

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

Before Commissioners:

Ruth Y. Goldway, Chairman;  
Tony L. Hammond, Vice Chairman;  
Mark Acton;  
Dan G. Blair; and  
Nanci E. Langley

Market Test of Experimental Product  
Alternate Postage Payment Method  
for Greeting Cards

Docket No. MT2011-1

NOTICE AND ORDER CONCERNING MARKET TEST OF  
EXPERIMENTAL PRODUCT

(Issued November 10, 2010)

I. INTRODUCTION

On November 8, 2010, the Postal Service filed a notice, pursuant to 39 U.S.C. 3641(c)(1), announcing its intent to initiate a market test beginning on or about January 1, 2011, of an experimental market dominant product, Alternate Postage Payment Method for Greeting Cards.<sup>1</sup> The market research test will consist of providing a means for individuals to mail greeting cards without affixing postage. *Id.* at 1.

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<sup>1</sup> Notice of the United States Postal Service of Market Test of Experimental Product—Alternative Postage Payment Method for Greeting Cards, November 8, 2010 (Notice).

## II. BACKGROUND

The Postal Service states that First-Class Mail single-piece correspondence has been a declining part of U.S. mail volume, and the communication alternatives, such as e-mail, use of the Internet, and cellular services, have had an impact on the mail volume of personal correspondence. *Id.* at 3-4. It proposes the instant market test as a convenient method for individuals to purchase a greeting card without the need to pay postage. *Id.* at 4. The Postal Service expects that the simplicity of the product design which allows the customer to sign and address the card and place it in a collection box will make greeting cards more likely to be purchased and mailed. *Id.*

The Postal Service explains that under the proposed market test participating businesses will produce and distribute pre-approved envelopes according to specific design requirements which will be packaged for sale with greeting cards. Individuals can mail the greeting cards in the pre-approved envelopes without affixing postage. *Id.* at 2. The Alternate Postage Payment Method has a two-stage process for businesses to pay postage. *Id.* at 1. First, at least 50 percent of the postage will be paid based on the company's reports on the number of cards sold to customers or third-party vendors. Generally, this payment would be retained by the Postal Service regardless of whether the cards are also mailed. Second, the balance of the postage due will be collected based on scans of the cards that are mailed. *Id.* at 1, 6.

*Statutory authority.* The Postal Service indicates that its proposal satisfies the criteria of section 3641, which imposes certain conditions on experimental products. 39 U.S.C. 3641. For example, the Postal Service asserts that the Alternate Postage Payment Method for Greeting Cards is significantly different from all products offered by the Postal Service within the meaning of section 3641(b)(1). *Id.* at 8-9. In addition, it contends that the market test will be limited to a small portion of the total greeting card volume and therefore does not create an unfair or inappropriate competitive advantage for the Postal Service or any mailer. *Id.* at 9; *see also* section 3641(b)(2). The Postal Service states that the Alternative Postage Payment Method for Greeting Cards is correctly classified as a market dominant product. *Id.* at 10-11; *see also* section

3641(b)(3). The Postal Service states that the duration of the market test will not exceed 24 months. *Id.* at 8.

The Postal Service does not anticipate that the annual revenues from the market test will exceed \$50 million. However, it does anticipate that annual revenues will exceed \$10,000,000 and therefore requests that the Commission exempt this market test from the annual revenue limitation under 39 U.S.C.3641(e)(2). *Id.* at 8, 12.

*Description and nature of market test.* Pursuant to section 3641(c)(1)(B), the Postal Service provides a description of the nature and scope of the market test. The Postal Service explains that participating businesses will produce and distribute pre-approved envelopes with specific design requirements that will be included as a part of the greeting card packaging. The company producing the cards will add markings as defined by the Postal Service to identify the greeting cards in the mailstream and individuals can mail the greeting cards in the pre-approved envelopes without affixing postage. These markings are scanned to produce a count. *Id.* at 1. The Alternate Postage Payment Method derives part of the postage payment on sales data reported to the Postal Service by participating mailers. *Id.* at 2. The process involves the use of Intelligent Mail (IM<sup>®</sup>) technology to identify and scan each unique item's movement through the postal system which produces a count of the number during normal processing. *Id.* Each participating business will receive a unique Mailer ID only for this market test. *Id.* at 5. This count is used to debit the card producer's Centralized Automated Processing System (CAPS) account for the portion of postage that was not based on the sales data. *Id.* at 2.

*Product description.* Postage will be paid by the card producer based on sales information, along with the data captured during mail processing. The mailpieces include a combination of four elements:

- Intelligent Mail Barcode (IMb) enables the recording of piece-level information for volume and revenue reporting;
- Legend identifies the business customer responsible for paying the postage;

- Facing Identification Mark (FIM) facilitates mail processing and allows separate identification of this mail for future use; and
- Imprint: “No Postage Necessary if Mailed in the United States” will be printed in the upper right corner of the address side of the item.

*Id.* at 5.

Under the proposed market test, the Postal Service states that participating companies must meet specific mail item design requirements which must be approved prior to distribution. *Id.* The Postal Service also states that market test mail items will be processed and delivered according to single-piece First-Class Mail letter standards. *Id.* The Postal Service expects that greeting card companies will use the product to increase the sale of greeting cards, and customers will have a simpler manner of mailing the cards. *Id.* at 6.

The Postal Service states that Alternate Postage Payment Method will be a premium product with a price above First-Class Mail single-piece postage. *Id.* The proposed price is 48 cents for cards and envelopes with a combined weight of no more than one ounce for sales or scans completed during the first year. For mail and envelopes with a combined weight between one and two ounces, the price will be 48 cents plus the second ounce price for sales or scans during the first year of the market test. In the test’s second year, the Postal Service will determine how to modify the price based on market conditions and changes in the single-piece price. It also plans to test more than one postage rate during the second year. Thus, the Postal Service proposes a range of rates during the market test period. *Id.* at 7.

The Postal Service contends that the benefits of the market test include reduction in the costs of selling stamps to the public, proportional increase in the mailing of greeting cards, convenience, and a cost effective product for customer. *Id.* Additionally, it asserts that the product should contribute to the financial stability of the Postal Service.

The Notice also addresses the Postal Service’s plan to monitor performance and its data collection plan. *Id.* at 13.

### III. NOTICE OF FILING

The Commission establishes Docket No. MT2011-1 for consideration of matters raised by the Notice. Interested persons may submit comments on whether the Postal Service's filing in the captioned docket is consistent with the policies of 39 U.S.C. 3641. Comments are due no later than December 8, 2010. The filing can be accessed via the Commission's website ([www.prc.gov](http://www.prc.gov)).

The Commission appoints Katrina R. Martinez to serve as Public Representative in this docket.

### IV. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission establishes Docket No. MT2011-1 for consideration of the matters raised by the Notice.
2. Pursuant to 39 U.S.C. 505, Katrina R. Martinez is appointed to serve as officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.
3. Comments by interested persons are due no later than December 8, 2010.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Shoshana M. Grove  
Secretary