

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 THE PUBLIC REPRESENTATIVE
IN RESPONSE TO ORDER NO. 537
(February 18, 2011)

This proceeding was initiated on September 14, 2010, by Order No. 537.¹ It is a continuation of Docket No. RM2009-3. In that Docket the Commission decided several threshold issues. Among other things, the Commission found that “First-Class Bulk is a workshared variant of a substantial portion of Single-Piece First-Class Mail.”² The Commission also found that “First-Class Bulk Letter Mail has a worksharing relationship with First-Class Single-Piece Letter Mail” and that the “established Bulk Metered Mail (BMM) benchmark for First-Class Bulk Letters is no longer valid.” Order No. 536 at 2.

Given that a worksharing relationship exists between First-Class Bulk and First-Class Single-Piece letters and that the BMM benchmark is no longer valid, the Commission must determine a new type of single-piece letters that most resembles bulk letters. Chairman’s Information Request No. 1 suggested several possible benchmarks and requested unit costs for each.³ The Postal Service responded that it was unable to distinguish the costs of three of the suggested benchmarks—IBI letters, metered letters, and “white mail.”⁴

¹ Notice of Proposed Rulemaking Concerning the Technical Methods to Be Applied in Designing Workshare Discounts, September 14, 2010 (Order No. 537).

² Order Adopting Analytical Principles Regarding Workshare Discount Methodology, September 14, 2010, at 3 (Order No. 536).

³ Chairman’s Information Request No. 1, October 7, 2010 (ChIR No. 1). The suggested benchmarks were (1) letters with information-based indicia (IBI), (2) metered letters, (3) “white mail” and (4) average single-piece letters.

⁴ Response of the United States Postal Service to Chairman’s Information Request No. 1, January 18, 2011, at 4, 6 (ChIR Response).

The Public Representative suggests that single-piece prebarcoded IBI letters (and/or metered letters) be chosen as the benchmark for prebarcoded bulk First-Class letters. The Postal Service indicates that IBI is the highest percentage of metered mail. ChIR at 4. In the first place, single-piece prebarcoded IBI letters should be a discounted category itself.⁵ The discount for IBI letters would take account of address hygiene performed by the mailer (or its agent). Stamps.com Proposal at 26-29. Since this is a new workshare discount, the Public Representative would recommend phasing in the discount by starting with a passthrough well below 100 percent. Once the discount is in place the Postal Service will be able to identify the pieces, which will enable them to develop more accurate avoided cost estimates over time, it should, with oversight from the Commission, systematically bring the passthrough up to 100 percent.

In Response to ChIR No. 1, the Postal Service lists the difficulties it had in developing cost avoidance numbers for metered mail, IBI Mail, and white mail. The Public Representative believes if a discount is phased in for IBI (and/or metered mail) the pieces will be distinguishable by the rate they pay and will aid the Postal Service in the development of an accurate cost avoidance figure for the discount.

Allowing a workshare discount for IBI mail will encourage higher volume single-piece mailers to submit high quality mail to the Postal Service that can be more efficiently handled. Initially, the discount could be the same as the QBRM discount. As the Commission has stated,⁶

When examining an IBIP mail piece, there are many similarities with QBRM mail such as machine-printed addresses, facing identification marks, proper barcodes (and ZIP Codes), and at least theoretically, correct addresses. These features were very pertinent in recommending a discount for QBRM, and also should be applicable to IBIP mail.

Once the discount is operational, the Postal Service can collect data and develop specific cost avoidance estimates for IBI Mail.

⁵ See Docket No. RM2009-3, Initial Presentation of Stamps.com, May 26, 2009 (Stamps.com Proposal).

⁶ PRC Op. R2000-1, para. 5191.

Respectfully submitted,

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