

# DOCKET SECTION

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

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OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

## RESPONSE OF UNITED STATES POSTAL SERVICE TO NOTICE OF INQUIRY NO. 2 (December 19, 1997)

The United States Postal Service hereby provides its comments in response to the Commission's Notice of Inquiry No. 2 on Items of Classification Policy and DMCS Improvements (hereinafter Notice), issued November 19, 1997. The Notice raises several classification policy issues, including (1) whether the Postal Service's proposed Bulk Parcel Post category should be treated as a subclass, (2) whether a minimum quantity for the Postal Service's proposed bulk insurance option should be set by the Commission in the DMCS, or the Postal Service in the DMM, and (3) whether the Postal Service's proposed surcharge for hazardous materials should be treated as a special service. The Notice also presents possible DMCS improvements, including (1) a new numbering system and editorial revisions for the special services provisions in the DMCS, including incorporation of forwarding and return provisions resulting from Docket No. MC97-4, (2) use of Standard A, B, and C categories in the DMCS for Standard Mail, and (3) the Postal Service's proposed substitution of the phrase "as specified by the Postal Service" for "as prescribed by regulation", along with the use of "under" instead of "in accordance with".

### **I. Consideration of Classification Policy Issues**

#### **A. Presentation and Designation of Bulk Parcel Post**

Bulk Parcel Post is listed at the subclass level within the Parcel Post classification schedule because that arrangement best reflects its current status. In

one of their Decisions on Docket No. MC95–1, the Governors of the Postal Service determined that the subclass classification should be retained:

Within its recommended decision, the Commission has included new classification language explicitly defining Bulk Parcel Post as a “rate category.” Recommended DMCS § 322.13. In its Opinion at pages VI–22 – VI–23, the Commission claims that this language is in accord with the current status of Bulk Parcel Post, and that the Postal Service’s proposed DMCS language, which would have explicitly identified Bulk Parcel Post as a subclass, would have required a change in status. The language of the current DMCS provisions cited by the Commission, however, explicitly identifies Bulk Parcel Post neither as a rate category nor as a subclass [footnote omitted].

Instead, to shed light on the current status of Bulk Parcel Post, we must look back to the circumstances as they existed when Bulk Parcel Post was established. In recommending that service to us, the Commission stated:

We find, therefore, that the *subclass for bulk mailings of parcel post* recommended by the Commission is fair and equitable, and is desirable from the point of view of both the user and the Postal Service.

PRC Op. & Rec. Dec., Docket No. MC73–1, at 44 (April 15, 1976) (emphasis added).

The Commission referred to the “new subclass” in other portions of its Opinion as well, and the section heading for its entire discussion was “New Subclassification for Parcel Post Is Appropriate.” *Id.* at 42.

As far as we are aware, the Commission has never presented us with a new recommended decision that would bear on this issue, and its Opinion in Docket No. MC73–1 remains the most recent indication from the Commission of the classification status of Bulk Parcel Post. The DMCS language now recommended by the Commission, however, is clearly at odds with what it said in Docket No. MC73–1, and the one-sentence pronouncement provided in its Opinion in this case gives us no basis on which to understand such a shift. We therefore reject the recommended DMCS § 322.13, and, pending any further recommendations in subsequent cases, leave in effect the current DMCS provision regarding Bulk Parcel Post, § 400.0202.

Decision of the Governors of the United States Postal Service on the *Recommended Decisions of the Postal Rate Commission on Courtesy Envelope Mail and Bulk Parcel Post*, Docket No. MC95–1, at 6–7 (March 4, 1996).

The Postal Service's proposed DMCS organization in Docket No. R97–1 was not intended to make any substantive classification change in this regard. It does not intend to establish a "new" classification, but rather to reflect, within the current numbering system, the *status quo* as determined by the Governors. On the other hand, the proposal set forth in the Notice to include Bulk Parcel Post in the DMCS as a rate category would constitute a substantive change requiring record support.

The Postal Service is currently re-examining its line of parcel services as part of the planning process for improving these services and targeting its marketing of them. This process may lead to opportunities in the future for the Commission to resolve, in a more informative context, the issue of the appropriate place, if any, for the bulk parcel post classification in the DMCS. Accordingly, the Postal Service requests that the Commission not pursue its suggested alternative at this time.

#### B. Minimum Quantity for Bulk Insurance Proposal

The Postal Service has proposed a bulk insurance service, with a reduced insurance fee, for "mail entered in bulk at designated facilities and in a manner specified by the Postal Service...." Proposed DMCS § 943.221. In response to interrogatory OCA/USPS-T40–31(h) (Tr. 3/905), moreover, witness Plunkett stated that:

[t]he specific qualifications and conditions that mailers will have to meet in order to qualify for bulk insurance have not yet been determined, beyond what is included in the proposed DMCS § 943.22.

The Commission suggests in its Notice that the Postal Service intends to establish a minimum quantity “by regulation”, rather than having a minimum quantity set forth in the DMCS. Notice at 2. The Commission therefore asks whether having this minimum quantity established by the Postal Service rather than in the DMCS is consistent with past interpretations of the scope and extent of the DMCS. *Id.*

The designation “bulk” in “bulk insurance” was intended to refer to the means of acceptance and underlying mail classifications for which the service may be purchased, rather than the number of insured pieces. Moreover, the window service cost avoidance for bulk insurance mailers does not depend on a minimum volume, since insurance would be purchased using electronic manifesting, rather than through the window. USPS-T-40 at 7-8. In fact, the requirement of electronic manifesting could be used instead of any minimum quantity.

Nonetheless, the Postal Service is seriously considering the establishment of a *conservative minimum quantity to use for the initial implementation of bulk insurance service*. This minimum would increase the opportunity for the Postal Service to achieve claims processing cost savings, by automating the claims process for customers with a significant amount of insured mail volume. The plan would be to review this minimum as the bulk insurance program is

implemented, with the hope that this minimum could be reduced, or even eliminated, in order to increase the use of bulk insurance. The Postal Service does not want any minimum to be included in the DMCS, because such a minimum would make it more difficult to open up the program to more customers as soon as possible.<sup>1/</sup>

As discussed above, any minimum that may be set in order to implement the bulk insurance classification is not related to the intrinsic nature of the classification. Rather, the Postal Service would use, and adjust, such a minimum to help achieve certain operational goals. Excluding any such minimum from the DMCS would thus be consistent with the Commission's concerns that the DMCS not interfere with the operational flexibility of the Postal Service, and that the DMCS be definitional, and limited to provisions that bear on the intrinsic cost or value of a postal service. PRC Op., MC76-5, Vol. 1, at 16, 24-26, 30-31.

### C. Hazardous Materials Surcharges

The Notice asks, assuming the Commission were to recommend the Service's proposed surcharges for handling hazardous material, whether it would be appropriate to identify the underlying service as a special service. If so, the Notice asks what terms and conditions should be included in the DMCS language, where they should be located within the special services section of the

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<sup>1/</sup> If a minimum were to be included in the DMCS, the Postal Service would language such as "a minimum quantity of not more than x", so the Postal Service would retain the flexibility to lower the minimum without the requirement of a Commission recommended decision.

DMCS, and what cross-references or conforming changes to other DMCS provisions or schedules would be appropriate.

The Postal Service *did not* propose a special service for the hazardous medical materials and other mailable hazardous materials surcharges because there is no specific value-added or "special" service being offered. Instead, the surcharges are based on greater costs for these types of mail. See USPS-T-42 at 9-13. In this respect, the hazardous materials surcharges are more similar to the residual shape surcharge (see proposed DMCS § 321.57 (page 31 of Attachment A to the Request)<sup>2/</sup> than to special handling (see Tr. 3/742-43). Any extra handling accorded hazardous materials is for the purpose of minimizing postal risk and cost (e.g., cleanup or equipment repair) rather than providing extra value to customers; the Postal Service does not intend, by introducing hazardous materials surcharges, to create a new type of special handling or any customer expectation that inadequate packaging will be mitigated by special handling.

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<sup>2/</sup> This page of proposed DMCS language also contains a typographical error: the section for the residual shape surcharge and the one for hazardous materials surcharges are both enumerated "321.57". The second occurrence should instead be "321.58".

## II. Consideration of DMCS Improvements

### A. Special Services

#### 1. Commission's Proposed DMCS Changes (Attachment Four)

The Notice asks for comments on whether its editorial changes in selected special service provisions “improve the clarity of the DMCS.” The Commission notes its intention not to “alter the substance of the provisions.”

The Postal Service is concerned that these changes involve substantial rewording, and thus may have substantive effects. See, e.g., Attachment Four at pages 9 (Certified Mail), 16 (Certificate of Mailing/Mailing Receipt), 17 (Parcel Airlift), and 18 (Special Handling). The Postal Service believes that such rewording, even if the goal is only clarification, would be better introduced closer to the beginning of a more limited proceeding, and with more specific explanation of the wording changes.<sup>3/</sup>

The Postal Service moreover is reviewing many of its special services, and expects to decide about proposing DMCS changes in the near future. For example, these changes might reflect the impact, on certified mail, COD mail, insured mail, registered mail, and return receipts, of the deployment of hand-held barcode scanners in the field, as discussed by witness Treworgy (USPS-T-22 at 1-4). Any interim changes in the DMCS might be short-lived, at best, and may

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<sup>3/</sup> If the Commission intends to rewrite all the special service sections in the DMCS, moreover, many have not yet been presented for review in this proceeding. Moreover, only the Postal Service has proposed any revisions to the special service fee schedules.

complicate the Postal Service's deployment plans. The Postal Service therefore urges the Commission not to change the DMCS language, beyond grammatical corrections, until after the Postal Service has an opportunity to consider its needs to propose substantive changes to selected special services in the future.

In particular, the Postal Service believes that the Commission's proposed name changes for "caller service", "return receipts", and "certificate of mailing" are premature, and might create confusion. As discussed above, the Postal Service is currently reviewing its special services, and may be suggesting name and other changes in the near future. In the interim, the current names are those used by our employees and our customers, and should be retained. Admittedly, the DMCS name changes would not require name changes when the Postal Service presents these products to its customers, and in fact the Postal Service does not presently intend to adopt these names in presenting these products to its customers. Nonetheless, the adoption of different names in the DMCS would be likely to create some confusion, especially during future Commission proceedings.<sup>4/</sup>

The Postal Service does support a renumbering of the special service provisions in the DMCS, as proposed in its Request.<sup>5/</sup> Because the Postal

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<sup>4/</sup> This conclusion reflects experience with changing the DMCS name for "postal cards" to "stamped cards". See, e.g., Tr. 3/593–95, 810–11.

<sup>5/</sup> In this regard, the Postal Service favors its proposal to include address correction service before the related mailing list services, by numbering the address correction section 911, rather than 923 as in the Commission's Attachment Four.



Service is in the process of reviewing many of these special services, however, the Postal Service's Request proposed, in general, only grammatical changes to the renumbered provisions. The Postal Service urges the Commission to defer any other changes to these provisions until a later proceeding.<sup>6/</sup>

## 2. Forwarding and Return (Attachment Three)

The draft prepared by the Commission's staff (Attachment Three) incorporates both the changes adopted as a result of Docket No. MC97–4 and changes reflecting the elimination of Standard Single Piece proposed in this docket. The Notice asks whether further editorial changes should be made in light of the complexity added by reflection of the new forwarding and return options as a result of Docket No. MC97–4. The Postal Service does not believe

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<sup>6/</sup> In footnote 2 of its Notice of Inquiry No. 1, in Docket No. MC96–3, the Commission distinguished “editorial revisions”, involving “changes in existing DMCS provisions or schedules affecting basic presentation, content and clarity”, from “minor editorial change” or “editorial change”, referring to stylistic conventions, basic terminology, grammar and punctuation. Unfortunately, the Postal Service has not yet been able to perform a complete review of the basic presentation, content, and clarity of the special services DMCS provisions. Therefore, its proposed changes to the DMCS are limited to renumbering and some minor editorial changes. The Postal Service strongly encourages the Commission to limit its changes to renumbering the special service DMCS provisions, perhaps with some “minor editorial changes”, but without and “editorial revisions.”

For example, the Postal Service believes that the addition of “special postal” before “service” in each section is unnecessary, since that is implicit in the inclusion of each section in the DMCS. In Docket No. MC96–3, the Postal Service endorsed the use of “special postal services” as a heading separating the special services classification schedules from the rest of the DMCS. Comments of United States Postal Service in Response to Commission Notice of Inquiry No. 1, at page 3. In light of the instant proposal, we believe “special postal services” should be at most a heading, and that, moreover, the heading “special services” would be adequate.

that further changes are necessary at this time. The only complication added by the new options is to add the words “Except as provided in section X” to each of three sentences. While a complete revision of this provision could theoretically result in an editorially improved paragraph, the Postal Service believes that the provision as currently worded is both accurate, and understood by users of the services. Forwarding and return and the effect of the elimination of Standard Single Piece are also areas that the Postal Service is actively studying for additional refinement and improvement. Accordingly, there may be opportunities in the future to reconsider this language in a fuller context.

3. The Notice asks whether the continued use of the term “classification schedule” in reference to a particular special service is appropriate, given the Postal Service’s proposal to eliminate the words “Classification Schedule” in the title of each special service. The Postal Service’s continued use of the term “classification schedule” in sections 911.31, 922.233, 931.12, 944.61, and 952.61 is inadvertent, and that term could be eliminated.

4. In Attachment A of the Postal Service’s Request, at page 66, the section designation “921.22” should be corrected to “912.22”.

5. In Attachment A of the Postal Service’s Request, at page 67, the Postal Service’s intent is to continue to treat Post Office Box and Caller Service as one special service, with its two components identified in proposed sections

921.1 (Caller Service) and, as corrected, 921.2 (Post Office Box Service).<sup>7/</sup>

Compared to the current DMCS, the Postal Service's proposal treats these services in a more combined fashion than the current DMCS, which contains entirely separate classification schedules for these services (SS-3 and SS-10).<sup>8/</sup>

These services should be combined, in part because the Postal Service's data systems produce a single revenue figure and a single cost figure for post office box and caller service, for purposes of determining a cost coverage figure. Thus, *post office box and caller service should be treated as a single special service.*<sup>9/</sup>

6. In Attachment A of the Postal Service's Request, at page 69, the reference to "922.32", appearing in section 922.233, should be corrected to read "921.232". See footnote 7 above.

7. In Attachment B of the Postal Service's Request, at page 66, the reference to "Fee Schedule 932" should be corrected to "Fee Schedule 931", and underlined to indicate its status as a proposed addition to the DMCS.

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<sup>7/</sup> The proposed numbering of section 921 (Post Office Box and Caller Service) needs to be corrected, so that the Post Office Box Service subsections all begin with "921.2", rather than "922.2". Thus, the numbers should jump from 921.131 (the last caller service subsection) to 921.2, rather than 922.2.

<sup>8/</sup> The reference in the Postal Service's proposed section 922.231 (921.231 as corrected) to Fee Schedule 922 should be corrected to Fee Schedule 921. In the Postal Service's proposed fee schedules, fees for both post office boxes and caller service are included in Fee Schedule 921, just as they are now combined in Fee Schedule SS-10 (Attachment B at 47).

<sup>9/</sup> The Commission combined Express Mail insurance with general insurance as one special service for similar reasons in Docket No. MC96-3. PRC Op., MC96-3, at 160.

8. In Attachment A of the Postal Service's Request, the references to "Insured Mail" (appearing in sections 932.41, 945.21, 946.21, 951.71, and 952.61) should be changed to read "General Insurance", to be consistent with the Postal Service's proposed title for DMCS section 943.2.<sup>10f</sup>

B. Consideration of General Editorial and Organizational Improvements

1. Standard Mail

The Commission asks whether the use of the terms Standard (A) and Standard (B) to reflect the old third-class and fourth-class division should be incorporated into the DMCS, and whether the further distinction of Standard (C) should be added for subclasses in section 323, with Standard (A) referring to section 321 and Standard (B) referring to section 322.

The Postal Service does not believe that either of these changes should be made. There does not seem to be any need either to include these labels in the DMCS or to create a new one.

The label "Standard Mail (A)" evolved in order to facilitate the writing of DMM regulations, since the subclasses formerly known as third-class mail have distinct preparation rules which needed to be described separately from those for other Standard Mail classifications. Although the label "Standard Mail (B)" generally refers to the subclasses formerly known as fourth-class mail, these subclasses are more commonly referred to by their subclass names, and they may have different requirements applicable to each of them and to the categories within

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<sup>10f</sup> Compare proposed DMCS section 160.

them. For this reason, there is no practical need to further distinguish between the two groupings within the old fourth class on the basis of the weight limit or lack thereof. Moreover, such a distinction is somewhat inconsistent with the fluidity among the groupings allowed by section 341.

If the expectation is that the Postal Service would reflect the B and C groupings in the DMM, this would unnecessarily complicate the already-complicated process of implementing the changes ultimately approved as a result of this Docket.

Again, there may be opportunities in the future to revisit this matter in the context of substantive changes to the DMCS, which would provide a more appropriate context for the consideration of changes in labels for these services.

## 2. New Terminology

The Postal Service continues to believe that its proposed substitutions of “as specified by the Postal Service” for “as prescribed in regulation”, and of “under” in place of “in accordance with”, are appropriate, and generally consistent with the terminology used in the DMM.

## GENERAL CONCLUSION

The Postal Service appreciates the efforts of the Commission to make the DMCS clearer and more useful. While the Postal Service requests the Commission to defer changes in many instances, we do not intend to detract from the Commission’s goals.

As noted above, however, there are a number of mail and special services which are the subject of active study by the Postal Service. While the intent of the Notice is clearly to make only non-substantive changes in the DMCS provisions governing these services, the Postal Service is concerned, as mentioned above with regard to the particular provisions, that the changes might have unintended substantive effects. It should be understood that it may not be possible to enumerate such effects at this stage of the Postal Service's evaluation and planning process with regard to these services. It is for this reason that the Postal Service has requested, in many instances, that certain changes not be made until its analysis and plans are complete, and it has an opportunity to determine whether any further recommended changes are needed. If so, they can be presented to the Commission for review in the context of specific proposals related to those services. For the same reason, the Postal Service would request the Commission, after considering the responses to the Notice of the Postal Service and other participants, to indicate whether it intends to pursue the changes put forth in this Notice or any other changes based on its

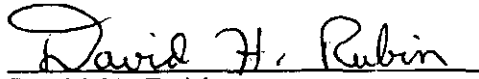
consideration of the responses. Such information could be critical to the Postal Service's planning process.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

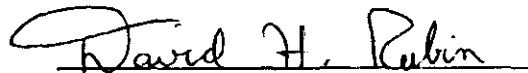
By its attorneys:

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**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.

  
David H. Rubin

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