

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

Transferring First-Class Mail Parcels  
to the Competitive Product List

Docket No. MC2015-7

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued December 9, 2014)

To clarify the Postal Service's request to transfer First-Class Mail Parcels to the competitive product list, the Commission requests the Postal Service provide written responses to the following questions.<sup>1</sup> A response should be provided as soon as possible, but no later than December 15, 2014.

1. The Postal Service asserts that after the transfer, First-Class Mail Parcels will continue to be sealed against inspection. Request, Attachment B at 2. The Postal Service included proposed Mail Classification Schedule (MCS) language as Attachment A of its Request. The proposed language does not specify that the new First-Class Package Service rate category titled "Retail" will be sealed against inspection.
  - a. Please confirm that the First-Class Mail, Keys and Identification Devices category of mail is not sealed against inspection, and will not be sealed against inspection upon transfer to First-Class Package Service. If not confirmed, please provide an explanation.

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<sup>1</sup> Request of the United States Postal Service to Transfer First-Class Mail Parcels to the Competitive Product List, November 14, 2014 (Request).

- b. Please confirm that the First-Class Package Service, Commercial Plus mail is sealed against inspection. If not confirmed, please provide an explanation.
- c. Please confirm that the MCS language appearing below accurately describes the sealed against inspection aspects of First-Class Package Service. If not confirmed, please provide an explanation and propose alternative MCS language.

**2125 First-Class Package Service**

2125.1 Description

- a. Any mailable matter may be mailed as First-Class Package Service Commercial Base mail, except matter that meets the definition of "letter" in 39 C.F.R. § 310.1 and does not fit within any of the exceptions or suspensions to the Private Express Statutes in 39 C.F.R. Parts 310 and 320.
- b. Any mailable matter may be mailed as First-Class Package Service Retail or Commercial Plus mail.
- c. First-Class Package Service Commercial Base mail is not sealed against postal inspection. Mailing of matter as such constitutes consent by the mailer to postal inspection of the contents, regardless of the physical closure.
- d. First-Class Package Service Retail (except for Keys and Identification Devices) and Commercial Plus mail is sealed against inspection.
- de. First-Class Package Service pieces that are undeliverable-as-addressed are entitled to be forwarded or returned to the sender without additional charge.
- ef. An annual mailing fee is required to be paid at each office of mailing by any person who mails at presorted prices (1505.2). Payment of the fee allows the mailer to mail at the First-Class Package Service price.

*Attachments and Enclosures*

- a. First-Class Mail or Standard Mail pieces may be attached to or enclosed in First-Class Package Service mail. Additional postage may be required for Commercial Base mail.

2. The Postal Service asserts that the new First-Class Package Service category would maintain the First-Class Mail Parcels' existing service standards. Request at 2.
  - a. Please confirm that the Postal Service measures and reports First-Class Mail Parcels' service performance to the Commission pursuant to 39 U.S.C. § 3652(a)(2)(B)(i) and 39 C.F.R. § 3055, *et. seq.* If not confirmed, please provide an explanation.
  - b. Please confirm that the Postal Service is not required to measure or report service performance for First-Class Package Service to the public, or to the Commission. If not confirmed, please provide an explanation.
  - c. Please confirm that the First-Class Mail Parcels' service performance measurement is used as a service performance measurement proxy for First-Class Mail Outbound Single-Piece First-Class Mail International Parcels and Inbound Letter Post parcels. If not confirmed (or if the list is incomplete), please provide an explanation.
  - d. Assuming that the First-Class Mail Parcels is incorporated into First-Class Package Service and its service performance measurement was used as a service performance measurement proxy for other products, please provide the Postal Service's plan for future service performance measurement of those products that were previously represented by the proxy. If the Postal Service determines that resolution of this issue will require docketing in separate proceedings, please provide a date when the Commission can expect the Postal Service's requests.
3. The Postal Service contends that the rate for the Priority Mail Retail Small Flat-Rate Box is the natural competitive price cap for retail First-Class Parcels. See

Request, Attachment B at 7. The table below compares the prices of First Class Parcels with the price of the Priority Mail Retail Small Flat-Rate Box. Because the price of Priority Mail includes tracking, the table includes the price of retail First-Class Mail Parcels with and without the purchase of tracking.

	First-Class	First-Class	Priority Mail	Potential	Potential	Potential	Potential
	Parcel	Parcel	Small Box	Price	Pct. Price	Price	Pct. Price
Ounce	Price w/o	Price with	Retail	vs. Price w/o	vs. Price w/o	vs. Price with	vs. Price with
Increment	Tracking	Tracking	Price	Tracking	Tracking	Tracking	Tracking
	(1)	(2)=(1)+1.05	(3)	(4)=(3)-(1)	(5)=(3)/(1)-1	(6)=(3)-(2)	(7)=(3)/(2)-1
1	\$2.32	\$3.37	\$5.80	\$3.48	150%	\$2.43	72%
2	\$2.32	\$3.37	\$5.80	\$3.48	150%	\$2.43	72%
3	\$2.32	\$3.37	\$5.80	\$3.48	150%	\$2.43	72%
4	\$2.50	\$3.55	\$5.80	\$3.30	132%	\$2.25	63%
5	\$2.68	\$3.73	\$5.80	\$3.12	116%	\$2.07	55%
6	\$2.86	\$3.91	\$5.80	\$2.94	103%	\$1.89	48%
7	\$3.04	\$4.09	\$5.80	\$2.76	91%	\$1.71	42%
8	\$3.22	\$4.27	\$5.80	\$2.58	80%	\$1.53	36%
9	\$3.40	\$4.45	\$5.80	\$2.40	71%	\$1.35	30%
10	\$3.58	\$4.63	\$5.80	\$2.22	62%	\$1.17	25%
11	\$3.76	\$4.81	\$5.80	\$2.04	54%	\$0.99	21%
12	\$3.94	\$4.99	\$5.80	\$1.86	47%	\$0.81	16%
13	\$4.12	\$5.17	\$5.80	\$1.68	41%	\$0.63	12%

- a. Are customers who send retail First-Class Mail Parcels without tracking in the same market as customers who send retail First-Class Mail Parcels and also purchase tracking? Please explain whether both sets of customers (those who purchase tracking versus those who do not) are contained in the market share figures shown in the table at page 4 of Attachment B to the Request, and whether they both should be contained in those figures. Please also discuss the alternative products for each set of customers (those who purchase tracking versus those who do not).

Please also provide an estimate of the percentage of retail First-Class Mail Parcels mailed with tracking purchased by the mailer.

- b. If the Postal Service increases the prices of retail First-Class Mail Parcels significantly (once moved to First-Class Package Service), does it risk losing business to competitors or to its own Priority Mail product? Please include a discussion of:
  - i. what constitutes a significant price increase percentage-wise; and
  - ii. the relevance of competitors in the 2/3 day air and ground markets and whether they compete on price or service or both, and how the Postal Service compares.
- c. If price increases for retail First-Class Mail Parcels (once moved to First-Class Package Service) close the price gap between retail First-Class Mail Parcels and Priority Mail:
  - i. what will be the potential effect on retail First-Class Mail Parcels (once moved to First-Class Package Service) customers;
  - ii. what will be the potential financial effect on the Postal Service; and
  - iii. what will be the potential effect on the Postal Service's market share?
- d. Under the Postal Service proposal, mailers of retail First-Class Mail Parcels will no longer be protected by the First-Class Mail price cap. Is it the Postal Service's position that competition will protect these mailers, and that the rate they pay should reflect the market rate even if price increases are substantial? Please discuss.

- e. The Postal Service is concerned that commercial mailers currently take advantage of the lower priced market dominant First-Class Retail Parcel product. See Request, Attachment B at 8.
  - i. Are the single-piece and bulk parcel mailers in separate markets? Please discuss.
  - ii. Could this problem be avoided by changing the eligibility requirements for the use of the First-Class Retail Parcel product? Please discuss the efficacy of this approach in comparison with transferring the product to the competitive list of products.

By the Acting Chairman.

Robert G. Taub