

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

RESPONSE OF UNITED STATES POSTAL SERVICE
TO NOTICE OF INQUIRY NO. 1
(February 10, 2000)

In Notice of Inquiry No. 1, issued on January 21, 2000, the Commission invited participants to propose "DMCS language that would allow the Postal Service discretion to authorize other functionally equivalent services to enter mail on the same terms as Mailing Online." The Postal Service's proposal in this regard is attached. Undersigned counsel has been authorized to state on behalf of the Office of the Consumer Advocate that the OCA supports adoption of this language.

As a result of ongoing settlement discussions regarding this issue, the attached language was in the process of being developed before the Notice of Inquiry was issued. As can be seen, the Postal Service has concluded that a general definition of functional equivalency would be appropriate in the DMCS to govern the availability to other providers of basic automation rates on the same basis that they are proposed to be available to Mailing Online pieces. This should make unnecessary any further qualifications or alternative operating procedures governing the eligibility of Mailing Online pieces for basic automation rates. The proposed language is sufficient to ensure that another provider's service is producing mailpieces of the same mail preparation quality as Mailing Online.

The proposed language would allow another provider to accept documents in various ways: via the Internet, through other electronic means, or by converting hard

copy documents to electronic format. Proposed § 981.62(a). It would require other providers to use software that the Postal Service has certified as sorting as finely as possible, such as the PostalSoft software it is using for Mailing Online. Proposed § 981.62(b). It would also require functionally equivalent services to meet otherwise applicable volume minimums on average. Proposed § 981.62(d). Since the Postal Service's goal is that Mailing Online will meet minimums on average, the same requirement would be applied to functionally equivalent services. Just as the Postal Service cannot project at this time when Mailing Online will meet this standard, a time period is similarly not specified in this language so as not to restrict unduly the potential for the development of functionally equivalent services. An appropriate time period could be developed as the services develop and could then be specified in implementing regulations.

The requirement in proposed § 981.62(c) for commingling and batching includes a requirement that commingling of mailpieces be accomplished "without diversion to any other system." This provision is intended to prevent computer "cherry picking." It would require functionally equivalent services to be kept separate and distinct from other services offered by the same provider. In other words, a firm could not, by means of a computer algorithm, skim off just enough volume into a functionally equivalent service to ensure that minimums are met over time, while allowing all other pieces to go into mailings that qualify for higher discounts. Instead, the language contemplates that the two services would have to be run independently and that any volume going in the pipeline of a functionally equivalent service would come out of the system as part of that service and any volume entering the pipeline of a non-functionally equivalent service would also exit as such. A functionally equivalent system's pieces would be eligible for the same level of discounts as Mailing Online pieces, while a non-equivalent system's pieces would have to meet existing requirements. The language is not

intended to restrict firms from offering both a functionally equivalent service and other hybrid mail similar services, so long as they operate separately, as described above. Part of the Postal Service's certification process would accordingly include evaluation of this criterion.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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February 10, 2000

Changes which differ from the Postal Service's original proposal are shown in italics.

**FIRST-CLASS MAIL
CLASSIFICATION SCHEDULE**

PRESERVE with indicated change:

[221.31

- a. Is prepared in a mailing of at least 500 pieces, or is provided for entry as mail using Mailing Online or a functionally equivalent service, pursuant to section 981;]

222.41

- a. Is prepared in a mailing of at least 500 pieces, or is provided for entry as mail using Mailing Online or a functionally equivalent service, pursuant to section 981;

PRESERVE:

[260

The following services may be obtained in conjunction with mail sent under this classification schedule upon payment of applicable fees:

- I. Mailing Online 981]

**STANDARD MAIL
CLASSIFICATION SCHEDULE**

PRESERVE with indicated change:

[321.231 a. Is prepared in a mailing of at least 200 addressed pieces or 50 pounds of addressed pieces, or is provided for entry as mail using Mailing Online or a functionally equivalent service, pursuant to section 981;]

321.431 a. Is prepared in a mailing of at least 200 addressed pieces or 50 pounds of addressed pieces, or is provided for entry as mail using Mailing Online or a functionally equivalent service, pursuant to section 981;

364 Regular

~~The following service may be obtained in conjunction with mail sent under this classification schedule upon payment of the appropriate fees:~~ Regular subclass mail will receive the following additional services upon payment of the appropriate fees:

	Service	Schedule
a.	Mailing Online	981

365 Nonprofit

Nonprofit subclass mail will receive the following additional services upon payment of the appropriate fees:

	<u>Service</u>	<u>Schedule</u>
a.	<u>Mailing Online (starting on a date to be specified by the Postal Service)</u>	<u>981</u>

**SPECIAL SERVICES
CLASSIFICATION SCHEDULE**

980 ACCEPTANCE ALTERNATIVES

981 MAILING ONLINE

981.1 Definition

981.1 Mailing Online is a service that allows mailers to submit electronic documents, with address lists, for subsequent conversion into hard copy form, entry as mail, and delivery.

981.2 ~~Description of Service~~ Availability

981.21 Mailing Online is available for documents submitted in an electronic form, along with an address list, to be entered under the following classification schedules:

a. Express Mail;

~~a-b.~~ First-Class Mail;

~~b-c.~~ Regular and Nonprofit subclasses of Standard Mail.

981.22 Except as provided in section 981.23, dDocuments presented through Mailing Online are eligible for only the following rate categories:

a. Express Mail Next Day Service and Second Day Service

~~a-b.~~ First-Class Mail Letters and Sealed Parcels Automation Letters Basic

~~b-c.~~ First-Class Mail Letters and Sealed Parcels Automation Flats Basic

d. First-Class Mail Cards Automation Basic

e. First-Class Mail Single-Piece Priority Mail

~~e-f.~~ Standard Mail Regular Automation Basic Letters

~~d-g.~~ Standard Mail Regular Automation Basic Flats

h. Standard Mail Nonprofit Automation Basic Barcoded (starting on a date to be specified by the Postal Service)

i. Standard Mail Nonprofit Automation Basic Barcoded Flats (starting on a date to be specified by the Postal Service)

981.23 That portion of a Mailing Online mailing consisting of addresses that cannot be made to meet Postal Service addressing requirements is not eligible for any Automation Basic rate categories, but instead may be sent, at the option of the Mailing Online customer, at single-piece rates for First-Class Mail Letters and Sealed Parcels or First-Class Mail Cards.

981.3 Requirements of the Mailer

981.31 Documents and address lists must be presented in electronic form, as specified by the Postal Service, through the ~~Postal Service's Mailing Online~~ internet site specified by the Postal Service. Documents must be prepared using application software approved by the Postal Service.

981.4 Other Special Services

Other special services that are available in conjunction with the subclass of mail chosen by the Mailing Online customer are available for Mailing Online pieces only as specified by the Postal Service.

981.45 Fees

981.451 The fees for Mailing Online ~~service~~ are described in Fee Schedule 981.

981.6 Functionally Equivalent Systems

981.61 General. Mailpieces created by a system certified by the Postal Service to be functionally equivalent to Mailing Online are eligible for the same rate categories as Mailing Online mailpieces. Mailpieces created by a certified, functionally equivalent service are in no case eligible for rate categories providing larger discounts than Mailing Online mailpieces would receive.

981.62 Definition. A functionally equivalent system is one which is capable of all of the following, comparable to Mailing Online, as specified by the Postal Service:

- a. accepting documents and mailing lists from remote users in electronic form, such as via the Internet, or converting documents and mailing lists to electronic form;
- b. using the electronic documents, mailing lists, and other software including sortation software certified by the Postal Service that sorts to the finest level of sortation possible, to create barcoded mailpieces meeting the requirements for automation category mail, with 100 percent standardized addresses on all pieces claiming discounted rates;
- c. commingling mailpieces from all sources without diversion to any other system and batching them according to geographic destination prior to printing and mailing; and
- d. generating volumes that exceed on average any otherwise applicable volume minimums.

981.63 Certification

981.631 General. Functionally equivalent systems must meet the requirements for certification specified by the Postal Service.

981.632 Fee. Functionally equivalent systems are subject to the annual certification fee set forth in Fee Schedule 981.

981.633 Cancellation. Certification can be cancelled by the Postal Service for failure to continue to meet the requirements of this section and those specified by the Postal Service.

981.567 Duration of Experimental Service Period

981.5671 The provisions of schedule 981 expire the later of:

- (a) three years after the implementation date specified by the Postal Service Board of Governors, or**
- (b) if, by the expiration date specified in (a), a proposal to make Mailing Online permanent is pending before the Postal Rate Commission, the later of:**
 - (1) three months after the Commission takes action on such proposal under section 3624 of Title 39, or**
 - (2) – if applicable – on the implementation date for a permanent Mailing Online.**

**FIRST-CLASS MAIL
SCHEDULE 221 NOTES**

PRESERVE (with indicated changes):

[³ Rates apply to bulk-entered mailings of at least 500 letter-size pieces, which must be delivery point barcoded and meet other preparation requirements specified by the Postal Service and, for the Basic Presort rate, documents provided for entry as mail using Mailing Online or a functionally equivalent service, pursuant to section ~~Fee Schedule~~ 981.]

[⁶ Rates apply to bulk-entered mailings of at least 500 flat-size pieces, each of which must be delivery point barcoded or bear a ZIP+4 barcode, and must meet other preparation requirements specified by the Postal Service, and, for the Basic Presort rate, to documents provided for entry as mail using Mailing Online or a functionally equivalent service, pursuant to section ~~Fee Schedule~~ 981.]

**FIRST-CLASS MAIL
SCHEDULE 222 NOTES**

² Rates apply to bulk-entered mailings of at least 500 pieces, which must be barcoded and meet other preparation requirements specified by the Postal Service, and, for the Basic Presort rate, to documents provided for entry as mail using Mailing Online or a functionally equivalent service, pursuant to section 981.

Replace existing Fee Schedule 981 with the following:

SPECIAL SERVICES

FEE SCHEDULE 981

MAILING ONLINE

Fees are calculated by multiplying the Mailing Online cost coverage of 130 percent times the sum of printer contractual costs for the particular mailing and 0.1 cents per impression for other Postal Service costs.

An annual certification fee of \$125 must be paid for each certification of a system as functionally equivalent to Mailing Online.

This provision expires the later of:

- (a) three years after the implementation date specified by the Postal Service Board of Governors, or
- (b) if, by the expiration date specified in (a), a proposal to make Mailing Online permanent is pending before the Postal Rate Commission, the later of:
 - (1) three months after the Commission takes action on such proposal under section 3624 of Title 39, or
 - (2) – if applicable – on the implementation date for a permanent Mailing Online.

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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February 10, 2000