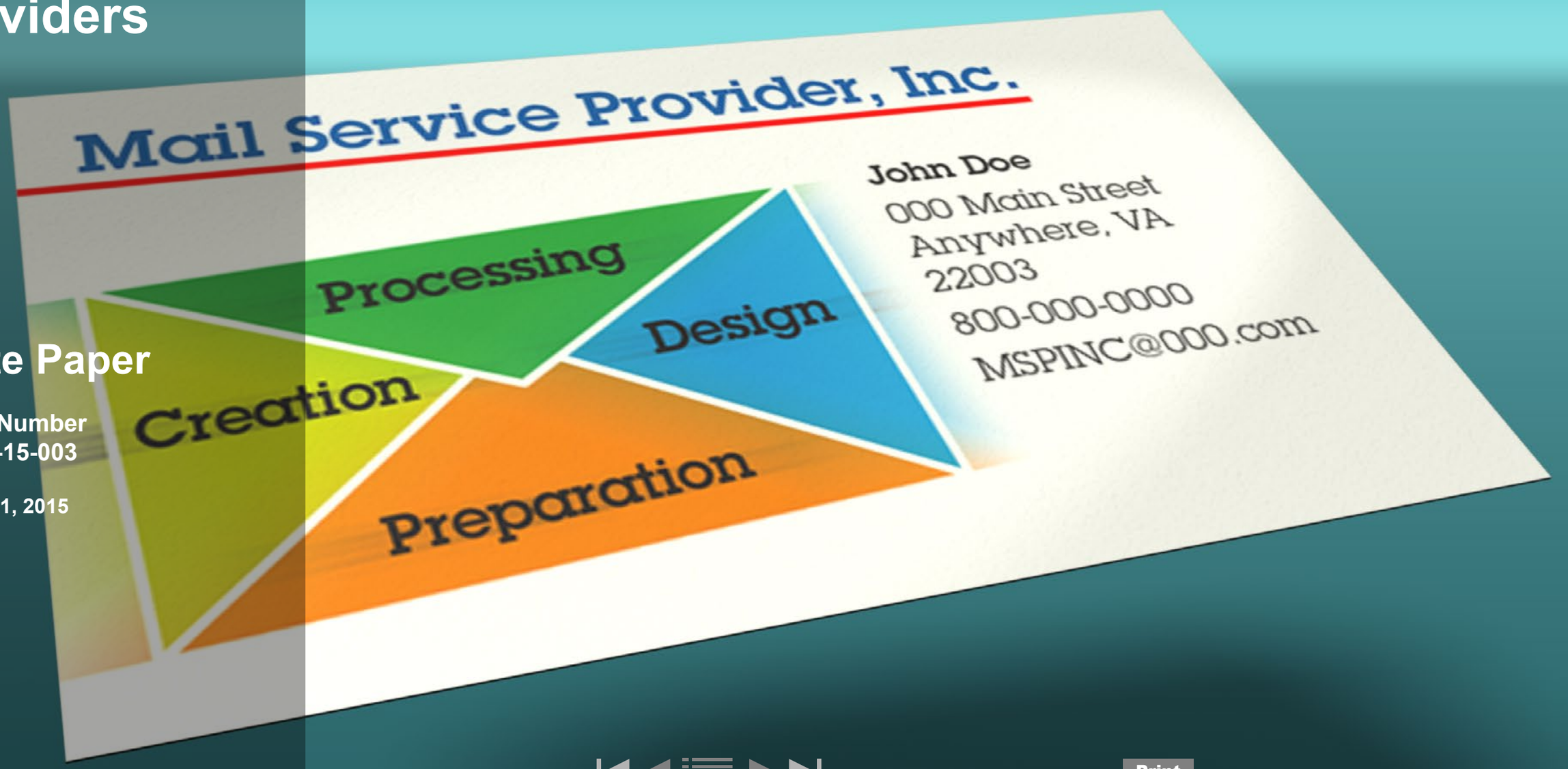
OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

Mail Service Providers



White Paper

Report Number
MS-WP-15-003

August 31, 2015

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

Executive Summary

This paper explores the relationship between the Postal Service and a related industry group called mail service providers (MSP).

The U.S. Postal Service is at the core of a domestic mailing industry that is worth more than $1.3 trillion and touches millions of people and businesses. While most of its customers primarily rely on the Postal Service for mail delivery, some are also business partners. These include paper companies that provide mailing materials, catalog designers, logistics companies, and many other businesses critical to the mailing industry.

This paper explores the relationship between the Postal Service and a related industry group called mail service providers (MSP). MSPs perform mailing-related services for companies or organizations[1] interested in using the mail to reach their customers. Specific MSP services include designing, printing, transporting, or otherwise preparing mailings to qualify for Postal Service postage discounts ("worksharing"). MSPs can be an efficient and cost-effective option for organizations that have limited expertise in navigating complex Postal Service business mailing requirements. MSPs can help these organizations use the mail for effective marketing, advertising, and general communication.

MSPs have existed since the first product catalogs were mailed in the early 20th Century. The Postal Service's systems recognized about 3,900 MSPs in fiscal year (FY) 2014. These MSPs represent companies that apply for business mailer status by submitting a Postal Service Form 3615, Mailing Permit Application and Customer Profile*;* paying a one-time nonrefundable fee; and submitting mailings directly to the Postal Service. The Postal Service reported over $29 billion in revenue associated with these MSPs in FY 2014 — about 43 percent of its total revenue ($67 billion). MSPs sent about 102 billion mailpieces in FY 2014, which was about 65 percent of the Postal Service's total mail volume (155 billion pieces).

Our objective was to describe the role of MSPs in the U.S. mail system. To that end, we researched MSPs and industry trends, analyzed MSPs' volume and revenue information from various Postal Service systems, observed operations and interviewed staff at large and small MSPs, interviewed Postal Service staff, surveyed[2] MSPs, and reviewed information from the Postal Regulatory Commission and prior U.S. Postal Service Office of Inspector General reports.

1 MSPs can be used by public entities (such as state or local governments) or large or small businesses. So we use the term "organization" throughout this report to include any of these mailers. Some MSPs also provide non-mailing services, such as data management solutions, social media, and email marketing. Unless otherwise noted, we focus on the mailing services MSPs provide.

2 We sent surveys to 859 MSPs for whom the Postal Service has contact information and received 27 responses (a 3.1 percent response rate). Because the response rate was low, we did not make conclusions based on the survey. We did, however, incorporate specific examples as contextual information as appropriate.

MSPs play an important role in the mailing industry by performing key mailing-related functions for large and small mailers, particularly related to encouraging new entrants to use mail.

MSPs play an important role in the mailing industry by performing key mailing-related functions for large and small mailers, particularly related to encouraging new entrants to use mail. MSPs use various Postal Service products and services and account for a major portion of the Postal Service's annual volume and revenue. The Postal Service's relationship with MSPs is complex, as MSPs have characteristics of customers, competitors, operational partners, and mailing supporters. MSPs also sometimes use Postal Service worksharing discounts, but these discounts are the source of much debate in the postal industry. Specifically, there is controversy over the types and amounts of discounts, as well as whether there is an imbalance between certain discounts and the actual avoided costs. This controversy is likely to continue as technology advances, Postal Service and mailer operations and processes evolve, and workshare volumes continue to grow. It will be critical to protect the Postal Service's overall financial position in future worksharing arrangements.

Transmittal Letter

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

August 31, 2015

MEMORANDUM FOR: LINDA M. MALONE
VICE PRESIDENT, NETWORK OPERATIONS

PRITHA N. MEHRA
VICE PRESIDENT, MAIL ENTRY AND TECHNOLOGY PAYMENT

JAMES A. NEMEC
VICE PRESIDENT, CONSUMER AND INDUSTRY AFFAIRS

WILLIAM C. RUCKER III
VICE PRESIDENT, SALES

CYNTHIA SANCHEZ-HERNANDEZ
VICE PRESIDENT, PRICING

E-Signed by Janet Sorensen
ERIFY authenticity with eSign Deskto

FROM: Janet M. Sorensen
Deputy Assistant Inspector General
for Revenue and Resources

SUBJECT: White Paper – Mail Service Providers
(Report Number MS-WP-15-003)

This white paper presents the results of our self-initiated review of Mail Service Providers (Project Number 15RR001MS000). Our objective was to describe the role of mail service providers in the U.S. mail system.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Joe Wolski, director, Retail, Sales, and International, or me at 703-248-2100. Thank you in advance for your time and consideration.

Attachment

cc: Corporate Audit and Response Management

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Observations

MSPs perform mailing-related services for companies or organizations that want to use the mail to reach their customers.

Introduction

The U.S. Postal Service is at the core of a domestic mailing industry that is worth more than $1.3 trillion and touches millions of people and businesses throughout the country. While most of its customers primarily rely on the Postal Service for mail delivery, some are also business partners. These include paper companies that provide mailing materials, catalog designers, logistics companies, and many other businesses critical to the mailing industry.

This paper explores the relationship between the Postal Service and a related industry group called mail service providers (MSP). MSPs perform mailing-related services for companies or organizations that want to use the mail to reach their customers. Figure 1 highlights some of these mailing-related services.

Figure 1: MSP Services

Source: U.S. Postal Service Office of Inspector General (OIG) analysis.

The Postal Service reported MSP volume of 102 billion mailpieces in FY 2014 — about 65 percent of its total mail volume (155 billion mailpieces).

MSPs also create mailpieces or can help prepare mailings for organizations to qualify for certain Postal Service postage ("worksharing") discounts. Worksharing is a form of outsourcing whereby mailers perform activities that reduce Postal Service sorting, processing, and transporting in exchange for lower postage prices. Worksharing started over 30 years ago and fundamentally changed the way mail is created, processed, and delivered. Worksharing led to a huge private sector consolidation industry, which includes MSPs.

MSPs can be an efficient and cost-effective option for smaller organizations that have limited expertise in navigating complex Postal Service business mailing requirements. These providers can help organizations reduce postage and use mail more effectively to market, advertise, and communicate. We discussed the key aspects of MSPs in a 2010 report:[3]

> *"Many large companies have in-house mailing operations or outsource mail preparation to MSPs. MSPs perform different activities including direct marketing , software development, list servicers, presort bureaus, letter shops, printers, fulfillment centers, and mail transporters and consolidators. Smaller mailers may use MSPs because of the need to efficiently meet minimum volume and other mail preparation requirements to obtain better discounts. Large and small mailers may use MSPs because they need help with complicated mail preparation rules. Others outsource mail preparation to MSPs simply because they want to focus their internal resources on their primary business."*

The Postal Service reported MSP volume of 102 billion mailpieces in FY 2014 — about 65 percent of its total mail volume (155 billion mailpieces). Table 1 shows that MSP revenue grew by over 6 percent between FY 2012 and FY 2014 (largely due to growth in MSP-handled parcels), but MSP volume slightly decreased during that same period (by 2 percent).

3 OIG white paper, *Assessment of Worksharing* (RARC-WP-10-005, dated July 12, 2010).

MSPs have existed since the first product catalogs were mailed in the early 20th Century.

Table 1: Postal Service MSP Revenue and Volume, FY 2012-2014 (in Millions)

Product	Fiscal Year			Percent Change Between FY 2012 and 2014
	2012	2013	2014	
First-Class Mail				
Volume	32,567	31,963	31,225	-4%
Revenue	$11,966	$12,000	$12,241	2%
Priority Mail				
Volume	24	23	23	-4%
Revenue	$155	$160	$162	4%
Standard Mail				
Volume	64,609	64,469	63,819	-1%
Revenue	$13,654	$13,690	$14,000	3%
Parcels				
Volume	934	1,248	1,348	44%
Revenue	$1,441	$1,922	$2,227	55%
Metered Mail				
Volume[a]	-	-	-	-
Revenue[b]	-$1,481	-$1,394	-$1,207	-18%
Other Products[c]				
Volume	5,518	3,656	5,362	-3%
Revenue	$1,884	$1,409	$1,906	1%
Totals				
Volume	**103,652**	**101,359**	**101,777**	**-2%**
Revenue	**$27,619**	**$27,787**	**$29,329**	**6%**

Source: OIG analysis.

[a] The Postal Service only reports on meter revenue, not meter volume. The data recorded for meters do not record the number of mailpieces.

[b] Meter revenue represents a mail owner creating mailpieces and attaching metered postage to each one. These mailpieces are mixed with mailpieces from other mail owners to receive a better postage rate. The metered revenue is subtracted from the mailpieces because they are no longer mailed at the metered postage rate.

[c] Other products include Priority Express, Periodicals, Bound Printed Matter, Business Reply, International, and Miscellaneous Fees.

Mail Service Providers' Roles and Functions

MSPs have existed since the first product catalogs were mailed in the early 20th Century. The Postal Service recognized about 3,900 MSPs in FY 2014.[4] The Postal Service reported over $29 billion in revenue from MSPs in FY 2014 — about 43 percent of its total revenue ($67 billion).

MSPs perform a wide array of mail-related functions for customers, including:

- *Design* – developing the design and content of mailpieces.
- *Creation* – printing mailpieces on their own equipment or outsourcing those pieces.

4 The 3,900 MSPs the Postal Service tracks represent only those that submit mailings to the Postal Service.

- *Sortation* – sorting mailpieces to the processing or delivery destination to maximize workshare discount.
- *Processing* – binding and inserting mailpieces.
- *Transportation* – transporting mailpieces to a Postal Service processing facility.

Some MSPs specialize in one of these activities, while others provide more than one of these services. MSPs are also branching out into other non-mailing activities, such as email marketing, data management, and social media to adapt to changes in technology and communication. An official from a major trade association stated that this diversification would be necessary for MSPs to remain solvent in the future.

Based on the wide range of services that MSPs can offer, there are a variety of MSP types. Figure 2 shows some examples of specific MSPs.

Figure 2: Select MSP Descriptions

Print Only	**Print mailings with Full-Service Intelligent Mail Barcodes. In order to qualify for Full-Service (and automation pricing), these mailings will need to be presorted and have electronic documentation (eDoc) submitted to the Postal Service.**
Print and Mail	**Print, presort, submit the eDoc, and submit the mailing.**
List Mailers	**Take existing mailpiece components and mailing lists, and address, presort, submit the eDoc, and mail the mailing. A List Mailer offers similar services to a Print and Mail MSP; a List Mailer MSP does not print the mailing components.**
Presort Bureau and/or Commingle Mailers	**Take letter-sized mail or flats from one or multiple customers and presort and commingle the pieces together to generate a combined eDoc, potentially qualifying mailings for additional persort discounts.**
Consolidators	**Consolidate mailing already prepared into trays or bundles with other mailings to achieve deeper discounts. These mailers may handle both letter and flat-sized mailpieces.**

Source: OIG analysis of Postal Service information.

MSPs frequently rely on Postal Service worksharing discounts as a basis for their operations.

Organizations select an MSP (or multiple MSPs) based on their mailing needs and preferences. For example, one mailer may choose a particular MSP to design and create a mailpiece and another MSP to sort and transport. These actions may help the business qualify for Postal Service worksharing discounts, either through combining volumes with those of other businesses or other presorting, barcoding, or transportation activities. In these instances, the MSP would pay the discounted postage fee directly to the Postal Service and charge its customers for postage and services provided.

Mail Service Providers and Worksharing

MSPs frequently rely on Postal Service worksharing discounts as a basis for their operations. Worksharing discounts are designed to compensate the mailer for the cost the Postal Service avoids when the mailer does certain tasks, such as presorting or transporting mail.[5] These discounts, however, are the source of much debate in the postal industry. The OIG, Postal Regulatory Commission (PRC), Government Accountability Office (GAO), and American Postal Workers Union (APWU) have raised concerns about these discounts. In particular, some analyses prepared by these entities contend that the discounts might be excessive.[6] A recent OIG report disclosed that workshare discounts for sorting some mail into carrier route delivery point sequence[7] duplicated Postal Service functions and did not result in efficiencies.[8] The PRC also recently reported that in FY 2014, 26 workshare discounts were not in compliance with the law[9] as they exceeded avoided costs.[10] The APWU also reported that MSPs pose a financial risk to the Postal Service when the mail they submit qualifies for discounts that exceed the costs the Postal Service avoids.[11]

However, MSPs and other mailers assert that these discounts have helped lower mailer costs, improve service, and promote stakeholder involvement – in essence grow the mail. The controversy over whether there is an imbalance between the discounts and avoided costs is likely to continue as technology advances, Postal Service and mailer operations and processes evolve, and workshare volumes continue to grow. It will be critical, however, that the Postal Service's overall financial position is protected in future worksharing arrangements.

Postal Service Relationship with Mail Service Providers

The relationship between the Postal Service and MSPs is complex because MSPs have characteristics of Postal Service customers, operational partners, supporters, and competitors:

- *Customers* — They are a major component of the Postal Service's revenue stream.
- *Operational Partners* — They perform key operational functions (such as presorting and transportation), frequently interact with Postal Service business mail staff, and are often active participants in piloting new Postal Service operational initiatives. For example, Seamless Acceptance and eInduction[12] have a direct impact on MSPs' functions and MSPs have volunteered to participate in developing them.

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5 The Postal Accountability and Enhancement Act of 2006 (P.L. 106-435) requires that, absent certain circumstances, discounts should not exceed the cost the Postal Service avoids as a result of the workshare activity.
6 *Assessment of Worksharing* (RARC-WP-10-005, dated July 12, 2010); PRC, *FY 2014 Annual Compliance Determination* (dated March 27, 2015); and GAO, *U.S. Postal Service: A Primer on Postal Worksharing* (GAO-03-927, dated July 31, 2003).
7 The process of using automation to sort mail into delivery order, eliminating the need for carriers to manually sort the mail prior to delivery.
8 *Workshare Discounts for Automated Mail Processing* (Report Number CP-AR-15-002, dated June 8, 2015).
9 39 U.S.C. §3622(e)(2)(A-D).
10 PRC, *FY 2014 Annual Compliance Determination* (dated March 27, 2015). This report explained that, for the 26 discounts that exceeded avoided costs, the Postal Service either aligned the costs or provided a sufficient rationale justifying noncompliance for 18 of the discounts. The PRC said that the Postal Service needs to align the costs and discounts for the eight remaining discounts.
11 RARC-WP-10-005 noted that the APWU was concerned that MSPs that perform worksharing activities are competition for union jobs.
12 Seamless Acceptance is the process that automates mail verification for mailings from mailers who apply unique intelligent mail barcodes on the mailpieces, trays, sacks, pallets, and other containers. eInduction is the process that streamlines the preparation and induction of mailpieces from mailers through the use of drop shipments and expedited plant load mailings.

Given the importance of MSPs to the U.S. postal system, it is worthwhile to ensure they work as effectively as possible with the Postal Service.

- *Supporters* — They have a vested interest in growing mail volume and encouraging new market entrants.
- *Competitors* — They perform mailing services the Postal Service could perform.

Based on these complex relationships, the Postal Service has staff responsible for interacting with MSPs from different groups, including Consumer and Industry Affairs, Sales, Network Operations, Mail Entry and Payment Technology, Business Service Network, and Business Mail Entry. These staff members develop working relationships with MSPs through educational seminars, sales incentives, and operational initiatives. MSPs can also be assigned a business mail support analyst if they have a special postage payment agreement[13] with the Postal Service or are involved in current postal initiatives that will automate entry, verification, and induction of commercial mail. The Postal Service also interacts with MSPs who participate in various joint Postal Service-mailer working groups, such as the Mailers' Technical Advisory Committee[14] and local Postal Customer Councils.[15]

Looking Forward

Given the importance of MSPs to the U.S. postal system, it is worthwhile to ensure they work as effectively as possible with the Postal Service. Efforts to improve this relationship are challenging because of the complex role MSPs play in the mailing industry. But there may be opportunities to grow mail volume and revenue through more efficient communication and transparency between the Postal Service and MSPs.

Postal Service officials believe that some MSPs have hindered transparency as sometimes MSP postage statements lack the required mail owner and permit holder information. MSPs, on the other hand, raised concerns through PRC testimonies and our survey[16] about Postal Service pricing, network changes, communication, procedures and rules, and delivery performance. We acknowledge that PRC testimony and the results of our survey may not be representative of the MSP community; however, specific concerns were raised about the following:

- *Price* — Some MSPs were concerned that postage increases are causing mail volume declines by driving volume to competitors.[17]
- *Network Rationalization* — Some MSPs were concerned that Postal Service network rationalization actions will impact mail entry units co-located with processing facilities and cause them to lose worksharing discounts.[18] Some raised concerns to us that the second phase of the network rationalization project has contributed to delays in their mail delivery.
- *Communication* — Some MSPs raised concerns to us about inconsistent and untimely communication with Postal Service business mail support analysts, mailpiece design analysts, and other business mail entry officials. For instance, an MSP survey respondent stated that Postal Service officials were unresponsive to calls, even after the respondent made several attempts to contact the official.
- *Procedures and Rules* — Some MSPs raised concerns to us about inconsistent application of Postal Service mail acceptance procedures and rules across different facilities.

13 An approved alternative method for mailers to calculate and pay postage. These mailers are required to receive authorization for these systems.
14 A group the Postal Service formed to share technical information with mailers and receive their advice and recommendations on mail-related products and services.
15 A venue for exchanging information between the Postal Service and large and small business mailers on best practices for achieving cost-effective mailings, education and training, local challenges, and Postal Service products and services that can help mailers grow their business.
16 We sent surveys to 859 MSPs for whom the Postal Service has contact information and received 27 responses (a 3.1 percent response rate). Because the response rate was low, we did not make conclusions based on survey responses. We did, however, incorporate specific examples as contextual information as appropriate.
17 PRC, *Notice of Market Dominant Price-Adjustment*, R2015-4.
18 PRC, *Mail Processing Network Rationalization Changes 2012*, N2012-1.

- *Delivery Performance* — Some MSPs raised concerns to us about inconsistent delivery performance, including some First-Class mailings taking up to 7 days to reach their final destination.

More efficient communication and transparency between the Postal Service and MSPs may help mitigate these concerns. Furthermore, as operational and technical advances continue, mail requirements evolve, and customer preferences change, enhancing this communication and transparency may help the Postal Service retain customers.

Conclusion

MSPs play an important role in the mailing industry by performing key mailing-related functions for large and small mailers, particularly related to encouraging new entrants to use mail. MSPs use various Postal Service products and services and account for a major portion of the Postal Service's annual volume and revenue. The Postal Service's relationship with MSPs is complex, as MSPs have characteristics of customers, competitors, operational partners, and mailing supporters. MSPs also sometimes use worksharing discounts, but these discounts are the source of much debate among many in the postal industry. Going forward, there may be opportunities to grow Postal Service mail volume and revenue through more efficient communication and transparency between the Postal Service and MSPs.

Going forward, there may be opportunities to grow Postal Service mail volume and revenue through more efficient communication and transparency between the Postal Service and MSPs.

Management's Comments

Management agreed that MSPs play an important role in the mailing industry and that the relationship between MSPs and the Postal Service is complex. Management also stated they would continue to pursue opportunities to grow mail volume and revenues through more efficient communication and collaboration with MSPs.

The vice president, Network Operations, raised issues about our "Looking Forward" section, questioning how it related to our objective, the use of statements from Postal Service officials, and that individual MSP concerns we cited may not be representative of the industry. The vice president described the following opportunities Network Operations is taking:

- Network Rationalization – working with the mailing industry and MSPs to provide additional access to optional mail entry points and to ensure stable service during future consolidations.
- Communications – actively partnering with stakeholders to strengthen communications with MSPs through such venues as the Mailers' Technical Advisory Committee, the National Postal Forum, and Postal Customer Councils.
- Procedures and Rules – developing Standard Operating Procedures for uniform acceptance procedures and ensuring compliance with established procedures.
- Delivery Performance – reviewing and strengthening processes to drive service efficiency across all products.

The vice president stated that Network Operations is looking forward to continuing effective partnership with MSPs.

The vice president, Pricing, stated that they are currently reviewing worksharing discounts and will address the issues identified in this report.

See Appendix A for management's comments, in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive and supports Postal Service actions to communicate and partner more effectively with MSPs and review worksharing discounts.

Regarding concerns raised by the vice president, Network Operations, about our "Looking Forward" section, we included this section to provide some insight into the role of MSPs in the mail system. Regarding the vice president's other concerns, we agree that the referenced statements of the select Postal Service and MSP stakeholders are not representative of all Postal Service officials or the MSP industry, but these stakeholder insights provide needed balance and context into these issues.

Appendix

Click on the appendix title to the right to navigate to the section content.

Appendix A: Management's Comments.....15

Appendix A: Management's Comments

LINDA M. MALONE
VICE PRESIDENT, NETWORK OPERATIONS

UNITED STATES POSTAL SERVICE

August 24, 2015

LORI LAU DILLARD
Director, Audit Operations

RE: Draft White Paper – Mail Service Providers (Report Number MS-WP-DRAFT)

Ms. Dillard:

This letter is in response to the Draft White paper – Mail Service Providers (Report Number MS-WP-DRAFT) dated July 31, 2015.

The Postal Service values input from the Mail Service Providers (MSPs), today and into the future, and agrees that MSPs serve an important role in the mailing community by providing mailing related services for the industry. Despite the complex relationship, the Postal Service also agrees there is opportunity to strengthen the business, through effective collaboration and communication with the MSPs.

In the section on "Looking Forward", the White Paper addresses several concerns and areas of opportunity from the MSPs, however this section does not stay true to your stated objective "...to describe the role of Mail Service Providers in the U.S. mail system." In this section you claim that "Postal Service officials" believe MSPs hinder transparency. This all inclusive statement is not accurate. The White Paper also goes on to cite individual concerns that, as stated in the paper, may not be representative of the industry. While we believe this section should be stricken, we are taking the opportunity to address the following areas:

Network Rationalization –The Postal Service continues to work with the mailing industry and MSPs to provide additional access to optional entry points for mail, including FSS sites and mail entry hubs to mitigate the potential loss of work share discounts and to improve service. Also, the remainder of phase 2 Network Rationalization has been deferred. Network Operations is focused on continuing to provide reliable and predictable service following the implementation of a significant operational window change. The Postal Service is committed to working with MSPs and the mailing industry to ensure stable service when the decision is made to resume Phase 2 consolidations.

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Communications – Network Operations is actively partnering with Industry Engagement and Outreach and other stakeholders to strengthen communications with the Mail Service Providers. Some of the formal venues for communication sharing include but are not limited to:

- Mailers Technical Advisory Committee (MTAC)
- Mail Prep & Entry Steering Committee
- National Postal Forum
- Rapid Information Bulletin Board System (RIBBS)
- Industry Association meetings
- Industry Association webinars/conferences
- National Webinars
- FAST Helpdesk
- Postal Customer Councils

Procedures and Rules – Standard Operating Procedures (SOPs) have been developed for uniform acceptance procedures, and auditing processes are utilized to ensure compliance with established procedures. Network Operations is also utilizing Lean Mail Processing as an approach to ensure uniform application of mail processing procedures. Through the Lean Mail Processing program, a cohesive processing plan is developed and followed on a daily basis.

Delivery Performance – Service performance is a primary focus for Postal Operations and we continue to review and strengthen our processes to drive increasing levels of service efficiency across all products. Current service levels are trending positively and efforts to eliminate any variability in service performance is ongoing.

Network Operations looks forward to continuing the effective partnership with MSPs as we work collectively to provide excellent service and improve the customer experience.

Regards,

Linda M. Malone

cc: Ms. Mehra
Ms. Sanchez-Hernandez
Mr. Nemec
Mr. Rucker

PRITHA MEHRA
VICE PRESIDENT
MAIL ENTRY & PAYMENT TECHNOLOGY

UNITED STATES POSTAL SERVICE

August 18, 2018

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft White Paper – Mail Service Providers
(Report Number MS-WP-15-DRAFT)

Management Response:

The Postal Service agrees that Mail Service Providers play an important role in the mailing industry.

Pritha Mehra

cc: Sally K. Haring
Manager, Corporate Audit and Response Management
U.S. Postal Service

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JAMES NEMEC
VICE PRESIDENT
CONSUMER & INDUSTRY AFFAIRS

UNITED STATES POSTAL SERVICE

August 14, 2015

LORI LAU DILLARD

SUBJECT: Draft White Paper – Mail Service Providers
(Report Number MS-WP-15-DRAFT)

The following conclusions were discussed in this OIG White Paper:

MSPs play an important role in the mailing industry by performing key mailing-related functions for large and small mailers, particularly related to encouraging new entrants to use mail. MSPs use various Postal Service products and services and account for a major portion of the Postal Service's annual volume and revenue. The Postal Service's relationship with MSPs is complex, as MSPs have characteristics of customers, competitors, operational partners, and mailing supporters. MSPs also sometimes use worksharing discounts, but these discounts are the source of much debate among many in the postal industry. Going forward, there may be opportunities to grow Postal Service mail volume and revenue through more efficient communication and transparency between the Postal Service and MSPs.

Management Response:

The Postal Service agrees that Mail Service Providers play an important role in the mailing industry. USPS also agrees the relationship between MSPs and the Postal Service is complex. The Postal Service will continue to pursue opportunities to more efficiently communicate with MSPs.

James A. Nemec

cc: Sally K. Haring,
Manager, Corporate Audit and Response Management
U S Postal Service

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CLIFF RUCKER
VICE PRESIDENT, SALES
UNITED STATES POSTAL SERVICE

August 14, 2015

LORI LAU DILLARD, DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft White Paper – Mail Service Providers
(Report Number MS-WP-15-DRAFT)

The following conclusions were discussed in this OIG White Paper:

MSPs play an important role in the mailing industry by performing key mailing-related functions for large and small mailers, particularly related to encouraging new entrants to use mail. MSPs use various Postal Service products and services and account for a major portion of the Postal Service's annual volume and revenue. The Postal Service's relationship with MSPs is complex, as MSPs have characteristics of customers, competitors, operational partners, and mailing supporters. MSPs also sometimes use worksharing discounts, but these discounts are the source of much debate among many in the postal industry. Going forward, there may be opportunities to grow Postal Service mail volume and revenue through more efficient communication and transparency between the Postal Service and MSPs.

Management Response:

The Postal Service agrees that Mail Service Providers play an important role in the mailing industry. USPS also agrees the relationship between MSPs and the Postal Service is complex. The Postal Service will continue to pursue opportunities to grow mail with MSPs.

Cliff Rucker

cc: Sally K. Haring,
Manager, Corporate Audit and Response Management
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CYNTHIA SANCHEZ-HERNANDEZ
VICE PRESIDENT PRICING

UNITED STATES POSTAL SERVICE

August 17, 2015

LORI LAU DILLARD, DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft White Paper – Mail Service Providers
(Report Number MS-WP-15-DRAFT)

The following conclusions were discussed in this OIG White Paper:

MSPs play an important role in the mailing industry by performing key mailing-related functions for large and small mailers, particularly related to encouraging new entrants to use mail. MSPs use various Postal Service products and services and account for a major portion of the Postal Service's annual volume and revenue. The Postal Service's relationship with MSPs is complex, as MSPs have characteristics of customers, competitors, operational partners, and mailing supporters. MSPs also sometimes use worksharing discounts, but these discounts are the source of much debate among many in the postal industry. Going forward, there may be opportunities to grow Postal Service mail volume and revenue through more efficient communication and transparency between the Postal Service and MSPs.

In addition, the white paper discussed issues around Mail Service Providers and Worksharing. Specifically, that some discounts may be excessive and some did not result in efficiencies.

Pricing Management Response:

The Postal Service agrees that Mail Service Providers play an important role in the mailing industry and that the relationship is complex. The Postal Service also agrees that going forward, it is important to continue pursuing opportunities to grow Postal Service mail volume and revenues through more efficient communication with MSPs.

Regarding the issues around worksharing, as noted in managements' response to Report Number CP-AR-15-002, dated June 8, 2015, management agreed to initiate a workshare discount review. The Postal Service will address the workshare issues mentioned in this white paper as the review is completed.

Cynthia Sanchez-Hernandez

cc: Sally K. Haring,
Manager, Corporate Audit and Response Management
U S Postal Service

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