

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

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 12, QUESTION 8
(October 6, 2006)

The United States Postal Service hereby responds to Presiding Officer's Information Request (POIR) No. 12, Question 8, issued August 24, 2006. This question addresses matters raised in previous proceedings via Notice of Inquiry. The corresponding breadth and scope of the response does not fit neatly into the expertise or content of any particular witness or testimony. Accordingly, the response is institutional in nature.

Question 8 is stated verbatim and followed by the response.

Respectfully submitted,

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8. In Docket No. R2001-1, the PRC issued Notice of Inquiry No. 1 Concerning Proposed DMCS Changes on February 1, 2002. The NOI sought comments on reorganizing the DMCS special services sections because the organization of and information in those sections are inconsistent. On February 13, 2002, the Postal Service submitted its Notice of the United States Postal Service Withdrawing Proposals and Submitting Revised Stipulation and Agreement, stating on page 3, "... we believe that [the PRC's] proposals, as well as the Postal Service's views, raise significant issues that should be explored in a constructive dialogue in a future case, either before or during the next omnibus rate case." Four years have passed without a response from the Postal Service regarding the issues broached in the NOI. Are there valid reasons for not reorganizing the DMCS special services sections as proposed in the NOI?

RESPONSE TO QUESTION 8:

Summary

Notice of Inquiry No. 1/R2001-1 (NOI) identified significant issues for special services and presented meritorious suggestions. Notwithstanding, while the Postal Service agrees with some of the Commission's views, it believes that the structured approach outlined in the NOI for governing combinations of special services would not be entirely beneficial to mailers, the Commission or the Postal Service.¹

The same issues raised by the NOI were the subject of discussion in the context of Docket No. MC2002-1,² regarding Confirm service. The Postal Service Comments in that docket explained how and why specifying allowable special service combinations in the DMCS was contrary to customer and Postal Service interests. The Comments

¹ Benefits to mailers and the Postal Service largely arise from having flexibility when facing new challenges and opportunities. Aside from enhancing the value of the mail through that flexibility, the primary benefit to the Commission is an efficient mechanism that preserves its important role in the scheme for classification changes. In light of the busy state of the Commission's dockets in the current environment, a more streamlined approach might be particularly welcome.

² See *Comments of United States Postal Service on Notice of Inquiry No. 1 Concerning Proposed DMCS Changes* (June 7, 2002).

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expressed the Postal Service preference for limiting DMCS language regarding allowable special service combinations to respective prerequisites, noted that customers typically look to the *Domestic Mail Manual* (DMM) rather than the DMCS for allowable combinations of special services, and provided an example where DMCS language delayed, until after classification changes could be implemented, a new combination of Insurance and Merchandise Return Service. In any event, that docket focused upon Confirm service and accordingly did not provide a suitable forum for a more comprehensive exploration of where allowable special service combinations should be specified.

POIR No. 12, question 8, highlights the Commission's continuing concern about how control over the allowable combinations of special services should be exercised. This response attempts to present additional suggestions responsive to that concern.

*Flexibility In The Face Of New Challenges
Enhances The Value Of The Mail.*

The Postal Service continues to believe that the interests of mailers, the Postal Service, and the Commission would best be served by flexibility that would facilitate innovation in the offering of special services. As in the past, technological and other changes could lead to new opportunities for existing special services to meet the needs of mailers. If a mailer or the Postal Service were to identify a way to enhance the value of using the mail by finding a new, innovative way to combine special services, the need to resort to a mail classification case – which takes several months to prepare, litigate,

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approve and implement – could discourage the new approach.³ In some circumstances, the customer might seek an alternative carrier, or simply choose to forgo the innovation. In other situations, an innovative combination of existing special services presented in a filing with the Commission could induce other carriers to introduce the type of service being sought ahead of the Postal Service, during the time it would take to pursue a formal proceeding to its conclusion. In any event, requiring a mail classification case just to combine postal services certainly postpones and may deny altogether a customer the opportunity to improve the value of the mail because of the need to litigate a case; the structure of such an approach could be viewed as impractical and inefficient, and, in effect, not businesslike.

Limiting the available combinations of special services by specifying those allowed (among the many hundreds of thousands of possibilities) in the DMCS would also ignore the Postal Service's consistent experience that the Domestic Mail Manual (DMM) is the written source most commonly used by customers when looking for information on what special services are available and when they can be used. Three versions of the DMM have recently been redesigned to provide clarity to respective customer groups using easy-to-understand language. DMM 100, *A Consumer's Guide to Mailing*, is a 24 page guide tailored specifically to consumer needs; pages 8-9

³ The Commission's Rules of Practice provide a range of options for expedited Commission consideration of non-NSA classification changes, the most rapid of which is a minor classification case pursuant to 39 C.F.R. §3001.69 *et seq.* The most recent such case, Docket No. MC2006-5, nonetheless required many months. A proposal was prepared, vetted internally by management and discussed with customers, and eventually approved for filing by the Board of Governors. Only then was the formal request filed; after expeditious consideration by the Commission, the classification change was implemented more than three months after filing the request.

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describe the major retail special services. DMM 200, *An Introduction for Businesses and Organizations*, is a 93 page guide providing a basic understand for larger mailers; pages 12-13 describe the retail special services. DMM 300, *Mailing Standards of the United States Postal Service*, is a several hundred page compendium. DMM 300 also includes a Quick Service Guide (available separately as Publication 95), which presents on two pages a complete listing of the combinations available for the retail special services.

By contrast, the DMCS is in essence a legal document, not designed for everyday use by typical customers. The need for formal legal structure in the DMCS often makes it difficult to use by those unaccustomed to interpreting legal documents. If the Commission and the Postal Service want to ensure that mailers know what combinations of special services are available, the appropriate place to provide this information is not where a lawyer would look, but where working professionals in the mailing industry (in other words, the people making decisions about what special services to use) would look, namely, the DMM.

Commission Control Over Allowable Combinations of Special Services Can Be Accommodated Through Means Other Than a List of Allowable Combinations in the DMCS That Could Only Be Changed Via a Classification Case.

The Postal Service believes it is in the best interests of all parties involved for the Postal Service and the Commission to work together to resolve inconsistencies or potential conflicts between their views, and to preserve the most important goals embodied in their respective approaches. In this regard, the highly structured

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procedures and timing of an omnibus rate case are probably not the best context for detailed discussions, comments, and responses likely to lead to resolution of the issues. This point was also made in connection with Docket No. R2001-1, and the Commission rightly points out that little progress has been made since then. To the extent a successor Notice of Inquiry is necessary and appropriate to elimination of inconsistencies within the DMCS, or to unambiguous identification of prerequisites to the use of respective special services, the instant docket is an appropriate context for doing so.

Fortunately, however, other mechanisms could be devised that would constitute a compromise among the competing objectives embodied in, on one hand, the maximum flexibility afforded by change only through the DMM, and, on the other hand, the perhaps inefficient or impractical approach requiring formal change of DMCS language. For example, if Commission rules required a reasonable period of advance notice prior to publication of a DMM change altering allowable special service combinations, the Commission could indicate assent by not taking affirmative action or, when significant concerns are implicated, the Commission could initiate a classification proceeding pursuant to section 3623 for exploring those concerns.

An alternative approach might involve permitting the Postal Service to change the combinations of special services through the DMM, followed by a formal review of the change at a subsequent date, either in an omnibus rate case, or, if the Commission were to determine the need, a classification case.

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Either of these mechanisms, or some other approach that harmonizes the Commission's interest in specifying the allowable combinations of special services, could be incorporated in the Commission's rules. While the Postal Service would lean toward an approach that affords maximum flexibility, it suggests that the pursuit of proposals for a system governing special service combinations would best be accomplished by severing the issue from the current proceeding and raising it in a rulemaking proceeding to be initiated by the Commission.⁴ In light of the level of activity in Docket No. R2006-1, and the other proceedings pending at the Commission, a rulemaking would best be initiated following conclusion of this docket. Alternatively, the Commission could initiate it in the near future and provide a procedural timetable that navigates a reasonable course through the schedules of the pending proceedings.

⁴ The Postal Service could also consider engaging in informal discussions with the Commission's technical staff, after the conclusion of the current rate case, as a preliminary stage in the process of exploring alternative approaches.