

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Tony L. Hammond, Vice Chairman;
Mark Acton;
Dan G. Blair; and
Nanci E. Langley

Consideration of Technical Methods to Be
Applied in Workshare Discount Design

Docket No. RM2010-13

NOTICE OF PROPOSED RULEMAKING CONCERNING THE TECHNICAL
METHODS TO BE APPLIED IN DESIGNING WORKSHARE DISCOUNTS

(Issued September 14, 2010)

Order No. 536 resolves several important threshold legal and policy issues underlying the design of workshare discounts. The Commission concluded that the pricing constraint on workshare discounts established in 39 U.S.C. 3622(e) may apply within or across products, as that term is defined and employed in the Postal Accountability and Enhancement Act.¹ It concludes that subsection 3622(e) implements a substantial portion of the policies that underlay the Efficient Component Pricing rule as that principle has been articulated in prior regulatory practice. It also concludes that identifying the groups of mail between which worksharing relationships should be recognized for purposes of subsection 3622(e) requires identification of mail that serves

¹ Pub. L. 109-435, 120 Stat. 3198 (2006) (PAEA).

the same market and is distinguished from other mail serving that market predominantly by the costs that worksharing activity avoids. The selection of an appropriate base or reference group from which the costs avoided by worksharing are to be calculated depends on what components of the base group are likely to shift to the workshared group in response to changes in their relative prices.

Applying these principles to mail classes, Order No. 536 concludes that there is a worksharing relationship between presort First-Class Mail and single-piece First-Class Mail that is metered or bears Information Based Indicia (IBI). In this docket, the Commission solicits comments on the appropriate base group for measuring First-Class Mail workshare discounts. Commenters should feel free to discuss the merits of the current Bulk Metered Mail (BMM) base category as well as a number of already suggested alternatives, including IBI mail, a weighted average of BMM and IBI mail, "Qualified PC Postage" mail, or some other group of single-piece First-Class Mail. It also solicits comments on the specific cost characteristics that the base category selected should have.

Order No. 536 also concludes that Saturation Mail is not in a worksharing relationship with other groups of Standard Mail. Accordingly, there is no need to further examine the issue of identifying an appropriate reference category for pricing Saturation Mail in a follow-on proceeding.

Order No. 536 contemplates that this follow-on proceeding will also consider technical proposals to revise or refine the manner in which avoided costs are modeled. The Postal Service's comments in Docket No. RM2009-3, for example, mention its intention to propose changes to the way some cost pools are classified for purposes of cost avoidance analysis (whether they should be treated as proportional, fixed, or non-worksharing related). The comments of the American Postal Workers Union, AFL-CIO in that docket express a more general desire to re-evaluate and modify the current method of classifying avoided cost pools.

In Docket No. RM2009-3, various parties expressed an intent to propose changes to the way delivery and other costs are estimated in calculating the costs

avoided by presort First-Class Mail. Comments suggested de-averaging rates for First-Class Mail by indicia, the use of two Cost and Revenue Analysis adjustment factors to develop workshare discounts, and a form of pre-barcoding discount that would recognize the savings generated by single-piece First-Class Mail that is CASS-certified and bears an Intelligent Mail barcode. All of these issues are eligible for consideration in this docket.

It is Ordered:

1. The Commission establishes Docket No. RM2010-13 to consider analyses, arguments, and proposals concerning technical issues that relate to the design of workshare discounts, as described in the body of this Order.
2. Initial comments are due on or before November 15, 2010.
3. Pursuant to 39 U.S.C. 505, the Commission appoints Emmett Rand Costich to represent the interests of the general public in this proceeding.
4. The Secretary shall arrange for publication of this Notice in the *Federal Register*.

By the Commission.

Shoshana M. Grove
Secretary