

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

Annual Compliance Report

Docket No. ACR2007

**COMMENTS OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO
ON POSTAL SERVICE ANNUAL COMPLIANCE REPORT
(January 30, 2008)**

The American Postal Workers Union, AFL-CIO (APWU) submits the following comments in response to the Commission's Notice of Filing of Annual Compliance Report by the Postal Service and Solicitation of Public Comment issued December 31, 2007.

The present compliance report was filed by the Postal Service pursuant to Section 3652 of the Postal Accountability and Enhancement Act (PAEA) yet the rates and fees in effect for FY 2007 were governed not by the PAEA but rather by its predecessor, the Postal Reorganization Act (PRA). This, the Postal Service comments, makes the FY 2007 Annual Compliance Report a transitional report and not necessarily reflective of the information that must be included in future reports.¹

We observe at the outset that, while it is fair to characterize this report as a transitional report, we anticipate that future compliance reports will provide additional information and analysis. In this regard, we welcome the additional

¹ USPS FY 2007 Annual Compliance Report at 2 (December 28, 2007).

information sought by the Commission in its January 24, 2008, request that the Postal Service clarify and supplement its data.

We are concerned that, while the Postal Service provides workshare discounts data, as required by Section 3652(b) of the PAEA,² the data presented are based on the Postal Service “analysis of worksharing price differences within products, rather than between products.”³ This is inconsistent with the Commission’s R2006-1 decision, which approved the bulk of the workshare discounts in place for fiscal year 2007. As the Commission said in that Recommended Decision (page 127 at 5089, 5090):

A comparison of pieces that are similar, except for worksharing, is the approach most likely to accurately isolate the savings due to worksharing, and therefore allow for the development of discounts that encourage efficient mailer behavior and minimize costs to society.

Thus, the Commission reiterated in R2006-1 the Bulk Metered Mail (BMM) benchmark should be used to measure First Class letter mail discounts. The initial report, however, once again backs away from using the BMM benchmark, essentially again seeking to “de-link” single piece First Class letter mail from workshared First Class Mail. The Commission’s findings on this point in its Recommended Decision in R2006-1 are equally applicable to the Postal Service’s report:

De-linking the rate design 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. The Commission does not accept the Postal Service’s de-linking proposal.

² USPS-LR-FY07-3, Workshare Discounts and Passthroughs, Revised January 22, 2008.

³ FY2007 ACR at 21.

While it would be premature at this time to embark on an extended analysis of the requirements of the workshare discount provisions of the PAEA, we do wish to observe that they are no less rigorous than those established by the Commission under the PRA, and they are equally protective of rates for single piece First Class letter mail.

Finally, in its ultimate determination of the data required in Annual Compliance Reports, the Commission should ensure that the requirements are flexible. The Postal Service will soon be able to generate an extensive amount of data about its operations. For example, the advent of the Intelligent Mail Barcode is likely to provide a rich new source of data for measuring costs associated with the benchmark. The Commission should [encourage these improvements and give consideration to the best way of prompting the Postal Service to provide its best operational cost data as it becomes available](#). For the same reasons, we believe that there will be a need for future technical conferences and written documentation to provide a complete understanding of how the Postal Service generates the compliance data and therefore, an accurate assessment of compliance.

Respectfully submitted,

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