

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

MARKET TEST OF EXPERIMENTAL PRODUCT  
GLOBAL ECOMMERCE MARKETPLACE (GEM)  
NON-PUBLISHED RATES

Docket No. MT2016-1

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1**  
(April 6, 2016)

The United States Postal Service (Postal Service) hereby provides its responses to Chairman's Information Request No. 1, issued on March 30, 2016. Each question is stated verbatim and followed by the response. Some of the responses contain commercially-sensitive material and are filed under seal. The Postal Service hereby incorporates by reference the application for non-public treatment that was filed in conjunction with the Postal Service's March 16, 2016, notice in this docket.<sup>1</sup> The application protects from disclosure the responses that the Postal Service is filing today with the Commission under seal in this docket.

---

<sup>1</sup> Notice of the United States Postal Service of Market Test of Experimental Product- Global Ecommerce Marketplace (GeM) Merchant Solution and Notice of Filing Gem Merchant Model Contract and Application For Non-Public Treatment of Materials Filed Under Seal, PRC Docket MT2016-1, March 16, 2016.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S  
INFORMATION REQUEST NO. 1**

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Anthony F. Alverno  
Chief Counsel  
Global Business and Service Development

Kyle Coppin  
Attorney

475 L'Enfant Plaza, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2368; Fax -6187  
[Kyle.R.Coppin@usps.gov](mailto:Kyle.R.Coppin@usps.gov)  
April 6, 2016.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S  
INFORMATION REQUEST NO. 1**

1. In support of its assertion that GeM Merchant will satisfy 39 U.S.C. § 3641(b)(2), the Postal Service states that “[a]t present, there are at least four companies offering similar end-to-end services[.]” Notice at 5.
  - a. Please identify the companies to which this statement refers.
  - b. Please provide the price ranges for each company’s similar end-to-end services.

**RESPONSE:**

- a. The companies and services that are similar to the GeM Merchant Solution are PitneyBowes Borderfree, FedEx Crossborder (formerly FedEx Bongo), UPS i-Parcel, and DHL iCart.
- b. The Postal Service cannot provide price ranges for each company, since each end-to-end service offering is based on a unique pricing model which may or may not include any or all components of the end-to-end service in a single cost component such as shipping cost. Furthermore, based on the Postal Service’s review of such services in the marketplace, pricing is generally not published, but instead a result of a negotiated agreement which may consider both factors specific to the customer targeted (e.g., customer volume, product characteristics, worksharing) as well as strategic objectives of the company (e.g., intention to gain market share in a specific segment through price competition).

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S  
INFORMATION REQUEST NO. 1**

2. The Postal Service states that it will report on a quarterly basis GeM Merchant cost, revenue, and volume data to satisfy 39 C.F.R. § 3035.20. *Id.* at 8.
- a. Please identify each cost element that the Postal Service will track.
  - b. For each cost element identified, please estimate the costs the Postal Service will incur each year during the market test.
  - c. Please confirm that the Postal Service will track administrative costs.
    - i. If confirmed, please describe what items are included in administrative costs.
    - ii. If not confirmed, please identify all obstacles to tracking administrative costs.
  - d. Please confirm that the Postal Service will track any costs that the Postal Service may incur from any incorrect estimates of duties and taxes.
    - i. If confirmed, please explain how the Postal Service will track these costs and identify any associated cost elements.
    - ii. If not confirmed, please explain why not and identify any obstacles to tracking these costs.

**RESPONSE:**

- a. Response filed under seal.
- b. Response filed under seal.
- c. Not Confirmed
  - i. No response required.
  - ii. The Postal Service primarily tracks administrative costs in Cost Segments 16 and 18 in the CRA and ICRA. There is an inherent difficulty of identifying a causal link between administrative costs and any particular class of mail or special service. As a result, many of those costs are not attributed. The administrative costs for this market test are no different and they will not be separately identified.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S  
INFORMATION REQUEST NO. 1**

d. Confirmed

- i. The Postal Service will collect data on both the estimated amount of duty and taxes that will be provided to the customer with the purchase transaction, and the actual duty and tax amount assessed by the foreign customs and/or tax organization. The Postal Service will then determine any discrepancy.
- ii. No response required.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S  
INFORMATION REQUEST NO. 1**

3. The Postal Service states that it conducted an operations test of the GeM model. *Id.* at 2 n.2.
- a. Please describe the nature, scope, duration, and any results obtained from this operations test.
  - b. Please confirm that the Postal Service provided the services during the operations test. If not confirmed, please identify all suppliers providing services during the operations test.

**RESPONSE:**

- a. The operations test started in September 2015, and was limited to one (1) supplier and three (3) pilot customers. It focused on the Postal Service gathering information concerning crossborder eCommerce-related solutions as offered by companies in the marketplace and how those could be best integrated with the existing USPS network. In December of 2015, this information was used to support the decision to pursue further development and testing of a new experimental product in the form of a market test. The operations test will terminate at the expiration of agreement with all customers in July 2016, or when those customer agreements are transitioned over to the market test agreement option. Through this operations test, the Postal Service gained relevant information concerning what factors to consider when choosing a vendor and for negotiating supplier agreements for this product.
- b. Confirmed in part. The Postal Service provided all domestic service during the operations test, and international service was arranged by Shopex LLC.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S  
INFORMATION REQUEST NO. 1**

4. Please confirm that the Postal Service intends to deliver items from the GeM processing facility to the address of the international buyer using the Postal Service's existing international competitive products.
  - a. If confirmed (in whole or in part), please identify all products that the Postal Service intends to use.
  - b. If not confirmed (in whole or in part), please describe the pricing and service standards for any customized delivery methods that the Postal Service intends to use.

**RESPONSE:**

Confirmed in part. Customers in the GeM Merchant Solution market test would have the option of using either an existing USPS international product, as well as options provided by USPS suppliers, depending on destination and service level.

- a. Shipping options of USPS products offered under this market test will include FCPIS, PMI and PMEI.
- b. The Postal Service intends to use a variety of commercially available international delivery services as suppliers for customized delivery service. Service standards or prices for the market test are not yet determined at this time since the commercial services to be utilized are under review and may be specific to the selected merchant. However, the Postal Service estimates that the standard and expedited service options will be similar to those currently available for FCPIS and PMI, and PMEI, respectively. One goal of the market test is to determine what prices and service standards are feasible.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S  
INFORMATION REQUEST NO. 1**

5. The GeM Merchant price range summary identifies expedited and deferred price ranges for GeM Merchant. *Id.* Attachment 4.
- a. Please confirm that the price ranges also apply to the version of the GeM Merchant model that does not feature the international buyer prepaying the estimated duties and taxes. See Notice at 4 n.3. If not confirmed, please explain how the Postal Service will calculate prices for this version of the GeM Merchant model.
  - b. Please explain the different handling and service standards for items using expedited versus deferred delivery.
  - c. Please confirm that the Postal Service will breakdown its quarterly reporting of volume based upon whether item used expedited or deferred delivery. If not confirmed, please explain why not and identify any obstacles to tracking these volumes separately.
  - d. Please confirm that the price ranges equal payment for international delivery from the GeM processing facility to the address of the international buyer plus the estimated duties and taxes. If not confirmed, please describe any other services included in the price ranges.

**RESPONSE:**

- a. Confirmed. The Postal Service will provide each customer with an estimation of the duties and taxes for each shipment, and the customer will have the option of pre-paying the duties and taxes based on those estimates.
- b. Currently, the Postal Service anticipates standard services to be similar to FCPIS/PMI and expedited to be similar to PMEI standards and features. These estimates can vary depending on the destination country.
- c. Confirmed.
- d. Response filed under seal.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S  
INFORMATION REQUEST NO. 1**

6. Please confirm that GeM Merchant will adjust the estimated duties and taxes to account for the shape, dimensions, weight, value, and type of mailable item.
  - a. If confirmed, please explain how GeM Merchant will adjust the estimated duties or taxes.
  - b. If not confirmed, please explain if the Postal Service or its supplier will adjust GeM Merchant's estimates of the duties and taxes for any other reason.

**RESPONSE:**

Confirmed. The estimation of duties and taxes takes into consideration all factors required under the respective foreign customs and tax regime for the calculation of duties & taxes, including shape, dimensions, weight, value, and type of mailable item.

- a. The solution provides estimates of duties and taxes through a proprietary business system that takes into consideration all factors required under the respective foreign customs and tax regime for the calculation of duties & taxes.
- b. No response required.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S  
INFORMATION REQUEST NO. 1**

7. Please explain if the Postal Service intends to limit the scope of the market test with respect to the shape, dimensions, weight, value, or type of mailable item.

**RESPONSE:**

The Postal Service will limit the scope of the market test concerning shape, dimensions, weight, value or type of items according to limitations or restriction imposed by the shipping option, export and import restrictions and any other regulatory restrictions applicable. In general the Postal Service has narrowed the scope to items or group of items sent between the same Customer and Consignee on the same day that are limited in value to \$2499 and that do not require a license (EAR99) under US Foreign Trade regulations. Additionally, because all items will arrive at the GeM Merchant Facility through a domestic USPS shipping solution, all items will be subject to the same shape, dimension, weight, value, and type restrictions as other domestic parcels.