

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

NOTICE OF PUBLIC BRIEFING
ON A MODEL FOR DESIGNING BLOCK RATES

(Issued April 24, 2006)

Summary. The Postal Rate Commission's advisory staff will present a briefing on a Model for Designing Block Rates on Friday, May 5, 2006 at 10:00 a.m. in the Commission's hearing room. The briefing will discuss a model for designing declining block rates which might be employed in volume-driven Negotiated Service Agreements. The model does not require the Negotiated Service Agreement to include counterbalancing cost savings features. A question-and-answer session will follow the briefing. The meeting is open to the public.

Background. The Commission issued Opinion and Further Recommended Decision (Decision) in Docket No. MC2004-3, Rate and Service Changes to Implement Functionally Equivalent Negotiated Service Agreement with Bank One Corporation, on April 21, 2006. The Decision addresses issues raised by the Governors of the United States Postal Service in Decision of the Governors of the United States Postal Service on the Opinion and Recommended Decision of the Postal Rate Commission Approving Negotiated Service Agreement with Bank One Corporation, Docket No. MC2004-3, February 16, 2005 (Governors' Decision). In part, the Governors specifically request the Commission to "clarify and explain further the thoughts in its Opinion and Concurring Opinion regarding the potential for uncapped NSAs of this type." Governors' Decision at 2.

The Commission responded to this request by describing an approach for developing and negotiating a volume-driven Negotiated Service Agreement that would provide adequate safeguards without a stop-loss cap. See Decision, Section V: A

Model for Negotiating Volume Discounts. The approach relies on the demand characteristics of the mail eligible for the discount, and not on a mailer's specific before- and after-rates volume estimates.

The May 5, 2006 briefing is intended to foster discussion of this approach, and to explore ways that it might be improved. The Commission offers this model to contribute to the development of new and innovative Negotiated Service Agreements that benefit all concerned.

Steven W. Williams
Secretary