

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

Before Commissioners:

Ruth Y. Goldway, Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton;
Tony L. Hammond; and
Robert Taub

Market Test of Experimental Product
Alternate Postage Payment Method
for Greeting Cards

Docket No. MT2011-1

ORDER GRANTING MOTION CONCERNING MARKET TEST

(Issued December 13, 2012)

A market test is now underway for Alternate Postage for Greeting Cards (Alternate Postage). Alternate Postage cards include the cost of postage in the price of the card. The postage is paid to the Postal Service by the vendor in two stages—the vendor pays 50 percent of the postage price upon sale of the card, and is billed for the remaining 50 percent if and when automated equipment detects the presence of the Alternate Postage card in the mailstream.¹

Section 3641 of title 39 authorizes the Postal Service to test new products in the marketplace if the product meets certain standards set forth in that section. Section 3641(d) allows market tests to be conducted for 2 years. Subsection 3641(d)(2)

¹ See Notice of the United States Postal Service of Market Test of Experimental Product – Alternate Postage Payment Method for Greeting Cards, November 8, 2010.

authorizes the Commission to extend a market test for up to 12 months if an extension is needed to determine the feasibility or desirability of the product being tested. It also requires the Postal Service to file a written application for an extension at least 60 days before the market test is set to expire. This market test began on January 2, 2011, and is set to expire on January 2, 2013.

On November 21, 2012, the Postal Service filed a motion to extend the market test for 12 months.² It states that unforeseen complications associated with Hurricane Sandy and the Postal Service's internal approval processes have prevented it from submitting the Motion 60 days before the expiration of the current test, as 39 U.S.C. 3641(d)(2) requires. Therefore, the Motion seeks a waiver of that notice requirement as well as an extension of the current market test. It argues that the waiver and extension would be appropriate under current circumstances and would be consistent with the intent of the statute. Motion at 1.

The Postal Service argues that the Alternate Postage market test has been successful, having earned \$6 million through its first 22 months. It asserts that a number of other vendors have expressed interest in the product, and an interest in expanding the product to include postcards. *Id.* at 2-3. It argues that a 12-month extension is warranted for two reasons: (1) the current vendor participating in the market test has not completed its "internal review of its involvement in the program"; and (2) the Postal Service needs additional time to complete its research into whether Alternate Postage should be extended to postcards. It states that the results of the internal review and the completion of its research into the desirability of expanding the test to include postcards should both have a bearing on the design of the permanent Alternate Postage product for which it plans to seek approval "early in 2013." *Id.* at 2.

The Postal Service notes that receiving the waiver and extending the market test will ensure continuity of the current test during the critical holiday mailing season and

² Motion of the United States Postal Service for Temporary Extension of Alternate Postage for Greeting Cards Market Test, November 21, 2012 (Motion).

will provide prospective additional vendors with confidence that the experimental product will remain viable. *Id.* at 4.

The Motion was filed on November 21, 2012, 1 day before Thanksgiving. In Order No. 1554, issued November 27, 2012, the Commission noted that this left only a few business days for a response if the postal community followed its customary practice of treating the Thanksgiving weekend as an extended holiday. The Commission therefore extended the normal 7-day period for answers to motions to November 30, 2012.³

The Greeting Card Association (GCA) supports the Motion.⁴ It advocates continuity of the Alternate Postage market test, noting that it is high margin mail, and welcomes the prospect of adding postcards to the test. It points out that it would be particularly beneficial to get a permanent Alternate Postage product in place in time to take advantage of the greeting card volumes that typically increase in late spring and early summer as a result of Mother's Day and Father's Day. No other answers to the Postal Service Motion were received.

Based on its review of the pleadings, the Commission concludes that continuity of the Alternate Postage market test is desirable and that the extension requested is a reasonable way to achieve it. The Commission accepts the Postal Service's argument that the extension will allow it to gather needed information that should contribute to the sound design of the permanent Alternate Postage product that the Postal Service intends to propose. The Postal Service, therefore, has made the showing required by section 3641(d) for granting an extension.

Citing extenuating circumstances, the Postal Service requests a waiver of the requirement in section 3641(d)(2) that the Postal Service file its request for an extension

³ Order No. 1554, Order Extending Time for Filing Answers to Motion, November 27, 2012 (Order No. 1554).

⁴ Response of the Greeting Card Association in Support of Postal Service Motion to Extend Market Test, November 27, 2012.

60 days in advance of the scheduled expiration of the market test. No person will be prejudiced by the grant of the waiver. Accordingly, the Motion is granted.

It is ordered:

1. The Motion of the United States Postal Service for Temporary Extension of Alternate Postage for Greeting Cards Market Test, filed November 21, 2012, is granted.
2. The Commission waives the requirement in 39 U.S.C. 3641(d)(2) that the Postal Service file its motion 60 days before the scheduled expiration of the market test.

By the Commission.

Shoshana M. Grove
Secretary