

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

MAILING ONLINE EXPERIMENT

Docket No. MC2000-2

**MOTION OF THE UNITED STATES POSTAL SERVICE FOR EXPEDITION,
AND FOR WAIVER OF CERTAIN PROVISIONS OF RULE 161 AND CERTAIN
PROVISIONS OF RULE 64(h)**
(November 16, 1999)

The United States Postal Service hereby requests that the Commission expedite this proceeding and waive certain aspects of its procedural rules, as described below.

The instant Request rests upon the same operational, policy and pricing approaches undergirding the Postal Service's previous request for a Mailing Online experiment in Docket No. MC98-1^{1/} in which, with some reservations, the Commission granted a similar motion for waiver. PRC Order No. 1217 (August 21, 1998). The Postal Service also hereby seeks expedited Commission consideration of this Request in conformity with the Rules of Practice respecting requests for experimental service, 39 C.F.R. 3001.67d.

The Rules of Practice, "subject to the maximum expedition consistent with procedural fairness," aspire to the issuance of a decision within 150 days of the date of filing or a finding that treatment under the experimental rules is appropriate. 39 C.F.R. 3001.67d. In light of 1) the fact that most of the issues raised by the Postal Service's Request have already been addressed during Docket No. MC98-1, 2) the Postal Service's hope to implement a Mailing experiment as soon as mid-April, 2000, 3) the

^{1/} This request was withdrawn by the Postal Service. See Notice of United States Postal Service of Withdrawal of Request for a Recommended Decision and Motion to Close Docket (April 5, 1999).

fact that interested intervenors have previously identified themselves by appearing in Docket No. MC98-1 and are being served today with the new Request, 4) previous consideration of a request for Mailing Online experiment under the experimental rule set (see PRC Order No. 1217 (August 21, 1998)), and 5) the (public) knowledge that the Postal Service Board of Governors has also been considering the filing of a new omnibus request for rates and fees, the Postal Service hopes that this case can be resolved more rapidly than the rules' aspiration. To explore this possibility, the Postal Service is announcing simultaneously with the filing of its case-in-chief the conduct of an initial technical conference involving all witnesses early in December. While settlement of this proceeding may not be feasible – in light of the previous docket regarding Mailing Online – there is some hope for a narrowing of issues or expedition of discovery. A report on this conference will be provided to the Presiding Officer.

The Postal Service suggests that a relatively short intervention period be allowed. It seems logical to assume that most if not all interested parties already are aware of this proposal since the service list from Docket No. MC98-1 is being served with the case-in-chief.^{2/} In other words, the likelihood of interested parties being surprised by the instant Request or its supporting contents and thus unprepared for quick intervention in this proceeding does not appear to be great. The Postal Service also proposes a relatively short discovery period, since lengthy discovery on the Postal Service's similar testimony in Docket No. MC98-1 has already been conducted.

Also in Docket No. MC98-1, the Postal Service requested, the Commission

^{2/}Postal counsel has also contacted counsel for the most active participants in Docket No. MC98-1, Pitney-Bowes, Inc., MASA, and OCA, discussed with them generally the scope of the instant Request, and the conduct and timing of the initial technical conference. In an exercise of additional caution, potential intervenors who have registered under 39 C.F.R. 3001.273(b) are also being served with copies of the direct case.

recommended, and the Governors of the Postal Service directed the implementation of a market test for Mailing Online. The market test proved to be a useful learning experience as the Postal Service applies new approaches to its provision of traditional services such as First-Class Mail and Standard Mail (A). The Postal Service provided reams of data to the Commission regarding Mailing Online traffic during the market test, and while the lessons learned may have been different from those originally envisioned, considerable progress toward the offering of a nationwide service was nonetheless achieved.

Rule 64(h) Waiver

As specified in the Commission's specialized procedures, Rule 67 governing experiments does not override the obligation to comply with the general rules applicable to requests, including Rules 54 and 64. Attachment E to the Request in this docket demonstrates compliance with a number of the requirements of those rules; however, for certain other of the requirements, the Postal Service requests a waiver pursuant to Rule 64(h)(3).

Background

Rule 64(h) states that the Postal Service, when requesting a change in the classification schedule, must provide certain Rule 54 information concerning requests for changes in postal rates and fees if the proposed classification change would result in either (1) changes in the rates or fees for any existing class or subclass of mail and service, (2) the establishment of a new class or subclass or service for which rates are to be established, (3) a change in the relationship of costs to revenues for any class or subclass, or (4) a change in the relationship of total Postal Service costs to total revenues. The Postal Service submits that the requested changes in the classification

schedule would not change any existing rates or fees, or have a significant impact upon the cost-revenue relationships of existing postal services. In fact, particular subsections of the rule do not apply to the Postal Service's proposal.

First, the proposed change is not a change in rates or fees for either First-Class Mail or Standard Mail (A), or for any other class, subclass or existing special service. Existing rates and fees would remain in effect and are available to all mailers. Mailers will simply be given the additional option of using electronic means to enter documents into the postal system, in which case they would be able to qualify more easily for basic automation rate categories. Second, the proposed change does not request the creation of a new class or subclass for which rates must be established. Rather, the proposed change would create an additional method of entry for First-Class Mail, Standard Mail (A), and Express Mail with attendant existing postage charges, as well as a fee based on a set markup over actual document preparation and printing costs.

Moreover, the effects of the proposed change are not significant with respect to the Rule 64(h) criteria that arguably do apply. The relationships between costs and revenues for other postal classes, subclasses and services or the postal system as a whole will not be altered in any meaningful way, as indicated by the relatively small dollar amounts involved. See testimony of witness Plunkett, USPS-T-5. The existing rates of postage for both First-Class Mail and Standard Mail (A) have been determined to be in conformance with 39 U.S.C. § 3622(b). The proposed fees will cover costs for the Mailing Online service and make a reasonable contribution to other costs of the Postal Service. In addition, witness Plunkett estimates revenues reflecting shifting of volume between First-Class Mail and Standard Mail rate categories.

Further, the requirements of Rule 64(h) should be interpreted in harmony with Rule 67 governing experiments. As the Commission has recognized in discussing Rule 67, “[o]ne of the primary purposes of these rules is to permit experiments despite the

absence of data called for by our rules designed for the normal case – consideration of permanent changes.”^{3/} A waiver of certain of the Rule 64(h) requirements furthers the intent of the experimental rules. Moreover, an important consideration in granting a request for waiver is the ability of the Commission and interested parties to appraise the proposal in the absence of particular data.^{4/}

In light of the logic underlying the experiment, which contemplates that comprehensive data will not be deemed necessary, and in light of the very minor effect that the proposal will have on other postal products and the overall postal system, waiver of all of the Rule 54 requirements would be justified. Nonetheless, the Postal Service has provided some Rule 54 information and only requests waiver of certain of the other Rule 54 requirements, as discussed below.

Specific Waiver Requests

The Postal Service specifically requests waiver of all or portions of the following rules: 54(b)(3) in part,^{5/} 54(f)(2), 54(f)(3), 54(h), 54(j), and 54(l) in part. Each is addressed in turn.

Rule 54(b)(3). Rule 54(b)(3) requests information on the degree of economic substitutability among various classes and subclasses of mail. To the extent that the Mailing Online service causes minor substitution among users of postal services, the Postal Service has addressed this in the testimonies of witnesses Garvey (USPS-T-1)

^{3/} PRC Op., MC86-1, at 9.

^{4/} In granting the Postal Service's request for waiver in Docket No. MC96-1, the Commission stated, “In this docket, the Postal Service requests authority to provide limited service on an experimental basis. Granting the waiver should not prejudice the Commission's ability to evaluate this request.” Presiding Officer's Ruling No. MC96-1/1, Docket No. MC96-1, January 22, 1996, at 3.

^{5/} A waiver of Rule 64(b)(3) also is requested in that it encompasses the same information as Rule 54(b)(3).

and Plunkett (USPS-T-5). No other demonstration of economic substitutability should be required. To the extent that Rule 54(b)(3) requests additional information on the cross-elasticity of demand, such information would typically be derived from historical data. Given the extremely limited Mailing Online market test, data are not available to develop elasticity estimates.

Rules 54(f)(2–3), (h), and (j). Rules 54(f)(2), (f)(3), (h) and (j) basically ask for information concerning the estimated total accrued costs for the fiscal year in which the filing is made and for the test year, the separation and attribution of those costs, and related estimated revenue and volume information.

The proposed Mailing Online experiment is limited in scope in terms of its effect on other subclasses and services and its duration. The effects on overall postal costs, revenues, and volumes are limited, making unnecessary further analysis of these characteristics beyond that presented by witnesses Poellnitz (USPS-T-2), Lim (USPS-T-3) and Plunkett (USPS-T-5), either with respect to the present fiscal year or a “rollforward” analysis for a future test year. The proposed classification and fees are straightforward in their design. Further attempts to separate and project costs, revenues, volumes and billing determinants would be an unnecessary and needlessly complex undertaking for this proposal.

Rule 54(l). Rule 54(l)(1) requests billing determinants for the proposed fees. Rule 54(l)(2) asks for certain volume information for Standard Mail (A) (formerly third-class) bulk mail. Volume and revenue figures for the new Mailing Online service are projected in witness Plunkett's (USPS-T-5) testimony and exhibits from the limited information available. To the extent Rule 54(l) seeks billing determinants for other subclasses or any other information, such information bears no relationship to the matters at issue in this proceeding.

Conclusion


Because of the demonstrated need for expedition and the limited nature of the proposal, and in recognition of the flexibility envisioned by both the market test and the experimental rules, the Postal Service requests that this proceeding be expedited, and that the Postal Service's motion for waiver be granted.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:


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Kenneth N. Hollies

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.



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