

UNITED STATES OF AMERICA  
Before The  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

Periodicals Classification Change )

Docket No. MC99-3

OFFICE OF THE CONSUMER ADVOCATE  
RESPONSE TO MOTION OF UNITED STATES POSTAL SERVICE  
FOR EXPEDITION AND FOR WAIVER OF  
CERTAIN PROVISIONS OF RULE 64(h)  
(April 28, 1999)

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The Office of the Consumer Advocate (OCA), pursuant to Order No. 1237,<sup>1</sup> and section 21(b) of the Rules of Practice of the Postal Rate Commission (Commission), hereby responds to the "Motion of the United States Postal Service for Expedition and for Waiver of Certain Provisions of Rule 64(h)," filed on April 9, 1999.

Postal Service Request

The Postal Service filed its Request for a Recommended Decision on Periodicals Classification Changes to remedy minor rate anomalies present in the Nonprofit and Classroom rate schedules that were recommended by the Commission and approved by the Governors in Docket No. R97-1. The Postal Service proposes that section 441 of the Domestic Mail Classification Schedule (DMCS) be modified so that Nonprofit and Classroom publications be explicitly permitted to use the Regular Rate schedule for

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<sup>1</sup> "Notice and Order on Request for Recommended Decision on Periodicals Classification Change," issued April 12, 1999

individual issues in instances when the Regular rates are lower than the ordinarily applicable Nonprofit or Classroom rates. In addition, a footnote would be added to the Regular Rate schedule allowing Nonprofit and Classroom publications availing themselves of the lower Regular rates to avoid paying advertising pound rates if the affected issue of the publication contains less than ten percent advertising.

The relief proposed by the Postal Service would effectively begin on April 9, 1999, the date of the filing of the Request in Docket No. MC99-3. Nonprofit and Classroom mailers would be permitted to apply for a refund of the difference between the Nonprofit/Classroom postage and the Regular Rate postage from April 9 forward, so long as dual mailing statements are filed.<sup>2</sup> In its Request, the Postal Service indicates that it views the proposed classification change as a temporary measure, “[u]ntil the Periodicals rates can be generally adjusted in the next omnibus rate case.”<sup>3</sup>

Testimony of Witness Taufique and Supplementary Information

The Request for classification changes was accompanied by the testimony of witness Taufique—USPS-T-1. According to his testimony, the Nonprofit/Classroom rate predicament affects finely presorted publications with a very high percentage of editorial content. In such cases, the relatively large editorial discount for Regular Rate publications of 5.9 cents, compared to the editorial discount of 4.4 cents for Nonprofit and Classroom publications, outweighs the advantage of mailing at the slightly lower piece rates available to Nonprofit/Classroom 5-digit Automation flats and Carrier-Route-

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<sup>2</sup> Refunds would be available only if the Request is recommended by the Commission and approved by the Governors. Request at 2, n.1.

<sup>3</sup> *Id.* at 1.

presorted pieces, even when the lower nonadvertising pound rate is combined with the lower piece rates.<sup>4</sup> Witness Taufique synthesizes that “[a] combination of relatively small differences in piece rates and a relatively large difference in the editorial discount produces the anomaly,”<sup>5</sup> and states that “[t]he discounts for both SCF and Delivery Unit entry for the Regular subclass are likewise higher than their Nonprofit and Classroom counterparts.”<sup>6</sup>

Importantly, neither the Postal Service nor the Commission favors this result.<sup>7</sup> Even without the proposed classification change, Nonprofit and Classroom publications could pay the lower Regular rates by submitting Regular Rate mailing statements.<sup>8</sup> However, the preferred subclass status would have to be sacrificed.

The revenue loss occasioned by the expected shift of some Classroom/Nonprofit mail from preferred rates to Regular rates (when lower) is very modest. Witness

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<sup>4</sup> Nonprofit and Classroom publications pay a nonadvertising pound rate of 15.6 cents, compared to the Regular Rate nonadvertising pound rate of 16.1 cents. Rate Schedules 421, 423.3, and 423.4.

<sup>5</sup> USPS-T-1 at 2.

<sup>6</sup> *Id.* See *infra* for a discussion of the Postal Service’s intention to file a library reference that would estimate the potential revenue impact of having affected Nonprofit/Classroom publications avail themselves of the larger Regular Rate (as compared to Nonprofit and Classroom) SCF and Delivery Unit discounts.

<sup>7</sup> See letter submitted jointly by Edward Gleiman, Chairman, Postal Rate Commission, and Einar Dyhrkopp, Chairman, Postal Service Board of Governors, to John McHugh, Chairman, Subcommittee on the Postal Service, March 10, 1999.

<sup>8</sup> USPS-T-1 at 3.

Taufique estimates a \$5 million annual impact.<sup>9</sup> The cost impact should also be slight; nor should cost allocations be affected.<sup>10</sup>

The Postal Service informally furnished OCA a worksheet that contained the formula used to estimate the \$5 million annual revenue impact and the inputs to the formula. Counsel for the Postal Service has agreed to file this worksheet as a library reference so that other participants and the Commission may review the method used. Since the worksheet given to OCA seemingly omitted any estimate of the revenue impact resulting from the opportunity of affected Nonprofit/Classroom mail to enjoy the larger SCF or Delivery Unit discounts available to Regular Rate periodicals, OCA asked that the Postal Service estimate this impact. The estimate was provided orally at an informal meeting between Postal Service and OCA staff on April 20, 1999. Postal Service counsel has also agreed to furnish this estimate, and its underlying development, as a library reference.

#### Motion for Waiver

In its April 9 Motion, the Postal Service asks that several provisions of *Commission Rule 54 (governing requests for changes in rates or fees) and Rule 64 (governing requests for changes in the mail classification schedule)* be waived, specifically: 54(f)(2), 54(f)(3), 54(h), 54(i), 54(j), 64(d), and 64(h).

Rules 54(f)(2), (f)(3), and (h) call for current fiscal year and test year projections of total costs, with underlying assignments, attributions, distributions, and functional

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<sup>9</sup> *Id.* at 5.

<sup>10</sup> *Id.* at 5-6.

classifications of such costs. Estimates and analyses of this scope are appropriate for omnibus rate requests and rate/classification changes of broad impact. The limited classification changes proposed and slight revenue impact justify the Postal Service's request to be excused from filing such information.

Rule 54(j) is the revenue/volume counterpart of Rules 54(f)(2), (f)(3), and (h). Total revenues for the base year and the test year are required, along with separations by class, subclass, and rate element. Actual and estimated volumes are to be provided, *as well as studies of econometric demand. None of this information is needed in a case of limited scope, such as Docket No. MC99-3.* Explanations of the criteria employed to produce a full set of rate schedules are likewise unnecessary.

Rule 64(d) requires a showing of the effects of a proposed change on the total accrued costs and revenues of the Postal Service and on the cost attributions and revenues of all other classes and subclasses. Given the very slight cost and revenue impacts described by witness Taufique, these requirements may be waived.

Under subpart (3) of Rule 64(h), the Postal Service may be relieved of several additional filing requirements if it has demonstrated that the "proposed change in the classification schedule does not significantly change the rates and fees of the cost-revenue relationships" affected by the change. This standard for waiver has been satisfied since the cost and revenue impacts of the requested classification changes *are not significant.*

In summary, OCA agrees with the Postal Service's conclusion that the filing requirements of the specified sections of Rules 54 and 64 should be waived.

Motion for Expedition

While the Postal Service requests that the instant proceeding “be conducted on an expedited schedule,” it “does not request a specific schedule.”<sup>11</sup> Rather, the Service suggests specific procedural shortcuts to hasten the proceeding’s completion. A short intervention period was requested and has already been established by Order No. 1237.

The Postal Service urged participants to state at the outset whether any genuine issues of material fact exist which warrant holding a hearing. Although Order No. 1237 did not require such a statement, OCA is willing to state its position. OCA does not seek a hearing, nor does formal discovery appear necessary at this time. It appears that the evidence of witness *Taufique* and the supplemental revenue impact information to be filed as a library reference will provide an adequate basis for the Commission to find in favor of the Postal Service’s Request. At the present time, OCA is unaware of any challenges to the Postal Service’s proposal and underlying evidence. If no such challenges appear, the filing of briefs would also appear to be unnecessary. In short, OCA has every expectation that this proceeding can be concluded in an efficient and expeditious manner.

OCA Position on the Request

No prevailing postal policies would be furthered by compelling finely presorted Nonprofit and Classroom publications with high editorial content to give up their preferred status to qualify for lower Regular rates. The changes proposed by the

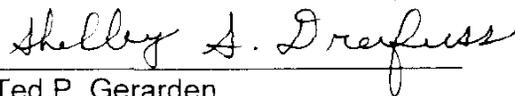
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<sup>11</sup> Postal Service Motion at 2.

Postal Service appear reasonable, and will provide equitable treatment to affected Nonprofit and Classroom publications until the anomaly is addressed in a future omnibus rate proceeding. In view of the equity of the proposed classification changes and the relatively minor revenue and cost consequences, OCA supports the Postal Service's Request

Respectfully submitted,

OFFICE OF THE CONSUMER ADVOCATE

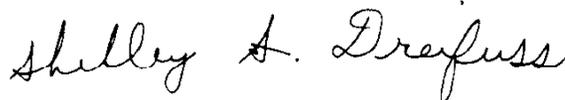


Ted P. Gerarden  
Director

Shelley S. Dreifuss  
Attorney

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.



SHELLEY S. DREIFUSS  
Attorney

Washington, D.C. 20268-0001  
April 28, 1999