

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

MARKET TEST OF EXPERIMENTAL PRODUCT-
GLOBAL eCOMMERCE MARKETPLACE (GEM)
NON-PUBLISHED RATES

Docket No.
MT2016-1

**UNITED STATES POSTAL SERVICE MOTION FOR
MODIFICATION OF ORDER NO. 4158**
(June 7, 2018)

The United States Postal Service (“Postal Service”) respectfully requests that the Postal Regulatory Commission (“Commission”) modify Order No. 4158 to enable the execution of customer agreements negotiated during the twelve-month extension period for the Global eCommerce Marketplace (“GEM”) Merchant Solution Market Test (“GeM Market Test”) authorized in Order No. 4158, and the full performance of such contracts for one-year terms. In the alternative, the Postal Service respectfully requests that the Commission modify Order No. 4158 to authorize the Postal Service to execute customer agreements during the twelve-month extension period, with such contracts terminating at the end of the extension period authorized in Order No. 4158.

As background, the Commission authorized the GeM Market test through Order No. 3319¹ issued on May 25, 2016, and on June 8, 2016, the Postal Service identified an effective date of June 27, 2016 for the GeM Market Test.² On October 12, 2017, in Order No. 4158,³ the Commission authorized the extension of the GeM Market Test, “to satisfy 1-year customer agreements executed in the second year of the 2-year market test, for an

¹ Order No. 3319, Order Authorizing Market Test of Global Ecommerce Marketplace (GEM) Merchant, Docket No. MT2016-1 (May 25, 2016).

² United States Postal Service Response to Order No. 3319 Concerning Effective Date of GeM Merchant Solution Market Test, Docket No. MT2016-1 (June 8, 2016).

³ Order No. 4158, Order Authorizing Limited Extension of Global eCommerce Marketplace (GEM) Merchant Market Test, Docket No. MT2016-1 (Oct. 12, 2017).

additional 12 months.” The first customer contract for the GeM Market Test was executed in November 2017.⁴ The Postal Service has filed six quarterly data collection reports.⁵

For the Postal Service to achieve the purpose of the GeM Market Test, i.e., the evaluation of the potential GeM Merchant Solution product, it is essential that the Postal Service have an opportunity to collect sufficient data to determine the feasibility and desirability of the GeM experimental product. Because of an unexpected delay in the initiation of activity in the GeM Market Test and the discovery of new information regarding market characteristics, additional time is required to collect sufficient data necessary for an effective assessment of the GeM experimental product.

The unique and unforeseeable nature of the issues responsible for the delay in initiation of activities under the GeM Market Test supports the modification of Order No. 4158 to enable execution of new customer contracts during the 12-month extension period and full performance of such contracts for one-year terms. As reflected in the quarterly data collection reports,⁶ the first customer contract was executed more than one year after the effective date. This delay resulted from a change in suppliers and challenges faced by the current supplier in addressing privacy and data protection compliance issues related to Postal Service data management and storage regulations. The supplier’s resolution of data protection compliance issues was required before the Postal Service could initiate participation in the GeM Market Test. Because there are only a limited number of businesses that are capable of providing the service necessary to enable the Postal Service

⁴ United States Postal Service Quarterly Data Collection Report, Docket No. MT2016-1 (Feb. 9, 2018), at 2.

⁵ United States Postal Service Quarterly Data Collection Report, Docket No. MT2016-1 (May 10, 2018); United States Postal Service Quarterly Data Collection Report, Docket No. MT2016-1 (Feb. 9, 2018); United States Postal Service Quarterly Data Collection Report, Docket No. MT2016-1 (Aug. 9, 2017); United States Postal Service Quarterly Data Collection Report, Docket No. MT2016-1 (May 8, 2017); United States Postal Service Quarterly Data Collection Report, Docket No. MT2016-1 (Feb. 8, 2017); United States Postal Service Quarterly Data Collection Report, Docket No. MT2016-1 (Dec. 8, 2016).

⁶ United States Postal Service Quarterly Data Collection Report, Docket No. MT2016-1 (Feb. 9, 2018), at 2.

to provide the GeM Merchant Solution,⁷ the Postal Service had few alternatives to the supplier, or options available to avoid the delay in the initiation of GeM Market Test activity resulting from the privacy and data protection compliance issues. Although the effective date of the GeM Market Test was identified as June 27, 2016, in effect, the GeM Market Test was not active during the first year following the effective date. Accordingly, modification of Order No. 4158 would provide the Postal Service with an opportunity to replace the contracts anticipated in the first year of the market test.

In addition to the delayed implementation resulting from privacy and data protection compliance issues faced by the supplier, the discovery of new market characteristics related to the GeM experimental product supports the request for a modification of Order No. 4158. Specifically, based on the current data received through the GeM Market Test, the Postal Service has discovered that there is highest demand for the GeM experimental product among merchants with smaller shipping volumes. Because merchant participation in the GeM Market Test has predominantly involved small volume shippers, the Postal Service will need to involve more merchants to obtain the amount of data sufficient to determine the feasibility and desirability of the GeM experimental product. Each merchant has unique business features that must be addressed during the negotiation of merchant agreements and the activation procedures for new merchants, and as the number of merchants increases, the time required for negotiation and activation procedures increases. Thus, the identification of smaller volume merchants as an important customer segment for the GeM experimental product justifies modification of Order No. 4158.

In the event that the Commission is not in accord with this approach, the Postal Service respectfully requests that the Commission modify Order No. 4158 to enable the

⁷ Response of the United States Postal Service to Chairman's Information Request No. 3, Docket No. MT2016-1 (Oct. 3, 2017), at Attachment 1, 4-5.

Postal Service to execute new merchant agreements during the twelve-month extension period authorized in Order No. 4158 for terms that terminate no later than the expiration of the twelve-month extension period. This modification would be consistent with Commission rulings on previous Postal Service requests for an extension of a market test, which permitted the expansion of the scope of the market test during the period of extension authorized under 39 U.S.C. § 3641(d)(2). For example, the Commission has permitted the Postal Service, during the twelve-month extension period, to expand its market test to new vendors,⁸ new markets,⁹ and new product variations.¹⁰ Modification of Order No. 4158 to permit the Postal Service to execute new merchant agreements during the twelve-month extension period would enable the Postal Service to increase the amount of data considered in the assessment of the feasibility and desirability of the GeM experimental product, even though, because these new contracts could have a term of less than one year, the modification would be likely to result in the collection of less data than a modification that permitted performance of new contracts for full one-year terms.

Because the Postal Service plans to make no significant changes to the GeM Market Test during the requested extension period, the Commission's previous analysis of the considerations included in 39 U.S.C. § 3641¹¹ is applicable to this Motion.

For the reasons stated above, the Postal Service respectfully requests that the Commission modify Order No. 4158 to enable both the execution of new contracts

⁸ See Order No. 1577, Order Granting Motion Concerning Market Test (Dec. 13, 2012) (granting extension under Section 3641(d)(2) to enable expansion of market test to new vendors and postcards).

⁹ See Order No. 3543, Order Authorizing Extension of Customized Delivery Market Test and Updating Data Collection Plan (Sept. 28, 2016) (granting extension under Section 3641(d)(2) to enable expansion of market test into new geographic markets); Order No. 2243, Order Approving Request for Extension and Expansion of Metro Post Market Test (Nov. 7, 2014) (same).

¹⁰ See Order No. 1781, Order Granting Extension of Gift Card Market Test (July 19, 2013) (granting extension under Section 3641(d)(2) to enable expansion of market test to closed loop gift cards); Order No. 1577 (granting extension under Section 3641(d)(2) to enable expansion of market test to new vendors and postcards).

¹¹ Order No. 4158 at 3-7.

during the twelve-month extension period and the performance of such contracts for full one-year terms, or, in the alternative, to authorize the Postal Service to execute new customer agreements during the twelve-month extension period with terms that expire at the end of the extension period.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Anthony F. Alverno
Chief Counsel, Global Business & Service
Development

James M. Mecone

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1135
(202) 268-6858
James.M.Mecone@usps.gov