

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

Consideration of Workshare
Discount Rate Design

Docket No. RM2009-3

NOTICE OF INQUIRY NO. 1

(Issued August 27, 2009)

After reviewing the transcript of the public forum held August 11, 2009, and in anticipation of reply comments due August 31, 2009,¹ the Commission believes that the record would benefit if interested persons address the following questions concerning workshare discount methodology issues. Responses to these questions are due September 11, 2009. Because these questions are related to matters likely to arise in reply comments, the due date for reply comments is likewise extended to September 11, 2009.

1. When the “owner” of First-Class Single-Piece Mail decides to use the services of a consolidator, its single-piece mail becomes eligible for Presort First-Class Mail discounts. As the consolidator increases density in this manner, it becomes feasible to presort the mail at greater depth, qualifying the mail for a deeper discount on each piece. Some of that discount is typically shared with the owner of the mail, and some is retained by the consolidator as compensation for the value that he adds to the owner’s mail.
 - a. If the consolidator did not aggregate mail to greater density prior to presortation, would the Postal Service perform a similar aggregation function “in house” prior to sorting?

¹ See PRC Order No. 243, Order on Further Procedural Steps, July 10, 2009.

- b. Should the aggregation done by the consolidator be considered worksharing?
 - c. Does aggregating mail to achieve higher densities prior to entering it into the system affect the value of presortation to the Postal Service?
 - d. If aggregation to higher densities affects the value of presortation, would it be economically efficient to offer a rate incentive to encourage it?
2. Assume there is a given set of mail addressed to a 3-digit area that can be entered into the mailstream four different ways:
- as two separate non-presorted mailings, neither of which has sufficient density to qualify for 5-digit presort rates;
 - as two separate mailings presorted to 5-digit despite lacking sufficient density to qualify for 5-digit presort rates;
 - consolidated into a single mailing (which creates sufficient density to satisfy the minimum piece requirements for 5-digit presort rates), but not presorted; or
 - consolidated into a single mailing and presorted to 5-digit.
- a. How would the cost to the Postal Service of handling the mail vary between the four preparation scenarios?
 - b. Is the ability of the Postal Service to realize savings from increased density dependent on (or enhanced by) presortation? Why or why not?
 - c. Is the ability of the Postal Service to realize savings from presortation dependent on (or enhanced by) some minimum level of density? Why or why not?
 - d. Are there synergies between the savings from density and presorting (*i.e.*, do the savings from the combination exceed the sum of each individually)?

- e. If so, should the Postal Service try to estimate the cost-reducing effect of each separately and offer separate discounts?
3. Under the established method of estimating the costs avoided by the Postal Service as a result of worksharing, the savings from some (workshare-related) mail preparation functions performed by a mailer that are not a direct substitute for a Postal Service function are included. Examples include savings from electronic presorting, which avoids Postal Service physical sorting; address cleansing, which avoids Postal Service forwarding and return costs; and automation compatible mailpiece design, which reduces the likelihood of manual Postal Service sorting. Should “worksharing-related” functions like the ones described above be applied when defining “workshare discount” and estimating “the cost that the Postal Service avoids as a result of workshare activity” under the Postal Accountability and Enhancement Act? See 39 U.S.C. § 3622(e). Should only those activities performed by a mailer that replicate functions the Postal Service would otherwise perform in essentially the same manner be considered part of worksharing? Or should some other standard apply? Please explain.

By the Commission.

Judith M. Grady
Acting Secretary