

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

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PREMIUM FORWARDING SERVICE

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Docket No. MC2007-3

NOTICE OF THE UNITED STATES POSTAL SERVICE  
REGARDING DECISION OF THE GOVERNORS  
(January 25, 2008)

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 Regulatory Commission  
Approving Stipulation and Agreement on Premium Forwarding Service,  
Docket No. MC2007-3

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE  
OPINION AND RECOMMENDED DECISION OF THE POSTAL REGULATORY COMMISSION  
APPROVING STIPULATION AND AGREEMENT ON PREMIUM FORWARDING SERVICE,  
DOCKET NO. MC2007-3**

January 24, 2008

**STATEMENT OF EXPLANATION AND JUSTIFICATION**

On January 7, 2008, the Postal Regulatory Commission issued its Opinion and Recommended Decision adopting an unopposed settlement agreement in Docket No. MC2007-3, Premium Forwarding Service. Pursuant to a Request by the Postal Service, the Commission recommended classification and fee schedule modifications changing the status of Premium Forwarding Service (PFS) from experimental to permanent. Under PFS, the Postal Service reships mail to residential customers who relocate temporarily for a period of two weeks to one year, with most of the mail packaged into a weekly prepaid 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 July 31, 2007, with its Request for a Recommended Decision on Permanent Premium Forwarding Service. The Request proposed changes to the Domestic Mail Classification Schedule (DMCS) § 937 and Fee Schedule 937 to make PFS a permanent offering. PFS has been available to Postal Service customers on an experimental basis since August 7, 2005.<sup>1</sup> PFS provides customers who relocate temporarily with a mail management tool beyond temporary forwarding and mail holds. Customers are

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<sup>1</sup> PFS was recommended and approved as a two-year experiment pursuant to Docket No. MC2005-1. The Request of the United States Postal Service for a Recommended Decision on Experimental Premium Forwarding Service was filed on November 19, 2004, and a favorable opinion was issued by the Commission on April 15, 2005. The Governors approved the Commission recommendation on May 12, 2005, and set an effective date of August 7, 2005. The two-year experiment, set to expire on August 7, 2007, was automatically extended upon the filing of the Request for Recommended Decision on Permanent Premium Forwarding Service on July 31, 2007.

charged a \$10.00 enrollment fee to cover the one-time cost of setting up the service and a weekly charge of \$11.95 that covers both packaging and the cost of shipment by Priority Mail.<sup>2</sup>

The Commission found, and we concur, that PFS is “a popular and effective forwarding option,” offering “a combination of features not otherwise available from the Postal Service in one service.”<sup>3</sup> Some of the benefits of PFS cited by the Commission include the convenience and predictability of weekly reshipment, and the visibility and recognition of Priority Mail packaging.<sup>4</sup> DMCS changes that flow from this decision enable the Postal Service to develop and implement user friendly tools without the need for further involvement by the Commission.

The Commission has recommended to us the DMCS and fee schedule changes requested by the Postal Service. These changes, which we approve today, delete references to PFS as an experiment and remove restrictions on where a PFS customer can interact with the Postal Service. The attachments to this decision indicate the changes, with deletions marked by square brackets “[ ]” and insertions underlined.

The Governors appreciate the Commission’s delicate management of the PFS docket, coming as it does in the transition year between the Postal Reorganization Act (PRA) and the PAEA, and all the activity that entails. We appreciate the efforts of the Commission to consider and resolve the PFS conversion in an efficient and timely manner, especially during this time of rapid evolution in the field of postal law. The Commission’s efforts allow us to continue providing a convenient solution for our customers without undue delay or interruption.

The Commission notes that “the overlap between the status change in PFS and the developmental stage of the [Mail Classification Schedule (MCS)] appears to present a unique situation.” Opinion at 19. The Commission adopted a framework for the MCS in Order No. 43 (October 29, 2007), including a Table of Contents and a Market Dominant Product List that identify PFS as an experimental product. Further changes related to the PFS status change will

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<sup>2</sup> The Commission characterizes the per-shipment fee for Premium Forwarding Service as comprising a reshipment fee of \$2.85 and Priority Mail postage of \$9.10. Opinion at 2, n.1. Although the weekly reshipment charge remains \$11.95 in total, the Commission’s description does not accurately describe the current rate design. As Witness Dawson explains in Section IV(A) of his testimony (USPS-T-3 at 4-6) and in his response to OCA/USPS-T3-4 (Tr. Vol. 2 at 27), he designed a per-shipment rate based on the unique characteristics of PFS pieces, their packaging, plus the Priority Mail cost coverage, combined into a single rate. Thus there are no explicit and separate reshipment or Priority Mail postage components.

<sup>3</sup> Opinion and Recommended Decision at 3.

<sup>4</sup> *Id.*

need to be incorporated as the MCS matures. The Commission notes that it will be able to make the needed conforming changes by taking official notice of this decision, without the need for a formal filing. The Postal Service concurs with the Commission's proposed handling of the expected PFS related MCS changes. The use of official notice is an appropriate and logical choice that comports with the PAEA mandates to streamline and simplify rate administration.

Our acceptance of the Commission's favorable recommendation in PRC Docket No. MC2007-3, the request for permanent authorization of PFS, apparently brings to a close the final traditional classification proceeding under the PRA.<sup>5</sup> The Governors look forward to building upon the collegial and successful collaboration with which we now bring to a close this first modern era of postal ratemaking. As we have seen in the last year, we continue to find new ways to work in partnership under the PAEA.

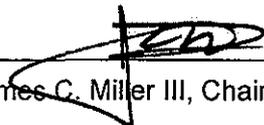
#### **ESTIMATE OF ANTICIPATED REVENUE**

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 PFS will continue having a minimal impact on postal revenues. The risk presented by PFS is small, as all identified costs are volume-variable. We anticipate that PFS will generate approximately \$4.4 million in PFS-specific contribution in FY 2008.

#### **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 08-1 of the Board of Governors, dated January 24, 2008, the changes will take effect at 12:01 a.m. on March 2, 2008.

By The Governors:

  
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James C. Miller III, Chairman

<sup>5</sup> The remaining active "MC" series dockets both involve negotiated service agreements.

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

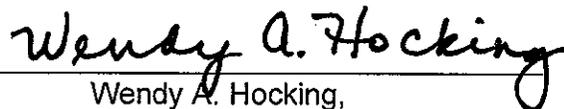
**Resolution No. 08-1**

Effective Date of New Classifications

**RESOLVED:**

Pursuant to Section 3625(f) of Title 39, United States Code, the Board of Governors determines that the changes in classifications 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 Regulatory Commission Approving Stipulation and Agreement on Premium Forwarding Service, Docket No. MC2007-3, adopted on January 24, 2008, shall become effective at 12:01 a.m. on March 2, 2008.

The foregoing Resolution was adopted by the Board of Governors on January 24, 2008.



Wendy A. Hocking,

Secretary, Board of Governors

RECOMMENDED CHANGES IN THE  
DOMESTIC MAIL CLASSIFICATION SCHEDULE

The following material presents changes to the Domestic Mail Classification Schedule recommended by the Postal Regulatory Commission in Docket No. MC2007-3. Material appearing in brackets “[ ]” indicates deleted material. No new language was proposed.

**937 Premium Forwarding Services****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, mailpieces 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.

\* \* \*

**937.3 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.

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**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. August 7, 2007, 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 937**

The following changes indicate the fee schedule recommendation of the Postal Regulatory Commission in response to the Postal Service Request in Docket No. MC2007-3. The changes involve Fee Schedule 937. Underlined text is new; material appearing in square brackets "[ ]" indicates deletions.

**FEE SCHEDULE 937  
PREMIUM FORWARDING SERVICE**

<b>Description</b>	<b>Fee</b>
Enrollment fee	\$10.00
Weekly reshipment fee	<u>\$11.95</u> [2.85]

**[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).]