

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

Market Test
(Commercial PO Box Redirect Service)

Docket No. MT2020-1

COMMENTS OF THE ASSOCIATION FOR POSTAL COMMERCE
(May 21, 2020)

Pursuant to Order No. 5504, the Association for Postal Commerce (“PostCom”) submits these comments on the Commission’s request for comments on the Postal Service’s proposed Market Test of an experimental product called Commercial PO Box Redirect Service (CPBR). As described in the Postal Service’s notice, CPBR creates a process whereby mailers who receive remittances may elect to have their payments automatically redirected to a different PO Box either in response to a contingent event or as a matter of convenience. PostCom commends this initiative by the Postal Service to continue and expand efforts to test new products. The Commission should rule to approve the Postal Service’s request. Nevertheless, PostCom believes that features of the product and some of the parameters of the proposed market test could be improved and offers suggestions for the consideration of the Postal Service and the Commission.

I. THE POSTAL SERVICE’S NOTICE SATISFIES ALL RELEVANT STATUTORY REQUIREMENTS

The Postal Service has adequately explained why CPBR is a distinct product that serves a specific need; in this case, an opportunity for remittance mailers to intercept and redirect payments in the event that – either due to contingent circumstances or preference – the mailer relocates, changes, or consolidates remittance processing operations.

The Postal Service has specified that if usage of CPBR exceeds expectations, they will seek a waiver from the statutory revenue limit for a market test. Furthermore, as explained by the

Postal Service (Notice at 5), CPBR is fundamentally an improvement in its own processes and therefore does not result in an unfair competitive advantage.

II. EXPERIMENTATION THROUGH MARKET TESTS IS IMPORTANT TO THE POSTAL SERVICE AND ITS CUSTOMERS

The Postal Accountability and Enhancement Act contains provisions explicitly designed to modernize postal ratemaking, including an express authorization for the Postal Service to conduct market tests under conditions that the Postal Service has met in this instance. *See* 39 U.S.C. § 3641. The ability to experiment and learn is a critically important feature of any enterprise, and one which has thus far been underutilized by the Postal Service since the passage of PAEA. Because the Postal Service enjoys a statutory monopoly on letters, customers wanting to communicate or advertise via the mail have no alternative. Postal customers vary in their ability to substitute electronic and other media for mail. Engagement in ongoing experimentation and testing by the Postal Service holds the promise of innovation and improvement in the provision of postal services that could benefit all users of the Postal Service, not only those who can directly participate in a given market test.

A. Improved Processes Could Improve Market Tests

By definition, market tests are not assured of success. It is therefore important for the Postal Service to maintain an ongoing commitment to continued use of the market test provisions of PAEA, and for the Commission to continue to encourage Postal Service efforts in this direction. While CPBR is a welcome development, we believe that improvements to the development, vetting, design, and evaluation processes could facilitate greater and more effective utilization of market testing.

III. COMMERCIAL PO BOX REDIRECT SERVICE HAS LIMITATIONS THAT USPS SHOULD SEEK TO OVERCOME

In its current iteration, CPBR may not provide a complete or timely solution to remittance mailers who experience an emergency requiring adjustment to their remittance for several reasons. As the Postal Service notes (Notice at 2), non-automation pieces will not be redirected and will instead be sent to the address on the face of the envelope. This means that “white mail” – remittances returned in hand-addressed, stamped envelopes – will not be processed. As white mail can account for more than ten percent of remittances in some locations, mailers will have to maintain existing procedures to handle such mail. As a result, mailers who elect to try CPBR will incur the additional costs of redirection without an ability to offset those costs through savings from elimination of redundant practices.

For remittance mailers who experience a sudden contingent event, the two-week lead time to activate CPBR may be prohibitive. For instance, a remittance processing center that experiences a weather-related closure that may result in a closure lasting two weeks may determine that CPBR is not worth the effort. This is a market test, so the lead times need not be fatal to the success of CPBR, but the Postal Service should make every effort to shorten them.

A. The Proposed Rates Are Too High and Overly Simplistic

The Postal Service provides little insight into how the proposed rates for CPBR were chosen, beyond a one cent differential between pieces redirected for contingent reasons and those redirected for convenience reasons. There appears to be no salient cost difference in the two types of redirection. The differential appears to reflect a policy consideration of unknown purpose. Closure or relocation of a remittance processing center is a major, multi-dimensional decision that would generally not be undertaken as a matter of convenience. The Postal Service

should provide greater clarity on how it will determine what constitutes a contingent event, or better yet remove the price differential altogether.

The use of a high per-piece charge with no discount for quantity would appear to actively discourage use at high-volume remittance processing locations where, to the extent that courier or reshipment services provide comparable capabilities, mailers will likely be able to negotiate terms based on quantity. Paradoxically, the mailers most likely to tolerate high per-piece rates are those who confront some unforeseen emergency which forecloses the opportunity to arrange alternatives. Under the rate design offered by the Postal Services, such emergencies justify a lower rate. The Postal Service could address this shortcoming by incorporating price tiers based on volume into its test plan.

The claim that the price differential will provide useful market insight (Notice at 3) is unsupported other than by direct assertion. Presumably, an eligible mailer can either qualify for the contingent rate or not. The convenience rate – while nominally only slightly higher – is 17 percent greater. For a remittance processor handling hundreds of thousands of pieces, that is a significant price differential that does not reflect underlying cost differences or any known variation in demand characteristics. Given that this service targets commercial mailers who routinely pay postage rates denominated in tenths of a cent, conforming to a whole cent rate differential seems unnecessary at best. Further, since one of the reasons for conducting market tests is to learn about price responsiveness, the range of prices chosen for the test appear to be unnecessarily narrow.

The decision to use only a per-piece charge raises additional questions. According to the description provided by the Postal Service, the direct costs of providing the service appear to be incurred at the time the customer initiates an order. Based on the information provided in the

notice, redirected pieces will be redirected at origin and therefore have the same handling as non-redirected pieces. One wonders why the Postal Service did not consider alternative fee structures such as a flat monthly charge, or a set-up fee coupled with a much smaller per-piece charge. Such techniques are commonly employed for subscription type services where total usage has no – or limited – impact on the cost of providing a service, *e.g.* mobile phone plans with unlimited text and/or talk.

Because the Postal Service will require use of caller service at destination, there are opportunities to test bundling of services and prices that were also ignored. Bundling – for instance by including premium forwarding for remaining white mail – could broaden the appeal of the service to certain mailers and would provide richer empirical data that the Postal Service could use to refine its offer.

B. The Proposed Data Collection Plan Should Be Expanded

Ultimately, the purpose of a test is to learn something; in this case, whether there is demand for a remittance redirection product. Our concern is that by using a very limited set of test parameters, the Postal Service risks drawing erroneous conclusions if there is limited demand for CPBR. We believe that in a market test, data collection should encompass information needed to diagnose why an experiment is – or is not – successful. By focusing solely on attributable costs and quarterly reporting, the Postal Service is defaulting to customary approaches to product evaluation that are not ideally suited to CPBR.

For example, mailers wanting to make use of CPBR will have to enroll using an existing Business Customer Gateway (BCG) account. Why not collect and report on this part of the process to understand how many sessions are initiated, or what percentage of sessions result in a completed order? If problems with the BCG interface create an impediment to usage, there is nothing in the Postal Service's data collection plan that will determine that.

With regard to mail-related costs, CPBR appears to create a unique opportunity because it is strictly limited to only automation mail. As such, collection of voluminous operational and performance data should be relatively easy and inexpensive. The Postal Service should consider providing detailed tracking data on CPBR mail to facilitate a more detailed analysis of costs. To facilitate data collection and tracking, USPS should assign specific operation codes or use the barcode 93 designation to create scan events in Informed Visibility when pieces are redirected so that such pieces can be properly tracked.

Lastly, the data collection plan specifies tracking the administrative costs, but does not address any costs relating to hardware purchases or software development costs incurred to execute the test.

IV. SUMMARY

While our comments have identified numerous ways in which the CPBR market test could be improved, PostCom commends the Postal Service on noticing CPBR and encourages the Commission to approve the Postal Service request.

Respectfully submitted,

/s/ Matthew D. Field

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