

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

)
Annual Compliance Report, 2010)
)

Docket No. ACR2010

**REPLY COMMENTS OF THE
NATIONAL ASSOCIATION OF PRESORT MAILERS
ON USPS FY 2010 ANNUAL COMPLIANCE REPORT**

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The National Association of Presort Mailers (NAPM) respectfully submits these reply comments concerning the Postal Service's Annual Compliance Report (ACR) for Fiscal Year 2010. These comments respond to the initial comments of the American Postal Workers Union, AFL-CIO (APWU). APWU once again makes the claim that the existing "workshare discounts for First-Class Mail Presort Letters/Cards reported by the Postal Service do not comply with the workshare discount restrictions of 39 U.S.C. § 3622(e)." APWU Comments (Feb. 3, 2011) at 1.

Upon closer inspection, however, it becomes clear that APWU is assessing First-Class Mail Letters presort discounts and cost avoidances as measured on a cumulative basis from the Single-Piece First-Class Mail rate. See *id.* at 2, Table 1. Thus, APWU simultaneously complains that the Postal Service has "not calculated the workshare discounts in accordance with the methodology used by the Commission," while asserting noncompliance on the basis of a methodology that has never been accepted

by the Commission. See *id.* at 2. The Commission's long-standing methodology has correctly measured workshare discounts and cost avoidances on an incremental basis, not a cumulative basis. See, e.g., Dkt. No. ACR2008, Postal Regulatory Commission Annual Compliance Determination Fiscal Year 2008, Table VI-2, at 52; see also Dkt. No. ACR2009, Postal Regulatory Commission Annual Compliance Determination Fiscal Year 2009, Table VII-2, at 70 (discounts and avoided costs measured incrementally rather than cumulatively).

When correctly measured under the Commission's approved methodology, the discounts and cost avoidances shown in the FY 2010 ACR and the prices proposed the Postal Service most recent Notice of Price Adjustment for Automation 5-Digit Letters, 3-Digit Letters, and AADC Letters are all fully compliant with 3622 (e). See USPS-FY10-3, FY 2010 Discounts and Passthroughs of Workshare Items; see also Dkt. No. R2011-2, Attachment B, Page 1 of 1, Workshare Discounts and Benchmarks—First-Class Bulk Mail Letters and Postcards (Jan. 13, 2011).

APWU's discussion of the appropriate benchmark also warrants a brief response. Issues concerning the applicability or identification of a correct "benchmark" or "base group" for measuring cost avoidances have been a matter of some controversy. As acknowledged in APWU's comments, the Commission has established Docket No. RM2010-13 to address these issues. APWU also acknowledges that Commission issued Order 536 "Order Adopting Analytical Principles regarding Workshare Discount Methodology" on September 24, 2010. In that Order, the Commission stated unequivocally that:

The established Bulk Metered Mail (BMM) benchmark for First-Class Bulk Letters is no longer valid, and further adjustment of First-Class Bulk Mail

rates to comply with section 3622(e) is not required while Docket No. RM2010-13 is pending.

Order 536 at 2. Notwithstanding the clarity of this pronouncement, APWU asserts that the FY 2009 ACD issued six months *before* Order No. 536 is controlling for purposes of establishing an appropriate benchmark. This is simply incorrect.

APWU also raises the issue of excess capacity. Citing a recent OIG report on excess capacity, APWU states that “underutilized capacity is growing causing inefficiencies in the postal network.” APWU Comments at 4. NAPM agrees. Overcapacity in the Postal Service imposes an unaffordable burden on the postal system and the larger economy. NAPM does not agree, however, that the solution for this problem is to reduce workshare discounts, which properly designed, promote efficiency by ensuring that the work is done by the least cost provider. The solution to overcapacity in the Postal Service is to eliminate it.

Respectfully submitted,

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