

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

Market Test of Experimental Product-
Customized Delivery

Docket No. MT2014-1

CHAIRMAN'S INFORMATION REQUEST NO. 7

(Issued July 14, 2016)

On July 7, 2016, the Postal Service filed a data collection report for the Customized Delivery market test for Quarters 1 and 2 of FY 2016.¹ On July 8, 2016, the Postal Service filed a request to extend the Customized Delivery market test for an additional year and to expand the market test to other markets during this additional year.² On July 13, 2016, the Public Representative filed a motion for the Commission to issue an information request to obtain information for evaluating the extension.³

To facilitate the Commission's evaluation of the Request for Extension and Data Collection Report, the Postal Service is requested to provide written responses to the following requests. The Postal Service should provide responses to each request as soon as they are developed, but no later than July 21, 2016.

Request for Extension

1. The Postal Service described the Customized Delivery market test in its notice announcing its intent to initiate the market test and notice of change to the

¹ Customized Delivery Data Collection Report, Fiscal Year 2016, Quarters 1 and 2, July 7, 2016 (Data Collection Report).

² Request of the United States Postal Service for Extension of Customized Delivery Market Test, July 8, 2016 (Request for Extension).

³ Public Representative Motion to Request Issuance of Information Request, July 13, 2016.

- market test.⁴ Please describe any changes the Postal Service plans to make to the market test during the extension period.
2. The Commission may extend a market test “[i]f necessary in order to determine the feasibility or desirability of a product being tested” under 39 U.S.C. § 3641. 39 U.S.C. § 3641(d)(2); 39 C.F.R. § 3035.11. The Postal Service asserts that it “has determined that it will be necessary to continue the market test in a variety of metropolitan areas over the next year, in order for the Postal Service to make a final determination on the operational feasibility and desirability of making Customized Delivery a permanent product.” Request for Extension at 1-2.
 - a. Please provide the rationale supporting this assertion.
 - b. Please identify all changes the Postal Service plans to make to the Customized Delivery data collection plan during the extension period that will enable the Postal Service to determine the operational feasibility and desirability of making Customized Delivery a permanent product.⁵
 3. Pursuant to 39 C.F.R. § 3035.11(b), please provide the following:
 - a. A calculation of the total revenue received by the Postal Service from the market test to date for FY 2016, with supporting documentation for the calculations;
 - b. An estimate of the additional revenue that is anticipated by the Postal Service for the rest of FY 2016, FY 2017, and FY 2018, including available supporting documentation; and

⁴ Notice of the United States Postal Service of Market Test of Experimental Product – Customized Delivery, September 23, 2014, at 1-3; Notice of the United States Postal Service of Change to Customized Delivery Market Test, with Portion Filed Under Seal, October 9, 2015.

⁵ See Order Updating Data Collection Plan for the Customized Delivery Market Test, October 31, 2014, at 2 (Order No. 2236).

- c. Any additional information necessary for the Commission to evaluate continued consistency with the requirements of 39 U.S.C. § 3641.
4. The "continued offering" of the Customized Delivery market test must not create market disruption, which is defined as "an unfair or otherwise inappropriate competitive advantage for the Postal Service or any mailer, particularly in regard to small business concerns...."⁶
 - a. Please explain whether the proposed extension of the Customized Delivery market test will create market disruption. In the response, please provide all relevant market analysis, research, and information supporting the explanation.
 - b. Please explain whether the proposed expansion of the Customized Delivery market test will create market disruption. In the response, please provide all relevant market analysis, research, and information supporting the explanation.
5. The Postal Service states that it "intends to expand the Customized Delivery market test to a number of additional markets over the next year, so that the Postal Service can examine the market in a wider range of metropolitan areas." Request for Extension at 1.
 - a. Please identify the additional markets and metropolitan areas in which the Postal Service intends to expand.

⁶ 39 U.S.C. § 3641(b)(2); see Order Authorizing Customized Delivery Market Test, October 23, 2014, at 7-8 (Order No. 2224). "Small business concerns" are Courier and Express Delivery Services companies with 1,500 or fewer employees and Local Messengers and Local Delivery companies with annual receipts of \$27.5 million or less. See Order No. 2224 at 11; 39 C.F.R. § 3001.5(v); 13 C.F.R. § 121.201, sectors 48-49, subsector 492.

- b. Pursuant to Order No. 2224, please provide the following information for each additional market or metropolitan area identified in response to request 5.a:
 - i. Examples of businesses that offer similar products or services;
 - ii. The range of prices these businesses charge for similar products and services; and
 - iii. A description of the impact of the expansion on small business concerns.

See Order No. 2224 at 13. An example of the level of detail required for this information can be found in the Postal Service's responses to Chairman's Information Request No. 6.⁷

Data Collection Report

- 6. The Postal Service is conducting the Customized Delivery market test in the following metropolitan areas: San Francisco, CA; Los Angeles, CA; San Diego, CA; New York, NY; Sacramento, CA; Stamford, CT; and Las Vegas, NV.⁸ In accordance with the data collection plan in Order No. 2236, please provide the following information for Quarters 1, 2, and 3 of FY 2016, disaggregated by metropolitan area:
 - a. Total revenues generated from the market test;

⁷ See Responses of the United States Postal Service to Chairman's Information Request No. 6, February 8, 2016.

⁸ Order No. 2224 at 21; Notice of the United States Postal Service of Expansion of Customized Delivery Market Test, February 20, 2015; Notice of the United States Postal Service of Expansion of Customized Delivery Market Test, June 18, 2015; Notice of the United States Postal Service of Expansion of Customized Delivery Market Test, January 22, 2016.

- b. Attributable costs incurred in conducting the market test, including product specific costs related to the administration of the market test and costs of dedicated delivery routes;
- c. Volume data consisting of the total number of packages delivered via Customized Delivery and the number of packages dropped off for each delivery (stop);
- d. The number of deliveries (stops) made via Customized Delivery, along with any additional fees charged per delivery, and the number of addresses delivered to;
- e. Workhours, travel times and distance, and other cost data; and
- f. Administrative costs.⁹

The Attachment contains a table illustrating how to disaggregate the requested data by metropolitan area. Please disaggregate data by metropolitan area rather by state or region. Please provide separate tables for Quarters 1, 2, and 3 of FY 2016.

- 7. Please explain why administrative costs changed between Quarter 1 and Quarter 2 of FY 2016.
- 8. For each of the seven metropolitan areas listed in request 6, please identify the number of retailers participating in the Customized Delivery market test.
- 9. Please explain how operational and administrative costs differ among retailers and metropolitan areas.

⁹ Administrative costs should include startup-costs, product specific costs related to the administration of the market test, and costs of dedicated delivery routes.

10. Please confirm that the Postal Service delivers groceries and other prepackaged goods under the market test via City Carrier Assistants (CCAs) rather than Regular City Carriers. If not confirmed, please explain how the delivery method used (CCA versus Regular City Carriers) affects delivery costs among retailers and metropolitan areas.

By the Acting Chairman.

Robert G. Taub

**Attachment
Fiscal Year 2016, Quarter***

	Operational Performance	San Francisco	Los Angeles	San Diego	New York	Sacramento	Stamford	Las Vegas	Q* Total
1	Total revenues								
2	Attributable costs								
3	Number of deliveries (stops)								
4	Additional fees charged per delivery								
5	Number of addresses delivered to								
6	Number of packages dropped off for each delivery (stop)								
7	Total number of packages delivered								
8	Work hours								
9	Total estimated miles								
10	Total estimated travel time in hours								
11	Operational labor costs								
12	Operational vehicle costs								
13	Total operational costs								
14	Administrative costs ¹								

¹ Please include startup-costs, product specific costs related to the administration of the market test, and costs of dedicated delivery routes.