



## American Postal Workers Union, AFL-CIO

1300 L Street, NW, Washington, DC 20005

October 15, 2007

**William Burrus**  
President  
(202) 842-4246

Wendy A. Hocking, Secretary  
Board of Governors  
United States Postal Service  
475 L'Enfant Plaza, S.W.  
Washington, D. C. 20260-4100

RE: Opinion and Recommended Decision  
Postal Regulatory Commission  
Docket No. MC2007-1

**National Executive Board**  
William Burrus  
President

Cliff "C.J." Guffey  
Executive Vice President

Terry R. Stapleton  
Secretary-Treasurer

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Industrial Relations Director

James "Jim" McCarthy  
Director, Clerk Division

Steven G. "Steve" Raymer  
Director, Maintenance Division

Robert C. "Bob" Pritchard  
Director, MVS Division

Sharyn M. Stone  
Central Region

Jim Burke  
Eastern Region

Elizabeth "Liz" Powell  
Northeast Region

William E. "Bill" Sullivan  
Southern Region

Omar M. Gonzalez  
Western Region

Dear Secretary Hocking:

I am writing on behalf of the American Postal Workers Union, AFL-CIO, to urge the Governors to reject the proposed Negotiated Service Agreement with Bank of America Corporation (BAC). The APWU has participated actively as an intervenor in the proceeding before the Postal Regulatory Commission, PRC Docket No. MC2007-1. Our particular concern in this case is the use of the negotiated baselines for read/accept rates for First Class Mail (96.8 percent) and Standard Mail (96.9 percent) derived from 1999 data. In its decision, the Commission found that these baselines were outdated and that read/accept rates have improved substantially since 1999. Nonetheless, the Commission recommended approval of the Negotiated Service Agreement. We cannot reconcile the findings of the Commission with its conclusion that the Agreement is in compliance with the Postal Reorganization Act and the Postal Accountability and Enhancement Act. For the reasons explained more fully below, we respectfully request that the Governors decline to implement the Bank of America Negotiated Service Agreement and withdraw it from further review by the Commission.

In its Request for a Recommended Decision and accompanying testimony, the Postal Service estimated that the Bank of America NSA would provide a positive increase in contribution to the Postal Service of \$5.5 million. However, during the proceeding before the Commission it was discovered that this savings was based in part on read/accept rates from 1999. Discovery further revealed that since 1999 the Postal Service has undertaken numerous upgrades with the purpose and effect of increasing the read/accept rates for First Class Mail and Standard Mail. For example, a Decisional Analysis Report was admitted to the public record showing that implementation of the

Wide Field of View Camera on mail processing equipment was expected to improve read/accept rates for First Class Mail and Standard Mail by 0.45 percent and 1.09 percent, respectively. Furthermore, it was the predicted improvement in the read rates that was used to persuade the Board of Governors that the ROI would justify the investment in the Wide Field of View Camera. Similar presentations to the Governors have been used to justify the cost of other marginal improvements in the software associated with the WFOV. In this case, the Postal Service produced information to the Commission, under seal, that conclusively shows that read/accept rates have improved substantially since 1999.

The Postal Service personnel responsible for negotiating this agreement should have known that between 1999 and when this agreement was negotiated, the Postal Service requested the Governors approval on large expenditures and justified the request by improvements in read/accept rates. Yet before the Commission Postal Service management responsible for this agreement appeared unaware of this information; these improvements were downplayed or outright denied. Under the PAEA, such agreements will be on a much faster track and have somewhat different oversight. It is the obligation of the management of the Postal Service to make every effort to search out and incorporate the most up-to-date and accurate information in making these decisions and to present accurate and consistent information to the Board and the Regulator in support of these decisions.

There is no justification for going forward with this NSA. Better, more current and reliable data exists. Ignoring contemporaneous data would enable Bank of America to achieve the maximum read/accept improvement and incentive payments under the Agreement without having to actually improve its barcode readability. The Postal Service will not net \$5.5 million. Instead, it will lose an estimated \$25 million to \$45 million. Furthermore, the proposed Negotiated Service Agreement is a baseline agreement meaning that the Postal Service must make comparable agreements available to other mailers in the future. In addition, prior to the expiration of this NSA, all mailers will be required to perform some of the cost saving activities Bank of America will be financially rewarded for under this agreement. If this NSA is implemented other mailers may be discouraged from voluntarily implementing these cost saving changes early without similar rate incentives.

The precedent set by approving this agreement could have dire consequences for the future well being of the Postal Service. The present agreement is not financially sound and will negatively impact the Postal

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Service. Therefore, we urge the Governors to decline to implement the proposed NSA.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "William Burrus". The signature is written in a cursive, somewhat stylized font.

William Burrus  
President

WB/lbb(PT)  
opeiu#2, afl-cio