

Before the  
POSTAL REGULATORY COMMISSION  
Washington, DC 20268-0001

Annual Compliance Report, 2017

:

Docket No. ACR2017

REPLY COMMENTS OF THE GREETING CARD ASSOCIATION

The Greeting Card Association (GCA) files these Reply Comments pursuant to Order No. 4323. GCA, which represents about 200 greeting card publishers and related enterprises, is the one postal trade association which speaks for the individual household mailer. Our comments are directed to certain issues raised by the initial comments of the National Postal Policy Council, the National Association of Presort Mailers, and the Major Mailers Association (hereinafter, "NPPC et al.").

NPPC et al. invoke some new metrics, drawn from Order No. 4257 in the pending tenth-year review proceeding, to argue that First-Class Presort rates are "unjust" (too high). It is fair to say, however, that the basis of much of their argument is their disagreement with the long-standing definition of what counts as compensable worksharing. The Commission arrived at this definition after lengthy, detailed rulemaking proceedings. At pp. 5-6, however, NPPC et al. argue –

That the high cost coverage [of Presort] persisted despite these two ameliorating factors indicates that the fundamental problem – a failure to reflect the low cost characteristics of Presort Mail in rates – is deep and persistent. Indeed, the continued high cost coverage and unit contribution is partly explained by the fact that many low-cost characteristics of First-Class Presort Letters and Cards (such as local entry, traying and facing, entry near the destination, and a lower cost sales channel) have not, to date, been found to be within the definition of worksharing in Section 3622(e). Consequently, those lower costs are ignored in the workshare discount calculations. Yet these low costs are real, which is why First-Class Automation and Presort mail have significantly lower attributable costs than other mail even before taking worksharing into account.

It remains true, however, that not every cost-reducing characteristic a mailpiece may exhibit is properly labeled as a *worksharing* effect.

This is not a new argument. In Docket ACR2015, NPPC argued that Presort rate should be constructed starting with the CRA costs of the least-costly product, 5-Digit Automation, because that mail “receives no recognition in pricing for its many cost-saving characteristics that do not fit within the narrow definition of Section 3622(e).”<sup>1</sup> In our reply comments, we observed that

. . . In Order No. 536, the Commission drew a clear distinction between mailer-controlled ancillary features which potentiate, as regards cost reduction, the actual worksharing effort and those which do not. For instance, address cleansing makes pre-barcoding valuable because wrong addresses generate wrong barcodes and hinder efficient processing and delivery. These ancillary characteristics *do* fall within the sec. 3622(e) definition as the Commission has clarified it. To object to the definition as “narrow” is to ignore the fundamental fact that Presort, as a workshared category, is fully subject to that section. The Commission . . . has followed the statute and responsibly exercised its authority to define worksharing in detail.<sup>[2]</sup>

The present case is much the same. The mail characteristics NPPC et al. cite are simply that: characteristics of a particular sort of letter. They have not been shown either to dispense with a (costly) function the Postal Service would otherwise have to perform or to “potentiate . . . the actual worksharing effort.” The suggestion that the Commission should expand its definition of worksharing to include them is in any case hardly a matter for consideration in an annual compliance review. Whether such consideration would be productive at all, in view of the exhaustive examination of the issue in Dockets RM2009-3 and RM2013-10, is also a pertinent question (GCA believes that it would not).

GCA would suggest that the Presort discounts challenged by NPPC et al. are compliant with the statute, and that the Commission should so find.

February 12, 2018

Respectfully submitted,

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<sup>1</sup> Docket No. ACR2015, *Comments of the National Postal Policy Council*, p. 8.

<sup>2</sup> Docket No. ACR2015, *Reply Comments of the Greeting Card Association*, p. 2 (fns. omitted).

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