

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

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

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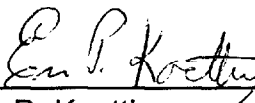
Attached are pages V-118 - V-122 of the Postal Service's reply brief. These pages were generated, included in the table of contents, but apparently put aside and omitted from the set of pages that was sent to the printer and bound for filing. The Postal Service regrets any inconvenience caused by this situation.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

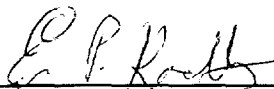
By its attorneys:

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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.

  
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April 10, 1998

F. The National Newspaper Association's Arguments Do Not Require Changes to the Postal Service's Proposals for Periodicals.

The National Newspaper Association (NNA) raises three issues concerning the rate design for Periodicals. After discussing in general its concerns about the service for Periodicals, NNA renews a proposal it made in Docket No. MC95-1 that mail entered as "exceptional dispatch" mail, in order to improve service, receive the destination delivery unit (DDU) rate, even though such mail is "entered" for administrative purposes outside the destination delivery unit. NNA Brief at 23-28. NNA also endorses the Postal Service's proposal to create a 3-digit presort rate category. NNA Brief at 28-30. Finally, NNA repeats its Docket Nos. R90-1 and MC95-1 proposals to expand the high density discount to the lesser of 125 pieces or 25 percent of the route, instead of just 125 pieces. NNA Brief at 30-33.

1. The Postal Service is acting to improve service.

The Postal Service is working to improve service for Periodicals. As described by witness Degen in his rebuttal testimony, several equipment deployments are expected to improve service. First, all 812 of the model 881 Flat Sorting Machines (FSMs) will be retrofitted with an Optical Character Reader (OCR). Second, deployment of 240 FSM 1000s should be completed by July 1998. These FSM 1000s can process some larger tabloid-size flats as well as flats that are enclosed in non-certified shrinkwrap. Third, barcode readers should be added to the FSM 1000s by February 1999. Tr. 36/19355-56.

On the mail preparation front the Postal Service has reinstated the SCF sack as an optional preparation for Periodicals flats. This SCF sack will become a

required sack level with the implementation of this rate case. 63 Fed. Reg. 153-56 (Jan. 5, 1998). A recently proposed rule in the Federal Register, 63 Fed. Reg. 8154 (Feb. 18, 1998), would eliminate the mailer's option to prepare mixed pallets of flat packages. This would help retain more mail on SCF pallets as opposed to ADC pallets. Tr. 36/19356-57. The MTAC/USPS group is also working on initiatives related to presort optimization. Tr. 36/19358.

2. NNA witness Speights' concerns about the destination delivery unit discount can be addressed through plant-verified drop shipment (PVDS) procedures.

With regard to exceptional dispatch, the Postal Service provides adequate opportunity for Periodicals mailers to both meet their service needs and obtain the DDU rate. Although the Postal Service may approve exceptional dispatch as a convenience to customers, exceptional dispatch is not as advantageous to the Postal Service as PVDS and additional entry. As such, exceptional dispatch does not merit the destination delivery unit discounts. For example, exceptional dispatch mail tends to be entered in the middle of the night, and thus avoids normal verification. Tr. 10/4955; tr. 27/14882. Moreover, the Postal Service seeks to meet customer service needs, including witness Speights, in order to avoid the need for exceptional dispatch.

As explained in the Postal Service's initial brief, exceptional dispatch mail does not qualify for DDU rates. Postal Service Brief at V-230-32. The publisher must meet the requirements in DMM § E250.2.0 to claim destination entry rates, which provide two options depending upon customer needs:

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(a) plant verified drop shipment (PVDS) under DMM § P750; or

(b) an additional entry authorization at each post office serving a DDU under DMM § D230.

Under DMM § P750.2.0, a mailer does not need to have a detached mail unit (DMU) at their plant to qualify for PVDS. A postmaster may allow PVDS mail to be verified at the origin business mail entry unit (BMEU) when there is no DMU at the mailer's location.

To obtain additional entry, a publisher must file Form 3510 at the office of original entry and pay the additional entry fee (proposed to be reduced from \$85.00 to \$50.00). A postage statement must be prepared and presented with each mailing. To obtain the DDU rate, the additional entry must be at the same post office where the DDU is located. DMM § E250.3.

Witness Speights was asked about using additional entry or PVDS to enter her mail at the New Hebron post office. Tr. 27/14944. Regarding setting up additional entry, the problem faced by witness Speights appears to be the timing of the mail deposit at the New Hebron post office which is "long after the Post Office is closed." *Id.* Regarding PVDS, Ms. Speights states that "I don't have a commercial printing plant. I have no experience in plant verified drop shipping and am not familiar with the requirements. I am unaware of any mailers in my area who use this practice. It has not been suggested by my postmaster." Tr. 27/14944-45.

Witness Speights' publication would not need a commercial plant or a detached mail unit (DMU) to use PVDS. If all the other requirements are met, which

would not appear to be a problem, the origin verification can take place on Wednesdays at 2:00 p.m. when she presents her mail at the Prentiss Post Office. After the postal verification is performed, she would simply transport the PVDS pieces with Form(s) 8125 to each post office at which she wishes to obtain DDU rates. It appears that witness Speights makes this weekly trip, but is not receiving the DDU rate, because she is using exceptional dispatch. Tr. 27/14896, 14944. With PVDS the only additional work would be filling out Form 8125 for each destination entry post office and verification of 41 mail pieces at the Prentiss Post Office. Tr. 27/14895. All other mailers that find themselves in a similar situation could also use PVDS to obtain these work sharing discounts.

Witness Heath (NNA-T-1) finds the PVDS rules complicated. Regarding the DDU rates, he states, "But under current DMM rules, newspaper mailers must undergo the complex procedure for Plant-Verified Drop Shipment and/or additional entry applications and procedures in order to receive these rates. Tr. 27/14758. When asked to specify the "complex procedure", a major thrust of his response relates to "postmasters do not suggest it" because "Postmasters do not seem to understand the rules, themselves, and are in a poor condition to explain them to the mailers (who are, after all, in the publishing business, not the mailing business.)." Tr. 27/14860.

PVDS has been available since 1991 and the Postal Service has made an effort to communicate the PVDS mailing requirements to the mailing community and postal employees. It is entirely possible that employees at some of the smaller

offices may not be familiar with this mailing option, or assumed that this option was only available to large publishing plants, just as witness Speights assumed. Tr. 27/14944. The Postal Service is considering an informational campaign through the Mailer's Companion and Postal Bulletin to make mailers and its own employees aware of the PVDS option as an alternative to exceptional dispatch. The Postal Service believes this is a more appropriate avenue to address the needs of the affected customers.

3. The high density category should not be changed.

The Postal Service believes that the high density discount should be limited to a minimum of 125 pieces, and it has responded to NNA's concerns in its initial brief. Postal Service Brief at V-232-34. The Postal Service requests the Commission not to change the current DMCS language for the high density discount, so that the Postal Service can ensure that this discount is available only when the cost savings found in Docket No. R90-1 are clearly established. The Postal Service also believes that the 25-percent rule would be harder to administer than a simple 125-piece rule, since the 25-percent calculation would change whenever the number of addresses on a carrier route change.