

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

ADDITION TO THE COMPETITIVE PRODUCT LIST  
COMPETITIVE ANCILLARY SERVICES

Docket No. MC2011-23

COMPETITIVE PRODUCT PRICES  
COMPETITIVE ANCILLARY SERVICES (MC2011-23)  
ADULT SIGNATURE SERVICE

Docket No. CP2011-62

**REQUEST OF THE UNITED STATES POSTAL SERVICE  
TO ESTABLISH NEW COMPETITIVE ANCILLARY SERVICES  
PRODUCT AND NOTICE OF PRICE AND CLASSIFICATION  
CHANGES FOR ADULT SIGNATURE SERVICE  
(February 24, 2011)**

In accordance with 39 U.S.C. § 3642 and 39 C.F.R. § 3020.30 *et seq.*, the United States Postal Service hereby requests to add a new product to the competitive product list, Competitive Ancillary Services, and concurrently establish a new price category under that product for Adult Signature service. As required by 39 C.F.R. § 3.4(f), the Board of Governors authorized this Request on January 25, 2011; a copy of the Governors' Decision is included at Attachment A. Attachment B contains a Statement of Supporting Justification, which demonstrates that the Request fulfills the criteria set forth in Section 3642 for adding a product to the competitive product list. The proposed Mail Classification Schedule language appears at Attachment C.

As required by 39 U.S.C. § 3642(d)(1), a notice describing the Request is being published in the Federal Register.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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February 24, 2011

**Attachment A**

**Governors' Decision and Certification**

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON  
ESTABLISHMENT OF RATE AND CLASS OF GENERAL APPLICABILITY FOR  
COMPETITIVE ANCILLARY SERVICES PRODUCT (GOVERNORS' DECISION No. 11-1)**

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January 25, 2011

**STATEMENT OF EXPLANATION AND JUSTIFICATION**

The Postal Service intends to introduce a new product on the competitive product list for Competitive Ancillary Services, under which it is establishing a new price category for Adult Signature service for competitive products. Pursuant section 3642 of title 39, United States Code, the Postal Service shall file a request with the Postal Regulatory Commission to add a new Competitive Ancillary Services product to the competitive product list. And pursuant to our authority under section 404(b) and Chapter 36 of title 39, United States Code, the Governors establish price and classification changes to introduce Adult Signature service as a new price category under the Competitive Ancillary Services product.

The new Competitive Ancillary Services product will essentially be a shell under which various competitive ancillary service price categories will be placed. This concept is analogous to the structure of ancillary services on the market dominant product list. The Competitive Ancillary Services product will eventually contain additional extra services or features that will apply only to other competitive products, and that satisfy the statutory requirements for competitive products and services. Adult Signature service is the first price category that will be placed under the Competitive Ancillary Services product.

There are two variations of Adult Signature service:

1. Adult Signature Required – requires the signature of anyone 21 years of age or older at the recipient address.
2. Adult Signature Restricted Delivery – requires the signature of the addressee only, who must be 21 years of age or older at the designated address.

The Adult Signature services will be available for Express Mail®, Priority Mail®, and Parcel Select® for commercial and online customers only.

In the past, the Postal Service has not offered a service that included verification of the age of the intended recipient at the time of delivery. The new Adult Signature service will provide verification of age and, for Adult Signature Restricted Delivery, verification of age and identity is required. Upon delivery to a home or business address, an adult over the age of 21 must show photo identification and sign for the package.

We have reviewed management's analysis of this proposal, which is attached. We have evaluated the new price and classification changes in this context in accordance with 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. We approve the changes, finding that they are appropriate, and are consistent with the regulatory criteria, as indicated by management.

#### ORDER

We direct management to file with the Postal Regulatory Commission appropriate notice of these classification and rate changes and to request any needed addition to the competitive product list. The changes in price and class set forth herein shall be effective one day after the Commission approves any required addition to the product list under 39 C.F.R. § 3020 Subpart B.

By The Governors:



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Louis J. Giuliano  
Chairman

## **ANALYSIS OF COMPETITIVE ANCILLARY SERVICES PRODUCT WITH PRICE CATEGORY FOR ADULT SIGNATURE SERVICE**

The United States Postal Service is requesting approval to create a new product called "Competitive Ancillary Services" on the competitive side, and to add Adult Signature service as the first "price category" within that product.

### **Description of the Service**

There are two proposed variations of Adult Signature service:

1. Adult Signature Required – requires the signature of anyone 21 years of age or older at the recipient address.
2. Adult Signature Restricted Delivery – requires the signature of the addressee only, who must be 21 years of age or older at the designated address.

The Adult Signature services will be available for Express Mail®, Priority Mail®, and Parcel Select® for commercial and online customers only.

In the past, the Postal Service has not offered a service that included verification of the age of the intended recipient at the time of delivery. The new Adult Signature service will provide verification of age and, for Adult Signature Restricted Delivery, verification of age and identity is required. Upon delivery to a home or business address, an adult over the age of 21 must show photo identification and sign for the package.

### **Business Justification**

There are various reasons for the need of an adult signature during delivery. For some customers' shipments, an adult signature is required by law and is required to ensure indemnification from liability. For others, although not required by law, an adult signature is desirable for insurance, security, and/or privacy reasons. Shippers of high value merchandise and documents/packages of a critical nature also benefit from the added protection of an adult signature at delivery. These are shipments for which the Postal Service, lacking an Adult Signature service, cannot currently compete.

The Postal service believes that because demand for adult signature is often motivated by compliance with legal and regulatory requirements governing commerce in certain industries, not offering this service precludes the Postal Service from competing for package business in these industries.

Furthermore, since the mechanisms for obtaining recipient signatures and transmitting them to shippers is already in place in the form of Return Receipt, Signature Confirmation, and Restricted Delivery services, implementation of Adult Signature as a new alternative for customers is a viable next step.

**Financial Impact**

At a price of \$4.75 per piece for Adult Signature Required, and \$4.95 for Adult Signature Restricted Delivery, the total revenue potential of Adult Signature service is estimated at nearly \$12.3 million. In addition to the revenue from these fees, new package revenues are estimated at \$7.7 million, resulting in a total revenue estimate of \$20.0 million (Adult Signature fees and new volume).

Fully allocated cost coverage for Adult Signature service is estimated to be 135 percent. Attributable cost coverage is estimated to be 228 percent.

Based on the estimated increase in contribution, in light of anticipated costs and volumes, this initiative will cover its attributable costs (39 U.S.C. §3633(a)(2)) and will result in competitive products as a whole complying with 39 U.S.C. §3633(a)(3), which, as implemented by 39 C.F.R. §3015.7(c), requires competitive products to contribute a minimum of 5.5 percent to the Postal Service's total institutional costs. Accordingly, no issue of subsidization of competitive products by market dominant products arises (39 U.S.C. §3633(a)(1)).

**CERTIFICATION OF GOVERNORS' VOTE  
IN THE  
GOVERNORS' DECISION NO. 11-1**

I hereby certify that the Governors voted on adopting Governors' Decision No. 11-1, and that, consistent with 39 USC 3632(a), a majority of the Governors then holding office concurred in the Decision.

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Julie S. Moore  
Secretary of the Board of Governors

Date: 1-25-11

**Attachment B**

**Statement of Supporting Justification**

## Statement of Supporting Justification

I, Gary C. Reblin, Vice President for Shipping Services, sponsor this Request that the Postal Regulatory Commission add Competitive Ancillary Services to the list of competitive products, and include Adult Signature service under that product. This statement supports the Postal Service Request by providing the information required by each applicable subsection of 39 C.F.R. § 3020.32, as indicated below. I attest to the accuracy of the information contained herein.

(a) *Demonstrate why the change is in accordance with the policies and the applicable criteria of chapter 36 of title 39 of the United States Code.*

As demonstrated below in subsections (b) through (i), 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).*

As the Request is for an addition to the competitive product list, this subsection is not applicable.

(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.*

The Adult Signature service to be provided under the Competitive Ancillary Services product will cover its attributable costs and make a positive contribution to coverage of institutional costs. The service will increase contribution toward the

requisite 5.5 percent of the Postal Service's total institutional costs. Accordingly, no issue of subsidization of competitive products by market dominant products arises (39 U.S.C. § 3633(a)(1)).

*(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.*

The current state of the shipping services marketplace is that it is a highly competitive market with multiple carriers offering an array of services and prices. Further, because customer needs are both complex and unique, the market is moving toward increased customization. The Competitive Ancillary Services product and Adult Signature service are one aspect of this highly competitive market, in which Postal Service competitors may offer added features to entice customers to use their shipping services instead of the Postal Service.

For some customers' shipments, an adult signature is required by law and is required to ensure indemnification from liability. For others, although not required by law, an adult signature is desirable for insurance, security, and/or privacy reasons. Shippers of high value merchandise and documents/packages of a critical nature also benefit from the added protection of an adult signature at delivery. Not offering this service precludes the Postal Service from competing for package business in these industries. At the same time, even with Adult Signature service, the Postal Service

must be mindful of keeping the price low in order to compete with similar offerings provided by other carriers.

Any increase in Adult Signature service prices, let alone a significant increase or an increase substantially above costs, would likely result in a severe loss of business. If a customer were seeking Adult Signature service as an extra feature with its shipments, and the Postal Service were to significantly increase price, the Postal Service would not just risk losing the revenue from the Adult Signature service, but would potentially risk losing the entire shipping services revenue if the customer were to take its packages to another carrier. Similarly, given the state of competition, a decrease in quality or output would also likely result in loss of business to the Postal Service's competitors. Thus, approving this Request would not result in classifying as competitive any products for which the Postal Service can raise prices substantially above costs, raise prices significantly, decrease quality, or decrease output without risk of losing a significant level of business to other firms.

*(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.*

I am advised that the Competitive Ancillary Services product and Adult Signature services are not covered by these provisions. See part (d) above.

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

See part (d) above. Shipping services are widely available from well-known and successful private firms at both published and contract prices. These firms offer an array of extra services and features to entice customers to use their services instead of the Postal Service.

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

Based on its contact with customers, the Postal Service believes that many customers would support the addition of the Competitive Ancillary Services product and Adult Signature service to supplement the Postal Service's existing shipping service offerings. Demand for Adult Signature service is often motivated by compliance with legal or regulatory requirements governing commerce in certain industries, so by offering this service, the Postal Service will be able to better serve its customers in these industries.

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

The market for shipping services is highly competitive and requires a substantial infrastructure to support a national network. Large shipping companies serve this market. The Postal Service is unaware of any small business concerns that could offer comparable services. Some small businesses that are subject to statutory requirements

to provide their products only to adults would benefit from having another option for delivering their products to their customers.

- (i) *Include such information and 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.*

Establishment of a Competitive Ancillary Services product at this time will position the Postal Service to be able to introduce other extra features for its competitive products in the future. These extra features will help make other Postal Service competitive products more attractive for customers, both with published prices and contract pricing. Further, by classifying future extra services for competitive products together under the Competitive Ancillary Services product, the competitive classifications will eventually mirror the existing market dominant and international classifications, which will make the Mail Classification Schedule more organized and consistent for the Postal Service, the Commission, and customers. Parties will be able to more easily identify and distinguish competitive extra features from those on the market dominant side, and domestic extra features from those available for international products.

**Attachment C**

**Mail Classification Schedule (MCS) Language**

## MAIL CLASSIFICATION SCHEDULE

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### PART B COMPETITIVE PRODUCTS

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#### 2100 DOMESTIC PRODUCTS

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#### 2105 Express Mail

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#### 2105.5 Optional Features

The following additional postal services may be available in conjunction with the product specified in this section:

- Pickup On Demand
- Ancillary Services (1505)
  - Address Correction Service (1505.1)
  - Collect On Delivery (1505.7)
  - Express Mail Insurance (1505.9)
  - Return Receipt (1505.13)
- Competitive Ancillary Services (2645)
  - Adult Signature (2645.1)

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#### 2110 Priority Mail

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#### 2110.5 Optional Features

The following additional postal services may be available in conjunction with the product specified in this section:

- Pickup On Demand
- Ancillary Services (1505)
  - Address Correction Service (1505.1)

- Business Reply Mail (1505.3)
- Certificate of Mailing (1505.6)
- Collect On Delivery (1505.7)
- Delivery Confirmation (1505.8)
- Insurance (1505.9)
- Merchandise Return (1505.10)
- Registered Mail (1505.12)
- Return Receipt (1505.13)
- Return Receipt for Merchandise (1505.14)
- Restricted Delivery (1505.15)
- Signature Confirmation (1505.17)
- Special Handling (1505.18)
- Competitive Ancillary Services (2645)
  - Adult Signature (2645.1)

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2115 Parcel Select

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2115.5 Optional Features

The following additional postal services may be available in conjunction with the product specified in this section:

- Pickup On Demand
- Ancillary Services (1505)
  - Address Correction Service (1505.1)
  - Certificate of Mailing (1505.6)
  - Collect On Delivery (1505.7)
  - Delivery Confirmation (1505.8)
  - Insurance (1505.9)
  - Return Receipt (1505.13)
  - Return Receipt for Merchandise (1505.14)
  - Restricted Delivery (1505.15)
  - Signature Confirmation (1505.17)
  - Special Handling (1505.18)
- Competitive Ancillary Services (2645)
  - Adult Signature (2645.1)

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2645 Competitive Ancillary Services

2645.1 Adult Signature

2645.1.1 Description

a. Adult Signature service provides electronic confirmation of the delivery or attempted delivery of the mailpiece, and, upon request, the recipient's signature, with two options: Adult Signature Required, which requires the signature of anyone 21 years of age or older at the recipient address; and Adult Signature Restricted Delivery, which requires the signature of the addressee only, who must be 21 years of age or older. Photo identification showing date of birth, as authorized by the Postal Service, is required prior to delivery.

b. The Postal Service maintains a record of delivery (which includes the recipient's signature) for a specified period of time.

b. Adult Signature service is available with Express Mail, Priority Mail, and Parcel Select.

2645.1.2 Prices

	(\$)
<u>Adult Signature Required</u>	<u>4.75</u>
<u>Adult Signature Restricted Delivery</u>	<u>4.95</u>