

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

Before Commissioners:

Michael Kubayanda, Chairman;  
Ashley E. Poling, Vice Chairwoman;  
Mark Acton;  
Ann C. Fisher; and  
Robert G. Taub

Market Test of Experimental Product-  
Extended Mail Forwarding

Docket No. MT2020-2

ORDER APPROVING REQUEST FOR EXEMPTION

(Issued February 16, 2021)

I. INTRODUCTION

On January 29, 2021, the Postal Service filed a request pursuant to 39 U.S.C. § 3641 for an exemption from the \$10 million annual revenue limitation for its Extended Mail Forwarding market test.<sup>1</sup> Based on the record before it, the Commission finds that approving the Request is consistent with applicable legal requirements, including 39 U.S.C. § 3641(e), 39 C.F.R. § 3045.16, and Order No. 5591.<sup>2</sup>

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<sup>1</sup> See United States Postal Service Request for Exemption from Dollar Amount Limitation, January 29, 2021 (Request).

<sup>2</sup> See Order Authorizing Extended Mail Forwarding Market Test, July 20, 2020 (Order No. 5591).

## II. BACKGROUND

Extended Mail Forwarding is “a customer-focused service that ensures customers receive mailpieces for which they are the intended recipient after they change addresses.” Request at 2. The purpose of the service is for “[i]ndividuals, families, and businesses [to] exercise greater control over their mail forwarding expiration dates to better fit their needs, providing more time to communicate with their mailing contacts and update their information.” *Id.* The Commission authorized the Extended Mail Forwarding market test to proceed on August 1, 2020 by Order No. 5591. Order No. 5591 at 15. Extended Mail Forwarding service offers customers who submit a permanent change-of-address request with the option, for a fee, of extending forwarding of all First-Class Mail, First-Class Package Service Commercial, and Priority Mail mailpieces beyond the 1 year forwarding period. *Id.* at 1.

The Postal Service states that, it “initially introduced its test of Extended Mail Forwarding in nine postal districts: Alabama, Dakotas, Dallas, Northern New Jersey, Northland, Ohio Valley, Sacramento, San Diego, and Santa Ana. Given the strong results in those districts, on October 1, 2020, the Postal Service expanded the geographic scope of the market test nationwide, following its notice filed with the Commission on September 18, 2020.”<sup>3</sup>

Unless the Commission grants an exemption, total revenues anticipated or in fact received by the Postal Service from the Extended Mail Forwarding market test must not exceed \$10 million in any fiscal year, as adjusted annually by the change in the consumer price index for all urban consumers (CPI-U) (\$10 Million Adjusted Limitation).<sup>4</sup> Upon written application of the Postal Service, the Commission may

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<sup>3</sup> Request at 1. See United States Postal Service Notice of Material Change to Market Test, September 18, 2020.

<sup>4</sup> 39 U.S.C. § 3641(e)(1) and (g); 39 C.F.R. § 3045.15(b). The current limitation is \$12,027,972. See Postal Regulatory Commission, 12-Month Average Change in CPI-U, available at: <https://www.prc.gov/sites/default/files/100221%20CPIweb.pdf>, “FY 2021 Market Test Revenue Limitations.”

exempt the market test from the \$10 Million Adjusted Limitation.<sup>5</sup> If the Commission grants an exemption, total revenues anticipated or in fact received by the Postal Service from the Extended Mail Forwarding market test may not exceed \$50 million in any fiscal year, as adjusted by the change in the CPI-U (\$50 Million Adjusted Limitation).<sup>6</sup> The Postal Service states that if current demand for Extended Mail Forwarding continues, “it expects the market test to exceed the dollar limitation in the present quarter.” Request at 4.

The Commission must approve the Request if it determines that the Extended Mail Forwarding experimental product is likely to benefit the public and meet an expected demand, likely to contribute to the Postal Service’s financial stability, and not likely to result in unfair or otherwise inappropriate competition. 39 U.S.C. § 3641(e)(2)(A)-(C). In the Request, the Postal Service explains how Extended Mail Forwarding meets these requirements. Request at 2; see 39 C.F.R. § 3045.16(f)(1). The Request must also calculate total revenue received for each fiscal year that the market test has been in operation, estimate additional revenue anticipated during the rest of the market test, and quantify product-specific costs. 39 C.F.R. § 3045.16(f)(2)-(4). The Postal Service asserts that its quarterly data reports filed at the Commission for FY 2020, Quarter 4 and for FY 2021, Quarter 1, provide revenue received together with the combined development and attributable costs for the market test through FY 2021, Quarter 1.<sup>7</sup> The Request also provides an estimate of the additional revenue anticipated by the Postal Service if the market trends and customer adoption rates continue through the expected end of the market test period in FY 2022. Request at 3.

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<sup>5</sup> 39 U.S.C. § 3641(e)(2); 39 C.F.R. § 3045.16(a).

<sup>6</sup> *Id.* The current \$50 Million Adjusted Limitation is \$60,139,860. See Postal Regulatory Commission, 12-Month Average Change in CPI-U, available at: <https://www.prc.gov/sites/default/files/100221%20CPIweb.pdf>, “FY 2021 Market Test Revenue Limitations.”

<sup>7</sup> Request at 3; see Letter to Secretary Erica A. Barker Providing Extended Mail Forwarding Data Collection Report for FY 2020, Quarter 4, November 10, 2020 (FY 2020, Quarter 4 Report); Letter to Secretary Erica A. Barker Providing Extended Mail Forwarding Data Collection Report for FY 2021, Quarter 1, January 29, 2021 (FY 2021, Quarter 1 Report).

On February 3, 2021, the Commission noticed the filing and invited comments on whether the Request complies with applicable statutory and regulatory requirements, including 39 U.S.C. § 3641, 39 C.F.R. § 3045, and Order No. 5591.<sup>8</sup> The Public Representative is the only party to file comments.<sup>9</sup>

### III. COMMENTS

The Public Representative states that he has reviewed the Postal Service's Request and agrees that "the legal requirements for exempting Extended Mail Forwarding from the current annual revenue limitation have been satisfied." PR Comments at 2. He concludes the requested exemption meets the requirements of 39 U.S.C. § 3641(e)(2)(A)-(C). *Id.* at 3. Finally, he concludes that "good cause exists for prompt approval of the Request" notwithstanding the Postal Service's Request being submitted less than 45 days in advance of reaching the revenue limitation. *Id.*

### IV. COMMISSION ANALYSIS

The Commission has reviewed the record, including the Request, the comments received and supporting documentation. Based on the record before it, the Commission finds that approving the Request is consistent with applicable legal requirements, including 39 U.S.C. § 3641, 39 C.F.R. § 3045, and Order No. 5591. See 39 C.F.R. § 3045.16(g).

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<sup>8</sup> Notice and Order Concerning Request for Exemption from Revenue Limitation for Extended Mail Forwarding Market Test, February 3, 2021 (Order No. 5830).

<sup>9</sup> Public Representative Comments, February 10, 2021 (PR Comments).

A. Compliance with Legal Requirements

1. 39 U.S.C. § 3641(e)(2)

The Commission must approve the Request if three requirements in 39 U.S.C. § 3641(e)(2) are met. First, the Commission must determine that Extended Mail Forwarding is likely to benefit the public and meet an expected demand. See 39 U.S.C. § 3641(e)(2)(A); 39 C.F.R. § 3045.16(f)(1)(i). In its Request, the Postal Service refers to its initial notice of the market test and states that “Extended Mail Forwarding is a customer-focused service that ensures customers receive mailpieces for which they are the intended recipient after they change addresses. Individuals, families, and businesses exercise greater control over their mail forwarding expiration dates to better fit their needs, providing more time to communicate with their mailing contacts and update their information.” Request at 2. For these reasons, the Postal Service asserts that Extended Mail Forwarding is likely to benefit the public and meet an expected demand. *Id.* The Public Representative agrees. PR Comments at 3.

The Postal Service expanded the Extended Mail Forwarding market test from the initial nine postal districts authorized to commence on August 1, 2020 to one of nationwide geographic scope on October 1, 2020 to meet demand. Request at 1. At the close of FY 2020, Quarter 4, Extended Mail Forwarding had received revenue of \$655,352. By the close of FY 2021, Quarter 1, after expanding Extended Mail Forwarding to nationwide in scope, total revenue received was \$7,958,925.30. *Id.* at 3; see FY 2020, Quarter 4 Report. This demonstrates that demand for Extended Mail Forwarding has continued to increase. Extended Mail Forwarding likely benefits the public by providing consumers with an option for mail forwarding service. For these reasons, the Commission finds that Extended Mail Forwarding is likely to benefit the public and meet an expected demand.

Second, the Commission must determine that Extended Mail Forwarding is likely

to contribute to the Postal Service's financial stability. See 39 U.S.C. § 3641(e)(2)(B); 39 C.F.R. § 3045.16(f)(1)(ii). The Postal Service asserts that Extended Mail Forwarding service contributes to its financial stability by providing a meaningful new revenue stream for the Postal Service and that it has "reduced Undeliverable as Addressed (UAA) mailpieces, resulting in cost savings." Request at 2. The Public Representative also agrees that the requested exemption will contribute to the Postal Service's financial stability. PR Comments at 3.

The data collection reports and the Request demonstrate the nationwide expansion which shows increasing demand for the Extended Mail Forwarding and supports the proposition that granting the exemption is likely to contribute to the Postal Service's financial stability. The Commission finds that Extended Mail Forwarding is likely to contribute to the Postal Service's financial stability.

Third, the Commission must determine that Extended Mail Forwarding is not likely to result in unfair or otherwise inappropriate competition. See 39 U.S.C. § 3641(e)(2)(C); 39 C.F.R. § 3045.16(f)(1)(iii). The Postal Service notes that the Commission previously found that introducing the Extended Mail Forwarding market test would not cause market disruption because only the Postal Service forwards mail under a permanent change-of-address request. Request at 2. Although not dispositive, no concerns have been expressed that the introduction of Extended Mail Forwarding into nine postal districts and subsequently nationwide has presented unfair or otherwise inappropriate competition. The Public Representative also concludes that the exemption request for Extended Mail Forwarding "is not likely to result in unfair or otherwise inappropriate competition." PR Comments at 3. For these reasons, the Commission concludes that Expanded Mail Forwarding "is not likely to result in unfair or otherwise inappropriate competition." See 39 U.S.C. § 3641(e)(2)(C).

## 2. Commission Regulations

The Request and supporting documentation must comply with applicable

Commission regulations in 39 C.F.R. §§ 3045.15 and 3045.16. First, the Postal Service must file a request for exemption at least 45 days before it expects to exceed the \$10 Million Adjusted Limitation. 39 C.F.R. § 3045.16(e). The Postal Service filed the Request on January 29, 2021, and anticipates exceeding the \$10 Million Adjusted Limitation in the present quarter ending March 31, 2021. See Request at 4. Revenue for the initial nine postal districts from the beginning of the market test on August 1, 2020 until October 1, 2020, at the end of FY 2020, Quarter 4, resulted in revenue of \$655,352. *Id.* at 3. Thereafter, the market test expanded to one of nationwide scope, and higher than expected revenue of \$7,958,925.30 was received for FY 2021, Quarter 1. *Id.* The Postal Service asserts that “it has moved as expeditiously as practicable after receiving the higher than expected results.” *Id.* at 4.

The success of the nationwide market test expansion rapidly increased the revenue from Extended Mail Forwarding during FY 2021, Quarter 1. The Postal Service represents and supports that representation with the FY 2021, Quarter 1 report that it did not expect the revenue would exceed the \$10 Million Annual Limitation until after it received that report. The Postal Service could not reasonably have expected the limitation would soon be reached until the FY 2021, Quarter 1 Report. The Postal Service states that it proceeded as expeditiously as practicable after receiving the results for FY 2021, Quarter 1. The Commission finds that good cause exists for the Postal Service not to have filed its Request 45 days in advance of the date the Postal Service “expects to exceed the \$10 Million Annual Limitation.” See 39 C.F.R. § 3045.16(e). Based on that finding, the Commission accepts the Request notwithstanding the 45-day deadline.

Second, the Request must explain how Extended Mail Forwarding will benefit the public and meet an expected demand, contribute to the Postal Service’s financial stability, and not result in unfair or otherwise inappropriate competition. 39 C.F.R. § 3045.16(f)(1). As previously discussed, the Request includes this information. See Section IV.A.1., *supra*.

Third, the Request must “[c]alculate the total revenue received by the Postal

Service from the market test for each fiscal year the market test has been in operation, and provide supporting documentation[.]” 39 C.F.R. § 3045.16(f)(2). Because the market test began on August 1, 2020, the Request must include total revenue received for FY 2020, Quarter 4 and FY 2021, Quarter 1 (year-to-date). The Postal Service filed this information. See Request at 3.

Fourth, the Request must estimate the additional revenue the Postal Service anticipates receiving for each fiscal year remaining on the market test, including any extension period granted by the Commission, and provide available supporting documentation. 39 C.F.R. § 3045.16(f)(3). Because the Extended Mail Forwarding market test will expire on August 1, 2022, the Postal Service must estimate additional revenue it anticipates receiving through that date.

The information required by 39 C.F.R. § 3045.16(f)(3) helps the Commission ensure that market test revenues will not exceed the \$50 Million Adjusted Limitation during the remaining fiscal years of the market test. The Extended Mail Forwarding market test will operate until August 1, 2022. Based on current projections in the Request, if market trends and customer adoption metrics reflected in the report for FY 2021, Quarter 1 continue through the end of FY 2021, the Postal Service anticipates revenue collection of \$31.8 million, well below the \$60,139,860 adjusted annual limit that would apply if the exemption is granted. Request at 3. The Postal Service’s calculation of the annual limit conforms to the Commission’s FY 2021 Market Test Revenue Limitations indicated above. The Postal Service expects similar results for FY 2022, but because the market test expires on August 1, 2022, the yearly revenue will be approximately one-fourth less unless customer adoption increases. *Id.* Based on this information, it appears unlikely that market test revenues will exceed the \$50 Million Adjusted Limitation during an Extended Mail Forwarding market test year. Nevertheless, to ensure compliance with 39 C.F.R. § 3045.16(f)(3), the Commission will direct the Postal Service to file an estimate of the annual revenue it anticipates receiving from the market test for FY 2021 with its FY 2021, Quarter 3 data collection report. The Commission also directs that if revenue for FY 2021 is likely to exceed the



\$50 Million Annual Adjusted Limitation, the Postal Service shall include in that report its plans for the Extended Mail Forwarding product.

Fifth, the Request must quantify the product-specific costs associated with the market test's development, which are costs incurred before the market test is implemented. 39 C.F.R. § 3045.16(f)(4). The Postal Service states that combined development and attributable costs for the market test through the end of FY 2021, Quarter 1 were \$504,897.65 as reported in the Postal Service's data collection report for FY 2021, Quarter 1. See Request at 3.

Sixth, the Commission's regulations explain how to calculate the \$10 Million Adjusted Limitation and \$50 Million Adjusted Limitation. See 39 C.F.R. §§ 3045.15(c)-(e) and 3045.16(b)-(d). For FY 2021, the Postal Service calculates the \$50 Million Adjusted Limitation as \$60,139,860. Request at 3. The Commission finds that this calculation is consistent with the Commission's regulations.

For these reasons, the Commission finds that the Request and supporting documentation comply with applicable Commission regulations.

#### B. Data Collection Reports

The Commission's rules require the Postal Service to file data collection reports within 40 days after the close of each fiscal quarter during which the market test is offered. 39 C.F.R. § 3045.20(d). Order No. 5591 contains the current data collection plan for the Extended Mail Forwarding market test. See Order No. 5591 at 13-14. After Order No. 5591 was issued, the Postal Service filed data collection reports for FY 2020, Quarter 4 and FY 2021, Quarter 1. See FY 2020, Quarter 4 Report; FY 2021, Quarter 1 Report.

The Postal Service has filed complete data collection reports within the required 40 days after the close of each fiscal quarter during which the market test has been offered. Complete data collection reports are necessary for the Commission to ensure that the "continued offering of [Extended Mail Forwarding] will not create an unfair or

otherwise inappropriate competitive advantage for the Postal Service or any mailer, particularly in regard to small business concerns....” See 39 U.S.C. § 3641(b)(2). Complete data collection reports are also necessary for ensuring that revenues do not exceed applicable limitations under 39 U.S.C. § 3641(e). In addition, if the Postal Service files a request to add Extended Mail Forwarding as a permanent product, data collection reports must be complete to ensure the Commission has sufficient time to evaluate the request before the market test expires.<sup>10</sup>

#### V. ORDERING PARAGRAPHS

*It is ordered:*

1. Based on the record before it, the Commission finds that approving the Request is consistent with applicable legal requirements, including 39 U.S.C. § 3641, 39 C.F.R. § 3045, and Order No. 5591.
2. The Commission directs the Postal Service to file with its FY 2021, Quarter 3 data collection report an estimate of the total annual revenue it anticipates receiving from the market test for FY 2021, and, if revenue for Extended Mail Forwarding is likely to exceed the \$50 Million Annual Adjusted Limitation, the Postal Service shall report its plans for the Extended Mail Forwarding product.

By the Commission.

Erica A. Barker  
Secretary

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<sup>10</sup> If the Postal Service decides to add Extended Mail Forwarding as a permanent product, it must file a request for permanent product status under 39 C.F.R. § 3045.18 at least 60 days before the market test expires. See 39 C.F.R. § 3045.18(d)(2)(ii). Because the market test expires on August 1, 2022, the Postal Service must file the request by June 2, 2022.