

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Market Test of Experimental Product –
Commercial PO Box Redirect Service

Docket No. MT2020-1

PUBLIC REPRESENTATIVE COMMENTS
(May 21, 2020)

On May 8, 2020, the Postal Service filed a notice of its intent to conduct a market test of an experimental product called Commercial PO Box Redirect Service.¹ In a notice of the filing issued on May 11, 2020, the Commission appointed the undersigned as Public Representative and established May 21, 2020, as the deadline for submitting comments.²

I. THE POSTAL SERVICE'S PROPOSAL

The Postal Service describes Commercial PO Box Redirect Service as “a vital service to our remittance mail customers as they respond to the COVID-19 pandemic.” Notice at 1. Currently, remittance mail processors receive payments by means of Courtesy Reply Mail or Business Reply Mail directed to the Commercial PO Box indicated on the mailpiece. *Id.* The COVID-19 pandemic has caused some remittance mail processors to close or relocate processing facilities associated with the addresses on mailpieces. *Id.* at 1-2. This has, in turn, required the use of couriers or postal bulk forwarding services to redirect mail to different processing facilities. *Id.* at 2.

The proposed service would redirect mail destined for PO Boxes indicated on mailpieces to a second Business PO Box identified by the customer. *Id.* The redirection of the mailpieces would occur “at the first opportunity in mail processing” and would thereby

¹ United States Postal Service Notice of Market Test of Experimental Product – Commercial PO Box Redirect Service, May 8, 2020 (Notice).

² Notice and Order Concerning Market Test of Experimental Product – Commercial PO Box Redirect Service, May 11, 2020.

provide “a faster and more direct way of receiving payments” at the “preferred processing location.” *Id.* The service would be limited to automation First-Class Mail letter pieces and would require commercial PO Box holders to use Caller Service with the PO Box to which pieces would be redirected. *Id.*

The fee for the service would be \$0.06 per mailpiece for customers “who certify that the service is essential to respond to a contingency, such as the COVID-19 pandemic.” *Id.* All other eligible customers would pay \$0.07 per mailpiece. *Id.* The Postal Service states that its proposed pricing should more than cover attributable costs and, except for administrative costs associated with product launch, that no additional volume variable costs are expected. *Id.* at 2-3. The two price points are intended to provide the Postal Service with insight into the value of the service to customers facing an exigency and to those using the service in the normal course of their business. *Id.* 3.

The test is to commence on June 8, 2020, and is expected to run for two years, unless extended or ended sooner should the Postal Service seek permanent product status. *Id.* The objectives of the new service are to enhance the value of First-Class Mail to customers and to help discourage electronic diversion. *Id.* at 2.

II. APPLICABLE STATUTORY AND REGULATORY REQUIREMENTS

To conduct a test of an experimental product, the Postal Service must comply with the requirements of 39 U.S.C. 3641. Section 3641(b) requires the Postal Service to satisfy three conditions. Paragraph (b)(1) requires that the product being tested be significantly different from all products offered by the Postal Service within two years prior to the date on which the test begins. Paragraph (b)(2) prohibits the testing of products that create an unfair or otherwise inappropriate competitive advantage for the Postal Service particularly with regard to statutorily defined “small businesses”. Paragraph (b)(3) requires that the Postal Service identify the product being tested as either market dominant or competitive. In addition, section 3641(d) limits the initial duration of the market test to two years. Section 3641(e) and

section 3641(g) limit annual revenues generated by the test to \$10 million, as adjusted for inflation.

Commission regulations governing market tests are contained in 39 CFR part 3045. They set forth requirements that parallel those in 39 U.S.C. 3641. The regulations require a description of the market test and the experimental product. 39 CFR § 3045.3(a)(2)(i). The three statutory conditions for market tests in 39 U.S.C. 3641(b) are mirrored in 39 CFR § 3045.3(a)(2)(ii). The statutory limitation of the duration of market tests is repeated in 39 CFR § 3045.3(a)(2)(iii) and § 3045.10. And the statutory annual revenue limitation is reflected in 39 CFR § 3045.3(a)(2) (iv) through (v) and 39 CFR § 3045.15. Finally, the Commission's regulations impose certain data collection and reporting requirements. 39 CFR § 3045.20.

III. COMMENTS

A. Description of the Market Test and the Experimental Product

In its Notice, the Postal Service discusses of the features of the service (pages 1-2); it identifies the potential benefits of the service to customers and to the Postal Service (page 2); it provides information regarding anticipated cost coverage and the reasons for two different price points (pages 2-3); it explains the differences between the service and other products (pages 3-5); it dismisses the possibility for unfair competition (page 5); and it discusses the product's anticipated duration and revenues (page 6). The Postal Service's description of the market test and the product satisfies the requirements of 39 CFR § 3045.3(a)(2)(i).

B. The Condition Requiring that the Product Be Significantly Different

The Postal Service asserts that the proposed experimental service is significantly different from all products it has offered within the past two years. Notice at 3. It compares the proposed service to two other mail forwarding services currently available to commercial customers. *Id.* at 4. Those services are Premium Forwarding Service-Commercial, a service on the Competitive Product List, and Change of Address (COA) orders. *Id.*

Premium Forwarding Service-Commercial provides for repackaging and forwarding of mail in bulk by either Priority Mail Express or Priority Mail and serves a different market with different cost characteristics. *Id.* Both temporary and permanent COA service are provided for finite periods of time, are geographically limited, and use different operational processes. *Id.* The Public Representative submits that these differences support the conclusion that the proposed service is significantly different from both Premium Forwarding Service-Commercial and COA service.

C. The Condition Prohibiting Unfair Competition

The Postal Service asserts that operational efficiencies created by changes to its market dominant letter processing network (like the operational changes that make Commercial PO Box Redirect Service possible) occur prior to the delivery of mail and are therefore not in competition with other carriers. *Id.* at 5. Alternatively, the Postal Service argues that even if such changes are deemed to be in competition with other carriers, the competitive advantages they confer cannot be considered unfair without discouraging efficiency gains generally. *Id.* The Postal Service asserts further that it lacks concrete data regarding whether small business concerns transport mail subsequent to delivery by the Postal Service, but that, in any event, small business concerns that outsource their payment processing operations will benefit from the proposed experimental product. *Id.* The Postal Service has adequately addressed the issue of unfair competition and has satisfied 39 U.S.C. 3641(b)(2) and 39 CFR § 3045.3(a)(2)(ii).

D. The Product Characterization Condition

The Postal Service correctly characterizes Commercial PO Box Redirect Service as a market dominant product by virtue of the fact that only it “is capable of redirecting automation letter pieces via letter processing equipment upon their entry into the postal network.” Notice at 6. In doing so, the Postal Service has complied with 39 U.S.C. 3641(b)(3) and 39 CFR § 3045.3(a)(2)(ii).

E. The Limitation on Duration of the Test

The Postal Service proposes to begin the market test on June 8, 2020, and to limit the duration of the test to two years. Notice at 3. It retains the right to seek permanent approval of the proposed product within the two-year period or to seek an extension of the two-year period. *Id.* As proposed, the market test complies with the requirements of 39 U.S.C. 3641(d), 39 CFR § 3045.3(a)(2)(iii), and 39 CFR § 3045.10.

F. The Limitation on Annual Revenues

The annual revenue limitation for market tests is currently \$11,860,140.³ The Postal Service acknowledges that limitation, as well as its obligation to seek an increase in the limitation, if necessary, to continue the test. Notice at 6. In making these representations, the Postal Service indicates its intent to comply with the applicable statutory limits in 39 U.S.C. 3641(e) and 39 U.S.C. 3641(g) and with the regulatory limits in 39 CFR § 3045.3(a)(2) (iv) through (v) and 39 CFR § 3045.15.

G. The Geographic Market Description

The Postal Service makes no mention of any geographic limitations on the proposed market test. See Notice, *passim*. The Public Representative submits that the Commission can infer that the proposed experiment is national in nature.

H. The Data Collection Plan

The Postal Service states its intent to collect quarterly data on the proposed experiment. *Id.* at 6. The description of the data to be collected is general in nature, but appears to meet the minimum data collection requirements specified in 39 CFR § 3045.20. The Commission may nevertheless wish to clarify that data collection will be done in a manner which satisfies the section 3045.20 requirements. The Commission may also wish to

³ FY 2020 Market Test Revenue Limitations, available at: <https://www.prc.gov/sites/default/files/120520%20CPIweb.pdf>.

consider requiring the Postal Service to include data from this market test in the Annual Compliance Report as contemplated by 39 CFR 3045.20(d).

IV. CONCLUSION

Based upon the information submitted by the Postal Service and for the reasons set forth above, the Public Representative recommends that the Commission find that the market test of Commercial PO Box Redirect Service is consistent with the requirements of 39 U.S.C. 3641 and 39 CFR part 3045.

Respectfully submitted,

Richard A. Oliver
Public Representative

901 New York Avenue, N.W.
Suite 200
Washington, DC 20268
(202) 789-6878
richard.oliver@prc.gov