

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

MODIFICATION OF MAIL CLASSIFICATION  
SCHEDULE PRODUCT LISTS IN RESPONSE  
TO ORDER NO. 154

Docket No. MC2009-19

REQUEST OF THE UNITED STATES POSTAL SERVICE  
TO ADD STAMP FULFILLMENT SERVICES TO THE MAIL CLASSIFICATION  
SCHEDULE IN RESPONSE TO ORDER NO. 391  
(April 26, 2010)

In accordance with Order No. 391 (January 13, 2010), the United States Postal Service requests the addition of Stamp Fulfillment Services to the Mail Classification Schedule (MCS). Order No. 391 stated that,

Should the Postal Service propose the use of simplified shipping fees as an alternative to tariff postage that would, of course, itself require the Postal Service to file an appropriate request to add SFS to the MCS product lists. Pending receipt of any such proposal, the Commission reaffirms its findings in Order No. 154, and the Postal Service is authorized to continue to charge a \$1.00 handling fee. The continued collection of the handling fee, however, requires the filing of a request to add SFS to the Market Dominant Product List. That filing is due within 60 days from the date of this Order.

Order No. 391 at 15. In Order No. 429 (March 24, 2010), the Commission granted the Postal Service's request for an extension until April 30, 2010 to make this filing.

In accordance with 39 U.S.C. § 3642 and 39 C.F.R. § 3020.30 et seq., the United States Postal Service therefore requests modification of the Mail Classification Schedule to add Stamp Fulfillment Services to the market dominant product list. This request pertains only to the charges for orders of stamps. The Postal Service is also

today filing separate requests to add the charges that the Stamp Fulfillment Services (SFS) organization applies to orders for philatelic items to the provisional Philatelic Sales nonpostal product, and for personalized stamped envelopes to the Stamped Envelopes ancillary special service (MCS section 1505.19).

Stamp Fulfillment Services provides the fulfillment of orders placed by mail, phone, fax, or online to the SFS office in Kansas City, Missouri. Orders can include stamps, stamped cards, envelopes, and stationery, Duck Stamps, and philatelic items such as First Day covers and stamp collecting materials. In FY 2009, SFS revenues from the fulfillment fees for stamp orders were about \$2.3 million.

Since this request is simply for the addition of an existing product to the MCS, no Governors' Decision was needed.<sup>1</sup> Stamp Fulfillment Services: (1) is not a special classification within the meaning of 39 U.S.C. § 3622(c)(10) for market dominant products; (2) will not be a product not of general applicability within the meaning of 39 USC 3632(b)(3) for competitive products; and (3) is not a non-postal product.<sup>2</sup> Attachment A shows the requested changes in the Mail Classification Schedule in legislative format.<sup>3</sup> Attachment B provides a statement of supporting justification for this request, as specified in 39 C.F.R. § 3020.32.<sup>4</sup>

As explained in the supporting justification, and consistent with the Commission's conclusion in Order No. 391, at 15, the Postal Service believes that Stamp Fulfillment

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<sup>1</sup> 39 C.F.R. § 3020.31(b).

<sup>2</sup> 39 C.F.R. § 3020.31(d). The charges for philatelic (nonpostal) items are addressed in a separate filing.

<sup>3</sup> 39 C.F.R. § 3020.31(f).

<sup>4</sup> 39 C.F.R. § 3020.31(e).

Services should be added to the market dominant product list. The Commission should therefore approve this request as set forth in its rules.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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## MAIL CLASSIFICATION SCHEDULE

### PART A—MARKET DOMINANT PRODUCTS

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#### XXXX **Stamp Fulfillment Services**

##### XXXX.1 Description

Stamp Fulfillment Services provides the fulfillment of stamp orders placed by mail, phone, fax or online to the Stamp Fulfillment Services organization.

##### XXXX.2 Pricing

<b><u>Order Type</u></b>	<b><u>Fee</u></b>
<u>Orders mailed to domestic United States destinations</u>	<u>\$1.00<sup>1</sup>; add \$2.00 for custom orders<sup>2</sup></u>
<u>Orders mailed to destinations outside of domestic United States</u>	<u>\$6.00<sup>1</sup>; add \$2.00 for custom orders<sup>2</sup></u>

<sup>1</sup> Fee does not apply if the comparable fee from the Philatelic Sales pricing section is being charged for the shipment of a combined order of stamps and philatelic items. Fee also does not apply for stamps sent as part of a subscription, in which the customer agrees to purchase a series of items of a specified type, and establishes a means of payment in advance. If a customer requests expedited shipping, then the order will be shipped using Express Mail, with actual postage charged instead of the listed fees.

<sup>2</sup> A custom order is a stamp order in configurations other than those listed for each item in the USA Philatelic catalog.

### Statement of Supporting Justification

I, Khalid Hussain, Manager, Stamp Fulfillment Services, am sponsoring this request that the Commission add Stamp Fulfillment Services to the list of market dominant products. This statement supports the Postal Service's request by providing the information required by each applicable subsection of 39 C.F.R. § 3020.32, as indicated. I attest to the accuracy of the information contained herein.

- (a) *Demonstrate why the change is in accordance with the policies and applicable criteria of the Act.*

As demonstrated below, the change complies with the applicable statutory provisions.

- (b) *Explain why, as to market dominant products, the change is not inconsistent with each requirement of 39 U.S.C. 3622(d), and that it advances the objectives of 39 U.S.C. 3622(b), taking into account the factors of 39 U.S.C. 3622(c).*

Stamp Fulfillment Services is already offered to the public. Adding the services to the Mail Classification Schedule will not change them. Accordingly, the change is consistent with the requirements of 39 U.S.C. 3622(d). The Postal Service provides details of the Stamp Fulfillment Services offering in the USA Philatelic catalog. Adding these services to the MCS provides Postal Service customers with another resource for obtaining information about these products and their prices.

- (c) *Explain why, as to competitive products, the addition, deletion, or transfer will not result in the violation of any of the standards of 39 U.S.C. § 3633.*

Not applicable. The Postal Service is proposing that Stamp Fulfillment Services be a market dominant product.

- (d) *Verify that the change does not classify as competitive a product over which the Postal Service exercises sufficient market power that it can, without risk of losing a significant level of business to other firms offering similar products: (1) set the price of such product substantially above costs, (2) raise prices significantly; (3) decrease quality; or (4) decrease output.*

Not applicable. The Postal Service is proposing that Stamp Fulfillment Services be a market dominant product

- (e) *Explain whether or not each product that is the subject of the request is covered by the postal monopoly as reserved to the Postal Service under 18 U.S.C. 1696, subject to the exceptions set forth in 39 U.S.C. 601.*

Stamp Fulfillment Services is not covered by the postal monopoly for “Private Express for Letters and Packets” under 18 U.S.C. § 1696 because the product is not used for the conveyance of mail, but instead for receiving stamp orders.

- (f) *Provide a description of the availability and nature of enterprises in the private sector engaged in the delivery of the product.*

While stamps can be obtained from the private sector, once one orders stamps from the Stamp Fulfillment Services facility in Kansas City, Missouri, the only shipping option is through Stamp Fulfillment Services.

- (g) *Provide any available information on the views of those who use the product on the appropriateness of the proposed modification.*

The Postal Service does not have customer research on whether or not Stamp Fulfillment Services should be regulated as a market dominant product.

- (h) *Provide a description of the likely impact of the proposed modification on small business concerns.*

This request would not change the charges applied by Stamp Fulfillment Services, so there should not be any impact on small business concerns from simply

adding the charges to the MCS. The regulatory structure for market dominant products is designed to protect customers, including small businesses, in markets where the Postal Service has substantial market power, by limiting price increases through the price cap.

- (i) *Include such other information, data, and such statements of reasons and bases, as are necessary and appropriate to fully inform the Commission of the nature, scope, significance, and impact of the proposed modification.*

At the time of the PAEA's enactment, Stamp Fulfillment Services was not included in the former Domestic Mail Classification Schedule. The Postal Service has offered Stamp Fulfillment Services to purchasers of stamps from the Stamp Fulfillment Services facility in Kansas City, Missouri for a number of years. This request to add Stamp Fulfillment Services to the Mail Classification Schedule is in accordance with the Commission's Order No. 391.