

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

CONFIRM

Docket No. MC2002-1

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF OFFICE OF
THE CONSUMER ADVOCATE
(OCA/USPS-1)

The United States Postal Service hereby provides institutional response to the following interrogatory of the Office of the Consumer Advocate: OCA/USPS-1, filed on May 13, 2002.

The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Kenneth Hollies

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3083, Fax -3084
May 29, 2002

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-1. Has the Postal Service considered offering a Planet Code service to retail customers? If so, please explain why a Planet Code service is not being offered to retail customers in this docket. If not, please explain why not.

RESPONSE:

The form of this question seems to presume, without support, that mere consideration of potential for a product also presupposes a determination whether or not to offer it. The process of considering and developing a product, especially a “postal” product, is a bit more complicated. In the usual course of product development, a product definition must be determined before quantitative data regarding its likely viability can be generated. This is what happened In the instant docket: a product definition was arrived at after qualitative discussion with interested mailers, operations testing, and non-trivial investment. See USPS-T-1. Thereafter, quantitative market research to estimate demand was conducted, USPS-T-4, its costs were detailed, USPS-T-3, and the chosen pricing approach was explained using the classification and ratemaking criteria in the Reorganization Act. The fact that no product designed around the needs of retail customers is currently proposed simply reflects where in the product development cycle such explorations exist.

In light of the fact that the potential for a retail product using PLANET Codes is being evaluated by Postal Service management, the short answers to the three questions in the interrogatory are: “Yes,” “A retail product has not been fully developed,” and “Not applicable.” However, the Postal Service can share more than this regarding its current thinking on a retail product that relies upon PLANET Codes.

The filing of the Confirm Request should not be taken as an intent to exclude the possibility of a related product that focuses upon the needs of consumer mailers. Postal management is very interested in other uses of PLANET Codes, specifically including a service for retail customers. The CONFIRM[®] product as it has been developed and tested to date is well suited for use by larger commercial customers, in part because no single-piece accountability has been promised. Information derived from PLANET Codes provides a new source of data through which postal operations can be examined. This benefit will only be enhanced by greater use of PLANET CODES so consideration of additional uses makes good business sense. Existing and potential CONFIRM customers have indicated that a Postal Service commitment to CONFIRM, by seeking and obtaining Commission approval, serves to limit their risk of investing in maximizing the return on the information CONFIRM provides; they have accordingly urged the Postal Service to move forward with CONFIRM service without waiting to develop other uses of PLANET Codes.

A major drawback of CONFIRM from the perspective of a potential single-piece user is the current lack of single-piece accountability. Offering Confirm as a retail product would also require the Postal Service to solve a number of other technical, operational and policy problems that did not need to be resolved to develop the current product. The Postal Service did not believe it should withhold the benefits of CONFIRM from large commercial customers while the knowledge and experience required to fully address the more complex retail product issues were being developed.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

The Postal Service is actively pursuing other uses of PLANET Codes including what may become a retail version. In the cycle of developing a Commission-approved product summarized in the first paragraph above, we are still in the stage of qualitative exploration. Naturally, the Postal Service also expects to monitor and learn from the experience it gains from offering CONFIRM to larger commercial customers before it completes its assessment of the feasibility of offering any retail version. The Postal Service is now working to develop product concepts targeting consumers for subsequent testing in focus group research. Once the product concepts are honed to the specific consumer needs and interests, further demand based research may be warranted prior to further development.

In the meantime, it is worth noting that CONFIRM, as proposed, includes customers who expect to be resellers. The Postal Service fully expects these customers will also explore uses of CONFIRM by mailers smaller than the non-resellers. If they identify a suitable market, they can be expected to provide services – and without waiting for a Postal Service proposed application. However, it is reasonable to expect that the resellers will seek to expand their customer base from the largest downward. This is one additional reason that the Postal Service is actively exploring a consumer product that relies upon PLANET Codes.

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.

Kenneth Hollies

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
May 29, 2002