

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

Before Commissioners:

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

Addition to the Competitive Product List
Competitive Ancillary Services

Docket No. MC2011-23

Competitive Product Prices
Competitive Ancillary Services (MC2011-23)
Adult Signature Service

Docket No. CP2011-62

ORDER APPROVING REQUEST TO ADD NEW PRODUCT
TO THE COMPETITIVE PRODUCT LIST

(Issued March 28, 2011)

I. INTRODUCTION

The Postal Service seeks to add a new product, Competitive Ancillary Services, to the competitive product list.¹ Concurrently, it proposes to establish a new price category under that product for Adult Signature service. *Id.* at 1. For the reasons

¹ Request of the United States Postal Service to Establish New Competitive Ancillary Services Product and Notice of Price and Classification Changes for Adult Signature Service, February 24, 2011 (Request).

discussed below, the Commission approves the Request and will reflect the classification changes in the draft Mail Classification Schedule (MCS).

II. BACKGROUND

On February 24, 2011, the Postal Service filed its Request and supporting information in accordance with 39 U.S.C. § 3642 and 39 CFR 3020.30 *et seq.* The new product, Competitive Ancillary Services, is proposed as a shell under which various competitive ancillary service price categories will be placed. Adult Signature service is the first price category placed under the new product.²

Adult Signature service will require recipients to verify their age at the time of delivery. An adult over the age of 21 must show photo identification and sign for the package. The Postal Service proposes two variations of the service. Adult Signature Required, available for \$4.75 per piece, will require the signature of anyone 21 years of age or older at the recipient's address. Adult Signature Restricted Delivery, available for \$4.95, will require the signature of the addressee only, who must be 21 years of age or older at the designated address. Adult Signature service will be available with Express Mail, Priority Mail, and Parcel Select for commercial and online customers only. *Id.* at 3-4.

To support its Request, the Postal Service filed Governors' Decision No. 11-1 with a Certification of Governors' Vote, a Statement of Supporting Justification, and proposed MCS language. Request at 1.

On February 25, 2011, the Commission issued an order noticing the two dockets, appointing a Public Representative, and providing interested persons with an opportunity to comment.³ The Commission also requested supplemental information

² Decision of the Governors of the United States Postal Service on Establishment of Rate and Class of General Applicability for Competitive Ancillary Services Product (Governors' Decision No. 11-1), January 25, 2011, at 1.

³ Order No. 683, Notice and Order Concerning Proposal to Add New Product to the Competitive Product List and Establish New Price Category, February 25, 2011.

about the estimated revenue and cost coverage figures for Adult Signature service. *Id.* at 3. The Postal Service responded on March 4 and March 7, 2011.⁴ It filed some of the supplemental information under seal.⁵

III. COMMENTS

The Public Representative was the only interested person to file comments.⁶ He concludes that the Request is consistent with the policies of 39 U.S.C. § 3642 and 39 CFR 3020.30 *et seq.* He states that the Postal Service has satisfied regulatory requirements for establishing a new competitive product. *Id.* at 3. He asserts that Adult Signature service promotes the public interest by preventing individuals under 21 years of age from illegally obtaining alcohol, guns, and other prohibited items through the mail. *Id.* at 3-4.

IV. COMMISSION ANALYSIS

The Commission has reviewed the Request, the accompanying materials provided under seal, and the comments filed by the Public Representative.

A. Product List Requirements

The Commission's statutory responsibilities when evaluating the Request entail assigning Competitive Ancillary Services to either the market dominant or competitive product list. The market dominant category consists of those products for which the

⁴ Response of the United States Postal Service to Request for Supplemental Information in Order No. 683, March 4, 2011; Response of the United States Postal Service to Request for Supplemental Information in Order No. 683, March 7, 2011. The Postal Service filed a Motion of the United States Postal Service for Late Acceptance of Its Response to Request for Supplemental Information in Order No. 683, March 7, 2011. The motion is granted.

⁵ See Notice of the United States Postal Service of Filing Materials Under Seal and Application for Non-Public Treatment for Supplemental Information Provided in Response to Order No. 683, March 8, 2011.

⁶ Public Representative Comments in Response to Order No. 683, March 10, 2011 (PR Comments).

Postal Service can set the price substantially above costs, raise prices significantly, decrease quality, or decrease output without risking significant loss of business to other firms. The competitive category consists of all other products. 39 U.S.C. § 3642(b)(1).

The Commission must also consider several criteria, including the availability and nature of private sector enterprises engaged in delivering the product, the views of those using the product, and the likely impact on small business concerns.⁷ The Commission's rules implementing section 3642 require the Postal Service to provide data and supporting justification when requesting to add, remove, or transfer a product. See 39 CFR part 3020, subpart B.

The Postal Service states that the shipping services marketplace is highly competitive with multiple carriers offering an array of services and prices. It explains that the Competitive Ancillary Services product and Adult Signature service are one aspect of this highly competitive market. The Postal Service contends that it cannot increase Adult Signature service prices or decrease quality or output without risking loss of business to competitors. Request, Attachment B at 2-3.

The Postal Service asserts that private shipping firms offer a variety of extra services and features similar to Adult Signature service. It contends that many customers would support the Request because it would supplement the Postal Service's existing shipping service offerings. It affirms that it is unaware of any small business concerns that could offer comparable services. *Id.* at 4.

No commenter opposes the Request. Having considered relevant statutory and regulatory requirements and the Postal Service's supporting justification, the Commission finds that Competitive Ancillary Services is appropriately classified as competitive and should be added to the competitive product list.

⁷ 39 U.S.C. § 3642(b)(3). In addition, products that are covered by the postal monopoly may not be transferred from the market dominant to the competitive product list. 39 U.S.C. § 3642(b)(2).

B. Section 3633(a) Requirements

The Postal Service must explain why the Request will not violate any of the standards of 39 U.S.C. § 3633; 39 CFR 3020.32(c). It must demonstrate that the product covers its attributable costs, contributes to the Postal Service's institutional costs, and prohibits market dominant products from subsidizing competitive products.

In its Statement of Supporting Justification, the Postal Service asserts that the Request complies with section 3633. Request, Attachment B at 1-2. The Public Representative concurs. PR Comments at 2-3. The Postal Service provides supporting data under seal showing that Adult Signature service as a whole covers its costs. The Commission has analyzed the data submitted and finds that each variation of Adult Signature service—Adult Signature Required and Adult Signature Restricted Delivery—also covers its costs. The Commission concludes that the Request complies with the provisions applicable to rates for competitive products.

The Postal Service requests that Competitive Ancillary Services be added to the competitive product list as a new product to serve as a shell under which various competitive ancillary services may be placed. The Commission approves that request.

Adult Signature service, the first service to be added to Competitive Ancillary Services, satisfies section 3633(a)(2) and could reasonably be characterized as a separate product. While the Commission will establish Competitive Ancillary Services as a separate product, its expectation is that future competitive ancillary services will also satisfy section 3633(a)(2) individually.

In summary, the Commission approves Competitive Ancillary Services as a new competitive product and Adult Signature service as a new service under Competitive Ancillary Services. The revision to the competitive product list appears below the signature of this Order and is effective immediately. The related classification changes will be reflected in the draft MCS.⁸

⁸ As indicated in previous orders, the language suggested by the Postal Service in its filing is illustrative and subject to change in the MCS that the Commission ultimately adopts.

It is ordered:

1. Competitive Ancillary Services is added to the competitive product list as a new product under Special Services.
2. Adult Signature service is established as a new service under Competitive Ancillary Services.
3. The Secretary shall arrange for publication in the *Federal Register* of an updated product list reflecting the change made in this Order.

By the Commission.

Shoshana M. Grove
Secretary

CHANGE IN MAIL CLASSIFICATION SCHEDULE
CHANGE IN PRODUCT LIST

The following material represents changes to the product list codified in Appendix A to 39 CFR part 3020, subpart A—Mail Classification Schedule. These changes reflect the Commission’s order in Docket Nos. MC2011-23 and CP2011-62. The Commission uses two main conventions when making changes to the product list. New text is underlined. Deleted text is struck through.

Part B—Competitive Products

2000 Competitive Product List

* * * * *

Special Services

* * * * *

Competitive Ancillary Services

* * * * *