

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

TRANSFERRING BOUND PRINTED MATTER
PARCELS TO THE COMPETITIVE PRODUCT
LIST

Docket No. MC2021-78

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 1 – 9a and 10 - 12 OF CHAIRMAN'S INFORMATION REQUEST NO. 1
(April 21, 2021)

The United States Postal Service hereby provides its responses to Questions 1 – 9a and 10 - 12 of Chairman's Information Request No. 1, issued on April 14, 2021. Each question is stated verbatim and is followed by its response. The Postal Service is in the process of determining whether studies or analyses responsive to Question 9b exist. The Postal Service will file that answer with an appropriate motion.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. Is the Postal Service aware of any organizations other than Scholastic that mail multi-component bundles at Bound Printed Matter Parcel rates to schools (referred to as "educational multi-component bundles" below)?

Response:

No, the Postal Service is not aware of any other organizations that mail "educational multi-component bundles." The Postal Service does not distinguish these bundles from other parcels.

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2. Please provide the following information for educational multi-component bundles:
 - a. FY 2020 revenue, pieces, and weight for this subcategory of BPM Parcels
 - b. The FY 2020 percentage of pieces for this subcategory by rate category
 - c. The FY 2020 percentage of pieces for this subcategory that destinate in rural areas

Response:

The Postal Service does not have this information. The Postal Service does not distinguish "educational multi-component bundles" from other parcels. "Educational multi-component bundles" is not a sub-category of BPM Parcels.

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3. Please provide all studies and analyses (with relevant calculations, programs, workpapers, and documentation), whether formal or informal, performed by the Postal Service or on its behalf to determine whether the Postal Service exercises sufficient market power that it can effectively set the price substantially above costs, raise prices significantly, decrease quality, or decrease output, without risk of losing a significant level of business to other firms offering similar products¹ for educational multi-component bundles.

Response:

There are no such studies or analyses.

¹ See 39 U.S.C. § 3642(b)(1); see also 39 C.F.R. § 3040.132(d).

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4. Please provide all studies and analyses (with relevant calculations, programs, workpapers, and documentation), whether formal or informal, performed by the Postal Service or on its behalf to determine “the availability and nature of enterprises in the private sector engaged in the delivery”² of educational multi-component bundles. In particular:
 - a. Please identify all firms that offer final mile delivery of educational multi-component bundles.
 - b. For each identified firm, please provide their price list (including all rural and other delivery surcharges) for delivering this type of mail.

Response:

There are no such studies or analyses.

² See 39 C.F.R. § 3040.132(f).

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5. Please provide all studies and analyses (with relevant calculations, programs, workpapers, and documentation), whether formal or informal, performed by the Postal Service or on its behalf to determine the costs that a mailer would incur if forced to shift preparation of educational multi-component bundles from being polywrapped and strapped to being containerized in boxes.

Response:

There are no such studies or analyses.

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6. Please provide all studies and analyses (with relevant calculations, programs, workpapers, and documentation), whether formal or informal, performed by the Postal Service or on its behalf regarding “the views of those who [mail educational multi-component bundles] on the appropriateness of the proposed”³ transfer of educational multi-component bundles from the market dominant to competitive product list.

Response:

There are no such studies or analyses.

³ See 39 C.F.R. § 3040.132(g).

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7. Please provide all studies and analyses (with relevant calculations, programs, workpapers, and documentation), whether formal or informal, performed by the Postal Service or on its behalf regarding “the likely impact of [transferring educational multi-component bundles] on small business concerns” (within the meaning of section 3641(h)).⁴

Response:

There are no such studies or analyses.

⁴ See 39 C.F.R. § 3040.132(h).

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8. Please provide the total number of bundles of flat-shaped mail (across all products) that the Postal Service handled in FY 2020 and all underlying calculations.

Response:

The Postal Service handled approximately 696.1 million bundles in FY 2020.

Source: USPS FY20-14 Mail Characteristics Study, filed with ACR2020-1, United States Postal Service FY 2020 Annual Compliance Report (Dec. 29, 2020). Source data is unavailable or incomplete for approximately 5 percent of bundles.

That said, inferences about “educational multi-component bundles” from this information should be drawn with caution. Scholastic’s “educational multi-component bundles” are sent and delivered as bundles and are only disassembled for distribution to students and families after delivery to a single address for an educational institution (much like a box of books would be). By contrast, all, or nearly all, other bundles are drop-shipped to Postal Service plants as bundles but are disassembled and delivered as individual flats to individual addressees (e.g. home delivery of magazines).

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9. Pages 7-8 of the Request states, "However, the cost of the higher UPS and FedEx list prices pays, in part, for additional features not offered by BPM Parcels, such as the five-day delivery guarantee within the continental United States and a much higher weight limit. In addition, UPS and FedEx commercial customers generally do not pay published rates but rather obtain negotiated rates such that the average rates actually paid are lower than the published rates would suggest. Indeed, UPS stated in its 2020 fourth-quarter earnings call that it is moving toward more personalized pricing for its customers."
 - a. Please provide all studies and analyses (with relevant calculations, programs, workpapers, and documentation), whether formal or informal, performed by the Postal Service or on its behalf regarding the monetary value that shippers place on UPS's and FedEx's five-day delivery guarantee and other additional features offered by UPS and FedEx.

Response:

There are no studies or analyses about the monetary value shippers place on UPS's and FedEx's five-day delivery guarantee or other additional features offered by UPS and FedEx.

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10. The following questions refer to the possibility of segmenting the BPM Parcels product for purposes of transfer.
- a. Please confirm that the Postal Service could lawfully exempt or exclude educational multi-component bundles as a subclass or subordinate consistent with 39 U.S.C. § 3642(c). If not confirmed, please explain.
 - b. Please provide all studies and analyses regarding whether any segment of the BPM Parcels product, including educational multi-component bundles, should be exempt or excluded from transfer based on the policies of title 39 including the criteria of 39 U.S.C. § 3642.

Response:

As the Postal Service understands the intent of Question 10a, it is asking the Postal Service to provide a legal conclusion that it could create a new Parcels product for Scholastic Inc.'s "educational multi-component bundles" under 39 U.S.C. § 3642(c).

As stated in the answer to Question 2, above, The Postal Service does not distinguish "educational multi-component bundles" from other parcels and, as such, has not considered the question, the answer to which is beyond the scope of this docket, and deliberations about the question might be covered by attorney-client privilege in any event.

That said, it is not at all obvious that an "educational multi-component bundle" could stand on its own as a separate product, which is defined as "a postal service with a distinct cost or market characteristic for which a rate or rates are, or may reasonably be, applied." 39 U.S.C. § 102(6). "Educational multi-component bundles" aren't particularly distinct.

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On the one hand, other entities may or may not send them (see Answer 1), and there don't appear to be very many of them in any event. Even if every BPM Parcel that Scholastic sent in FY 2020 were these kinds of bundles, they would represent only a very small percentage of BPM Parcels volume overall. See, United States Postal Service Request to Transfer Bound Printed Matter Parcels to the Competitive Product List, Mar. 26, 2021,) at Table 2, already filed under seal. In short, "educational multi-component bundles" do not appear to be sufficiently distinct even to represent the relevant sub-market for the purposes of the market power analysis required under 39 U.S.C § 3642 in the BPM Parcels transfer that is before the Commission in this docket, much less qualify as a separate product in a proceeding that the Postal Service has not brought.

On the other hand, the Postal Service understands Scholastic Inc.'s "educational multi-component bundles" to include classroom magazines, book club kits, and advertising, which Scholastic appears to describe in its motion as "mailings [that] create reading choices for children." Docket No. 2021-78, Motion of Scholastic Inc. for Issuance of Information Request, Apr. 9, 2021, at 1. It is not clear how creating what is effectively a privileged advertising rate, possibly for one mailer only, is sufficiently distinct to represent a separate product.

As to Question 10b, there are no such studies or analyses.

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11. Please identify any consultations the Postal Service undertook to inform itself of the use of the BPM Parcels product (or any sub-component of that product) or the views of the users of that product (or sub-component), and the information the Postal Service gleaned from those consultations.

Response:

The Postal Service understands the question to refer to consultations concerning the possible transfer of BPM Parcels from the Market Dominant product list to the competitive product list.

In September and October 2019, the Postal Service contacted and interviewed ten large customers of BPM Parcels. Some were themselves package delivery providers, and the others were publishers, booksellers, and online and catalog retailers. The Postal Service sought their views on pricing; possible responses to price increases, such as diversion to other shipping methods or conversion to electronic communication; transferring BPM Parcels to the competitive product list; and possible responses to and ways to ease such a transition.

On the whole, the majority of customers surveyed believed that a price increase resulting from the transfer of BPM Parcels from Market Dominant to competitive would lead to a loss of volume. Depending on the magnitude of the any price increase, those customers that ship cultural or educational materials believe that a transfer could produce prohibitive costs if they had to change their current business models.

All customers interviewed opposed a possible transfer to the competitive product list, though their expressions of opposition ranged and included, direct legal action or action through their respective trade associations.

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Customers recognized a number of ways to protect their business in the event of a transfer. A majority believed that they could protect all or some of the BPM Parcels business through negotiated service agreements with the Postal Service. Others suggested that a long lead time and sufficient notice before implementing any price increases would ease the transition.

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12. This question refers to the Excel Workbook - Rate Comparison.xlsx,⁵ which shows a comparison of current published prices for Bound Printed Matter Parcels, Parcel Select, UPS Ground packages (excluding surcharges), and FedEx Ground packages (excluding surcharges).
- a. Please confirm that the numbers in Rate Comparison.xlsx are correct. If not confirmed, please provide the correct figures and explain fully.
 - b. Please refer to the chart in Rate Comparison.xlsx graphically depicting the rate comparison of 4-pound, Zone 1&2 prices for BPM DNDC Parcels, Parcel Select DNDC, and UPS and FedEx Ground. Please provide the estimated cost coverage for BPM Parcels that would result if all BPM Parcel prices were increased by 455 percent.

Response:

Question a: confirmed. However, the BPM Parcels prices selected are for presorted parcels dropshipped at the NDC; higher prices for non-presorted BPM Parcels are omitted. Parcel Select prices are for machinable parcels dropshipped at the NDC; higher non-machinable prices are omitted.

As to Question b, the estimated cost covered for BPM Parcels after a 455 percent price increase would be 520.6 percent, assuming constant unit costs. A significant price hike, however, could reduce volume and raise unit costs.

⁵ Excel file "Rate Comparison.xlsx," filed with the Motion.