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ORDER NO. 1246

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Edward J. Gleiman, Chairman;
W.H. "Trey" LeBlanc III, Vice Chairman;
Dana B. Covington, Sr.; Ruth Y. Goldway;
and George A. Omas

Bulk Parcel Return Service
Expedited Minor Classification Case

Docket No. MC99-4

NOTICE AND ORDER ON POSTAL SERVICE REQUEST
FOR AN EXPEDITED RECOMMENDED DECISION ON A
CLASSIFICATION CHANGE AFFECTING BULK PARCEL RETURN SERVICE

(Issued May 27, 1999)

On May 25, 1999, the Postal Service filed a request for a recommended decision approving a classification change expanding the terms on which it offers Bulk Parcel Return Service (BPRS). The request invokes expedited review under Commission rules for cases involving minor classification changes. See 39 CFR §§ 3001.69-69c. The Service notes that these rules require that notices of intervention, responses to proposed treatment under the expedited rules, and requests for a hearing be submitted within 26 days of the filing, or no later than June 21, 1999 in this proceeding. May 25, 1999 Notice of United States Postal Service of the Filing of a Request for an Expedited Recommended Decision on a Minor Classification Change for BPRS.

Contents of the filing. The request was accompanied by the testimony of two Postal Service witnesses (Adra and Eggleston), proposed amendments to the Domestic Mail Classification Schedule (DMCS), and an explanation of why the proposal is a minor change qualifying for expedited treatment. It also includes a statement regarding

compliance with other procedural rules and a proposed stipulation and agreement. The Service says it filed the stipulation and agreement to encourage parties to consider expeditious resolution of this case. May 25, 1999 Notice of United States Postal Service Filing of Proposed Stipulation and Agreement.

Limitations of current legal definition of BPRS. The Service's filing notes that as currently defined, BPRS provides a method for high-volume mailers to have parcels that are undeliverable-as-addressed (UAA) — and therefore unopened — returned to designated postal facilities at the original mailer's expense. To qualify for this service, UAA parcels must have been initially mailed under the Regular or Nonprofit subclasses of Standard (A) Mail. They must also be machinable (under one pound), carry a designated BPRS endorsement, and meet other Postal Service requirements. The BPRS fee is \$1.75 for each returned piece.

Proposed expansion of the definition. The Service's proposal expands the definition of BPRS to include qualifying parcels that are successfully delivered (and therefore not UAA), but then opened, resealed and redeposited in the mailstream by the recipient for return to the original mailer. The expanded definition recognizes two situations. One is when a qualifying parcel is returned using a mailer-supplied BPRS return label. The other is when a qualifying parcel is returned with neither a mailer-supplied BPRS label nor customer-affixed postage, and it is impracticable or inefficient for the Service to return the mail piece to the recipient for payment of applicable postage. In both situations, the Service proposes allowing qualifying parcels to be handled as BPRS, with the original mailer paying the \$1.75 BPRS fee for each returned parcel.

In support of its proposal, the Service asserts that the requested change will further the general policies of efficient postal operations and reasonable rates and fees enunciated in the Postal Reorganization Act. *Id.* at 2 (citing 39 U.S.C. §§ 101(a), 403(a), and 403(b)). It also states that the change conforms to the classification criteria of 39 U.S.C. § 3623(c). Request at 2. The Service maintains that the proposed change

does not have any rate, fee or measurable total cost change implication. *Id.*, Attachment C-10.

Expedited review. Under rules 69-69c, requests for expedited consideration of a classification change characterized as minor must include a description of the proposed change, along with proposed changes in the DMCS and any pertinent rate schedules; a thorough explanation of the reasons why the Service characterizes the change as minor; and an estimate of the overall impact of the change on postal costs, and revenues, mail users, and competitors. The Service states that witness Adra provides the required description of the proposed classification change, notes that the proposed DMCS changes are provided in Attachment A to its request, and asserts that no rate or fee schedule changes are proposed. It also states that witnesses Adra and Eggleston address the Service's rationale for characterizing the requested change as minor in character. *Id.* at C-12.

Testimony of witness Adra. Witness Adra provides an overview of the existing BPRS offering and discusses the Service's rationale for proposing the requested changes. He also reviews the proposal's consistency with classification criteria, describes why the case should be considered under the expedited rules, and identifies the proposal's financial impact. His discussion includes this observation about problems encountered under existing circumstances:

If a customer receives a BPRS-endorsed mailpiece, opens it, then decides to return it, the customer should bring it to a post office and pay single-piece postage for return. If a customer drops an opened parcel in the mail without paying postage, the mailpiece should be returned to the customer and return postage collected. In reality, however, it is often more practicable or efficient for the Postal Service to return it to the original mailer together with the mailer's other BPRS parcels, with the return fee paid by that mailer. This is because: 1) it is inefficient for the Postal Service to incur the expense and difficulty of having the carrier return the parcel to the customer and seek payment of postage; or 2) it is not

possible to tell that the parcel was opened; or 3) the fact that the parcel was opened is not discovered until the parcel is at or near the original mailer's delivery office. Another potential problem for customers is that the parcel may not always make it back to the original mailer. Depending on its condition, a parcel could be treated as dead mail and sent to a mail recovery center. Meanwhile, customers assume that their merchandise was returned and their account was credited.

USPS-T-1 at 3.

Testimony of witness Eggleston. Witness Eggleston identifies relevant costing issues, discusses anticipated handling of qualifying parcels in terms of the cost components in a previous BPRS cost study, and concludes that there are no additional costs associated with extending the definition of BPRS to include opened and resealed parcels. USPS-T-2 at 2-6. Moreover, she asserts that when these opened and resealed parcels carry a label, they will be less costly for the Postal Service to process. *Id.* at 6.

Proposed DMCS changes. The proposed amendments to the DMCS include revisions to existing sections 935.11 (the definition of BPRS) and 935.62 (permit cancellation terms). They also include the addition of a new section 935.36 describing the mailer-supplied return label option. The amendments are set out in attachments to the Service's request and the proposed stipulation and agreement.

Proposed stipulation and agreement. The Service has submitted a proposed stipulation and agreement to encourage parties to consider expeditious resolution of this case. Part I (Background) provides a brief statement identifying the docket, filing date, and supporting testimony. Part II (Terms and Conditions) consists of 10 numbered paragraphs addressing matters such as the evidentiary record, consistency of the proposed agreement with applicable postal policies and mail classification criteria, and the extent to which signatories are bound by the agreement.

Satisfaction of criteria for treatment as an expedited minor classification case.

Witness Adra asserts that the proposal qualifies as an expedited minor classification change under applicable criteria because it does not entail any fee changes for BPRS and does not impose any additional restriction of eligibility. He asserts that the proposal does not significantly change the estimated institutional cost contribution of BPRS. He further states that the proposed change does not entail any measurable financial impact because of the small number of BPRS participants, the lack of any change in the BPRS fee, and the lack of additional costs anticipated from this classification change. Finally, Adra says the Service does not foresee any adverse impact from this proposal on mail users and competitors, and considers it beneficial for both mailers and recipients. In particular, he says the Service does not anticipate any impact on competitors, since the parcels affected have already been entered into the postal system. *Id.* at 7.

Intervention. Anyone wishing to be heard in this proceeding is directed to file a notice of intervention with Margaret P. Crenshaw, Secretary of the Commission, 1333 H Street NW, Suite 300, Washington, DC 20268-0001 no later than June 21, 1999. Notices should indicate whether an intervenor will participate on a full or limited basis. See 39 CFR §§ 3001.20 and 3001.20a.

Comments on proposed expedited treatment and requests for a hearing.

Persons wishing to comment on the appropriateness of considering this request under the expedited rules for minor classification cases are directed to file comments no later than June 21, 1999. Requests for a hearing shall also be filed no later than June 21, 1999.

Prehearing conference; appointment of Postal Service as settlement coordinator.

A prehearing conference will be held on Thursday, June 24, 1999 at 9:30 a.m. in the Commission's hearing room. The Commission asks that attendees be prepared to discuss not only the request for expedited treatment and their interest in a hearing, but also the status of discussions on the proposed stipulation and agreement the Postal

Service has usefully provided with its initial filing. To facilitate discussion of this document, the Commission (on its own motion) authorizes settlement discussions in this proceeding, appoints the Postal Service as settlement coordinator, and requests that the coordinator provide a status report at (or before) the prehearing conference.

Representation of the general public. In conformance with § 3624(a) of title 39, U.S. Code, the Commission designates Ted P. Gerarden, Director of the Commission's Office of the Consumer Advocate, to represent the interests of the general public in both proceedings. Pursuant to this designation, Mr. Gerarden will direct the activities of Commission personnel assigned to assist him and, upon request, supply their names for the record. Neither Mr. Gerarden nor any of the assigned personnel will participate in or provide advice on any Commission decision in this proceeding. The OCA shall be separately served with three copies of all filings, in addition to and at the same time as service on the Commission of the 24 copies required in section 10(c) of the Commission's rules of practice (39 CFR § 3001.10(c)).

It is ordered:

1. Docket No. MC99-4 is established to consider the Service's request for a change in Bulk Parcel Return Service.
2. The Commission will sit en banc in this proceeding.
3. Notices of intervention in this case shall be filed no later than June 21, 1999.
4. Ted P. Gerarden, Director of the Commission's Office of the Consumer Advocate, is designated to represent the interests of the general public in this case.
5. Comments on the appropriateness of the considering the Service's Docket No. MC99-4 request under Commission rules 69-69c allowing for expedited treatment of minor classification cases shall be filed no later than June 21, 1999.
6. Requests for a hearing shall be filed no later than June 21, 1999.

7. A prehearing conference is scheduled for 9:30 a.m. on Thursday, June 24, 1999 in the Commission's hearing room.

8. The Commission authorizes settlement discussions in this proceeding, and appoints the Postal Service as settlement coordinator.

9. The settlement coordinator shall present a status report at (or before) the June 24, 1999 prehearing conference.

10. The Secretary of the Commission shall arrange for publication of this order in the *Federal Register* in a manner consistent with applicable requirements.

By the Commission.

(SEAL)

A handwritten signature in black ink, reading "Margaret P. Crenshaw". The signature is written in a cursive, flowing style.

Margaret P. Crenshaw
Secretary