

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

MODIFICATION OF THE MAIL CLASSIFICATION SCHEDULE
TRANSFER TO COMPETITIVE PRODUCT CATEGORY REGARDING
PREMIUM FORWARDING SERVICE (PFS)

Docket No. MC2008-4

REPLY COMMENTS OF THE UNITED STATES POSTAL SERVICE
(June 20, 2008)

The United States Postal Service hereby provides the following comments in reply to the comments filed in this docket by the Public Representative on June 16, 2008. In its Request, the Postal Service provided its justification for the transfer of Premium Forwarding Service from the Special Services class in the Market Dominant product list to the Competitive product list. The Public Representative contends that this justification is contradicted by previous testimony on behalf of the Postal Service in Docket No. MC2005-1.¹ This contention fails to reflect a significant part of the record in that docket. In addition to the citation provided by the Public Representative,² witness Koroma testified as follows, acknowledging the existence of competing services:

The impact of the classification change on Postal Service competitors is expected to be minimal, if any. There are other services, but none allows customers to keep their current postal address. Commercial Mail Receiving Agencies (CMRAs) offer a service limited to mail received at a CMRA, while recreational vehicle (RV) owners have a network of RV clubs and associations that will redirect their mail as one element in a package of travel-related services.³

Moreover, witness Cobb testified:

¹ Comments of Public Representative at 4.

² Comments of Public Representative at 6, n. 16.

³ Docket No. MC 2005-1, USPS-T-4 at 6.

Alternatives to PFS exist both within and outside the Postal Service. . . . [N]onpostal alternatives to PFS range from customers using a commercial mail receiving agency to having friends or family hold, filter, open, and/or reship their mail.⁴

The statements of these two witnesses are consistent with the justification provided by the Postal Service in the instant docket, contrary to the Public Representative's argument that the Postal Service has now provided a "contrary . . . view."⁵

The Postal Service has consistently described PFS as a service tailored to a specific group of customers who find the Postal Service's product and the price at which it is offered to be sufficiently attractive for them to elect to purchase the service. PFS has features that may be attractive to certain customers (the ability to have mail forwarded without filing a change of address request) as well as features that may be less attractive to certain customers (the requirement that customers visit their home post office to change the address to which mail is redirected). The Postal Service's competitors may provide products with differing features (forwarding of business mail, the ability to redirect mail based on email or telephone instructions) that the Postal Service does not currently offer.⁶ Some customers may prefer to have their mail forwarded locally (by an entity in their home town); others may choose to have mail forwarded by a national organization such as an RV club which is located at a distance or alternatively by a CMRA that is located in another city. Some customers may want substantially all of their mail forwarded (the PFS offer), others may elect to use a change of address to redirect mail to a CMRA understanding that some mail (Standard Mail) may not be forwarded. Although the various alternatives may provide different

⁴ Docket No. MC2005-1, USPS-T-1, at 10.

⁵ Comments of Public Representative at 4.

⁶ A Chevrolet may have different features from a Lexus, but they are still competitive products.

features, it is clear that a choice of mail forwarding options exists. If the Postal Service increased the price of PFS substantially, customers who compared all these features and differences and chose PFS would be likely to reevaluate their choice and might switch to an alternative offering.

The filing of comments in this docket by the National Association of Retail Shipping Centers (NARSC), an advocacy group on behalf of Mail and Parcel Centers and Commercial Mail Receiving Agencies, belies the Public Representative's doubt regarding the existence of "alternative substitute products."⁷ NARSC maintains that it has a "vested interest" in this competitive market because its members provide mail forwarding services. It expresses support for setting PFS fees based on a "floor price," presumably as opposed to being subject to a price cap. Clearly, NARSC is of the opinion that its members provide services that are competitive alternatives to PFS, contrary to the claim of the Public Representative that CMRAs "could not be significant competitors for the PFS market."⁸

The Postal Service also respectfully refers the Commission's attention to recent testimony at its field hearings in Flagstaff, Arizona, by Cameron Powell, vice president for strategic development at Earth Class Mail in Seattle, Washington, and avowed "road warrior."⁹ Earth Class Mail provides electronic and physical mail forwarding and its website quotes customers who appear to be within the target market for PFS.¹⁰

⁷ Public Representative Comments at 4-5.

⁸ *Id.* at 9.

⁹ Docket No. PI-2008-3, Transcript of Flagstaff Field Hearing at 57.

¹⁰ "We're snowbirds, so the problem we had when we were moving around is that USPS couldn't deliver mail to us unless we were staying at only one location.' The Neumans." The website indicates that the base cost for its service is \$9.95 per month. <http://www.earthclassmail.com/pricing>.

Accordingly, the Postal Service does not believe that the arguments made by the Public Representative support his contention that the transfer of PFS to the competitive product category is inappropriate. The Postal Service respectfully urges the Commission to approve the request in this docket.

Respectfully submitted,

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June 20, 2008