

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Market Test of Experimental Product –  
Extended Mail Forwarding

Docket No. MT2020-2

PUBLIC REPRESENTATIVE COMMENTS  
(June 30, 2020)

On June 8, 2020, the Postal Service filed a notice of its intent to conduct a market test of an experimental product called Extended Mail Forwarding.<sup>1</sup> The Commission issued a public notice of the filing on June 9, 2020.<sup>2</sup> In its notice, the Commission appointed the undersigned as Public Representative and established June 30, 2020, as the deadline for submitting comments.

I. THE POSTAL SERVICE'S PROPOSAL

The Postal Service describes Extended Mail Forwarding as “a customer-focused service” that will give “[i]ndividuals, families, and businesses...greater control over their mail forwarding expiration date to better fit their needs, with more time to update and communicate with their mailing contacts.” Notice at 3. The Postal Service asserts that this service “will ensure that customers receive mailpieces for which they are the intended recipient, which, in light of the Coronavirus-19 pandemic, is more essential than ever before.”<sup>3</sup>

Currently, residential and commercial customers who file a permanent Change of Address (COA) request can have mail forwarded to their new address for one year. *Id.* at 1.

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<sup>1</sup> United States Postal Service Notice of Market Test of Experimental Product – Extended Mail Forwarding, June 8, 2020 (Notice).

<sup>2</sup> Notice and Order Concerning Market Test of Experimental Product – Extended Mail Forwarding, June 9, 2020.

<sup>3</sup> *Id.* The Postal Service notes that following the onset of the COVID-19 pandemic there was an increase in requests for mail forwarding between February and April, 2020, compared to the same period last year. *Id.* n. 2.

After one year, mail bearing the customer's old address is either returned to the sender or wasted. *Id.* at 1-2.

As proposed, the Extended Mail Forwarding service would allow customers to forward all First-Class Mail, First-Class Package Service Commercial, and Priority Mail pieces beyond the initial one year period for up to 18 additional months. *Id.* at 2. Customers can request Extended Mail Forwarding at the time they submit their permanent COA request or thereafter until the earlier of the end date of the market test or 18 months following submission of their initial COA request.<sup>4</sup>

Extended Mail Forwarding can be requested and paid for in 6-month increments. The price for one 6-month extension is \$19.95; for two 6-month extensions is \$29.95; and for three 6-month extensions is \$39.95. *Id.* at 2. Customers who initially purchase only one month or two months of service at the \$19.95 or \$29.95 price will be able to request additional 6-month extensions of service for \$19.95 per each additional 6-month extension. *Id.*

The market test is to commence on August 1, 2020, and is expected to run for two years, unless before then, the Postal Service seeks permanent product status, or unless the Postal Service seeks an additional year of testing. *Id.* at 3.

## 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

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<sup>4</sup> *Id.* Requests for Extended Mail Forwarding service can be submitted through USPS.com, at retail post offices, and at self-service kiosks in select Post Offices. *Id.* The Postal Service's Notice also describes the process for requesting the service. *Id.* at 2-3.

Service identify the product being tested as either market dominant or competitive. In addition, § 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. The regulations 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. A description of the geographic markets where the market test will be conducted is required by 39 CFR § 3045.3(a)(2)(iv). And the statutory annual revenue limitation is reflected in 39 CFR §§ 3045.3(a)(2)(v) and 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 1-4); identifies the potential benefits of the service to customers and to the Postal Service (pages 3-4); provides information regarding anticipated cost coverage and the reasons for three different price points (page 2); explains the differences between the service and other products (pages 4-5); dismisses the possibility for unfair competition (page 5); and 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 4-5. First, it notes that it has never offered a formal service or product that gives customers the option of

extending the forwarding of their mail in connection with permanent COA requests. *Id.* at 4. Extended forwarding has only been available at the discretion of Postmasters for one year upon demonstration by the customer of financial hardship. *Id.* Second, the Postal Service distinguishes the proposed service, an automated service associated with a permanent COA request, from Premium Forwarding Service on the competitive product list, which involves delivery to the address on the mailpiece, followed by repackaging and induction back into the postal network. *Id.* Third, the Postal Service describes how Extended Mail Forwarding, unlike Commercial PO Box Redirect Service,<sup>5</sup> serves a larger market and uses a different postal system. *Id.* at 5. It concludes by asserting that both the Premium Forwarding Service competitive product and Commercial PO Box Redirect Service serve markets with different cost characteristics. *Id.*

The Postal Service has adequately demonstrated that the proposed service is significantly different from both the Premium Forwarding Service competitive product and Commercial PO Box Redirect Service and has satisfied 39 U.S.C. § 3641(b)(1) and 39 CFR § 3045.3(a)(2)(ii).

### C. The Condition Prohibiting Unfair Competition

The Postal Service asserts that Extended Mail Forwarding service will not create an unfair or otherwise inappropriate competitive advantage for itself or any mailer. Notice at 5. It bases this assertion on three claims. First, it states that all individuals, families, and businesses who move into or out of the districts in which the market test is being conducted and who are currently eligible to file a permanent COA request will be able to participate in the test. *Id.* Second, since the Postal Service is the only business that forwards mail under a permanent COA request, no other business offers a similar product. *Id.* Third, small businesses will not be impacted beyond having the option of Extended Mail Forwarding. *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).

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<sup>5</sup> Docket No. MT2020-1, Order Authorizing Commercial PO Box Redirect Service, June 3, 2020.

#### 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 it “controls forwarding within its network, and customers’ only option for changing their address of record with the Postal Service is by submitting a permanent COA request.” Notice at 5-6. 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 states that it “intends for the market test to run for two full years beginning August 1, 2020...[unless it decides]...to seek permanent product status early, or...[unless it seeks]...authority for an additional year of testing to determine the feasibility or desirability of the product.” Notice at 3. The initial period for the test would end on July 31, 2022.

Notwithstanding the Postal Service’s declaration that it intends the initial term of the market test to be limited to two years, its description of Extended Mail Forwarding service indicates that service will continue beyond July 31, 2022: “Customers will be able to request a maximum of three 6-months of extensions, equating to up to two and a half years of mail forwarding.” *Id.* at 2. Two and one-half years of mail forwarding would consist of the twelve initial months of COA forwarding currently provided, *id.* at 1, plus 18 months of extended forwarding, *id.* at 2. For those customers who request 18 months of Extended Mail Forwarding on the market test start date (August 1, 2020), their forwarding service would end on January 31, 2023. A January 31, 2023 end-date would be six months beyond the initial two-year term of the market test.<sup>6</sup>

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<sup>6</sup> The Postal Service could, of course, seek authority to extend the market test for an additional twelve months. See 39 U.S.C. § 3641(d)(2); 39 C.F.R. § 3035.11. Without an explanation, however, the legal authority for continuing Extended Mail Forwarding service as a market test beyond July 31, 2022, is left unclear.

An even later end-date for Extended Mail Forwarding service provided during the market test is also possible. For example, it appears that customers who request permanent COA forwarding service together with Extended Mail Forwarding service on July 31, 2022—the last day of the market test period—could receive mail forwarding service until January 31, 2025. Mail forwarding for these customers would consist of the initial 12 months of permanent COA forwarding service currently available, plus 18 months of extended forwarding service. See Notice at 1-2. A January 31, 2025 end-date for these customers would be 30 months beyond the end of the two-year market test period.<sup>7</sup>

Finally, the Postal Service's Notice provides that customers who do not request Extended Mail Forwarding at the time they submit their permanent COA request "will be able to request and pay for Extended Mail Forwarding either up until the end date of the market test, or within 18 months of submitting their initial COA request, whichever occurs first." Notice at 2. As presented, this suggests that a customer will be able to resume receiving forwarding service after expiration of the customer's initial COA forwarding service. For example, if a customer submits a permanent COA request on November 1, 2020, but fails to request Extended Mail Forwarding, forwarding service would terminate on October 31, 2021. From the Postal Service's Notice, however, it appears that the customer would have the opportunity to resume mail forwarding by submitting a request for Extended Mail Forwarding by no later than April 30, 2022 (18 months after the original COA request and before the end of the market test on July 31, 2022). Eighteen months of Extended Mail Forwarding service commencing on April 30, 2022, would continue until October 31, 2023. This is 15 months after the original two year market test end-date of July 31, 2022.

Questions presented by situations like those described above should be addressed before Extended Mail Forwarding service is implemented.

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<sup>7</sup> In this situation, even a twelve-month extension of the market test available under 39 U.S.C. § 3641 would not cover the last 18 months of Extended Mail Forwarding service.

#### F. The Limitation on Annual Revenues

The annual revenue limitation for market tests is currently \$11,860,140.<sup>8</sup> 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 3641(g) and with the regulatory limits in 39 CFR §§ 3045.3(a)(2)(v) and 3045.15.

#### G. The Geographic Market Description

The Postal Service will test Extended Mail Forwarding in nine postal districts throughout the country, which it asserts will provide a representative cross-sample of COA requests by volume according to FY 2019 data. Notice at 3. The nine districts are: Alabama, Dakotas, Dallas, Northern New Jersey, Northland, Ohio Valley, Sacramento, San Diego, and Santa Ana. *Id.* Postal Customers with either an old or a new address in these districts will be eligible to participate in the market test. *Id.*

The Postal Service has adequately described the geographic markets where the market test will be conducted and has satisfied 39 CFR § 3045.3(a)(2)(iv).

#### H. The Data Collection Plan

The Postal Service states its intent to collect quarterly data on the proposed experiment. Notice 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 § 3045.20 requirements. The Commission may also wish to 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).

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<sup>8</sup> FY 2020 Market Test Revenue Limitations, available at: <https://www.prc.gov/sites/default/files/120520%20CPIweb.pdf>.

Respectfully submitted,

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