\$2.97	\$3.29	\$3.60	\$4.13
11.0	\$3.12	\$3.47	\$3.81	\$4.39
12.0	\$3.27	\$3.64	\$4.02	\$4.66
13.0	\$3.41	\$3.82	\$4.24	\$4.92
14.0	\$3.56	\$4.00	\$4.45	\$5.18
15.0	\$3.71	\$4.18	\$4.66	\$5.45

**FEE SCHEDULE 1000  
MISCELLANEOUS FEES**

\* \* \*

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

## **CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

Scott L. Reiter

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
March 29, 2006