

**BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON DC 20268-0001**

Consideration of Technical Methods to Be
Applied in Workshare Discount Design)

) Docket No. RM2010-13

**COMMENTS OF
ON-LINE DATA
ON CONSIDERATION OF TECHNICAL METHODS TO BE APPLIED IN
WORKSHARE DISCOUNT DESIGN**

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The following comments are being submitted by Joel Thomas, Executive Director of the National Association of Presort Mailers, at the request of and on behalf of James Scott, the owner of On-Line Data, a member of the National Association of Presort Mailers:

On-Line Data is pleased to submit these comments in response to the Postal Regulatory Commission's Order 537 and the notice that appeared in the *Federal Register*, Vol. 75, No 185, on Friday, September 24, 2010 at pp. 58440-50.

My name is James Scott. I am the owner of On-Line Data in South Bend, Indiana. On-Line Data has been in business since 1965 and began partnering with the postal system presorting mail by hand 20 plus years ago. I have owned On-Line Data for 8 years, and it is the oldest and largest presort mailing company in northern Indiana. Our trucks travel almost 1,100 miles a day to collect mail and deliver it to the South Bend post office. Even though we cover a large area, our volume makes On-Line Data a small presort bureau. To our customers, we are the post office. By communicating, educating and enforcing postal policies and rules we become the "post office police" and are an extension of the Postal Service.

The purpose of my comments is to explain the work On-Line Data performs and the type of First-Class mail we are currently converting to workshared mail. Based on my 8 years of experience in the mailing industry, the First-Class Mail pieces that are now converting to workshared First-Class Mail have the characteristics of metered collection mail. Thus, the proper bench mark for workshared First-Class Mail is First-Class, metered mail and the discounts offered for workshared First-Class mail should reflect the full cost differences between workshared First-Class Mail and metered collection mail.

As I understand it, the rates for presort First-Class Mail have been calculated by first determining the costs incurred by the USPS to process and deliver an average piece of something called Bulk Metered Mail (“BMM”) and then subtracting from that the estimated cost savings from the worksharing performed by mailers or by mail processors for mailers. The problem is BMM is defined as: First-Class mailpieces entered in bulk, in trays, properly addressed, uniformly and correctly faced, and with the proper postage already applied by mailers or mail processors who receive no discount for these preparatory steps. On-Line Data would really like to find a mailer with that sort of mail, but, in our experience, they simply do not exist.

The simple truth is most customers do not know what envelopes are acceptable for automation mail, or what typefaces can be read by optical character readers, much less what typefaces are required by USPS regulations. They would use whatever typeface they liked and whatever color envelope they wanted, without regard to whether it would provide adequate contrast for a USPS applied barcode to be readable by the USPS’s automated sorting equipment.

Most mailers do not know what a barcode clear zone is, and, absent a discount, would have no reason to provide one. Most mailers do not understand that if mailpieces are not properly designed, “an optical character reader—whether owned by the Postal Service or a presort bureau—may read the return address and send the mailpiece back to the sender and thus do not know how to avoid this.

Nor, absent a discount, would mailers have any reason to be concerned if some of their envelopes are stuck together or are unsealed when presented to the USPS or their presort bureau.

I can see no basis for assuming that most mailers would consistently put mail in postal trays if they didn't have to in order to get a discount. Some would do it some of the time, but it is unlikely that any would present all their mail in trays all of the time. And there even if mail is presented in trays, there is no basis for assuming that all the mail in these trays would be properly faced, sealed, but not stuck together, have machine readable addresses and be in envelopes that provide the needed contract or have a barcode clear zone.

In order to present First-Class letter mail in mail trays, mailers would need letter trays. Where would the mailers get such trays? Our customers get their trays from us. Without us, they might get letter trays from the Postal Service if they thought of it and if the Postal Service did not mind taking time at the busiest part of the day—the late afternoon and early evening when most mailers want to deposit their mail—to hand out empty trays.

Why would mailers with less than full trays of mail want to use USPS trays anyway? On-Line Data has a daily minimum of 25 mail pieces per customer. This is far, far less than a full tray of mail. If we do not get full trays from many of our customers, especially the new-to-presort customers we have recruited in the last couple of years, so it seems extremely unlikely that these customers would present mail to the USPS in trays.

Why would mailers present mail properly orientated? Single-piece mail doesn't have to be faced. It can be bundled or unbundled. The individual pieces may be sequenced randomly, or not sequenced at all. Mail may be placed in boxes in which case it is frequently placed there with every other handful inverted.

So where does what some observers assert is BMM they have seen in postal facilities come from? The answer is: from presort bureaus because the Postal Service requires presort bureaus to put "full-paid" mail in trays and do a lot of other preparation—i.e., to convert it into BMM.

Every presort bureau winds up every day with some mail that is already at full rate, or has to be paid up to the full single-piece rate. We send at least 3 APC's of this type of mail daily, absorbing the expense of picking up, sorting and delivering to the post office. Despite the fact that we do not make any money from processing this mail, the Postal Service insists that when we present this "full-paid mail": (1) stamped mail is separated from business reply ("BRE") mail, (2) stamped mail and BRE mail is separated from metered mail, (3) flats are separated from letters, (4) Express and Priority mailpieces are separated from other First-Class Mail, as well as from packages.

The bottom line is that the mail received by presort bureaus from their new-to-presort customers (indeed, most of their existing customers) needs considerable processing, not just barcoding, before it can tender it to the Postal Service. If the full-paid

mail the Postal Service gets from presort bureaus doesn't look like collection box mail, that's because we were required to convert it to something like BMM. But this mail is not a candidate for conversion to workshared mail. This mail consists of mailpieces that we tried, but could not convert to First-Class workshared mail even though we are spending additional dollars on software for secondary readers to convert it.

It is not a question of the rate. Both On-Line Data and its customers wanted to qualify these mailpieces for workshare discounts and tried to do so; but there was something that made that impossible. The most common reason mailpieces fail to qualify for workshared discount is because the address won't "code"—i.e., our MLOCRs cannot assign 11-digit delivery point for these mailpieces and thus cannot qualify them for workshare discounts.

About 1 percent of the mail On-Line Data's presents to the USPS consists of residual, full-paid mailpieces that we tried, but could not qualify for a discount, but still had to tray up to present to the USPS. 1 percent of our mail equates to some 2 trays of mail. So someone might walk into a processing plant and find what appeared to be BMM, but it would not be mail that might convert to workshared mail, it is mail that couldn't be converted to workshared mail.

The point is if there ever was any BMM it converted to worked shared mail a long, long time ago. Today, On-Line Data, and like every other presort bureau, has to work hard to find new customers with untapped single-piece mail. And, when we do find new mail, it does not appear in trays of nice clean, properly oriented mailpieces with typed addresses and a barcode clear zone, etc. It takes us many, many hours of work with our customers at the beginning and constant monitoring and reminding to get our customers to submit mail to us that we can process and qualify

for workshare discounts. But they do what we need them to do because they want the discount. They don't do just to make us happy.

Respectfully Submitted

James Scott, Owner

On-Line Data