MAIL MATTERS

The Public-Private Partnership between USPS and the Mailing Industry – Workshare

"Workshare" has been around for decades in the U.S. postal system, but many newcomers to the mailing industry or USPS may not fully understand what it is. In very basic terms, "workshare" is when private sector businesses perform some of the work the U.S. Postal Service (USPS) otherwise would perform – in exchange they are "paid" for those activities through workshare (presort) postage discounts. Examples of workshare that have been introduced by the USPS include presorting mail by ZIP Code, barcoding mail, and transporting mail closer to its destination (commonly known as "drop shipping"). Within each of these types of activities, there are workshare discounts that compensate private companies for performing different levels of the work – which also reduces the USPS' costs and supports a vital private sector mailing industry.

Another aspect about workshare that people often don't consider, is that it is a long-standing and successful example of a "Public-Private Partnership" (also known as P3 or PPP) between a government entity and the private sector. There are many different successful P3 models in the U.S. Examples of other U.S. public-private partnerships can be seen in transportation infrastructure, municipal and environmental infrastructure, university housing, water/wastewater management, and the list goes on – and there are many newer non-traditional types of Public-Private Partnerships being explored.

Beyond the existing workshare discounts and price incentives, there are other areas where the USPS already utilizes PPP models, such as its air transportation, long haul ground transportation, Contract Postal Units, Mail Transport Equipment Service Centers (MTESCs), some rural delivery routes, and more. But there remain many opportunities for new and innovative public-private partnerships to be explored between the USPS and private sector. Before we get into that, let's look at why the workshare model has proven so successful in the U.S. -- it benefits the USPS, mailers, and business customers. It's a win-win-win for all involved!

The Workshare PPP is good for the Postal Service. The workshare PPP benefits the Postal Service in many ways. First, workshare mail is more profitable for the USPS because it reduces its costs and allows the USPS to make more net profit per piece than it does on non-workshare volume. But there is much more beyond that. Workshare supports retention and growth of mail by providing end user businesses with affordable postage options and improved USPS service performance,

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In This Issue

- The Public-Private Partnership between USPS and the Mailing Industry – Workshare
- NAPM News Bytes
- Legislators Debate Emergency Relief Funding for USPS Pandemic Losses
- NAPM Outreach & Advocacy Efforts
- NAPM Welcomes New Members
- What is the Workshare "Spread" and Why Does it Matter?
- NAPM Political & Election Mail Resources
- NAPM Members in the News
- Events Calendar
- NAPM Monthly Webinars

which also helps the USPS meet its statutory requirements. Beyond the activities that are required in workshare, private sector mail service providers perform many additional "value add" services that also contribute to retention and growth of mail usage by businesses.

Mail service providers act as the USPS' first line sales force, promoting and selling USPS products and services, as well as educating business customers on postal programs such as mailpiece design, mail tracking/visibility, USPS promotions, Informed Delivery and much more. They often pick up mail from businesses and transport it to postal facilities, they prepare containers and enter mail as requested by postal plants (beyond what is required for the workshare discount), and they provide the USPS with a wealth of IMb data in electronic documentation. That data is the foundation for a growing list of USPS initiatives designed to reduce costs or grow revenue – programs like Informed Delivery, Informed Visibility, the USPS' service performance measurement system, USPS internal diagnostic tools to better plan transportation and staffing, and many more!

In addition to reducing USPS costs and in some cases supporting revenue generation, PPP models allow the USPS to be more flexible in reacting to volume fluctuations. Using private sector partners allows the USPS to be more nimble in handling peak volume periods as well as low volume periods.

The Workshare public-private partnership is also good for USPS employees, because it keeps more businesses using the mail by improving service, customer experience, and access to affordable postage rates. Lacking the Workshare Public-private partnership, many businesses would aggressively explore alternatives to using the mail, which would negatively impact the USPS' mail volume and ultimately result in USPS job reductions.

Finally workshare outsources risk. To the extent that mail volume shift across products or decline, the Postal Service is not stuck with excess plant and equipment that they would have purchased in the absence of worksharing. And perhaps even more importantly, in a world where volume can drop and labor is protected with non-layoff provisions, worksharing also outsources labor risk.

The Workshare PPP is good for mailers. As noted above, the Workshare public-private partnership supports an industry of mail service providers which act as a vital network in the larger industry supply chain. According to the 2019 EMA Foundation Job Study, the mailing industry represents 7.3 million jobs in the U.S. and $1.58 trillion in sales.   Mail service providers supported by the workshare PPP also provide many additional and value-added services beyond the activities required under workshare. The USPS would experience significant cost increases if it had to perform all of the customer training and education, customer support, sales, transportation, and mail preparation support that mail service providers perform today.

The Workshare PPP is good for American businesses. The Workshare public-private partnership is also good for American businesses. Many mail service providers are small business entrepreneurs where workshare supports their core business functions. American businesses have access to affordable postage prices and improved service performance through workshare, and through the mail service provider network supported by workshare, they have access to sometimes complex mail preparation and entry programs. Workshare also helps businesses grow by offering access to affordable marketing solutions using Marketing Mail.

The Workshare PPP is also good for all Americans using the mail. The Workshare public-private partnership keeps the overall costs of the USPS' system down as long as fair discounts compensate

The Public-Private Partnership between USPS and the Mailing Industry – Workshare (cont'd from Page 2)

suppliers for the costs the Postal Service avoids, making lowest end to end costs available to all Americans using the mail. The revenue from workshare supports the USPS' infrastructure to provide universal service to all U.S. addresses.

The Model Works – Look for More Opportunities!   While there haven't there been new workshare programs developed in the last 3 decades -- not since the USPS introduced the transportation drop ship discount back in the 1980s -- there have been price "incentives" created by the USPS since that time, such as for using IMb Full-Service and the USPS promotions programs, which have some things in common with workshare but are not considered workshare by the statutory definition. But it is well time to explore new and innovative public-private partnerships, particularly with the sophisticated and diverse private sector mailing industry supply chain that exists today.

The recommendation that the USPS should expand use of public-private partnerships was part of the recommendations from The President's Task Force on the Postal Service, which produced its report in late 2018. Expanding use of public-private partnerships was also included in the USPS' 5-Year Strategic Plan.

There is no end to the possibilities of new PPPs that could be developed between the USPS and the private sector. While the Task Force recommendations and USPS Strategic Plan recommendations around PPP appear to be focused on transportation activities, there are many more areas that should be considered. While there may be issues that need to be worked out with some concepts, that is no reason not to pilot test or try small scale versions of new public-private partnership models with the USPS and private sector. Creating new PPPs is a much more viable model for our U.S. postal system than privatization – which some corners have discussed – but that's the topic of another article!

It's time to start thinking outside the box, beyond the current – and highly successful – workshare PPP. Let's start the conversation and see where it goes!

Legislators Debate Emergency Relief Funding for USPS Pandemic Losses

There has been much press lately about the various Congressional efforts to provide the U.S. Postal Service with emergency funding to compensate for losses it will experience as a result of the pandemic.

The USPS back in the early days of the pandemic and resulting mail volume losses, had submitted to Congress a forecast that it would run out of money by September 2020, and requested a total of $75 billion funding. The USPS' initial projections have not come to fruition, however, largely because of the surge in parcels volume that it began to experience, making up for revenue losses on the mail side of its business. The USPS later updated its projections to Congress but with the caveat that it is impossible to predict what will happen with parcel and mail volumes, and the general economic situation in the U.S., over the coming year. It painted a range of scenarios, going from $7-17 billion losses depending on what happens with parcel volumes. It updated its forecast as to when it might run out of money to operate, and in its most recent 10Q financial report the USPS said it likely will have sufficient liquidity to continue operating through at least August 2021.

The CARES Act, passed on March 27, 2020, after much debate and The President reportedly refusing to approve any legislation that included relief funding for the USPS unless it significantly increased its parcel prices, included only an increase of $10 billion in borrowing authority for the USPS. And that additional borrowing authority reportedly came with some conditions from the U.S. Treasury that the USPS reportedly was not in favor of. The USPS [recently reported](#) that it had concluded negotiations with the Treasury to establish the conditions of the additional borrowing authority.

Since the CARES Act, there have been a variety of other legislative attempts designed to provide the USPS with emergency funding, but few of these efforts have had bipartisan support.

On July 2, 2020, Senators Feinstein and Collins [introduced a bipartisan bill](#) to provide emergency relief funding to the USPS. The *Postal Service Emergency Assistance Act* (S.4174) would provide the USPS with up to $25 billion to cover revenue losses or operational expenses resulting from COVID-19. Prior to using the funds, the Postal Service would need to certify in its quarterly and annual reports to the Postal Regulatory Commission (PRC) that the funds are needed to cover COVID-19-related losses or operational expenses. Senators Collins and Feinstein's bill would also clarify the borrowing authority provided in the CARES Act and require the Board of Governors to transmit to Congress a plan to ensure the long-term solvency of USPS.

The Postal Service Emergency Assistance Act, S.4174, is supported by: the American Postal Workers Union, Coalition for a 21st Century Postal Service (of which NAPM is a member), National Active and Retired Federal Employees, National Association of Postal Supervisors, National Postal Mail Handlers Union, National Rural Letter Carriers' Association, the Package Coalition, the PRINTING United Alliance, and United Postmasters and Managers of America. At the time of this article, there were 16 bipartisan co-sponsors of the bill in the Senate.

Many who support S.4174 do so because it includes the requirement that the funds are needed to cover USPS pandemic-related losses/operational expenses and it requires the USPS Governors to submit a long -term plan to Congress. Many legislators were not in support of providing funding to the USPS given its current financial situation and lack of a long-term plan — S.4174 addresses these concerns.

NAPM, through C21, has been participating in telecom meetings with Congressional staff and Senators to convey support for S. 4174. If any NAPM member is interested in contacting their Congressional representatives on this matter, please [contact us](#) for further information.

Following an outpouring of media coverage and concerns about USPS service performance and election mail, the Senate and House both held hearings that included testimony from Postmaster General Louis DeJoy as well as USPS Board of Governors chairman Robert Duncan. The House on August 22, 2020 passed H.R. 8015, the "Delivering for America Act," which includes $25 billion in funding for the USPS but also includes restrictions on USPS operational changes and establishes requirements for processing of election mail.

Pandemic-related funding for the USPS is not the only legislation needed for the long-term, of course. There still is a need for comprehensive postal reform legislation that deals with issues such as the pre-funding requirement for USPS retiree health benefits that was included in the 2006 Postal Accountability and Enhance-ment Act (PAEA) and is the main cause of the USPS' financial issues. There is a need to ensure that the USPS has a business model that enables it to be successful in the future and that the USPS' Universal Service Obligation (USO) is defined to meet the needs of senders and receivers of mail and parcels.

Thoughtful and collaborative discussions on postal reform are necessary, with all stakeholders engaged. But now, in the midst of the pandemic and all the other significant issues Congress is dealing with, is not the time to try to formulate a comprehensive postal reform solution. The USPS needs financial relief from pandemic losses to stabilize the agency and restore business confidence in using USPS products and services. Once that has occurred, work on a comprehensive postal reform bill can take place in earnest.

NAPM Outreach & Advocacy Efforts

The pandemic has certainly kept things busy in 2020 so far, but NAPM also has been busy with efforts to advocate for our objectives and work to educate those new to the mailing industry and USPS on issues of importance to our members. Here is just a snapshot of some of our recent efforts:

- NAPM shared the cover feature article in this issue of *Mail Matters* with the Association for Postal Commerce (PostCom), which reprinted the article in its July 16, 2020, newsletter. The article is also available on the NAPM website on the new "NAPM Advocacy Resources" page, for those who wish to share the information.

- NAPM Asst. Exec. Dir. Kathleen Siviter was interviewed on podcast by Ian Kerr, PostalHub Podcast, The interview focused on workshare and public private partnerships between the USPS and mailing industry.

- NAPM joined with others in submitting comments to the Postal Regulatory Commission (PRC) urging it to consider the impacts from the pandemic and the CARES Act loan amount to the USPS on its 10-year rate system review and USPS financial projections.

- NAPM has begun a series of **open** webinars (anyone is welcome to attend). The first was held on July 8, 2020 and focused on Seamless Acceptance. The next was held on Sept. 2, 2020, and included speakers from the USPS Mail Entry & Payment Technologies team, focusing on Seamless, EPS, Package Platform, USPS reorganization, and more! Stay tuned for more information on upcoming webinars, or check the NAPM web site calendar!

- NAPM Asst. Exec. Dir. Kathleen Siviter published an article in the July-August 2020 edition of *Mailing Systems Technology*, on Election & Political Mail.

NAPM Welcomes New Members!

NAPM is pleased to welcome the below new members to the association! Please take a few minutes to check them out and drop them a welcome email!

Grit Commercial Printing. Grit Printing & Direct Mail has provided commercial print and mailing services for our customers for over 130 years. Our staff is dedicated to making our customers look good, get the best possible postal discounts, and to mail or ship their projects on time. We offer full color printing of brochures, folded self-mailers, postcards, catalogs, newsletters, and more. From full variable, digital printing to simple addressing using our 2-head Kirk Rudy addresser, we can print, address, tab inline, sort, tray, and mail with our permit or yours using our Mail Anywhere status with the USPS. You can trust Grit to make your next mail project a success.

Grit Commercial Printing, 80 Choate Circle, Montoursville, PA 17754
Contact: Toni Mann   570-368-8021   https://www.gritprinting.com/

What is the Workshare "Spread" and Why Does it Matter?

Mail Solutions Providers (MSPs), such as many NAPM members, bring numerous benefits and value to the mail and to the Postal Service, as discussed in our lead story on workshare. And just like for the Postal Service, mail is critical to the success of their businesses. Many do not realize all the activities that MSPs engage in — much of which is funded by what MSPs often call "the spread." What is the spread? It is the difference between specific workshare postage prices, and that difference (or only a portion of it) is critical to MSPs because it helps support their business. As noted in our Workshare article on Page 1, the Public-Private Workshare partnership between the USPS and MSPs also benefits the USPS, businesses using the mail, and consumers.

There are several workshare "spreads" for First-Class Mail letters, for example, that are critically important to most MSPs: the "spread" between the AADC and 5-digit postage price (which is currently $0.03); and the "spread" between the AADC and meter price (which is currently $0.081), are examples. This is because MSPs typically take mail from business customers who do not have the geographic density—or the resources required—to do their own presort. Most NAPM members also go beyond regular presort in that they "commingle" mailings from multiple customers into one larger mailing with more presort density (which means less individual mailings for USPS to verify, and more cost-effective consolidated presort density). MSPs can almost always presort mail down to 5-digit whereas their customers may only be able to qualify for an AADC sort price for their own mailing, so the difference between that AADC price and the 5-digit price is the "spread" available to the MSP depending on their contract with the business customer. For pieces in the mailing that can't qualify for 5-digit prices, and thus are sorted to AADC, the "spread" would be the difference between the meter price and the AADC sort price. Similar examples exist for First-Class Mail flats, and for both letters and flats in Marketing Mail categories.

There is a wide variety of different MSP business models depending on contracts with customers, but for many the workshare price "spread" represents a significant source of their revenue. And in some cases, that "spread" is shared with their customer, so only a part of it goes to the MSP.

The "spread" is also important to businesses running their own in-house mail operations since it is how their operations and expenses to do so can be cost-justified. The costs of software, space, employees, equipment, vehicles, etc. are sound investments these businesses make as long as the "spread" can compensate for the expense.

Many who are not in the MSP business—including folks at the USPS, PRC, etc.—do not understand why there are such strong industry reactions when the "spreads" are reduced even by a fraction of a cent. In the R2020 pricing case, for example, First-Class Mail Presort users were greatly relieved when the USPS' at the last minute revised its proposed new 5-digit Automated Presort letter rate to $0.389 vs. $0.391 as it initially had proposed. Just that two-tenths of a cent per piece makes a huge difference to MSPs that provide a growing list of value-added benefits to First-Class Mail.

The revenue that MSPs get from "the spread" goes a long way toward funding their facilities, employees, equipment, software, transportation, marketing and much more! MSPs act as the front-line sales force for the USPS, interacting with business customers on a daily basis to educate them not only about USPS products and services available to them, but also on rules and processes they must follow in order to qualify their mail for workshare prices (e.g., Move Update requirements, mailpiece design, USPS promotions, content rules, and much more).

In addition, there are costs for MSPs/mailers to support data-rich programs such as IMb Full-Service or Seamless Acceptance. For Full-Service, some of these costs are covered by the USPS' Full-Service

incentive, but there are still MSP/mailer costs not covered by the incentive and there currently is no incentive to cover Seamless Acceptance costs. So these additional costs to support these programs — which provide the USPS with critical intelligence and data about mail — must be absorbed by the MSP/mailer through the spreads. As mentioned in our workshare article, the data that comes from Full-Service and Seamless supports an extensive number of USPS programs that reduce costs, improve efficiency, and retain/grow use of mail.

So what happens if the spreads are reduced (lessened)? To some extent it depends on how much reduction we are talking. In cases where a spread is reduced a little, it could mean a mailer/MSP decides it is no longer profitable to sort the mail to the same level or drop ship the mail as deeply into the USPS' network. Mail that is less finely sorted is more expensive for the USPS to process and transport, which drives up its costs (the reason the USPS offers workshare discounts is because workshare mail costs much less for the USPS to handle). Businesses also would experience increased postage rates since if the MSP is unable to profitably sort the mail, they are unable to offer customers a lower postage rate. In addition, loss of presort level can often result in declines in USPS service performance, which negatively impacts both the USPS and businesses.

If spreads were to be reduced **significantly**, the impact would be even more destructive. MSPs/mailers could go out of business, which ultimately drives up USPS costs through more significant loss of presorted mail, loss of mail data, loss of sales and education support with end user customers, declines in service performance from origin-entry non-presorted and potentially non-machinable mail, and much more! It also harms those businesses using the mail because they may no longer have access to affordable postage prices, consistent delivery service, and all the value adds that working with an MSP/mailer provides.

The bottom line is that every tenth of a cent counts when it comes to workshare spreads!

NAPM Political & Election Mail Resources

NAPM continues to work on providing education and information to members around growth opportunity areas such as Political & Election Mail. Check out the latest NAPM resources on the topic:

- NAPM's Member Locator tool allows anyone to search for NAPM members that provide Political or Election Mail services, and has been included in the U.S. Election Assistance Commission's (EAC) guidelines to election officials for Managing an Increase in Outbound Ballots and finding an election mail provider.

- NAPM has developed a new webpage on Political & Election Mail

- NAPM has held several webinars on Political & Election Mail and the slides and audio recordings are posted on the NAPM website in the members-only webinars section

NAPM Members in the News

NAPM members are innovators and entrepreneurs and often get mentioned in the press. Here are just a few recent articles featuring NAPM members (for more, see our "Members in the News" page on our website!).

- **Grand Rapids company launches state's first end-to-end mail ballot tracking software** NAPM Member Kent Communications Inc. (KCI) is the first company in Michigan to work with local election officials to add a critical layer of integrity and accountability to the vote-by-mail process. The   product, TrackMIBallot, uses a service from the United States Postal Service, Informed Visibility®, to track each piece of ballot mail as it travels through the postal system. NBCNewsNow clip.

- **Parascript Announces New Automated Signature Verification for Vote-By-Mail.** NAPM Member Parascript, along with its mail automation partners, announced today that all vote-by-mail systems incorporate automatic ballot processing that intelligently reads each ballot and automatically processes the selections on each ballot in fractions of a second. This means that ballots—even those that are presented on the day of the election in the last hour—are processed immediately with no delays.

- **BlueCrest and GrayHair Announce Partnership** GrayHair Software, the trusted partner and provider of mail tracking and address hygiene services to the largest mailers and mail service providers in the country, and BlueCrest, a global technology provider and supplier of the world's most comprehensive line of enterprise software, printers, inserters, sorters, and parcel solutions, have signed a partnership agreement.

Events Calendar

Sept. 21, 2020	NAPM Strategic Planning Committee meeting
Sept. 21-25, 2020	National PCC Week
Oct. 14, 2020	NAPM Members Webinar (Topic TBA)
Oct. 21, 2020	Great Lakes Area PCC Meeting (with NAPM presentation)
Oct. 27-29, 2020	Mailers Technical Advisory Committee ([MTAC](#)) meeting, Washington, DC
Nov. 4, 2020	NAPM Members Webinar (MTAC Review and more!)
Nov. 13, 2020	USPS Board of Governors public meeting (tentative)
Nov. 18, 2020	NAPM Open Webinar: Updates on Postal Policy, Regulatory & Legislative Activity
Dec. 9, 2020	NAPM Members Webinar (Topic TBA)

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Get In the Know with NAPM Monthly Members Meetings

Each month, NAPM holds a Members webinar which features a key topic of interest to members.

Sept. 2, 2020. This open webinar included presentations from NAPM and the USPS MEPT group on topics including Seamless Acceptance, recent USPS organizational changes, Enterprise Payment System, Package Platform, temporary package price change, Informed Visibility and more!

Aug. 19, 2020. This members webinar included presentations from 5 NAPM Vendor Members on products & solutions to help with Seamless Acceptance. Presentations from Windowbook, NPI, Assurety, CapStone and Fluence.

Aug 5, 2020. This members webinar included presentations and discussion on the recent meetings of the Mailers Technical Advisory Committee (MTAC) and issues recently raised by NAPM members.

July 22, 2020. This OPEN webinar included presentations and discussion on political & election mail with guest speakers Amber McReynolds, Vote at Home, and Don Nichols, USPS.

July 8, 2020. This OPEN webinar included presentation and discussion from NAPM on the Road to Seamless (12 Months and Counting…).

Missed a monthly member meeting? Don't worry, you can download the presentations and even listen to audio recordings of some of the meetings. Check out the NAPM Webinars (under News & Events) area on the [NAPM web site!](#)