

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

MARKET TEST OF EXPERIMENTAL PRODUCT –  
ALTERNATE POSTAGE PAYMENT METHOD FOR  
GREETING CARDS

Docket No. MT2011-1

OPPOSITION OF THE UNITED STATES POSTAL SERVICE TO  
PUBLIC REPRESENTATIVE MOTION  
FOR ISSUANCE OF INFORMATION REQUEST  
(December 1, 2010)

The United States Postal Service hereby opposes the November 24, 2010, Motion by the Public Representative for the issuance of an information request in this docket. The Postal Service believes that its November 8, 2010, Notice<sup>1</sup> provides the information needed to meet the statutory requirements for a market test. To expedite this proceeding, the Postal Service nonetheless will provide some additional information in this pleading, responding to most of the Public Representative's concerns. This information shows why more complete responses to the Public Representative's questions are not available or would not be relevant or necessary to the evaluation of the Postal Service's Notice.

The Postal Service has shown that the Alternate Postage Payment Method is a "significantly different product" in its Notice, at pages 8-9. The product is unlike Stamped Envelopes, Stamped Cards, Premium Stamped Stationery, and Premium Stamped Cards because those products are sold by the Postal Service, rather than

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

private companies, and postage on those products is fully prepaid, without reliance on third party sales data or Intelligent Mail barcode scanning during mail processing.

The Postal Service Notice also fully supports its request for an exemption from the \$10 million annual revenue limit, under 39 U.S.C. § 3641(e)(2). While the Postal Service does not yet know which greeting card companies will participate, it believes that almost all greeting card companies are small business concerns, under the Small Business Association's standards (in particular, fewer than 500 employees). It would not be surprising for some of these small businesses to apply for and be authorized to participate in the market test.

The Postal Service's Notice explained why small businesses that do not participate in the test should not be subject to unfair or inappropriate competition from the test. The greeting card market is just too large for a limited (under \$50 million in annual revenue), but nationwide, market test to substantially harm small greeting card companies. As explained in the Notice, at page 12, the market test would involve at most 3 percent of the greeting card market. The Postal Service believes that unfair or inappropriate competition for small business concerns generally would be limited to industries in which total annual revenue is comparable to the annual revenue for the market test. The greeting card market is much larger.

The market test is designed to offer greeting card companies a new way for postage payment on cards sold directly by the companies or by third party retailers.<sup>2</sup>

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<sup>2</sup> If a greeting card company sells cards to a third party retailer for resale, the Postal Service would collect part of the postage based on the sales data. If the third party retailer does not resell the cards to an individual customer, and then returns them to the greeting card company for a refund and destruction of the cards (with Inspection Service oversight), the Postal Service plans to refund the partial postage payment.

There are no plans for the Postal Service to sell these greeting cards at Post Offices. The Postal Service does not determine pricing for these cards, does not know how the greeting card companies will charge for these cards or the included postage, and is not in a position to collect data on pricing by participating greeting card companies. It is likely that greeting card stores that sell Alternate Postage Payment cards will also sell regular greeting cards in the same store, so customers would be able to compare prices, and determine if the retailer is charging too much for the convenience of Alternate Postage Payment.

The Postal Service plans to maintain the 48-cent pricing for the entire 2011 calendar year, even if the First-Class Mail single-piece price does change during that year. During the second year of the market test, the Postal Service may change the pricing. However, it currently does not plan more than one price change. Moreover, this price change would be limited by (1) the Postal Service's desire for Alternate Postage Payment to promote more mailing of greeting cards, (2) the need to get and maintain participation by greeting card companies, and (3) the \$50 million annual revenue limitation.

For these reasons, the Postal Service opposes the Public Representative's motion for an information request in this docket.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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