

Before the  
POSTAL REGULATORY COMMISSION  
Washington, DC 20268-0001

Consideration of Workshare :  
Discount Rate Design : Docket No. RM2009-3

COMMENTS OF THE GREETING CARD ASSOCIATION  
IN RESPONSE TO NOTICE OF INQUIRY No. 1

The Greeting Card Association (GCA) files these Comments in response to Notice of Inquiry No. 1 (August 27, 2009). Our observations are limited to certain aspects of Question 3.

Question 3 requests views on the appropriateness of including in workshare discounts “the savings from some (workshare-related) mail preparation functions that are not a direct substitute for a Postal Service function[.]” The examples given are electronic presorting (in lieu of physical sortation by the Postal Service), address cleansing, and automation-compatible mailpiece design. The Question, at its most general, asks whether these and similar functions “should be applied when defining ‘workshare discount’ and estimating ‘the cost that the Postal Service avoids as a result of workshare activity’[.]”

GCA suggests that any appropriately elaborated definition of “workshare discount” should begin with the language of 39 U.S.C. § 3622(e)(1): it is a discount “provided to mailers for the presorting, prebarcoding, handling, or transportation of mail[.]” While the statute calls on the Commission to define this concept further, the functions listed by name should remain the basis of the definition. In this light, it appears that the examples given in Question 3 may call for different

answers, and that those answers may in turn suggest a general approach to the definitional process.

Electronic presorting seems literally to fall within the ambit of § 3622(e)(1). That it does not replicate the (mechanical) process the Postal Service would have to perform in its absence does not make it any less a sortation function. While electronic rather than mechanical presortation may affect the margin between the discount offered and the mailer's (or consolidator's) cost to presort the mail, the same cost is avoided by the Postal Service in either case. In short, the function performed by the mailer or consolidator is a substitute for the same function as performed by the Service, even though the respective entities would carry out that function using different technologies.

The other two examples – address cleansing and automation-compatible mailpiece design – are in a different posture. The Commission observes that address cleansing avoids forwarding and return costs, and that automation-compatible piece design “reduces the likelihood of manual Postal Service sorting.”

Address cleansing, like any addressing function, is a mailer operation and not one performed by the Service. From the standpoint of efficient discount theory, strictly considered, that should disqualify it *in limine* as an instance of worksharing. We will assume *arguendo*, however, that, if evaluated in the context of large volumes of mail, it does demonstrably eliminate a measurable quantum of forwarding and return costs; the question then becomes whether these savings are cost avoidances within the meaning of § 3622(e).

Unlike the presortation example, this one involves the elimination by one function (address cleansing) of an entirely different one (forwarding or return). Moreover, the requirement for the second function is a contingent one. It becomes relevant only if a piece is undeliverable as addressed. For a given piece

of mail, it cannot be said with certainty that address cleansing applied to it *necessarily* obviates the need for a Postal Service operation. The piece might, and indeed probably would, have been deliverable as addressed without the address cleansing operation. Indeed, a Single-Piece mailer who correctly copies down an address from the Zip Code Finder at [www.usps.com](http://www.usps.com), and correctly transcribes it onto the envelope, has achieved the same thing. It seems worthwhile, in situations of this kind, to ask: Can the cost-reducing effect be seen in any one piece chosen at random – which suggests the existence of genuine worksharing – or does it only appear given a substantial sample of mail?<sup>1</sup> GCA suggests that address cleansing, for all these reasons, is not a candidate for inclusion as a work-sharing saving within the meaning of the statute.

The situation is much the same with respect to automation-compatible mailpiece design. Indeed, the case seems even more clear-cut, since mailpiece design can hardly be categorized as “presorting, prebarcoding, handling, or transportation” as § 3622(e)(1) requires.<sup>2</sup> It is worth noting as well that the Single-Piece mailer who pays a bill by mail commonly enters an automation-compatible piece but is not compensated for doing so.<sup>3</sup> GCA also believes,

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<sup>1</sup> Worksharing gives rise to per-piece discounts, and it is therefore natural to expect to see its effects manifested in each qualifying piece. See Docket R2006-1, Initial Post-Hearing Brief of the Greeting Card Association, p. 15, fn. 8:

. . . [I]f the mailer performs on a given mailpiece an operation the Postal Service would otherwise perform, the relevant comparison is with the same mailpiece absent the extra mailer activity, and the result is cost *avoidance*. If the mailer simply prepares the piece in such a way that it is easier or cheaper for the Postal Service to handle via the same operations it would perform were the piece not so prepared, the relevant comparison is with the average mailpiece in the category, and the result – measured by that standard – is cost *reduction*.

<sup>2</sup> We suppose it could be argued that address cleansing *may* be connected with prebarcoding, since in many instances addressing (presumably including incorporation of corrections) and prebarcoding are parts of a single mechanical process. That it may be possible to accommodate it within the statutory language does not, of course, vitiate the other arguments against including it.

<sup>3</sup> The argument that the utility which sends the bill should receive the compensation since it prepared and enclosed the courtesy reply envelope may have been appealing when the bill payer had no choice of payment media. As the recent history of transactional First-Class Mail shows, that is no longer true.

therefore, that mailpiece design is not a suitable subject for worksharing rate recognition.

At the end of the Notice, the Commission asks whether some standard other than substantial replication of a function performed by the Service should be applied to cases like these. We have indicated in discussing the electronic presortation issue that the manner in which the mailer performs the function should normally be immaterial. An additional criterion we would suggest is that worksharing, properly defined, should presumptively affect every piece in the presorted mailing. If the cost-reduction effect appears only when a substantial sample of mail is examined, and particularly if the mailer-provided function is one that does not necessarily have to be performed on every piece, then, we suggest, the effect is not due to worksharing.

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Respectfully submitted,

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