

general rate case, and to keep the inquiry narrowly focused on areas related to the limited nature of the change and the effects on revenues and costs. The rules would require the Commission to issue a recommended decision on requests that are not challenged within 60 days. If the request is challenged, a 90-day period for issuance of a Commission decision would apply. *Ibid.*

#### **Rate Bands**

The Service indicates that its proposal for rate bands for competitive services adopts the Joint Task Force's framework of establishing a range within a general rate proceeding, but differs in several other respects. *Id.* at 8. For example, instead of a written notice procedure, the proposed rules create a mechanism in general rate cases for establishing a band of rates for competitive services based on a range of markups over attributable costs, and an aggregate institutional cost contribution for each product or service classified as competitive. The band and contribution thereby established would serve as the criteria for recommending rates in each general rate case and for changing rates within the bands between cases. Provisions in the Domestic Mail Classification Schedule (DMCS) would identify certain categories of mail as eligible to benefit from rate band flexibility. Between general rate cases, the Service would submit to the Commission a request for a recommended decision on whether to adjust prices within the pre-established bands. The Commission would be required to issue a decision within 30 days if the request is not challenged, and within 60 days if challenged. The Service says it believes that a classification proceeding under existing rules would be adequate to create the necessary DMCS provision to implement the rate band mechanism.

#### **Expedited Minor Classification Cases**

The Service also proposes rules that would allow expedited treatment for certain narrowly focused, limited classification changes, such as those affecting mailing requirements, eligibility standards, and categories of service with low aggregate costs and revenues. Initial filing requirements would be less demanding than those applicable to more complex classification cases, and findings from the last omnibus rate case would not be relitigated. The Commission would be required to issue a recommended decision within 60 days if the Service's request is not challenged, and within 90 days if it is challenged.

#### **Market Tests**

The Postal Service asserts that its rules for market tests attempt to track elements of a procedure outlined in the Joint Task Force Report. *Id.* at 11. The proposed rules would allow consideration of proposals to obtain data from actual market testing of mail classification or rate changes. There would be limits on the scope, scale and duration of the test. Initially, only information available to support the experimental proposal and a description of the test and the plan for collecting the necessary additional data would need to be filed. Information obtained from the test could be considered in a later portion of the proceeding to determine whether the change should be made permanent. The scope of inquiry in the initial phase would be limited to issues of general legality, the design and necessity of the test, and the nature of any adverse effect on competitors or discrimination among mailers. The Commission would either recommend or not recommend the service as proposed, without modification. However, if the Commission made suggestions for modifications, the Service could incorporate those suggestions in a new request. The petition notes that the rules would embody a presumption in favor of innovation.

#### **Provisional Services**

The Service also proposes a mechanism for implementing the Joint Task Force's concept of new services with provisional status. The proposed rules would allow fast-track consideration of proposals to introduce a new service. The type of service eligible for this treatment, in line with the Joint Task Force's recommendation, would be one which supplements existing rates and classifications without changing any of them. The service would be approved initially for only a limited period, and subsequent review would be expected. This provisional status would justify an expedited, more limited degree of review. Although the service could affect future overall revenue requirements, it would not be tied to the rates for any existing class or category. The scope of inquiry would be limited to whether the proposal would have a material adverse effect on revenue or costs, or pose unnecessary or unreasonable harm for competitors. Commission approval or disapproval would be required within 90 days. As with the market test rules, the Postal Service could incorporate Commission modifications in a new request. In the

absence of a showing of adverse effect or unreasonable harm to competitors, the rules contemplate that the Commission would recommend the provisional service.

#### **Multi-Year Test Periods for New Services**

The Service proposes rules authorizing the use of multi-year test periods for potential new services that are not expected to generate sufficient volumes and revenues to cover costs in their first year or two of existence, but which are expected to generate an appropriate contribution to institutional costs when they mature. Currently, the Commission recommends rates based on a comparison of costs and revenues over a one-year period soon after the implementation of a new service. The Service claims that the proposed rules would encourage innovation by examining costs and revenues for a new service over a multi-year period.

#### **Negotiated Service Agreements**

The petition notes that the proposed rules contemplate authorization for the Service to negotiate agreements with mailers. The Service would agree to provide mail services not currently included within the DMCS, at rates attractive to the mailer and beneficial to the Postal Service. The petition indicates that implementation of this proposal would involve two steps. One is introducing DMCS language enabling the Service to provide service in the context of a Negotiated Service Agreement (NSA). The other is establishing procedural rules to govern the actions undertaken by the Commission to allow such agreements to be placed into effect. Under the proposed DMCS provisions, only mailers who meet specified standards and who are willing to submit mailings within closely defined parameters would be eligible to enter NSAs. The negotiated rate must contribute a reasonable amount towards the recovery of institutional costs, with a minimum markup level identified as presumptively reasonable. Similarly situated mailers would be able to apply to receive the same service at the same rate. In addition to providing the text of the NSA, the Service would be required to demonstrate that the NSA would be beneficial to the Postal Service. The Commission would either approve or reject the tentative NSA as submitted. Furthermore, when the effective markup equals or exceeds the percentage amount previously specified as reasonable in the DMCS, the Commission could avoid further debate as to whether that markup is