



## **American Postal Workers Union, AFL-CIO**

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1300 L Street, NW, Washington, DC 20005

March 8, 2007

Wendy A. Hocking, Secretary  
Board of Governors  
United States Postal Service  
475 L'Enfant Plaza, S.W.  
Washington, D. C. 20260-4100

RE: Opinion and Recommended Decision  
Postal Regulatory Commission  
Docket No. R2006-1

Dear Secretary Hocking:

I am writing on behalf of the American Postal Workers Union, AFL-CIO (the APWU), to urge the Governors to approve the Recommended Decision of the Postal Regulatory Commission in Docket No. R2006-1 (hereinafter "Recommended Decision"). The APWU has participated actively in this rate proceeding as an intervenor. Our particular concern in this case is the manner in which discounts are established for workshared First Class mail. On that issue, the Recommended Decision is fundamentally correct and should be approved by the Governors, for the reasons explained more fully below.

From the inception of First Class workshare discounts, there has been an understanding by both the Postal Service and the Commission that discounts must be justified by costs avoided by the Postal Service due to the presorting and barcoding of mail by the mailer so that similar letters being provided First Class service bear the same amount of the institutional costs of the Postal Network<sup>1</sup>. The Commission's reasoning and support for these discounts was more fully set forth in Docket No. MC95-1, where the Commission "explained how the amounts of workshare discounts should properly be developed. This rationale was premised on the concept of Efficient Component Pricing (ECP)." Recommended Decision ¶ 4004; Vol. 1, at 81.

We strongly support the use of ECP in setting workshare discounts. There is broad agreement among economists that the use of ECP in setting discounts is the best way to achieve the highest possible efficiency in the overall postal system. APWU

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<sup>1</sup> APWU-T-1, at 4; citing Opinion and Recommended Decision in MC73-1, at 16.

members are proud to be a part of the most efficient postal service and the most efficient mail processing system in the world. That efficiency, and the enormous investment made by the Postal Service to achieve it, can only be maintained if workshare discounts are properly priced.

It is critical to the “framework of Efficient Component Pricing” that workshare discounts be measured against an appropriate benchmark.<sup>2</sup> In adhering to ECP and the use of an appropriate benchmark, the Commission has rejected, for good and sufficient reasons, a proposal by the Postal Service to abandon a benchmark and ECP for First Class letter mail by “de-linking” rates for single piece First Class letters from rates for workshared First Class letters. Acceptance of de-linking would create upward pressure on rates for single piece First Class mail and undermine the value of postal services for individuals and small businesses. The Commission points out in its decision that the proposed de-linking “does not fairly and equitably balance the interests of all First-Class mailers within the subclass, does not follow established principles of rate design including Efficient Component Pricing and does not fairly allocate costs unaffected by worksharing.” *Id.* ¶ 5095, Vol. 1 at 128.

We agree with these criticisms of the proposal to de-link single piece and workshared rates, and we wish to add two additional points. First, under Sections 3622(b) and 3625(d) rates must comport with the policies of the Act. As the Commission observed in MC95-1, ¶ 2048, “...the first and most enduring objective of postal policy has been to bind the nation together. “ Central to this objective is the statutory requirement of uniform First Class rates to serve every area of the country. “A class such as First Class is necessary to comply with the statutory command [of Section 3623(d)] that ... [t]he rate for [First Class] shall be uniform throughout the United States, its territories, and possessions.” *Id.*, ¶ 3005; 39 U.S.C. § 3623(d). Thus, the shifting of costs from workshare mailers to single piece mailers within First Class would violate the express statutory requirement of uniform rates for First Class letter mail. Discounted rates can only be justified by costs avoided by the Postal Service when the mailer performs a function that replaces work that would otherwise be performed by the Postal Service. By performing that work in place of the Postal Service, the mailer is in essence “paying” for the service in a different form, and uniformity of rates is maintained.

Finally, we observe that the Recommended Decision of the Commission is supported by reference to the Postal Accountability and Enhancement Act (PAEA) that became law on December 20, 2006. In the PAEA, Section 3623(d) of the Postal Reorganization Act, requiring uniform rates for letters sealed against inspection, has been restated verbatim as a new subsection (c) to Section 404 of Title 39. Thus, Congress has recently reiterated and reconfirmed the requirement of uniform First Class

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<sup>2</sup> The Recommended Decision explains it’s rationale for the appropriate benchmark for determining workshare discounts for First Class letter mail at 5095-5109; Vol. 1 at 129-134.

rates as articulated by the Commission in its decisions.<sup>3</sup>

In the PAEA, Congress also has explicitly provided that the new regulations to be issued by the Postal Regulatory Commission must include a requirement that workshare discounts not exceed costs avoided. 39 U.S.C. § 3622(e). This, too, is a confirmation of this Commission's decisions. The Commission has consistently held, as in this case, that workshare discounts must be justified by costs avoided by the Postal Service. Only in this way, is it possible for workshare discount rates to comply with the requirement that First Class letter rates remain uniform. In the PAEA, Congress has recognized and adopted this important principle.

For these reasons, we urge the Governors to adopt the Recommended Decision of the Commission.

Respectfully submitted,

A handwritten signature in black ink that reads "William Burrus". The signature is written in a cursive style with the last name "BURRUS" in all caps.

William Burrus  
President

WB/lbb<sub>(osa)</sub>  
opeiu#2, afl-cio

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<sup>3</sup> See *Lorillard v. Pons*, 434 U.S. 575, 580-581 (1978) (“...where, as here, Congress adopts a new law incorporating sections of a prior law, Congress normally can be presumed to have had knowledge of the interpretation given to the incorporated law, at least insofar as it affects the new statute”).