

Before the  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Competitive Product Prices  
International Business Reply Service  
International Business Reply Service Contract 1

Docket No. MC2009-14

Competitive Product Prices  
International Business Reply Service Contract 1  
(MC2009-14)  
Negotiated Service Agreement

Docket No. CP2009-20

PUBLIC REPRESENTATIVE COMMENTS  
IN RESPONSE TO COMMISSION ORDER NO. 164  
(January 13, 2009)

The Public Representative hereby submits comments in response to Order No. 164.<sup>1</sup> In Order No. 164, the Commission gives interested persons an opportunity to submit comments on whether the Postal Service's request<sup>2</sup> to add International Business Reply Service Contract 1 to the Competitive Product List, and to establish a contract related to the proposed new product, comports with the requirements of the law. Specifically, the Commission seeks input on whether the captioned dockets are consistent with the policies of 39 U.S.C. 3623, 3633 and 3642, and 39 CFR part 3015 and 39 CFR 3020 subpart B. On January 12, 2009, the Postal Service submitted supplemental materials in response to questions posed within the Order.<sup>3</sup>

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<sup>1</sup> Notice and Order Concerning International Business Reply Service Contract 1 Negotiated Service Agreement, January 5, 2009.

<sup>2</sup> Request of the United States Postal Service to Add International Business Reply Service contract to the Competitive Products List, and Notice of Filing (Under Seal) Contract and Enabling Governor's Decision, December 24, 2008 (Request).

<sup>3</sup> Response of the United States Postal Service to Order No. 164 and Notice of Filing Redacted Contract and Other Requested Materials, January 12, 2009 (Response).

Upon review of the contract and financial documents the Public Representative believes that the addition of the MC2009-14 product to the Competitive Product List and approval of the CP2009-20 contract is in the interest of the general public and that the contract meets all statutory requirements.

The Public Representative recommends the approval of this contract because it satisfies the statutory requirements, but also, more generally, because the broadened availability of and increased usage of business reply and merchandise return services serves to strengthen and efficiently use the postal network, and tends to encourage international commerce, recycling and increased mail volume.

## **I. Statutory Requirements**

The Public Representative believes that this contract is consistent with the policies of 39 U.S.C. 3632, 3633 and 3642.

### **A. The Postal Service has satisfied 39 U.S.C. 3632**

The Board of Governors is vested with the authority to set rates. 39 U.S.C. 3632 (a) provides that the Board of Governors establish rates and classes for products in the competitive category of mail. For rates not of general applicability, the Governors shall cause each rate and class decision and record of the proceedings in connection with such decision to be filed with the Commission 15 days before the effective date of any new rates or classes.<sup>4</sup> In this case, the Postal Service states that the prices and classifications not of general applicability for IBRS 1 contracts were previously established by a decision of the Governors.<sup>5</sup> Since the prices and classifications were established

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<sup>4</sup> 39 U.S.C. 3632 (b)(3).

<sup>5</sup> Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for International Business Reply Service (IBRS) Contracts (Governors' Decision No. 08-24) (filed publicly in redacted form and also in its entirety under seal).

by a Board of Governors decision and properly filed with the Commission, 39 U.S.C. 3632 (b)(3) is satisfied.

B. The Postal Service has satisfied 39 U.S.C. 3633

Under 39 U.S.C. 3633, the Postal Service's competitive rates must: (1) not allow the subsidization of competitive products by market dominant products; (2) ensure that each competitive product will cover its attributable costs; and (3) ensure that all competitive products collectively contribute a minimum share of 5.5 percent to the institutional costs of the Postal Service. Examination of the financial materials provided under seal by the Postal Service indicates that the competitive products proposed in the IBRS 1 contract are not subsidized by market dominant products. The materials also indicate that the products will cover their attributable costs, thus ensuring that all competitive products collectively cover an appropriate share of institutional costs of the Postal Service.

C. The Postal Service has satisfied 39 U.S.C. 3642

Under 39 U.S.C. 3642, the Commission may add new products to the list of competitive products. After reviewing the contract and the supplemental materials provided by the Postal Service, the Public Representative acknowledges that the proposed contract is appropriately categorized as a competitive product.

## **II. Transparency**

The Public Representative believes that, considering all the circumstances of this contract, the Postal Service has endeavored to provide sufficient public transparency. Increased transparency has been a mainstay of comments by Public Representatives in many of the dockets filed to date, and in general the Postal Service has responded to the concerns addressed. While it must be

acknowledged that a sophisticated observer can occasionally glean proprietary information from modest clues, the public relies on the Postal Service to disclose as much as possible in each situation.

### **III. The Public Interest Value of Business Reply Mail**

There is a strong public interest involved in broadened availability and increased usage of business reply or merchandise return mail. First, it is efficient, in that such mail utilizes certain innate strengths of the postal communications network. Second, its convenience for consumers and low cost for businesses supports transactions that might otherwise be too cumbersome to carry out.

Most mail (68.6%) now tends to be of the nonhousehold-to-household type.<sup>6</sup> It is broadcast (distributive) in nature. For this type of mail, a large number of mail pieces are dispatched outward to a variety of reception points from one (or a few) sources, and the sender is billed for the postage. Examples include mail order catalogues, bills or other transactions, periodicals, and advertising.

In contrast, return or reply mail is aggregatory in nature – a very large number of senders (“sources”) each send an item or two to one or more reception points (“sinks”), and the recipient is billed for the postage. Most of such mail is household-to-business but some may be business-to-business. Examples include payment for periodical publications, services or merchandise, responses to surveys, return of defective or unwanted merchandise, or returning items for recycling or remanufacturing.

Return or reply mail exploits an important facet of the postal network – the ability to use existing collection and sortation systems to efficiently gather a large

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<sup>6</sup> See USPS Household Diary Study: Mail Use and Attitudes in FY 2007 at 16, published on the internet at [http://www.usps.com/householddiary/\\_pdf/USPS\\_HDS\\_FY07\\_web.pdf](http://www.usps.com/householddiary/_pdf/USPS_HDS_FY07_web.pdf). The term “nonhousehold-to-household” is a term of art generally meaning “business-to-household”.

number of items from many dispersed locations and deliver them to central points<sup>7</sup>. This is usually combined with an efficient billing system because only the shipping costs that are actually expended are charged to the recipient, and thus the transactional costs of all parties are kept small.

A convenient system of gathering/sorting can be very helpful in establishing and encouraging recycling programs for high value or desirable objects. Shifting the cost to the recipient promotes efficient recycling behavior on the part of the end user. Simplifying the logistical operation of a recycling program by reducing the necessary fixed infrastructure and encouraging sufficient levels of participation allows businesses to more easily institute and continue such programs.<sup>8</sup>

Business reply mail also efficiently utilizes the so-called return channel, a situation encountered in other transportation industries. For example, freight haulers, whether by truck, rail, ship or air, must often address circumstances involving “back haul”, or what to send back in vacant space available on the return trip. In the old Silk Road or Spice Routes trade, the camel caravans found various valuable but lightweight items to convey on the long return trip. Enterprising ship owners carried merchandisable items as ballast in their vessels, including the so-called “Belgian blocks” that became used as durable road paving stones near the destination ports.

At the risk of oversimplification, in the Postal Service, every letter carrier and every truck always travels in two directions: once toward the recipient and

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<sup>7</sup> Such postal aggregation is spatial, temporal and informational. In other words, the recipient need not know or specify in advance which particular locations, or how many, will actually send something back, or the specific dates when items will be returned.

<sup>8</sup> An example is the Mail Back program established by the Postal Service in cooperation with a private company, which allows consumers to mail back inkjet cartridges, PDAs, Blackberries, digital cameras, iPods and MP3 players for refurbishment, reuse, remanufacture or reuse. The company, which pays the postage, tries to avoid sending anything to a landfill. See Free Recycling Through the Mail, USPS Press Release, March 17, 2008, posted on the internet at [http://www.usps.com/communications/newsroom/2008/pr08\\_028.htm](http://www.usps.com/communications/newsroom/2008/pr08_028.htm). Other programs available to the public permit the postage-paid recycling of cell phones. The casual disposal of mass quantities of consumer electronics into landfills has been widely noted as an environmental hazard.

once towards the Postal Service. Keeping trucks full on the return leg of this journey makes good economic sense.

Business reply mail presents the opportunity to slow the trend toward making the mail a one-way communications medium and to reintroduce its value as a two-way communications medium.<sup>9</sup>

Finally, this contract and mail product classification serves to reduce the difficulties of international returns. Consumers are more willing to purchase across national borders when they are able to more easily return problem merchandise, or recycle expendables or end-of-life items. As a result, it helps businesses use international business reply mail or international merchandise reply mail, and thus is good for consumers, good for business and good for the environment. The Public Representative believes that this serves the public interest.<sup>10</sup>

The Public Representative recommends the approval of this contract, and believes that the Postal Service should look for increased opportunities to tap into the return mail attributes of its network for both business and social benefits, at a time when recycling and recyclability carry powerful societal and marketing messages.

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<sup>9</sup> In the 19<sup>th</sup> century, the telegraph's value was limited until inventors figured out how to send messages in opposite directions at the same time on the same wire, the so-called duplexing, quadruplexing or multiplexing, the technological descendants of which play such a critical role in today's communications era.

<sup>10</sup> While the public interest does not always coincide with the commercial interest of the Postal Service, in this instance it does. More broadly, the public interest is greatly served by a healthy, vibrant Postal Service that provides high quality services to the public.

#### **IV. Conclusion**

The Public Representative respectfully submits the foregoing Comments for the Commission's consideration.

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