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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, 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 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!