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Nov 16 4 18 PM '99
USPS-T-1
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

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

MAILING ONLINE EXPERIMENT

Docket No. MC2000–2

DIRECT TESTIMONY
OF
LEE GARVEY
ON BEHALF OF
UNITED STATES POSTAL SERVICE

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Direct Testimony
of
Lee Garvey

AUTOBIOGRAPHICAL SKETCH

My name is Lee Garvey. I currently serve as an Acting Manager in the Electronic Commerce Group of the United States Postal Service. I am responsible for managing the development of Internet messaging services. This includes developing Mailing Online -- a service strategy designed to provide postal customers with convenient Internet access to First-Class and Standard (A) Mail.

I am a 29-year employee of the United States Postal Service. I began my postal career as a letter carrier in the Arlington, Virginia post office. I have since held positions as Station Manager, Account Representative, International Account Representative and National Account Manager. In these latter positions I have worked extensively with a wide variety of postal customers, including printers and commercial mail preparation firms, and have been instrumental in analyzing and facilitating solutions for a multitude of mailers' needs. I am a past member of the Washington Direct Marketing Association and have planned and participated in Postal Customer Council activities throughout the United States.

I have a bachelor's degree in business administration from Columbia Union College in Washington, DC.

I have testified twice before the Postal Rate Commission, both in Docket No. MC98-1. I presented policy and operations testimony for Mailing Online (USPS-T-1) and later presented rebuttal testimony (USPS-RT-1).

I. PURPOSE OF TESTIMONY

The purpose of my testimony is to describe the policies and planned operation of the Mailing Online experiment. I describe the program, its history and operation, and the planned stages of implementation. I also address the potential effects of the service on the established printing and mailing markets, and on suppliers; its objectives; and the business imperatives to which it responds.

II. PRODUCT DESCRIPTION

Mailing Online allows postal customers with access to a personal computer (PC) and an Internet connection to transmit documents created on their computers to the Postal Service for subsequent printing, finishing and entry as hard copy mail. The entire transaction, including payment, can be completed during a single visit to the Postal Service web site. As such, Mailing Online is designed to provide secure, convenient and easy-to-use access to First-Class Mail, Standard Mail, Priority Mail and Express Mail through commercial digital printing and mailing services. In particular, this service provides access to digital printing technology and system automation to small volume customers while generating low-cost automation compatible mailpieces for the Postal Service. It will be available on the Postal Service web site (www.USPS.com).

Mailing Online operates as follows. Customers submit, interactively and electronically online, a document and a recipient address/data list[1] to the Postal Service

[1] In addition to the recipient's name and address, a data list may also contain recipient-specific data for insertion into word processing document merge fields.

via the Internet. Customers then select online from numerous choices regarding printing and finishing specifications.[2]

Digital files containing the document, address files, customer information, and printing options are then processed through a computer network control center, which performs multiple functions including name and address (and recipient-specific) data merge (if applicable), address hygiene, batching, presorting and limited archiving. The network control center then creates print files and distributes them directly to commercial print sites according to destination ZIP Codes. The commercial print sites are geographically situated according to demand and are required to be equipped with high-quality digital printing and finishing equipment.

A distributed network of print-and-mail sites is to be phased in over time and an estimated 25 of these sites are expected to be in operation during the second of the three experiment years. These print-and-mail contractors print the documents as specified, place them in permit indicia envelopes, prepare system-sorted batch mailings, and transport them to a local postal office for acceptance, processing, and subsequent delivery by the Postal Service.

The mail is to be entered primarily as First-Class Automation Basic Mail, or Standard (Regular or Nonprofit) Automation Basic Mail. The single piece First-Class Mail rate will be offered only as an option for mailpieces with addresses which cannot be standardized. Priority or Express Mail service, as well as some special service

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[2] Printing options currently include black only or black with one spot/highlight color (blue, red, green or magenta) on 8.5" x 11", 8.5" x 14 or 11" x 17" white bond paper, simplex or duplex. Finishing options currently include stapling and tape binding.

options are planned for introduction during the experiment. Customers are charged the applicable postage rate, plus a fee covering production and system costs.

Mailing Online accepts digital document files in native format from two standard word processing packages and three popular desktop publishing packages.[3] Additionally, documents created in these or other applications may be submitted in the generic Portable Document Format (PDF). Data/mailing lists may be submitted using four standard PC formats.[4] The Postal Service plans to utilize industry standard print formats such as PDF and PostScript for transmission of print files to digital printers so as to take full advantage of current print-on-demand technology.

Initial service requirements and user features for Mailing Online were developed through extensive focus group, end-user research. These include:

- broad appearance and format flexibility, driven by the ability of desktop publishing software to create – and digital printers to produce – complex graphics, logos, and signatures;
- a variety of finishing capabilities, including a variety of binding and stapling options;
- the ability to control when the mail piece enters the mailstream by scheduling a specific mailing date;

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[3] Applications currently supported—MS Word™, WordPerfect™, PageMaker™, Ventura™ and Quark™—were chosen based upon market share at the time of original technical specification. Future development will include additional applications identified by user demand studies.

[4] Formats currently supported include MS Excel™, MS Access™, WordPerfect™, MS Word™(table) and ASCII delimited. Future development will include additional formats identified by user demand studies.

- the customization of output using recipient database variables under the control of the user, such as an individual's account balance on an invoice.

In essence, Mailing Online functionally integrates word processing and page layout software with the Internet and postal delivery. It offers the customer a variety of printing and mailing options for the resulting documents and then links those documents with the Postal Service's universal delivery network. By creating a service that integrates electronic mail collection, mail preparation and assembly, and traditional hard copy mail delivery, the Postal Service is responding to its mandate to provide an efficient nationwide system of mail collection (39 U.S.C. § 403(b)(2)). Also, as recognized by the Commission in its Opinion (§ 35-36) in Docket No. MC98-1, Mailing Online responds to the mandate to "give the highest consideration to the requirement for the most expeditious collection, transportation and delivery of important letter mail" (39 U.S.C. § 101 (e)), and to seek new methods of accomplishing these tasks.

III. STEPS FOR USING MAILING ONLINE

To use Mailing Online, a PC user must:

- produce and save a document in native format using one of several popular applications, or alternatively, save a document as a PDF file;
- produce a database of recipients' names and addresses, ranging from one to several thousand, optionally including any other variable data to be merged into the document (these addresses and data could be downloaded from existing commercial databases or created by the mailing originator);

- log on to the Internet and enter the Universal Resource Locator (URL) for the Postal Service's site on the World Wide Web (www.USPS.com) or access Mailing Online by clicking on a hotlink embedded in his or her computer desktop, browser application or secondary web site link;
- employ the secure and easy-to-use file transfer procedure for transmitting the document and list to the Postal Service server;
- "proof" the document online, optionally rejecting an unacceptable rendition;
- receive a report on the address list submitted and purge or accept non-standardizable addresses;[5]
- call up the "electronic job ticket" from the Mailing Online menu to enter printing and finishing specifications, and choose a class of mail appropriate to the service expectations and material being sent and;
- approve and pay for postage and the requested printing and production fees via credit card, prepaid account, or other approved payment method.

Upon receipt of the documents and recipient address files by the Postal Service, print-image files are created for subsequent batching and transmission to the print facility (or facilities) nearest the document destination(s). To the greatest extent possible, address elements will be standardized by an Address Management System (AMS) based software so that automation compatibility is maximized. Where possible, files with like characteristics as well as similar printing and finishing options will be

[5] The user will be notified of addresses that cannot be matched with the Postal Service's Address Management System database and given the option to purge them from the list or mail to them at the single piece First-Class Mail rate of postage.

merged and batched before transmission to the printer. Each batch address file is then presorted to the maximum depth of sort with a prepared manifest and mailing statement for transmission along with the print files. The documents are then printed, finished, inserted into envelopes, addressed with delivery point barcodes, and taken no later than the next postal business day to a specified mail processing facility for makeup verification and entry into the mailstream. Delivery is effected according to existing service standards. Specifications, such as materials grade, paper weight, print resolution quality, and finishing options are uniformly identified in printer contracts to maintain system-wide consistency. Electronic confirmations will be provided to the user when a document is received at the print site, when it is printed, and when it is deposited into the postal mail-processing facility.[6]

IV. GOALS OF MAILING ONLINE

A. Program Goals

The primary goal of Mailing Online is to improve customer service by making mailing easy. Mailing Online provides a convenient electronic means for entry for small volume or short-run mailings and broadens access to the benefits of mail processing automation. Since it also drives costs from the mail processing system by capitalizing upon automation compatibility and skipping some processing steps, Mailing Online ultimately benefits all users of the mail. Finally, Mailing Online opens yet another

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[6] Mailing Online customers desiring electronic confirmation of delivery will be able to select a Delivery Confirmation Service option when Mailing Online service expands to include it.

market for third-party providers who wish to bundle their own value-added services and take advantage of this channel for entry of mail.

For the growing population of Internet savvy, desktop computer-based mailers, Mailing Online reduces the aggregate cost of producing and entering a small mailing, thus providing a lower cost and more efficient way to use the mail.

The Postal Service chose a design for Mailing Online that harmonizes its own expertise in hard copy delivery with commercial firms' expertise in printing, mail preparation and Web business development. Even some previous detractors have already benefited from this harmonized approach. Pitney Bowes, for example, sells the finishing equipment used by the market test printer and several of the pre-qualified vendors seeking to provide print/mail services are members of Mail Advertising Services Association (MASA). Also, some MASA members have personally shared with me their expectation that Mailing Online is likely to complement their marketing strategies, stimulating the total market for mailing services among very small volume customers who today would be unlikely to use a commercial mailing service.

The program goals specific to the experiment also include: confirming our market research projections, verifying how customer expectations manifest themselves as behavior, and identifying and leveraging synergies with the rapidly emerging electronic communications and commerce environment on the Internet.

B. Operational Goals

The operational goal for the experiment is verifying the capability of working with industry providers to establish a reliable and consistent nationwide distributed printing network as a user-friendly electronic means of inducting mail.

IV. POTENTIAL CUSTOMERS AND USES

In my testimony in Docket No. MC98-1, I discussed in some detail our expectations for potential Mailing Online customers and volume.[7] I continue to expect that the market research volumes presented in Docket No. MC98-1 can be achieved during the experiment. In fact, given the growth in use of the Internet since Docket No. MC98-1, and the increased options we expect to offer, the volumes should be more easily achieved than originally anticipated. Although our experience in the market test was quite limited, it does confirm our understanding that users may include a range of individuals, small businesses, home offices, and charitable organizations. In keeping with privacy law and policy, no observation or analysis of actual mailpiece characteristics has been performed during the market test. However, in conformity with our original research estimates, we still expect the largest potential source of volume will be short-run, direct mail advertising and solicitation, which we estimate will produce half the Mailing Online volume. Mailing Online will not however be well suited for large

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[7] The original market research data were presented in witness Rothschild's testimony in Docket No. MC98-1, and are still being relied upon as the best available guidance for our understanding of the Mailing Online market potential. Although the marketplace has changed since that research was conducted, we still believe that its estimates are essentially reliable. One purpose of the proposed experiment, moreover, (footnote continued...)

volume direct mail or catalogs because the economics of on-demand digital printing are currently unacceptable for long runs. The service does, however, make localized, very short–run direct marketing feasible for businesses that may never have used direct mail before. Time-specific mail entry, graphic flexibility and production convenience are likely to be important selling points for these potential customers.

V. IMPLEMENTATION

The Mailing Online implementation plan involves three stages, two of which are complete.

A. Basic Operations Test

The basic operations test, which began in March 1998 and ended in September of that year, was conducted in Tampa, Florida and Hartford, Connecticut. Two hundred participants were selected to use the Mailing Online prototype system. The test was designed to provide program developers with technical information and the experience to define and refine the service so that a viable experimental service could be properly formulated.

B. Market Test

The market test began in October 1998 in three new metropolitan areas: New York City, Boston, Massachusetts and Philadelphia, Pennsylvania, together with the operations test cities. During this phase, which was completed only last month, we conducted further tests of the enhanced prototype technology, validated customer

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is to generate real-life experience that can inform judgement regarding any request for
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acceptance of the Mailing Online concept and gained knowledge about the relationships we need to establish and maintain with contract print/mail vendors for a nationwide experimental service.

Contrary to our initial plans, the market test lasted much longer than we expected. Customer usage and volume fell far short of our initial hopes, with the vast majority of PostOffice Online users not even attempting a Mailing Online mailing. However, we learned a great deal and several important goals for the test were achieved.

The imperatives of customer convenience and ease of use were confirmed by users, as was the previously identified sensitivity to price. Some customers found the whole process of creating an online mailing to be confusing, specifically indicating a certain level of discomfort with the uploading and proofing processes. However, we also learned that many users were convinced that the basic concept has great appeal and will be useful to their businesses. Many were anxious to have more sophisticated features and options currently lacking in Mailing Online - such as full color printing.

Although the market test allowed us to gain experience in a live production environment, we experienced a number of challenges, including: a serious lack of capacity and stability in the market test software;[8] a limit on both the number and location of users; and an incomplete technical implementation at the commercial printer's location. As we worked to resolve these challenges, we deliberately slowed

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a permanent form of Mailing Online.

the pace of our marketing efforts to avoid drawing additional traffic to a site that could not handle it; users nonetheless became frustrated by the poor performance of the system software. The volume level was, however, sufficient to gain some experience with merger of customer jobs, printer contracting, and mail entry issues. We expect to learn still more about these issues during the experiment.

The PostOffice Online concept of a unified Web presence and a shared technical infrastructure discussed by Witness Lim in Docket No. MC98-1 proved to be sound. When the decision was made to consolidate the Postal Service's web presence, PostOffice Online became a model for the USPS.com channel.

C. Experiment

With the completion of the market test, the Postal Service now requests that the Postal Rate Commission approve a Mailing Online experiment for three years. The high level distinctions between the market test and experimental versions of Mailing Online are nationwide availability, system reliability and capacity that permit utilization at higher volumes, and an expansive distributed print/mail network. In turn, the distinction between the mature experimental and early permanent versions of Mailing Online could prove to be as simple as the existence of sufficient volume and print sites to justify a range of destination entry and presort rates under existing eligibility criteria.

For the experiment, the Postal Service will expand the service by contracting with a number of printers in different locations to enhance and provide additional

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[8] The "Version 2" Mailing Online software used was a poorly performing system with a maximum capacity of seven simultaneous users. It was originally scheduled to

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production capacity. The competitive purchasing process has been refined and acquisition of new printers will be rapid with the expected network of 25 printers operational by the middle of the proposed experiment.

In the proposed experiment, the number of printing and preparation options also increases, perhaps to include full color printing. The increase in the number of printers and the expansion in printing options expected to accompany this phase should validate the approach of marking up contractor costs begun in Docket No. MC98-1. During the experiment, the range of postage options will be expanded to include First-Class Mail single piece (for pieces with non-standardized addresses), Nonprofit Standard Mail (A) (assuming qualification), Priority Mail, Express Mail, certain special services and international rates.

The Postal Service's is seeking a three year experiment in the belief that more than one year of experience and data will be essential to preparing a well designed and informed request for permanent Mailing Online. Since preparation and completion of a case can take more than a year, a three year experiment can provide close to two years of experience with the service – including a full network of 25 printers – to consider whether a request for permanent service would be appropriate. We also now realize that launching such a complex and conceptually groundbreaking new service is replete with challenge such that collecting statistically useful data may take longer than one year. Additionally, the issues of rapidly changing printing technology and the essential relationship building with newly contracted print/mail vendors will surely

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be in service for a very short period of time.

occupy the Postal Service's attention as we bring on all 25 over the next two years. Last, we hope to validate our confidence that third party value-added vendors will integrate their offerings with Mailing Online, thus opening still another market for providers of premailing services. Such synergies often take time to develop and we want to avoid premature and uninformed judgment calls.

V. THE USPS.com CHANNEL

As outlined when the Postal Service provided notice of the Board of Governors' resolution to withdraw the previous request for a Mailing Online experiment (May 5, 1999), the Postal Service intends to make its main corporate Web site, USPS.com, the Internet portal for transactional as well as informational services accessible by our customers. As discussed by witnesses Lim (USPS-T-3) and Takis (USPS-T-4), during the experiment Mailing Online will utilize the services of a shared technical platform known as the USPS.com Electronic Commerce Infrastructure (ECI) to perform common functions such as registration and payment. ECI will provide a shared support infrastructure. One could think of this as conceptually similar to the common walls, halls and utility conduits of a shopping mall which supply the tenants with an essential, enabling shared support infrastructure. In addition to cost savings through avoidance of unnecessary redundancies and costs, this approach increases convenience by providing one-stop shopping for Postal Service customers on the Internet.

In addition to the basic Postal Service information available today, the reconfigured USPS.com channel will provide common access to many different products and services, both existing and planned, of which Mailing Online is but one.

Stamps Online, for example, appears today on USPS.com and Shipping Online is scheduled to be re-introduced on USPS.com in early 2000. ZIP Code lookup, change of address services, post office locator service, rate information, and tracking and delivery confirmation will now all be just a single click away for a customer using Mailing Online.

VI. NONPROFIT RATES

The Postal Service plans to make available nonprofit rates to qualified organizations during the experiment by integrating an online verification system into Mailing Online. An initial hurdle arises from the fact that an authorization to enter nonprofit mail is specific to a single post office. Since nonprofit mail entry occurs virtually everywhere in the domestic service area, current records are maintained throughout the country. Since coordination with thousands of facilities is impractical given Mailing Online's ease-of-use requirements, we intend to use online authentication for nonprofit status verification. In this way the Postal Service simplifies its approach to nonprofit status verification, while maintaining a strong revenue protection mechanism. Such a system will be implemented as soon as it can be developed – perhaps prior to beginning the experiment.

VI. BATCHING

Mailing Online will merge, within classification categories, mail pieces sharing similar processing characteristics. As we gain experience with the technology, we expect to see this capability enhanced over time. However, the degree to which we will be able to approach a complete merger of all letter size mailpieces and all flat size

mailpieces is as yet unknown. Batching capability is limited by system, print production, processing and classification constraints. Notwithstanding, the system batching capability designed into the new version of the software promises to increase batching of letter size mailpieces substantially, thus improving Mailing Online's batching, presortation, and automation compatibility levels while reducing the cost of processing Mailing Online pieces.

VII. FASTForward

Although we intended to use our FASTForward address change system during our market test, technical implementation problems associated with FASTForward caused an integration delay.[9] Proper and complete addresses constitute a key to the production of mailpieces that drive costs from the hardcopy delivery system, so we must integrate an automated address update functionality into Mailing Online. We expect to have the problems with FASTForward implementation resolved prior to implementation of the experiment.

VIII. APPROPRIATE RATE STRUCTURE

Which postage rates should apply to Mailing Online pieces has been a matter of close consideration throughout the program's development. A clear thrust of Mailing Online is driving out mail processing costs via automation compatibility, presortation, and destination entry. Thus, single piece rates seem inappropriate. However, the uncertainty concerning short-term volumes suggests deeper discounts are also

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[9] The challenges presented by the FASTForward are discussed in my rebuttal testimony, USPS-RT-1 in Docket No. MC98-1.

inappropriate at this time. The recognition that Mailing Online should also open a new market for third-party value-added premailing service providers and generate new volume in turn suggest that perhaps Mailing Online pieces ultimately deserve a unique set of rates – as suggested by the OCA in Docket No. MC98-1. In the meantime the Postal Service proposes use of automation basic discounts, as outlined by witness Plunkett.

The proposed automation basic rate categories thus constitute a conservative compromise between the deepest discounts available and none at all. While a rate unique to Mailing Online may ultimately prove appropriate, that is a decision best suited to a request for permanent service, rather than an experiment.

IX. EFFECT ON THE ESTABLISHED PRINTING AND MAIL MARKETS

Mailing Online promotes the growth of direct mail and newsletter publishing because of its convenience and ease of use. Consequently, it will increase the satisfaction of postal customers while providing new business to printing industry service providers as indicated in the testimony of Witness Hamm (USPS-T-6) in Docket No. MC98-1. During the experiment we expect to demonstrate Mailing Online's overall contribution to the utility and effectiveness of small-volume direct mail as a marketing tool. The net result of this should be an increase in business for the entire direct mail services industry, including increases in list rentals, and new graphic design and printing opportunities. In addition, auxiliary providers such as document design

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software manufacturers and list maintenance-related services will benefit from increased markets for their offerings.

As Mailing Online is expanded, it will create primary demand for printing services in potentially large quantities, as well as mail production and assembly services, thus offering opportunities for private sector firms to benefit. The Postal Service is currently implementing a procurement strategy to ensure that qualified print service providers can also reap the benefits of this service.

In a larger context, today's small volume communications market is already shifting into electronic methods due to the convenience these methods offer. Some of this shift may go to hybrid methods such as Mailing Online, but the overall shift would have taken place with or without Mailing Online. Mailing Online has the potential to enhance the image of postal services among technology adopters, stem their migration to purely electronic methods, and enable creative printers and lettershops to build more personalized and individually responsive systems that capitalize on the online approach and thereby creating increased secondary demand for mailing related services. In addition, lettershops can themselves enter their customers' mail via Mailing Online if they find its attributes suited to specific mailings or preferable to building their own systems.

It should also be kept in mind that Mailing Online targets mailers whose current needs largely go unmet. Mail preparation services typically provide a very broad range of services, many involving a high level of customization, and usually with a substantial amount of customer interaction. Such services differ substantially from the limited capabilities and automated functionality inherent in the design of Mailing Online, which

therefore provide little direct competition. By the same token, Mailing Online should offer new growth opportunities to these service providers without threatening their existing customer bases.

Nothing has prevented existing providers from developing Internet based services. See www.ELetter.com, which currently offers basic automation rates with no minimum volume required. No postal barrier precludes such commercial Internet acceptance systems from extracting a competitive advantage by offering even deeper discounts. However, I am aware of no Internet based service which is directly comparable to Mailing Online by co-mixing customer jobs and distributing them to local printers for destination entry.

I know of no barriers to any mail preparation service provider implementing an online job submission solution for their customers and offering the same, albeit limited, design functionality similar to Mailing Online, but with the benefit of more personalized service and potentially greater postage discounts due to finer sort and deeper entry. Awareness of, and publicity for, Mailing Online could have the effect of facilitating the success of such endeavors by helping to convey an understanding of the technical concept to the public and thereby generating a demand for the provision of localized and/or more comprehensive and customized online offerings. Although Mailing Online is part of a societal trend toward greater use of electronic means of communication, this service is also intended to enhance the image and use of traditional hard copy delivery. Existing providers of mail preparation services will adapt to this societal change in the marketplace, and they are free to do so either on their own terms or by making use of Mailing Online.

X. EFFECT ON FIELD MARKETING SUPPORT INFRASTRUCTURE

With Mailing Online, the Postal Service is responding to a change in methods of business process and communication. Mailing Online forces no change in the traditional needs of postal customers who should continue to use hard copy delivery of mail for a long time to come. Accordingly, there should be no fear that the advent of Mailing Online will cause the Postal Service to abandon the range of existing efforts that benefit lettershops. Such fears are groundless because of the value such relationships provide to the Postal Service. The Postal Service will not abandon its traditional and proven system for accepting hard copy mail in favor of electronic entry such as that afforded by Mailing Online.

Through presort, automation, and destination entry discounts, the Postal Service in large measure created the now huge lettershop industry. The Postal Service has an obvious reason for continuing to assist lettershops. In FY 1998, the Postal Service handled 73.8 billion pieces of automation presort mail. Indeed, automation presort volume grew by 7.8 billion pieces in FY 1998 – nearly five times the projected total Mailing Online volume over a three-year period.

The Postal Service would not, and does not, risk alienating suppliers of such an important volume source for the sake of a service that will account for comparatively meager volume. While field marketing programs are subject to a number of influences and are often crafted to benefit mail preparation service providers, as the manager responsible for Mailing Online I can provide my personal assurance that the Mailing Online program will in no way direct or encourage withholding of support from existing suppliers.

XI. DATA COLLECTION

In accordance with the Postal Rate Commission's rules for experimental services, the Postal Service plans to collect and report information to the Commission regarding Mailing Online transactions.

The categories of data to be collected during the experimental period include revenues, volumes, costs, and volumes by printing category and class of mail. The Postal Service's existing data systems, including RPW and IOCS, will not be used to collect information directly about Mailing Online. Accordingly, other means of data collection and analysis will be employed. Such data collection efforts will be coordinated through Postal Service Headquarters, which bears responsibility for preparing and filing information for the Commission. The Data Collection Plan for experimental services are discussed in more detail in Appendix A.

XII. CONCLUSION

Mailing Online constitutes a critical effort to modernize the Postal Service and combine more modern communications methods with its traditional role of collecting and delivering hard copy messages. Adaptation to the increasingly rapid changes in today's technology can only be categorized as crucial to the future of the Postal Service. This proposal for a Mailing Online experiment embodies the synergy of lessons of the past with the promise of the future.

APPENDIX A

EXPERIMENTAL DATA COLLECTION PLAN

This appendix describes the Postal Service's data collection plan for the proposed Mailing Online experiment. The purpose of the collected data is to provide a measure of the experiment's effectiveness and the data necessary to prepare a request for any permanent classification change. The plan has been designed to collect data required by the Commission's Rules 64 and 54, and data desired for postal management's evaluation of the proposed classification and rate changes.

The data collection plan focuses on three main areas: use, operations, and costs; each of these serves a different purpose. The collection of use data identifies and permits forecasting of specific demand components for Mailing Online. Operational data provide information on job processing and printing performance, and measure customer experience with Mailing Online. Cost data assist in the ongoing efforts to develop and enhance the Mailing Online services, while allowing a more precise measure of Mailing Online's financial impact. The components of each are identified separately, after summarizing lessons from the Mailing Online market test.

In the Experimental Data Collection Plan, the Postal Service proposes largely to continue with data collection as it was performed for the market test. One report every six months will contain use, operations, and cost data.

The more frequent reports provided during the market test resulted, in

part, from the need for market test data to inform the Commission's consideration of the conjoined experiment. No comparable need now exists, and less frequent reports will suffice. By consolidating information in one place, each semiannual report can provide the same information that in the market test was spread across 44 separate reports. Since two years worth of reports will be available by the time consideration of a permanent service can begin, the Postal Service believes that semiannual reports will reduce unnecessary paper flow while still providing regular and up-to-date information on the progress of the experiment.

The longer reporting period should also reduce problems in determining how to report activity that crosses reporting periods.

For these reasons the Postal Service believes that the provision of semiannual reports can reduce the reporting burden while satisfying the needs for timely and accurate information.

Usage data include the following:

Total customers
Revenue
Total page volume
Total piece volume
Volume by subclass
Volume by shape
Volume by page size
Volume by envelope type
Simplex pages
Duplex pages
Color pages

Operational data include:

Volumes per batch by mail class

Print site batch volume log, with dates of mailing
Depth of sort information, from mailing statements
Information Systems support personnel logs
Customer Help Desk inquiries

In addition to generating a basis for projecting permanent volume, the Postal Service will attempt to measure the need for additional features, customers' satisfaction, and the effect that price and other service attributes have on volume.

Costs will be collected for the following functional areas of Mailing Online:

Hardware
Software
Telecommunications & Networking
Personnel
Services
Marketing
System Development and Implementation
Administrative Management and Maintenance
Help Desk
Mailing Online Print Sites (Information Technology costs)

Reporting

The Postal Service anticipates that collection of the data and preparation of each report will take between six and eight weeks, with cost data taking the longest since contractor billing cycles may not coincide with those of the Postal Service.