

UNITED STATES OF AMERICA  
Before The  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

Mailing Online Experiment

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Docket No. MC2000-2

OFFICE OF THE CONSUMER ADVOCATE  
STATEMENT CONCERNING PROCEEDING UNDER  
RULES FOR EXPERIMENTAL CHANGES

(December 8, 1999)

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Pursuant to Order No. 1272,<sup>1</sup> the Office of the Consumer Advocate ("OCA") hereby presents its statement on the question whether it is appropriate to proceed with the Postal Service's Mailing Online ("MOL") proposal under the procedural rules for considering experimental changes, *i.e.*, Rules 67-67d.<sup>2</sup>

The OCA has no objection to consideration of MOL under the rules for experimental changes, even though the procedures applied in such circumstances tend to shorten the time for exploration of issues. Under the experimental approach, proceedings are to be completed within 150 days of (1) filing the request or (2) a determination that it is proper to treat the request as an experimental change, "whichever occurs later."<sup>3</sup> The OCA believes that it is possible to complete the MOL case within 150 days. Moreover, in a related pleading filed today, the OCA responds to

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<sup>1</sup> "Notice and Order on Filing of Request for Establishment of an Experimental Mail Classification and Fee Schedule for an Online Mailing Special Service," November 19, 1999.

<sup>2</sup> 39 CFR §§ 3001.67-67d.

<sup>3</sup> Rule 67d.

the Postal Service's request to further shorten this proceeding by proposing special rules that will make the discovery stage more productive than is customary under special rules utilized in recent dockets.

In MOL's previous incarnation—Docket No. MC98-1—the Commission approved treatment of the proposal under the experimental rules.<sup>4</sup> The Commission observed that the experimental rules

provide an accelerated evaluation of proposed novel services where the absence of relevant operating and marketing experience, and the limited scope and impact of the proposals, might allow abbreviated hearings without violating parties rights to due process.<sup>5</sup>

The OCA voiced no opposition to this course of action.<sup>6</sup> In reviewing the Rule 67(b) criteria for assessing the propriety of proceeding with a request as an experiment, the OCA concluded that the internet interface for entering a mailing into the Postal system via MOL was novel, thereby satisfying criterion one.

The impact of the proposed change on costs and revenues was projected to be minimal. In this proceeding, too, the incremental costs of MOL, projected to range from \$75.3 million in year one of the experiment to \$184.6 million in year three, are estimated to be a small proportion of total Postal Service costs. This satisfies criterion two.

The Postal Service has proposed a data collection plan that appears to comport with the plan prescribed by the Commission in PRC Op. MC98-1 (Market Test).<sup>7</sup> This

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<sup>4</sup> See Order No. 1217, August 21, 1998, and P. O. Ruling No. MC98-1/10, October 14, 1998.

<sup>5</sup> Order No. 1217 at 7.

<sup>6</sup> Statement of the OCA in Response to Order No. 1216, August 12, 1998.

<sup>7</sup> OCA reserves final judgment on this issue for a later time.

addresses criterion three concerning the issue of the "ease or difficulty of generating or gathering data."

Finally, under criterion four, the duration of the experiment must be considered. The Postal Service's request for a three-year experiment is unprecedented. However, the length of time sought appears to be justified. Developing software for the MOL market test required many months of effort, much more than anticipated when the Postal Service initially filed its request to launch the experiment six months after the filing of the request.<sup>8</sup> Of equal concern is that, even after administering a year-long market test of MOL, the operating system is not functioning flawlessly.<sup>9</sup> It is likely that the Postal Service will need a large portion of the requested three-year period to perfect the customized software and add, with due deliberateness, desirable features such as full color printing and a card format.<sup>10</sup> Furthermore, at the time that Docket No. MC98-1 was withdrawn, the Postal Service had not yet been able to batch non-mail-merge documents, one of the key cost-saving features cited to justify use of the basic automation discount. In order to cultivate MOL to the point that it can batch and deeply presort a large number of heterogeneous mailings, the Postal Service will probably need much additional time. The OCA sees little harm in allowing the Postal Service

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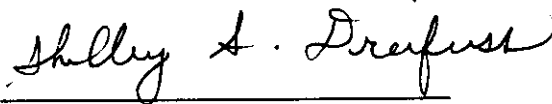
<sup>8</sup> The Docket No. MC98-1 Request was filed on July 15, 1998, and expressed the Postal Service's intention to launch the nationwide experiment on January 10, 1999 (*id.* at 3).

<sup>9</sup> In the instant proceeding, witness Garvey testifies that, over the course of the market test, the Postal Service "experienced a number of challenges, including: a serious lack of capacity and stability in the market test software; a limit on both the number and location of users; and an incomplete technical implementation at the commercial printer's location." USPS-T-1 at 10. In note 8, he adds that the "Version 2" Mailing Online software . . . was a poorly performing system with a maximum capacity of seven simultaneous users."

<sup>10</sup> Witness Garvey states that the Postal Service is considering adding a full color printing option. *Id.* at 12. DMCS language included in the Postal Service's Request includes First-Class Mail Cards as a mailing option.

that time. Another advantage to conducting the experiment for three years is that when the Postal Service comes to the Commission with a request for a permanent MOL classification, there should be a large store of information that can be used to evaluate the merits of permanent status.

Wherefore, the OCA agrees with the Postal Service that it is appropriate to consider MOL under Rules 67-67d, but with the caveat that the time-saving measures proposed in OCA's Response to the Motion for Expedition be adopted if the Postal Service and the Commission wish to complete this proceeding on a more expedited schedule than that contemplated by the experimental rules.



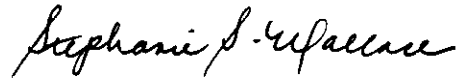
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CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.

A handwritten signature in cursive script, reading "Stephanie S. Wallace".

STEPHANIE S. WALLACE

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December 8, 1999