

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

MARKET TEST OF EXPERIMENTAL PRODUCT –  
COMMERCIAL PO BOX REDIRECT SERVICE

Docket No. MT2020-1

UNITED STATES POSTAL SERVICE NOTICE OF  
MARKET TEST OF EXPERIMENTAL PRODUCT – COMMERCIAL PO BOX  
REDIRECT SERVICE  
(May 8, 2020)

Pursuant to 39 U.S.C. § 3641 and 39 C.F.R. Part 3045, and as directed by its Governors, the United States Postal Service plans to launch a market test of an experimental product called Commercial PO Box Redirect Service on June 8, 2020. Because the Postal Service anticipates that Commercial PO Box Redirect Service will provide a vital service to our remittance mail customers as they respond to the COVID-19 pandemic, the Postal Service respectfully requests timely review of this filing. This Notice describes the Commercial PO Box Redirect Service concept and demonstrates that the market test will comply with applicable legal requirements.

**Description of Commercial PO Box Redirect Service**

Remittance mail processors receive payments enclosed in Courtesy Reply Mail or Business Reply Mail pieces and process the payments on behalf of the payees.<sup>1</sup> Today, the Postal Service delivers the remittance mailpieces to the Commercial PO Box indicated on the mailpiece. If remittance mail processors need to consolidate or close

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<sup>1</sup> Payers mail the reply pieces back to the payees; the pieces are delivered to PO Boxes belonging to financial institutions to which the payees have outsourced processing of the payments.

the payment processing facilities associated with the address on the mailpiece, they must use their own couriers to move the pieces, use an existing postal bulk forwarding service, or employ private carriers.

Commercial PO Box Redirect Service offers an efficient solution. Instead of delivering automated letters to the PO Box indicated on the mailpiece, the service will redirect, at first opportunity in mail processing, the pieces to a second Business PO Box location defined by the customer. Commercial PO Box Redirect Service leverages the Postal Service's letter processing equipment to provide remittance mail processors a faster and more direct way of receiving payments to their preferred processing location. Notably, this service will aid customers who must relocate and/or consolidate processing facilities in light of the COVID-19 pandemic. Collectively, these benefits will enhance the value of First-Class Mail and should help discourage electronic diversion.

To be eligible for Commercial PO Box Redirect Service, commercial PO Box holders must use Caller Service with the PO Box to which pieces will be redirected. The service will only redirect automation First-Class Mail letter pieces; non-automation pieces will not be redirected. Customers will be able to enroll through their existing Business Customer Gateway account, and will pay a fee of either \$0.06 or \$0.07 for each redirected mailpiece. The \$0.07 per-piece price will be available to all eligible customers, while the \$0.06 per-piece price will be available to customers who certify that the service is essential to respond to a contingency, such as the COVID-19 pandemic. This pricing should more than cover the attributable costs associated with

this product.<sup>2</sup> The two price points will provide useful market insight on the value of this service to our customers, e.g., whether it is being used to respond to an exigency or in the normal course of business operations, which will help inform the Postal Service's pricing decision should this offering become a permanent product.

The Postal Service intends for the market test to run for two full years beginning June 8, 2020; however, it is possible that the Postal Service may decide to seek permanent product status early, or alternatively that it may seek authority for an additional year of testing if needed to determine the feasibility or desirability of the product.

### **Compliance with 39 U.S.C. § 3641(b) Conditions**

Section 3641 of title 39 and the Commission's implementing rules at 39 C.F.R. Part 3045 set forth conditions that a market test must meet. As explained below, the proposed market test will satisfy all of these conditions.

First, as required by subsection (b)(1) of section 3641, from the viewpoint of mail users, Commercial PO Box Redirect Service is significantly different from all products offered by the Postal Service within the last two years. Commercial PO Box Redirect provides a convenient way for a Business PO Box holder to redirect reply mail to achieve more efficient processing, while also maintaining address consistency for the senders of those reply pieces and the companies to whom payments are made. The Postal Service has never offered commercial PO Box customers the option of

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<sup>2</sup> Aside from the initial administrative costs associated with launching the product, there are no additional volume variable costs expected for the automated First-Class Mail letter pieces because the redirect service will occur automatically via letter processing equipment without manual intervention.

seamlessly redirecting automated letters via letter processing equipment to an address not on the mailpiece for an indefinite period of time.

Hence, Commercial PO Box Redirect Service is critically different from the Premium Forwarding Service product on the competitive product list. Under the Premium Forwarding Service Commercial option available to business commercial customers, mail is delivered to the address on the mailpiece and then repackaged and dispatched as Priority Mail Express or Priority Mail shipments for delivery to the forwarding address in bulk. In contrast, Commercial PO Box Redirect Service will redirect automated letters seamlessly in the letter mail stream without first delivering the letters to the PO Box on the piece.<sup>3</sup> Thus, Commercial PO Box Redirect Service serves a different market with different cost characteristics than the Premium Forwarding Service product.

In addition, Commercial PO Box Redirect Service is also significantly different from temporary and permanent Change of Address (COA) orders. Permanent and temporary COA orders provide forwarding only for a finite period of time and rely on different operational processes to forward the pieces. The process of manually submitting a COA order for every Business PO Box at a Post Office does not provide the speed of redirection needed by the target market of Commercial PO Box Redirect

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<sup>3</sup> In addition, while Premium Forwarding Service-Commercial is broadly available to business customers, including those with a commercial PO Box, pieces subject to forwarding include First-Class Mail, Priority Mail, and First-Class Package Service-Retail. The scope of Commercial PO Box Redirect Service is narrower in that it is only available to commercial PO Box addresses where a caller service is used and will redirect only First-Class Mail automation letters.

Service. Therefore, temporary or permanent COA orders offer a distinct service from Commercial PO Box Redirect Service.<sup>4</sup>

Second, as required by subsection (b)(2) of section 3641, Commercial PO Box Redirect Service will not create an unfair or otherwise inappropriate competitive advantage for the Postal Service or any mailer. This service retools the market dominant letter processing network to create operational efficiencies prior to delivery, a domain in which the Postal Service does not compete with other carriers. The competitive marketplace exists *after* the pieces are delivered, at which point mailers must employ a less efficient process to move the pieces, including use of Premium Forwarding Service-Commercial for bulk forwarding, their own couriers, and private carriers. Even if one were to conclude that Commercial PO Box Redirect Service competes with these after-delivery methods, the Postal Service cannot reasonably be said to compete *unfairly* with these services unless the objective of section 3641(b)(2) is to discourage efficiency gains in the Postal Service's market dominant network.

With regard to small business concerns, the Postal Service does not have concrete data concerning whether private carriers engaged in the transport of pieces subsequent to delivery by the Postal Service meet the definition of a small business concern.<sup>5</sup> Commercial PO Box Redirect Service should benefit small businesses to the extent that they rely on remittance processors.

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<sup>4</sup> Similarly, the Postal Service offers Caller Service customers, by submitting a COA order, the option of transferring their Caller Service to a different box of the same size and fee group in a facility of the same Post Office that also offers Caller Service. With numerous qualifications for this service, including the geographic limitation, it does not meet the needs of remittance mail processors, and consequently, serves a different market than Commercial PO Box Redirect Service.

<sup>5</sup> In this context, "small business concerns" likely means Express Delivery Services companies and Local Messengers and Local Delivery companies that: i. Are for-profit business entities that are independently owned and operated; ii. Are not dominant in their field of operation; iii. Have a place of business located within the United States; iv. Operate primarily within the United States or make a significant contribution

Third, as required by subsection (b)(3) of section 3641, Commercial PO Box Redirect Service is properly categorized as market dominant. Only the Postal Service is capable of redirecting automation letter pieces via letter processing equipment upon their entry into the postal network.

### **Estimated Total Revenue and Data Collection Plan**

Volumes and revenues for Commercial PO Box Redirect Service are difficult to predict, as customer demand for this service is unknown. Nevertheless, it is the Postal Service's intention that the test will generate significant customer interest, and therefore it is possible that the Postal Service may eventually need to seek a waiver of the annual statutory limitation of \$11,860,140. If the Postal Service should approach this annual limitation, it will furnish the appropriate notice to the Commission and submit an application for exemption from the cap under 39 U.S.C. § 3641(e)(2) in a timely manner.

To better understand the results of the market test, the Postal Service intends to collect the following data on a quarterly basis:

- Number of customers;
- Volume of pieces redirected;
- Revenues; and
- Attributable costs of Commercial PO Box Redirect Service, including the administrative costs of the test.

Consistent with 39 U.S.C. §3641(c)(1), the Postal Service is filing notice of this market test in the *Federal Register*. In addition, the Postal Service intends to notify

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to the United States by paying taxes or using American products, materials, or labor; and v. Have 1,500 or fewer employees (Courier and Express Delivery Services) or have annual receipts of \$30 million or less (Local Messengers and Local Delivery). See 39 C.F.R. § 3010.101(t)(1)–(5).

mailers of this market test and provide participation instructions through multiple customer touchpoints including Industry Alerts.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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