

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Consideration of Workshare Discount)
Rate Design)

Docket No. RM2009-3

**TESTIMONY OF ELIZABETH A. BELL, MARY L. WILLIAMS,
PATRICK W. PARVIN, JAY P. GILLOTTE, and RICHARD GEBBIE
ON BEHALF OF THE
NATIONAL ASSOCIATION OF PRESORT MAILERS**

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1 **TESTIMONY OF ELIZABETH A. BELL, MARY L. WILLIAMS,**
2 **PATRICK W. PARVIN, JAY P. GILLOTTE, and RICHARD GEBBIE**
3 **ON BEHALF OF THE**
4 **NATIONAL ASSOCIATION OF PRESORT MAILERS**

5 This testimony is jointly submitted by Elizabeth A. Bell, Mary L. Williams
6 Patrick W. Parvin, Jay P. Gilotte, and Richard Gebbie on` behalf of the National
7 Association of Presort Mailers ("NAPM").

8 **I. BACKGROUND AND QUALIFICATIONS**

9 **A. Elizabeth A. Bell**

10 My name is Elizabeth A. Bell. I am the owner and chief executive officer
11 of Access Mail Processing Services, Inc., a presort mailing company in
12 Clearwater, Florida. My experience in mail processing dates back to 1970
13 when, as a college student, I worked for the United States Postal Service in a
14 wide variety of jobs, the last of which was carrying a rural delivery route during
15 my last year in college.

16 I established what is now Access Mail Processing Services, Inc., in 1986
17 and opened for business on January 5, 1987, under the name Pinellas Insured
18 Presort, Inc. I am and have been the owner and chief executive officer of the
19 company since its creation.

20 Access Mail Processing Services is the one of the oldest and largest
21 presort mailing company in Southwest Florida. It was also one of the first to
22 become automated, which we did in 1991. We currently process an average of

1 approximately 110,000 pieces of mail per day, a volume that makes us a small to
2 medium-size presort bureau.

3 I testified as a witness for NAPM in Docket No. R2006-1, the last omnibus
4 rate case before the Postal Rate Commission.

5 **B. Mary L. Williams**

6 My name is Mary L. Williams and I am the owner and President of Presort
7 Solutions, LLC, Naperville, Il., 60553 which was established May, 2002. I have
8 been in the presort business for over 25 years, working with a manual operation
9 presort bureau and then opened and established one of the first automated
10 bureaus in the Chicago area. This business grew to over 2,500,000 million
11 pieces of mail per day over 14 years that I was with the company. I left this
12 company and started Presort Solutions in 2002.

13 I have been involved with local PCC's as the co-chair on Central Illinois
14 PCC's and have worked with Postal and customers to enhance the amount of
15 their mail volume that could be automated whenever possible. As a speaker at
16 the National Postal Forum in past years, one of my top sessions was "Zip + 4,
17 more than a Discount" and I carried this message from the 1980's when zip + 4
18 was just developing to the IMB that we have today.

19 Presort Solutions is one of the largest growing bureaus in the past 5
20 years, as we currently process over 2,500,000 pieces of mail per day, both First
21 Class and Standard mail, non-profit mail included. We currently have 7 MLOCR
22 machines and 2 BCR machines that provide us the capability to assist the
23 mailing community to take advantage of postal discounts, improved delivery and
24 service by barcoding and consolidating their mail, within trays, within pallets,

1 within truck loads. The quality and performance standards that we maintain
2 while processing the mail is mandatory on all three of the shifts as we employ
3 over 80 employees at the current time.

4 Presort Solutions has continued to be a leader by meeting or exceeding all
5 of the requirements and suggestions for improving Move Updates for our
6 customers, today. We have invested in new software from our Bowe Bell &
7 Howell manufacturer to further prepare our company for Full Service Discounts in
8 November when they become available for our company and our clients. Our
9 continued growth in 2008 and 2009 substantiates the need for my philosophy on
10 the business needs for the mailing industry.

11 **C. Patrick W. Parvin**

12 My name is Patrick W. Parvin. I am the former owner of and currently
13 chief executive officer of Action In Mailing, Inc. and the present General Manager
14 of Wells Action In Mailing, Inc., a lettershop and automated presort bureau in
15 Montgomery, Alabama. My experience in mail processing dates back to 1985
16 when I founded Action In Mailing, Inc. Prior to that I was somewhat familiar with
17 mail preparation as a customer of the Postal Service using, what was then, Third
18 Class mailing services.

19 Wells Action In Mailing, Inc. is the only presort bureau in central Alabama.
20 Action In Mailing, Inc. was the second company in the Alabama district to install
21 automated presorting equipment in 1991. Action In Mailing, Inc. was the first
22 entity in the Alabama District to be qualified for "Combined Mailing" status and for
23 "VAR" authorization. We currently process an average of approximately 40,000
24 pieces of mail per day, a volume that makes us a small presort bureau.

1 I am also a member of the Board of Directors of the National Association
2 of Presort Mailers.

3 **D. Joseph P. Gilotte**

4 My name is Joseph P. Gilotte. I am the founder and owner of Presort
5 Services, Inc., a Michigan company that provides data processing and
6 management services, printing, full service First and Standard Class mail
7 production, and Multiline sortation of both letters and flats.

8 Presort Services is the oldest Presort bureau, in Michigan with production
9 facilities in Lansing and Grand Rapids and has been continuously certified under
10 the USPS MPTQM quality program since its inception. Presort Services process
11 approximately 3.5 million pieces of First and Standard flats and letters per week.

12 I am a board member and former president of the National Association of
13 Presort Mailers, and am currently one of the NAPM's representatives on MTAC.

14 **E. Richard Gebbie**

15 My name is Richard Gebbie. I am the president of Midwest Direct, a print
16 and mailing company with a corporate office in Cleveland, Ohio and a second
17 location in Pittsburgh, Pennsylvania. My experience in mail processing dates
18 back to 1980. I discovered there was a necessity for northeast Ohio businesses
19 to presort their mail. Taking advantage of the presort niche created by the
20 USPS®, I began my business relationship with the Cleveland Post Office. In the

1 beginning my services were simple; providing pickup services from businesses,
2 presorting their mail and transfer the mail to the post office.

3 I established Mid-West Direct Presort, Inc. in 1980. In 1982 I expanded
4 our sorting facilities in Cleveland, and included the surrounding cities Columbus,
5 Akron, Pittsburgh and Syracuse, N.Y. At that time I began to provide additional
6 services such as a full service lettershop, print shop to compliment the presorting
7 business. Capitalizing on a fleet of trucks and vans, I have since combined all the
8 facilities to only two locations. Today my business is known simply as Midwest
9 Direct, Inc. I am and have been the president of the company since 2000.

10 Midwest Direct, Inc. is the first and largest presort mailing company in
11 Northeast Ohio. It was also one of the first to become automated, which we did in
12 1991. We currently process an average of approximately 20 million pieces of
13 mail per month. Our presorting volume and additional services makes us a
14 competitive large-volume-size presort bureau.

15 **II. SUMMARY OF TESTIMONY**

16 The purpose of this testimony is to discuss two issues raised by the
17 Commission and/or other parties in this proceeding. First, do Presort and Single-
18 Piece First-Class Mail constitute separate and distinct markets? Second,
19 assuming for the sake of argument that (1) the two mail products are regarded as
20 the same market, and (2) the rates for the two kinds of markets should be re-
21 linked (in the sense of having the rate differentials between the two products
22 limited to the costs of the single-piece product that are avoided by the presort
23 product), should the benchmark for estimating cost avoidances be Bulk Metered
24 Mail ("BMM") or some other kind of single-piece mail?

1 We do not discuss these questions as academic economists, and leave
2 most issues of economic theory to others. Rather, our perspective is that of
3 business people who own and operate presort bureaus, and who have a direct
4 perspective on how mail owners choose between the two First-Class products—
5 and what kind of mail is most likely to switch between the two products in
6 response to small changes in prices.

7 Based on our many years of experience with the presort industry (and, in
8 many instances, previous experience as employees of Postal Service mail
9 acceptance and processing operations), we believe that presort and single-piece
10 First-Class Mail are separate product markets, and that relatively little volume
11 would switch between the two products in response to marginal changes in their
12 relative prices. Hence, we agree that there is no “need to consider the issue of
13 what benchmark would be most appropriate for measuring the cost avoided by
14 the worksharing characteristics of these products.” Docket No. RM2009-3, Order
15 No. 243, p. 3.

16 Furthermore, the single-piece volume that is most likely to switch has the
17 physical and cost characteristics typical of high-cost collection mail, not bulk
18 metered mail (“BMM”). Hence, if the Commission were to relink the prices of the
19 presort and single-piece mail, the rate differentials between the two products
20 should reflect the cost differences between presort mail and collection mail, not
21 presort mail and BMM.

22 **III. PRESORT AND SINGLE-PIECE FIRST-CLASS MAIL CONSTITUTE**
23 **SEPARATE AND DISTINCT MARKETS.**

24 In our judgment, presort and single-piece First-Class Mail are clearly
25 separate and distinct product markets. The presort product is the product of

1 choice for businesses, government agencies and other mail owners that are
2 large and sophisticated enough to perform the sorting, address management,
3 trayng and other functions required to qualify for presort rates, or that have
4 enough mail volume to allow presort bureaus or other third-party service
5 providers to perform these functions at an attractive price.

6 Single-piece mail consists of bill payments, greeting cards and other
7 personal correspondence, and other mail sent by households, small businesses
8 and other mail owners that have too little mail volume to attract presort bureaus.
9 Single-piece mail is also used by larger mailers for residual volumes that cannot
10 qualify for presort rates—e.g., because the addresses could not be given a
11 proper 11-digit delivery point barcode as required by DMM 233.5.1, or because
12 legal restrictions on applying Move Update information without the consent of the
13 addressee require that the mail be entered as single-piece mail.

14 Three decades after the introduction of presort discounts, both products
15 are mature, and there is little migration between them. Most mail that could
16 readily convert from full-paid single piece mail to presort mail converted a long
17 time ago.

18 Presort bureaus are painfully aware of this fact. We would convert more a
19 larger volume of single-piece mail to presort mail if we could do so profitably, and
20 all of us make ongoing efforts to find more presort-capable volumes of single-
21 piece mail in our communities. We have discovered, however, that most First-
22 Class Mail that could be cost-effectively presorted is already presorted. The
23 remaining volume of First-Class mail that continues to be entered as single-piece
24 is resistant to presorting. It consists of mail from mail owners that generate too
25 little volume to justify the costs to a presort bureau of collecting the mail,

1 transporting it to our facilities, sorting it, delivering it to the Postal Service, and
2 billing the mail owners for our services. Or the mail has address problems that
3 disqualify it for presort rates.

4 In this regard, we agree with the comments of the Greeting Card
5 Association in Docket No. ACR2007:

6 [O]n a broad level, the nature of the communication and its
7 purposes differ between bulk and single piece letters/ postcards,
8 with the former generally used for business applications involving
9 groups such as customers and the latter generally used for
10 individual correspondence or transactions. Thus, from both a cost
11 and a market perspective, bulk letters and postcards are a much
12 different product than are single-piece letters and postcards.

13 Docket No. ACR2007, *Annual Compliance Report*, Reply Comments of GCA
14 (Feb. 13, 2008) at 4 (quoting with approval PRC Docket No. RM2007-1, USPS
15 Submission of Initial Mail Classification Schedule In Response to Order No. 26
16 (Sept. 24, 2007) at 12).

17 This is not to say that changes in the prices of the two products have no
18 effect on volume. Decreasing the price of presort First-Class Mail causes its
19 volume to increase. Senders of First-Class solicitations and other discretionary
20 volume tend to mail more of it. And mailers of statements and other
21 nondiscretionary First-Class mail tend to try less hard to convert customers,
22 clients or account holders to electronic bill presentment and other forms of
23 nonpostal communication. For the opposite reasons, increasing the price of
24 presort First-Class Mail causes its volume to decrease. Similarly, increases in
25 the price of single-piece mail cause its volume to decrease, and *vice versa*. But

1 these effects are growth or shrinkage in the volume of each product, not
2 migration from one First-Class product to the other.¹

3 **IV. THE SINGLE-PIECE FIRST-CLASS MAIL MOST LIKELY TO CONVERT**
4 **TO PRESORT MAIL HAS THE PHYSICAL AND COST**
5 **CHARACTERISTICS OF COLLECTION MAIL, NOT BULK METERED**
6 **MAIL.**

7 **A. Physical Characteristics**

8 We do not mean to suggest that relative changes in the price of presort
9 and single-piece First-Class Mail cause no substitution between the products at
10 all. A modest amount of substitution does appear to occur at the margin. But the
11 single-piece mail that is most likely to switch to presort mail is not the theoretical
12 kind of mail called Bulk Metered Mail (“BMM”). Rather, the single-piece mail that
13 is at the margin of presorting has the physical and cost characteristics of high-
14 cost collection mail.

15 BMM, as we understand the term, is a hypothetical construct defined as
16 First-Class mailpieces entered in bulk, in trays, properly addressed, uniformly
17 and correctly faced, and with the proper postage already applied—all without any
18 discount for these preparatory steps. We also understand that BMM has served
19 as the cost “benchmark” for estimating the magnitude of the costs that are
20 avoided when single-piece mail migrates to presort. With all respect, no one with
21 significant experience in the presort business would consider BMM mail—if it
22 exists at all—to be the single-piece mail most likely to covert to presort.

¹ We understand that the Postal Service has estimated that a one percent price increase would cause a volume reduction of 0.25 percent for presort First-Class Mail and a volume reduction of 0.218 percent for single-piece Presort Mail. Although we have not studied the statistical analyses underlying these figures, they seem consistent with our experience.

1 First, we have never seen BMM. The First-Class Mail that we receive for
2 presorting from customers who have not previously used a presort bureau—i.e.,
3 from our new customers—in fact is similar to collection mail, not BMM. Mail from
4 customers who have previously entered their First-Class Mail as single-piece
5 mail typically has the following characteristics:

- 6 • Most customers do not know what sizes of envelopes are acceptable
7 for automation mail.

- 8 • Nor do most customers know what type faces can and cannot be read
9 by optical character readers. They would use whatever type face they
10 fancied and whatever color envelope they like, without regard to
11 whether it would provide adequate contrast with a USPS applied
12 POSTNET or IMB barcode.

- 13 • Many pieces we process have hand written addresses, not pristine
14 typed or computer-generated addresses like those on BMM.

- 15 • Most mailers do not know what a barcode clear zone is, and would
16 have no reason to provide one.

- 17 • Most do not know what Move Update is. Absent any discount, these
18 mailers would have no reason to comply with Move Update
19 requirements, especially for First-Class Mail, which the USPS forwards
20 free of additional charge.

- 21 • Most mailers do not understand “loop mail” (mail that is designed in a
22 way that causes the optical character reader—whether owned by the
23 Postal Service or a presort bureau—to read the return address and
24 send the mailpiece back to the sender) or how to avoid it.

1 • Nor would mailers have any reason to be concerned if some of their
2 envelopes are stuck together or are unsealed prior to processing.

3 • Most would not know how to properly use tabs and wafer seals.

4 There is also no reason to assume that mailers would put mail in postal
5 trays if they didn't have to get a discount. They might do it some of the time, a
6 few even most of the time, but probably none that would do it all the time.

7 • First, where would they get the trays? Our customers get them from
8 us. Without us, they could, perhaps, get them from the Postal Service,
9 if they thought of doing so and if the Postal Service did not mind taking
10 time at the busiest part of the day—the late afternoon and early
11 evening when most mailers want to deposit their mail—to hand out
12 empty trays. This assumes, of course, that these mailers haven't
13 already dumped their mail into a collection box or simply handed it to
14 their carrier in some old box they had lying around.²

² During cross-examination of Ms. Bell in Docket No. R2006-1, counsel for APWU suggested that the flow of trays would be bidirectional, on the theory that large senders of First-Class Mail are “highly likely” to be “receiving a substantial volume of mail as well,” and thus are likely to receive a supply of trays sufficient for their outgoing mail. R2006-1 Tr. 38/12987. In fact, facilities that generate large volumes of outgoing mail often do not receive equal quantities of incoming mail. Ms. Bell's two largest customers in 2006, for example, were a VA hospital center that sent out large volumes of appointment notices, and a company mail processing center whose corresponding payment center was located elsewhere. Both of these companies sent far more mail than they received. R2006-1 Tr. 38/13002 (Bell). If single-piece mailers were getting the trays in that they needed, presort bureaus would never have to deliver trays to customers. The assumptions implicit in the suggestion--(1) that mail is delivered to mailers in trays in the first place, (2) that incoming mail is delivered to mailers at the same location where the mailer's outgoing mail is produced, and (3) that mailers using presort bureaus receive approximately the same amount of mail as they send--are simply incorrect. If these assumptions were all correct, we could not have to deliver trays to our customers now. In fact, presort bureaus typically deliver a

- 1 • Second, why would mailers with less than full trays of mail want to use
2 trays anyway? Virtually all presort bureaus have a daily minimum of
3 pieces per customer. Even the smallest presort bureaus have a
4 minimum of at least 100 or 200 pieces per day, in part because presort
5 bureaus generally do not meter mail for customers, and most
6 customers with fewer than 100 or 200 piece of mail a day do not have
7 a postage meter. Some presort bureaus do meter mail for customers.
8 Those shops might be willing and able to operate with a lower or even
9 no average daily minimum; but they may charge a fee for handling
10 customer mail. But even with a daily average minimum of 200 pieces
11 does not produce full trays of mail. Two hundred pieces of First-Class
12 Mail would rarely if ever fill a postal letter tray. Generally, it wouldn't
13 even fill a half tray. So, what presort bureaus get from their smallest
14 customers is clearly not BMM.
- 15 • Third, what incentive would mailers have to take the time or trouble to
16 seek out trays to use? Single-piece mail can be entered in any
17 container available, including grocery bags and paste-board boxes—or
18 just dumped into a collection box without any container at all.
- 19 • Fourth, what incentive would mailers have to place the mail in the
20 proper orientation or sequence? Single-piece mail may be unbundled
21 or bundled. The individual pieces may be sequenced randomly, or not
22 sequenced at all. Mail in boxes might well be placed there with every

supply of trays every week to every customer, because these assumptions are not valid. Consider this: Most return mail (payments, for example) are sent after not before the bill being paid is sent and received; so the bills are sent first, aren't they?

1 other handful inverted, which increases the ease of putting mail into a
2 box without flared ends.

3 Furthermore, mailers that prepared large quantities of BMM would have
4 difficulty entering it in the Postal Service network. Because BMM is single-piece
5 mail, bulk mail entry units would not accept it, and it would need to be entered at
6 a *retail* mail entry facility, which typically would not be organized to accept bulk
7 mailings efficiently.

8 Postal observers without much experience in actual presort mail
9 operations sometimes claim, based on a few visits to Postal Service mail
10 processing facilities, to have seen large volumes of BMM waiting to be
11 processed. These analysts are mistaken. What they have seen almost certainly
12 consists of single-piece mail that the Postal Service requires presort mailers to
13 enter trayed and faced as a condition to accepting mail at presort rates.³

14 Every presort bureau winds up every day with some mail that is already at
15 full rate, and some that has to be paid up to the full rate. This is mail that presort
16 bureaus process without any markup or profit. Nevertheless, the Postal Service
17 insists that when we present this “full-paid mail,” the stamped mail must be
18 separated from business reply envelopes (“BREs”) and that both stamped mail
19 and BRE be separate from metered mail. The Postal Service also insists that we
20 separate flats from letters, Express and Priority mail from First-Class Mail, and
21 separate packages from other shapes.

³ In Docket No. R2006-1, USPS witness Abdirahman claimed to have seen “hundreds of trays of” BMM at the Southern Maryland processing plant in September 2006. R2006-1 Abdirahman Rebuttal Testimony. (USPS-RT-7) at 5, R2006-1 Tr. 35/11952. He was unable to state how the trays entered the plant, or whether they were entered by one mailer or many. *Id.* at 12008, 12012. He also claimed to have seen BMM before at other plants. *Id.* at 12012.

1 The bottom line is that the mail received by presort bureaus from their new
2 customers (indeed, most of their existing customers) needs considerable
3 processing by the presort bureaus before they can tender it to the Postal Service.
4 The full-paid mail the Postal Service gets from presort bureaus is no longer
5 collection box mail, but has become trays of faced envelopes, segregated by
6 method of payment evidencing. This is mail that our customers could simply
7 have handed to a carrier in any order or container or stuffed in a collection box.
8 But if we want to obtain presort discounts for a mailing from our customers, we
9 have to clean up the residual portion of the mailing that cannot qualify for presort
10 rates. This volume is not BMM, and would not be segregated, faced or trayed in
11 the absence of the presort mail volume that it accompanies.

12 This ride-along single-piece volume that presort mailers must tray and
13 face for entry at single-piece rates is not insignificant. Access Mail Processing
14 Services, the presort bureau owned by Beth Bell, usually has about 2,000 to
15 2,500 pieces of full-paid mail every day. That equates to some forty trays of mail,
16 or a little over 2 and a half percent of the mail processed by that company.

17 This conclusion is supported by the testimony of USPS witness Altaf
18 Taufique in Docket No. R2006-1. During cross-examination by APWU counsel,
19 Mr. Taufique stated:

20 What we get now, and we have seen a lot of evidence of that, is
21 that large presort bureaus are picking up office mail, which is not
22 BMM mail, which is not trayed, which is not faced. . . . Large
23 presort bureaus are picking up office mail and converting that into
24 presort mail, which is not the same thing as the BMM mail which is
25 metered, which is faced and which is trayed.

26 R2006-1 Tr. 16/4938 (Taufique). Mr. Taufique's testimony on this point, like Ms.
27 Bell's, was based on first-hand observation of the presort mailstream:

1 As a pricing witness, I keep up with the industry. I try to visit both
2 our plants and the plants of the people who prepare mail for us, sir,
3 and talk to the costing people who see the mail coming in so it is
4 not [just] a feeling.

5 It is based on observations from the folks who work in the field,
6 folks who process the mail and our own personal experiences from
7 persons in the plant, the three or four bureaus' activities, actually
8 the costing people.

9 I have actually visited more than one facility where we've seen that
10 the mail that is being converted into presort is not the clean mail of
11 the past. It is a heterogeneous stream of mail that is being
12 converted, and that is why we need to look at the benchmark issue
13 in a different light.

14 We are not abandoning the [efficient] component pricing in this
15 regard. That is based on the observations of the Postal Service
16 that this is happening, and we need to change the benchmark in
17 relation to the new industry that we're looking at right now.

18 R2006-1 Tr. 16/4939 (Taufique).

19 During the public forum at the Commission on August 11, 2009, Rand
20 Costich, the Public Representative, asserted that one of us (Beth Bell) had
21 testified in the R2006-1 rate case that "what presort bureaus attempt to get their
22 customers to do is give them [the presort bureaus] bulk metered mail."
23 Conference Transcript (Aug. 11, 2009) at 57, lines 14-20. Mr. Costich overlooks
24 the fact that presort mailers enter single-piece mail with BMM-like characteristics
25 *in order to obtain presort rates for the rest of the mailing.* Without the extra
26 processing of single-piece mail that the presort rates induce, the single-piece
27 mail would have the characteristics of raw collection mail, and would be much
28 costlier for the Postal Service to process. The reduced cost characteristics of
29 single-piece mail that the Postal Service enjoys solely through the efforts of
30 presort mailers—and which would not exist without the availability of presort
31 rates—cannot logically or fairly be attributed to the single-piece cost benchmark.

1 Mail that has already received extensive processing from a presort service
2 bureau is not a valid benchmark of the cleanliness or processing costs of single-
3 piece mail *before* conversion to presort.⁴

4 As noted above, most mail that could easily convert from full-paid single
5 piece mail to presort mail converted a long time ago. Today, presort bureaus
6 must work hard to find new customers with untapped volumes of single-piece
7 mail. When these volumes turn up, they do not appear in trays of nice clean
8 letters, properly oriented with typed addresses and a barcode clear zone, etc.
9 There simply are not any mailers sitting around with trays of that sort of mail in
10 our communities. And we have heard nothing about the existence of such
11 mailers from our industry peers elsewhere in the United States.

12 **B. Cost Implications**

13 The physical characteristics of the single-piece First-Class Mail most likely
14 to convert to presort mail have obvious cost implications. Mail with inappropriate
15 envelope sizes, or with handwritten or otherwise non-machinable addresses, or
16 with no barcode clear zones, or with stale addresses or stuck-together
17 envelopes, or missing or improperly set tabs and wafer seals costs the Postal
18 Service more to process than mail without these problems. Mail stuffed into
19 cardboard boxes or other unsuitable containers costs the Postal Service more to
20 process than mail properly faced and oriented in trays. Mixed mailings of

⁴ It is also possible that some mail observed in Postal Service facilities as having the appearance of BMM may in fact be collection mail that was trayed and faced by Postal Service employees at an associated facility before transport to the observation point. See, e.g., R2000-1 Tr. 45/19699 (Miller) (some of the mail volume characterized as BMM “is trayed by the Postal Service itself rather than mailers”). Needless to say, mail that has already received processing by the Postal Service is also not a legitimate benchmark of the cost characteristics of single-piece mail before conversion to presort.

1 stamped mail, business reply envelopes and metered mail presumably cost the
2 Postal Service more to process than mail properly segregated. The same is
3 presumably true of mailings with pieces of mixed vs. uniform shapes.

4 Most presort bureaus give new customers elaborate instructions on how to
5 prepare their mail to make it presort-eligible. Presort bureaus typically must also
6 work with customers, and check their mail every day, to ensure compliance with
7 the rules for automation mail. Many presort bureaus have customer service
8 representatives who work with new customers to improve their mail. These
9 employees also contact existing customers when quality-control personnel
10 identify problems. Even good customers slip up occasionally; bad ones slip up
11 continually. One of the secrets of the business is knowing customers well
12 enough and being in contact with them often enough to know when they are
13 making changes in personnel, equipment, supplies or processes that could
14 impact their mail and working with them to make sure that these changes do not
15 adversely effect their mail.

16 Presort bureaus also must return improperly prepared letters to
17 customers—often several hundred pieces daily. There are many reasons for
18 returning mailpieces. Some envelopes have an address that is missing,
19 incomplete, or upside down. The insert in some window envelopes may be
20 inserted backwards, etc. All of these mail pieces would be undeliverable as
21 addressed, if entered by us or by the mailer (except, of course, mailpieces
22 returned to the sender for insufficient postage applied, a phenomenon apparently
23 assumed away for BMM by defining it as mail that is fully paid). And
24 undeliverable-as-addressed mail imposes costs on the Postal Service—costs
25 that are simply assumed away by the BMM hypothesis.

Respectfully submitted,

A handwritten signature in black ink that reads "Joel T. Thomas". The signature is written in a cursive style with a large initial "J" and "T".

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