

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Dan G. Blair, Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton;
Ruth Y. Goldway; and
Tony L. Hammond

Market Test of Experimental Product—
Collaborative Logistics

Docket No. MT2009-1

NOTICE AND ORDER CONCERNING MARKET TEST
OF EXPERIMENTAL PRODUCT

(Issued April 7, 2009)

I. INTRODUCTION

On April 1, 2009, the Postal Service filed a formal notice, pursuant to 39 U.S.C. 3641(c)(1), announcing its intent to initiate a market test beginning May 6, 2009, of an experimental product, Collaborative Logistics.¹ The Service asserts that the Collaborative Logistics product is a competitive product. Notice at 1. The Notice recites the statutory authority for offering Collaborative Logistics as an experimental product and provides a general description of it. This experiment represents the initial

¹ Notice of the United States Postal Service of Market Test of Experimental Product – Collaborative Logistics, April 1, 2009 (Notice).

market test conducted by the Postal Service under the Postal Accountability and Enhancement Act (PAEA).

Statutory authority. The Postal Service indicates that it plans to conduct a market test of the proposed Collaborative Logistics product. Section 3641 imposes certain conditions on experimental products, which the Notice purports to address. Specifically, the Postal Service asserts that Collaborative Logistics is significantly different from all products within the meaning of section 3641(b)(1).

In addition, it contends that “the introduction or continued offering of the product will not create an unfair or otherwise inappropriate competitive advantage for the Postal Service or any mailer, particularly in regard to small business concerns.” *Id.* at 2; see also section 3641(b)(2). Also, it submits that Collaborative Logistics is correctly classified as a competitive product. *Id.*; see also section 3641(b)(3).

Product description. Pursuant to 3641(c)(1)(B), the Postal Service provides a brief description of the nature and scope of the market test. The Postal Service explains that, in view of its large and complex transportation network, “the natural imbalance of mail volume between cities and the need to meet operating plans to support service standards makes some underutilized space on some highway transportation predictable.” *Id.* at 2-3. Under this market test, “the Postal Service would sell that available space.” *Id.* at 3. Thus, it defines the experimental product as “transportation of an article or multiple articles on a pallet or other unit load, on a space-available basis, in postal transportation.” *Id.* at 3.

Under the market test, “unit loads will be picked up and delivered to firms, stores, hospitals, warehouses, other large customer and/or postal facilities.” *Id.* For instance, the Postal Service specifies that the “maximum pallet weight will be 2200 pounds, with articles secured to the pallet using shrink-wrapping and banding.” *Id.* at 3. These unit loads are to be shipped or carried like those loads provided under similar offerings, often called LTL (less-than-truckload) shipping services. The Postal Service notes that terms are to be governed under negotiated contracts. *Id.* at 3-4.

The Postal Service indicates that total revenues from the market test are not anticipated to exceed \$10 million. *Id.* at 2. In addition, it confirms that the market test shall not exceed two years. *Id.*

II. NOTICE OF FILING

The Commission establishes Docket No. MT2009-1 for consideration of matters raised by the Notice. Interested persons may submit comments on whether the Postal Service's filing in the captioned docket is consistent with the policies of 39 U.S.C. 3641. Comments are due no later than April 27, 2009. The filing can be accessed via the Commission's website (www.prc.gov).

The Commission appoints Michael J. Ravnitzky to serve as Public Representative in this docket.

III. SUPPLEMENTAL INFORMATION

This is the first time the Postal Service has noticed an experimental product under the PAEA. The Commission requests the Postal Service to provide the following supplemental information regarding the market test by April 20, 2009:

1. Please provide the Governors' decision, if any, authorizing initiation of the experimental product.
2. Please describe: (a) the geographic market where the market test will be conducted; (b) the plan for monitoring the performance of the market test, including specific data items to be collected periodically; (c) the parameters of the market test; and (d) the criteria to be used to assess the success of the test.
3. Please describe how the product, Collaborative Logistics, will be made available to the public.
4. The Notice describes the product, but does not explicitly indicate whether the product is to be classified as a postal service. Please elaborate.
5. Please identify: (a) when the "similar product," referred to at footnote 1 of the Notice, was terminated; and (b) explain how the Collaborative Logistics

experimental product is significantly different from the similar product offered previously.

6. (a) Please provide the basis upon which the Postal Service concludes that offering the product will not create an unfair or otherwise inappropriate competitive advantage for the Postal Service or any mailer.

(b) Please discuss the Postal Service's efforts to determine the impact on small businesses.

7. Please identify all applicable federal and state laws and regulations that apply to the transportation offerings of the experimental product.

8. Please explain if Collaborative Logistics will use Purchased Transportation (Cost Segment 14) or Vehicle Service Drivers (Cost Segment 8).

It is Ordered:

1. The Commission establishes Docket No. MT2009-1 for consideration of the matters raised by the Notice.
2. Pursuant to 39 U.S.C. 505, Michael J. Ravnitzky is appointed to serve as officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.
3. Answers to the questions set forth in the body of this Order are due April 20, 2009.
4. Comments by interested persons are due no later than April 27, 2009.
5. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Steven W. Williams
Secretary