

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

REVIEW OF NONPOSTAL SERVICES

Docket No. MC2008-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO MOTION OF THE PUBLIC REPRESENTATIVE TO COMPEL FILING OF  
COMPLETE LIST OF NONPOSTAL SERVICES  
(April 1, 2008)

On March 25, 2008, the Commission's designated Public Representative filed a motion seeking the Commission's assistance in obtaining "a complete list and descriptions of [the Postal Service's] offerings that may be subject to this proceeding." Motion at 1. Later, the motion further described such offerings as those "which a reasonable person could read as being nonpostal services offered by the Postal Service." Motion at 4. The motion expressed the objective of allowing "all participants to have the same information and be on a level playing field from the beginning." *Id.* The Postal Service hereby responds to that motion.

In general, the Postal Service sees some merit in what the Public Representative appears to be trying to achieve. While the Postal Service would reject any suggestion (and it is not clear that the Public Representative is necessarily making one) that it has intentionally tried to "hide the ball," or that its March 19<sup>th</sup> filing failed to respond fully to Order No. 50, if a need is nonetheless perceived for a more systematic listing of the offerings that arguably might merit discussion, the Postal Service is willing to furnish information in such a format. Perhaps the source of misunderstanding is that the Postal Service developed its filing with the assumption that participants would be familiar with

the extensive body of materials that the Postal Service has repeatedly provided on these subjects in the recent past. For example, the Postal Service provided detailed program descriptions in Docket No. R2006-1 on July 25, 2006 (as an attachment to the response to OCA/USPS-58); in Docket No. RM2004-1 on February 17 and again on June 1, 2006; in Docket No. R2005-1 on June 2, 2005 (as an attachment to the response to OCA/USPS-53) and on August 5, 2005 (in response to OCA/USPS-43); and in the Petition by Consumer Action on March 10, 2003, and November 14, 2003. Moreover, the Postal Service has provided financial information on a relatively consistent set of so-called “nonpostal” services in omnibus postal rate proceedings going back over a substantial period of years. See, e.g., Attachment G to Request, Docket No. R2006-1, page 17 of 46 (May 3, 2006); Attachment One to Response to OCA/USPS-53, Docket No. R2005-1 (June 2, 2005); Postal Service Response to OCA/USPS-239-240, Docket No. R2001-1 (Dec. 17, 2001); Postal Service Responses to OCA/USPS -122 (April 27, 2000) and OCA/USPS-142 (May 18, 2000), Docket No. R2000-1.

Nevertheless, in response to the Public Representative’s motion, the Postal Service provides two attachments to this pleading. Attachment One is a listing of offerings, split into three categories. The first category consists of offerings generically treated as “nonpostal” in the past, but which the Postal Service in the future wishes to add to the MCS and treat as “postal services.” The second category consists of offerings generically treated as “nonpostal” in the past, which the Postal Service seeks to be treated under the statutory “grandfather” provision. The third category consists of offerings generically treated as “nonpostal” in the past, but which the Postal Service

submits are authorized under separate grants of statutory authority. As a whole, the offerings listed within the three categories in Attachment One encompass the totality of offerings “which a reasonable person could read as being nonpostal services offered by the Postal Service,” when “nonpostal service” is understood in the generic sense in which it has been used in the past, rather than as a precise legal term under the PAEA.<sup>1</sup>

Attachment Two provides program descriptions for the offerings listed in Attachment One, except for several which were already described in detail in the March 19<sup>th</sup> Statement of Tina Lance. Attachment Two generally follows the most recently-filed version of the previously-provided program descriptions (that filed in Docket No. R2006-1 on July 25, 2006, as an attachment to the response to OCA/USPS-58).<sup>2</sup>

In total, the two Attachments to this pleading should provide the Public Representative with the information he apparently believes to be lacking. By providing this type of background information, however, the Postal Service does not intend to waive any of its arguments as to how each of the offerings identified should be treated going forward, regardless of how they have been treated in the past. Many types of programs have historically been treated as falling under the “nonpostal” rubric, and it is understandable that the Public Representative wishes to have a clearer picture of what the Postal Service envisions for all programs of these types.<sup>3</sup> Having now provided that

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<sup>1</sup> An exception is Fax Service, which currently may be offered at some post offices and could be considered “nonpostal.” Fax service is omitted from Attachment One, however, because postal management has decided that it should be discontinued, and therefore has no plans to treat it as within any of the three Attachment One categories.

<sup>2</sup> Also included in the R2006-1 OCA/USPS-58 program descriptions were Collaborative Logistics and Phone Cards, but those programs are currently inactive.

<sup>3</sup> Merely because a program happened to have been included on a “nonpostal” list in the past, however, does not mean it can reasonably be expected to be treated as “nonpostal” within the meaning accorded that term under the new statutory regime.

information, though, the Postal Service perceives no need for further relief, and on that basis respectfully requests that the Public Representative's motion be denied as moot.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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April 1, 2008

## ATTACHMENT ONE

### **Category One: Proposed to Be Treated as Postal Services**

| <u>Offering</u>                       | <u>Description</u>   |
|---------------------------------------|--|
| Address Management Services           | Attachment Two; see also pages 7-8 of the March 19, 2008 Notice                  |
| ReadyPost                             | Attachment Two; see also page 8 of the March 19, 2008 Notice                     |
| International Money Transfer Services | Attachment Two (as Dinero Seguro); see also page 10 of the March 19, 2008 Notice |
| Greeting Cards                        | Attachment Two   |

### **Category Two: Proposed to Be Treated as Grandfathered Non-Postal Services**

| <u>Offering</u>                            | <u>Description</u>   |
|--|--|
| Passport Photo Service                     | Attachment Two; see also Lance Statement   |
| Photocopying Service                       | Lance Statement  |
| Notary Public Service                      | Lance Statement  |
| Stored Value Cards                         | Lance Statement and page 4 of the March 19, 2008 Notice                          |
| Officially Licensed Retail Products (OLRP) | Attachment Two; see also Lance Statement and page 4 of the March 19, 2008 Notice |

### **Category Three: Authorized by Separate Grants of Statutory Authority**

| <u>Offering</u>                             | <u>Description</u> |
|---|--------------------|
| <i>Other Government Agencies [Sec. 411]</i> |                    |
| Passport Application Acceptance             | Attachment Two     |

## ATTACHMENT ONE

| <u>Offering</u>                       | <u>Description</u>  |
|---------------------------------------|---|
| Selective Service Registration        | Attachment Two  |
| Migratory Bird Stamps                 | Attachment Two  |
| Philatelic Services [Sec. 404(a)(5)]  | Attachment Two; see also pages 12-13 of the March 19, 2008 Notice |
| <i>Real Property [Sec. 401(5)]</i>    |   |
| FedEx Dropboxes                       | Attachment Two; see also page 28 of the March 19, 2008 Notice     |
| Pitney Bowes Lobby Ads                | Attachment Two; see also page 28 of the March 19, 2008 Notice     |
| <i>Intellectual Property [401(5)]</i> |   |
| EPM (Electronic Postmark)             | Attachment Two; see also pages 29-30 of the March 19, 2008 Notice |
| Movers Guide                          | Attachment Two; see also page 29 of the March 19, 2008 Notice     |
| Licensing Program                     | Attachment Two; see also page 29 of the March 19, 2008 Notice     |
| Affiliate Linking Agreements          | Attachment Two; see also page 30 of the March 19, 2008 Notice     |
| Hybrid Mail Services                  | Attachment Two  |

## ATTACHMENT TWO

### DESCRIPTIONS

#### MIGRATORY BIRD STAMPS

An agreement with the United States Fish and Wildlife service provides for the distribution and sale of the Migratory Bird Hunting and Conservation (Duck) Stamp to the general public through Postal Service retail outlets.

#### PASSPORT APPLICATION ACCEPTANCE AND PHOTOS

The Postal Service receives a fee for processing Passport Applications through an agreement with the State Department. Currently, the Postal Service handles about two-thirds of all passport applications. A passport application is completed by a postal customer, the form is reviewed for completeness, an ID is verified, and then the completed application is sent to the State Department. In some retail locations, the Postal Service also offers customers the ability to obtain passport photos for an additional fee.

#### SELECTIVE SERVICE

The Postal Service has agreed with the Selective Service to make its brochures available in postal retail lobbies. Brochures are completed by the individual registering and presented to the retail associate for verification of identification. The brochure is then mailed to the Selective Service agency. There is no fee associated with this program.

#### READYPOST®

ReadyPost® is a USPS-branded line of shipping supplies designed for sale in postal retail locations to support mailing needs of our customers. The program is based on a contract with Hallmark Custom Marketing, Inc.

#### IMAGITAS (MoverSource)

In 1995, the Postal Service and Imagitas formed a strategic alliance to improve the accessibility and convenience of change of address service, and to help defray the Postal Service's costs of annually processing 44 million change of address orders. The following programs are provided under the strategic alliance:

## ATTACHMENT TWO

The Mover's Guide – A package that includes PS Form 3575, Change of Address Order, and PS Form 3576, Change of Address Request for Correspondents, Publishers, and Businesses; move-related tips; and advertisements for move-related products and services.

Welcome Kit – An envelope sent to movers that contains the official USPS Confirmation Notification Letter (CNL) sent to the new address of COA filers, along with information about the mover's new community and move-related advertising.

MoversGuide Online (MGO) - This site, located on [www.usps.com](http://www.usps.com), allows a mover to file an electronic COA order online. Similar to the hardcopy Mover's Guide, the online version provides move-related savings, tips, information, and advertisements for move-related products and services.

### HYBRID MAIL PROGRAMS

Hybrid mail programs offer alternate channels for the entry of mail that starts as an electronic file or an electronic order, but is converted to a hard-copy version for postal delivery. Service can be accessed through [www.usps.com](http://www.usps.com). Currently, there are three entities that provide hybrid mail programs. The services include:

NetPost Mailing Online is an electronic-to-hardcopy printing and mailing service. Services are provided by PosteDigital. Customers are able to create, print and access First-Class, Standard, and Nonprofit mailings.

NetPost Card Store allows customers to create personalized greeting cards that are printed and mailed the next business day. Customers may also choose to insert a retail gift card inside their greeting card and schedule the date and time they would like it to be printed and mailed. Services are provided by Touchpoint Inc.

Premium Post Cards are full-color glossy cards that can feature images selected from an available gallery of images, or digital images provided by the customer. Both sides of the card can be personalized with digital images. The service is provided by Amazing Mail.

### OFFICIALLY LICENSED RETAIL PRODUCTS (OLRP)

This program provides for the sale of licensed retail merchandise in post offices. Licensees utilize postal trademarks and stamp images to develop products that can be sold in post offices. Postmasters/station managers select OLRP products for resale in their offices. They are usually gift items that represent convenience purchases. The

## ATTACHMENT TWO

OLRP program involves the actual sale of the merchandise (as distinct from the royalty payments received through the licensing program.)

### DINERO SEGURO®/SURE MONEY™

Sure Money™ or Dinero Seguro® is the Postal Service's international funds transfer program offered through 2,800 postal retail units in areas with high concentration of Hispanic immigrants. The program, which provides service to 10 countries in Latin America and the Caribbean, operates through a strategic alliance with Bancomer Transfer Service. The Postal Service collects the name of the recipient and sender, the amount of funds to be sent; the funds and service fee (shared between the Postal Service and Bancomer); and provides the data to Bancomer to complete the transaction.

### FEDEX DROPBOXES

As part of a non-exclusive contract between FedEx and the Postal Service, FedEx pays fees to the Postal Service to allow it to locate its express drop boxes outside or in proximity to post offices. The Postal Service provides no services in connection with these drop boxes, currently installed at about 5,000 post offices. All responsibilities related to installation, maintenance, collection, and removal are FedEx's.

### METER MANUFACTURERS MARKETING PROGRAM

Pitney Bowes and the Postal Service entered into a non-exclusive test-marketing relationship whereby the Postal Service would make space available in selected retail lobbies for exhibits promoting the use of PB postage meters and scales. The purpose of the test is to determine the economic and practical feasibility of a longer term marketing relationship for the marketing of PB products in Post Office retail lobbies.

### AFFILIATES

Affiliate relationships are generally established for the purposes of generating visitor traffic, making purchases, or completing transactions between two websites. The revenue-generating agreements are usually based on a pay-for-performance model, which is measured by number of clicks, registrations, sales or any combination of these. Affiliates that do not generate revenue are referred to as linking agreements. The Postal Service has numerous linking agreements with companies, such as the PC Postage Vendors and other government agencies.

## ATTACHMENT TWO

### ELECTRONIC POSTMARK (EPM)

The USPS Electronic Postmark (EPM) is all-electronic service giving customers a way to time-stamp electronic files. The EPM provides evidence that a document or file existed at a specific time and date and detects changes made to the postmarked document. A non-exclusive licensing agreement was entered into by the Postal Service and Authentidate on July 30, 2007, replacing the Strategic Alliance Agreement, which expired on that date. The new business model for EPM involves a branding and licensing agreement, which allows for continuation of the service without disruption, but also without direct postal management. Unlike the previous Strategic Alliance Agreement, the Postal Service no longer engages in marketing or promotion, does not have a role in setting prices or terms of service, does not engage in direct governance, and does not sign sales agreements with customers. The Postal Service is paid a flat quarterly licensing fee, plus has the potential to earn additional licensing fees as a percentage of sales over certain benchmarks.

### LICENSING PROGRAMS

This program licenses use of intellectual property either wholly or jointly owned by the Postal Service, including stamp images, copyrighted material, the Postal Service corporate signature, other trademarks, service marks and trade dress. Licensees can pay specific fees for usage, but in most cases pay a royalty for each item that contains Postal Service intellectual property. The licensed items are sold in various marketplaces and territories, including post offices and through the Postal Store on [www.usps.com](http://www.usps.com). In most cases, the Postal Service receives a royalty payment regardless of where or how the product is sold, and separately receives compensation for products sold through the OLRP program at Postal Service retail locations. (Thus, the licensing program involves the royalty payment, as distinct from the OLRP program, which involves the sale of the merchandise.)

### ADDRESS MANAGEMENT SERVICES

The Postal Service offers a number of Address Management Services that enable mailers to improve the quality of addresses on their mailpieces, and in some instances to qualify for postage discounts. These include City State service, which validates the city name and ZIP Code™ of an address, Delivery Sequence File 2<sup>nd</sup> Generation service (DSF 2™), which identifies incomplete or inaccurate addresses, Delivery Point Validation service (DPV™), which identifies erroneous addresses, and National Change of Address—Link service (NCOA<sup>Link®</sup>), which updates addresses with current change-of-address information. Improved address quality assists the Postal Service in maximizing its ability to deliver mail quickly and efficiently, and reduces the volume of mail that

## ATTACHMENT TWO

cannot be delivered. By using these services, mailers can standardize addresses in the correct format, confirm that addresses contain all necessary elements, check that addresses are valid Postal Service delivery points, and ensure that address information is current.

### PHILATELIC SERVICES

Philatelic services are a discrete set of items intended for philatelists rather than mailers, and which are therefore not related closely enough to the actual delivery of mail to be considered “postal services.” They include first day covers, commemorative stamps, commemorative panels, and related items intended for stamp collectors, which generally are found in the *USA Philatelic* catalog published by the Postal Service, or on the *Postal Store* website.

### GREETING CARDS

Greeting cards and envelopes, either with or without Postal Service trademarked images or other intellectual property, sold by the Postal Service.

## **CERTIFICATE OF SERVICE**

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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April 1, 2008