3-digit sortation would affect the service for Standard Mail.

The rate structure for Automation subclass letters would provide significantly reduced rates for barcoded mailings. Those rates are based, in part, on more stringent preparation standards that allow more efficient Postal Service processing of that mail. Under the proposed Automation Standard Mail (A) letter rates, certain mailers could experience a minor increase in postage over what they pay today, assuming that all mail not eligible for a carrier route rate moves to the 3-digit Barcoded rate level and that there are neither Basic rate pieces in the mailing nor pieces currently qualifying for 3-digit Barcoded rates that would continue to qualify for 3-digit rates under the new standards. However, any such potential increase would be offset by savings from pieces in the mailing that could qualify for 5-digit Barcoded rates and pieces that now qualify for 3-digit Barcoded rates and would continue to do so under Classification Reform. This theoretical postage increase would also be offset by pieces that the mailer now qualifies for basic rates, because of a significant decrease in the Basic Automation rates under Classification Reform. A mailer's cost to prepare Automation mail is also expected to decline because of the elimination of package preparation in full trays.

With reference to the concern over degradation of service for pieces moving from carrier route sortation to 3-digit sortation, established postal operating plans are designed to achieve stated service commitments, regardless of the level of sortation of the mail.

Two commenters who mail both First- and third-class mail indicated that 95% of their letter mail that now qualifies for 5-digit Barcoded rates will move to 3-digit Barcoded rates. One commenter indicated that 70% of his mail now qualifying for 5-digit Barcoded rates will move to the 3-digit qualification level. One commenter indicated that the loss of presort and associated discounts could cause his company to stop offering credit cards to their customers due to the anticipated increase in postage for the credit card bills. One commenter stated the belief that if his mail could not be sorted to qualify for the 5-digit or 3-digit Barcoded rates, the 30-cent Retail Presort rate would apply to the remaining pieces.

Under the Postal Service's proposal, delivery point barcoded First-Class and Standard Mail that cannot be sorted into a group of at least 150 pieces to a 5-digit or 3-digit ZIP Code destination must be sorted to AADC and mixed AADC trays. This mail will qualify for a Basic Automation presort rate. For First-Class Mail, the rate proposed by the Postal Service for this Basic rate mail is 3.5 cents below the rate (30.5 cents) currently applied to barcoded residual pieces in a barcoded rate mailing. The proposed carrier route, 5-digit, and 3-digit rates are also significantly lower than the current corresponding rates. Thus, First-Class Mail under the scenarios presented above should receive a reduction in postage. Standard mailers having 95% of their mail move from a 5-digit qualification to a 3-digit qualification could experience a very minor increase in postage for that portion of the mailing, under the rates proposed by the Postal Service. However, that increase would be offset by savings from the lower rate applicable to Basic Automation Standard letters. Standard mailers experiencing a 70% shift in mail from 5-digit Barcoded rates to 3-digit Barcoded rates will experience a reduction in postage for this portion of the mailing, and can expect an additional reduction for the Basic rate portion.

One commenter indicated that 90% of his mail now qualifies for a presort rate but after Classification Reform only 75% will qualify, and another indicated that his presort qualification would drop from 90% to 40%. It is not clear what these mailers mean by presort. As indicated above, all pieces in Automation First-Class and Standard mailings will qualify for a reduced rate. To the extent that these mailers are describing an expected degradation from one presort level to another, the above analysis would apply to them.

Overall, the Postal Service believes that the Automation letter discount levels and preparation standards will lower postage and preparation costs for barcoded mailings for most mailers. Under current Barcoded rate mailing standards, a large percentage of mail qualifying for 5-digit and 3-digit rates is already prepared in full trays without packages. Because the proposed 150-piece requirement is based on a 1-foot tray, these mailers should be able to place even more mail in full 5-digit and 3-digit trays.

One commenter believed that if mail is barcoded and all mixed together on machines, there are no cost differences between 10 sorted pieces and 150 sorted pieces. This view is incorrect. When packages for different levels of sort are mixed together in a tray, these trays must be emptied and the packages sorted and retrayed before they can be directed to the proper barcode sorting machine. This process is not as efficient as being able to direct an entire tray without package handling. In return for the lower rates being proposed, the Postal Service expects to gain efficiencies in its operations by eliminating package sortation and retraying of mail prior to directing it to the proper barcode sorting scheme. Currently, when trays contain presort packages, the packages are often not sorted by postal personnel because it is deemed more efficient to remove the packaging material and run the pieces in the tray through the appropriate barcode sorting scheme. It is for this reason that the Postal Service proposed to eliminate rate discounts that are based on package preparation and to base Automation rates instead on the sortation level of a tray.

One commenter requested clarification as to whether 150 pieces to a tray level may still be trayed to that level even if they do not fill a 1-foot tray. Under the proposed standards published below, 150 pieces to a sortation level must be placed in that level of tray. One less-than-full tray is permitted for tray levels where the 150-piece minimums are applied. Such pieces must be prepared in rubber-banded packages to maintain their orientation in the tray during transit and handling.

One commenter requested that the definition of a full tray currently used in PAVE testing be added to the DMM language of the next proposed rule. PAVE testing currently indicates that 15¾ inches of mail (i.e., ¾ of the bottom inside length of a 2-foot tray) is the minimum amount of mail for a full tray, and that, where possible, 2-foot trays should be further filled to contain 21 inches of mail. Upon implementation of Classification Reform, PAVE testing instructions would indicate that, for 1-foot trays, 7Ⅸ inches of mail would be considered the minimum amount of mail for a full tray and, where possible, trays should be further filled to contain 10½ inches of mail. Definitions of standard tray sizes are provided in the DMM language proposed in this notice and will be included in the PAVE instructions that mailers receive with PAVE testing material. It should be noted, however, that these definitions do not relate to rate qualification standards under the proposed rule.

c. Scheme Sortation

Ten commenters responded to the proposal to allow or require scheme sortation for Automation subclass (barcoded) letters. Five of these commenters had basic misunderstandings of what this scheme sortation list represents. One stated that it was not very different from the