

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MARKET TEST OF EXPERIMENTAL PRODUCT –
METRO POST

Docket No. MT2013-1

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**
(October 25, 2012)

The United States Postal Service hereby provides its responses to Chairman's Information Request No. 1, which was issued on October 18, 2012. Responses were due by October 25, 2012. Each question is reprinted verbatim and is followed by the Postal Service's response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing and Product Support

Elizabeth A. Reed

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3179, Fax -6187
October 25, 2012

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1. The Notice states that Metro Post will provide customers with same-day delivery from participating locations within "a defined metropolitan area". Please describe the "defined metropolitan area" where the market test will be conducted.

RESPONSE:

The defined metropolitan area for the Metro Post market test is the City of San Francisco; more specifically, it is comprised of the following zip codes:

94102, 94103, 94104, 94105, 94107, 94108, 94109, 94110, 94111, 94112,
94114, 94115, 94116, 94117, 94118, 94121, 94122, 94123, 94124, 94127,
94129, 94131, 94132, 94133, 94134, 94158

The Postal Service may expand the market test to other metropolitan areas, depending on the operational capabilities of other locations and the initial results in San Francisco.

The Postal Service will notify the Commission prior to implementing the market test in another defined metropolitan area.

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2. The Notice states, "Each online e-commerce company that wishes to participate in this market test must have at least 10 physical locations nationally, one or more of which must be within the defined metropolitan area of the market test." *Id* at 2.
- a. Are "physical locations" limited to retail stores?
 - b. Do physical locations also include non-retail locations, such as fulfillment centers and company headquarters?

RESPONSE:

- a. No.
- b. Yes.

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3. The following question concerns the request for exemption from the \$10 million revenue limitation. *Id.* at 7. Please explain how the Metro Post product is “not likely to result in unfair or otherwise inappropriate competition.” 39 U.S.C. 3641(e)(2)(C).

RESPONSE:

Currently, there are several companies offering some type of same-day delivery service. Those companies include large firms such as eBay, Amazon, Wal-Mart, and UPS. The market for same-day delivery is emerging rapidly, with several companies already established in the market, and others looking to enter the market in the near future. The Postal Service does not anticipate that the price it could set (at the lowest end of its price range for this market test) would give the Postal Service overwhelming market power in the same-day delivery market. UPS and Wal-Mart are advertising same-day delivery for \$10 per address, regardless of the number of packages delivered. Amazon is advertising same-day delivery for \$8.99, while eBay is advertising \$5. Additionally, the prices charged by the Postal Service for this market test will only be in effect for a finite period of time. Moreover, if the Metro Post product becomes a permanent product in the future, the Postal Service's prices will be further constrained by the statutory requirement that the product must cover its costs.

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4. The Notice states, "In total, only 200 packages per day may receive same-day delivery from the Postal Service during the initial period of the market test." *Id.* at 2-3.
 - a. Does the 200 packages per day limitation apply to each test participant?
 - b. How will the Postal Service determine whether the 200 packages per day limitation has been reached?

RESPONSE:

- a. Yes.
- b. The Postal Service will track the daily number of orders placed with each test participant. If the 200 package limit has been reached, the Postal Service will send an automated response to the test participant alerting them that additional packages may not receive same-day delivery on that day.

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5. 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, particularly in regard to small business concerns...” 39 U.S.C. 3641(b)(2). In this proceeding, “small business concern” means any courier and express delivery service company that meets the following criteria:
- a. Is a business entity organized for profit;
 - b. Has a place of business located in the United States;
 - c. Operates primarily within the United States or makes a significant contribution to the United States by paying taxes or using American products, materials or labor;
 - d. Is independently owned and operated;
 - e. Is not dominant in its field of operation; and
 - f. Has 1,500 or fewer employees.

RESPONSE:

The Postal Service expects that couriers and express delivery service companies will continue to operate within the emerging market for same-day delivery. Other larger companies that have entered the market have chosen to utilize couriers or smaller delivery companies for same-day delivery. Additionally, the Postal Service has examined the market and found that many couriers and smaller delivery companies specialize – and will continue to specialize – in the delivery of time-sensitive business, legal, and financial documents, a variety of time-sensitive medical items, and perishable goods. These items fall outside the intended scope of the Metro Post market test. Metro Post same-day delivery service will focus on the delivery of parcels purchased by consumers, with many of these packages being delivered after business hours, as opposed to time-sensitive items delivered within an hour. This approach should not have a significant impact on the time-sensitive deliveries provided by couriers and similar small business delivery companies. Therefore, the Postal Service submits that Metro Post will not create an unfair or otherwise inappropriate competitive advantage for the Postal Service or any mailer, particularly in regard to small business concerns.

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6. The Notice indicates three ways that buyers may request same-day delivery: (1) utilizing a qualifying online e-commerce platform to purchase items online; (2) purchasing items at the retail stores that have partnered with test participants; or (3) visiting a test participant's website to purchase items. *Id.* Please explain what constitutes an "online e-commerce platform" and how this differs from a "test participant's website."

RESPONSE:

An online e-commerce platform is a website that may offer items for purchase from different retailers, not just items from one company. A test participant's website would typically only offer items for purchase from the test participant itself.