

the Communicator

Baltimore Postal Customer Council

Summer 2006 Volume 6.7

From the "Chair"

By Charley Howard
Committee-Industry Co-Chair

It has been a busy year so far - 2006. Our Education Seminar April 21 was a great success. We do our best to provide a broad spectrum of content for the various levels of knowledge and experience of those who attend. In addition we actively solicit your input on how to improve this event as well as topics you desire to have better knowledge of.

The Education Committee did another outstanding job. It is important to understand that your PCC events are all accomplished because of those who dedicate their time and energy voluntarily.

In addition, we just held our Spring General Membership meeting June 2nd at Conrad's Ruth Villa. The timing was good as Tom DeV Vaughn presented an over view of the recently filed R'06

Omnibus rate case. Tom initiated something needed which was an indication of some of the rules enveloping this highly complex rate case - this being critical in order to be able to understand the real financial impact on "your" mailings.

The threat of inclement weather held attendance down somewhat. But, the weather was great and we all had a good time.

This September the USPS will hold another "PCC Day." This is to be the normal counterpart to the Spring National Postal Forum. Your Baltimore PCC Executive Committee is working on a venue for you so that you will be able to fully benefit from this event.

We all look forward to seeing all of you at this upcoming PCC event.

R'06 USPS Rate Case... It is out of the gates!

By Charley Howard
Postologist, Harte-Hanks

As all of you know the USPS filed their R'06 rate case May 3rd 2006. According to the USPS the rate case seeks \$4 Billion in new revenue for the test year of 2008. This supposedly translates to an overall average of 8.5%. The USPS published these average increases for each class of mail:

Mail Class	Average Increase
First Class.....	7.1 %
Standard	9.0 %
Periodicals	11.7 %
Priority.....	13.8 %
Express.....	12.5 %
Package Services	13.4 %
Special Services.....	11.2 %

I caution everyone to be wary of overall averages as the old adage "devil is in the details" truly applies here.

On the surface it looks like First Class took it on the chin saving Standard Mail an egregious increase. First looks can be deceiving. Indeed, the single piece First Class stamp is increasing 3 cents to 42¢. However, the additional ounce is dropping 4¢ to 20¢. This means a 2 ounce First Class letter would be dropping 1.6% in postage. Where the average of 7.1% is coming from is the new distinction in shape for First Class Flats and Parcels. This theme of shape differentiation in rates is carried through into Standard Mail as well - even more so.



Executive board presents gift to keynote speaker Anita Bizzotto, Chief Marketing Officer USPS

R'06 USPS Rate Case...

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This takes me to another variance from my earlier predictions of letter mail getting off easy versus flats - for Standard Mail. Not so as I will demonstrate a little later on.

Perhaps the biggest unknown with this R'06 rate case is the "rules" with which the rates will be implemented and on how the mail will be required to be prepared. This rate case looks to surpass the R'95 Postage Reclassification Reform rate case in complexity. Unless we all know the rules under which these proposed rates will be used neither the industry and software developers nor the Postal Rate Commission can effectively evaluate the true rates and their effect on mailers, mailings, and the industry in general. The USPS wants to keep them secret till after all the testimony is closed with the PRC, in September 2006. I do not believe that this plan will work as too much is left till the end to be able to properly implement the new rates when they will become effective - likely May or June 2007. And it looks like the USPS will indeed release some of the rules over the course of the next few months. Now some detail:

For the life of me I cannot come up with, or even close to, the published overall average postage rate increase for Standard Mail of 9.0% for R'06. Supposedly the rates are better for those that do the most with address hygiene and worksharing. My analysis so far reputes this. In addition, this does not include possible "risk" of rules not yet made available. The "rules" are the big unknown here.

What one might consider a good Standard Mail mailing that is reasonably dense in its targeting would be a Retail Advertiser, typically one that is a regional mailing of about 1.2 million pieces in a small geographic area. Using a good candidate mailer I come up with an increase by shape of:

- Automated letters 10.04% ⁽¹⁾
- Flats 12.45% ⁽¹⁾

1) Barring any unforeseen rule changes or new rules.

The worse the sort level the lower the increase! Go figure.

Letters.

What makes the rates jump particularly for letters is the loss of two rate tiers; ECR-Auto and 3/5-Digit Presort. Harte-Hanks allows ECR-Auto to be used only if and where it will not cause mail to lose the 5-Digit Auto rate and fall to 3-Digit Auto. An example would be if a Zipcode had 159 delivery point barcoded pieces of which 10 are in a single carrier route. If the ECR-Auto rate was taken on those ten pieces there would be only 149 pieces left in the Zipcode, one shy of the required 150 in order to gain the 5-Digit Auto rate. In this case ECR-Auto would not be allowed. Nevertheless, in such dense mailings as our example it is not uncommon to see 25% ECR-Auto.

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R'06 USPS Rate Case...

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In R'06 ECR-Auto disappears. Most of this mail will fall to the 5-Digit Auto rate and the balance to the 3-Digit Auto rate. For mail today that falls into this category it looks to incur a 21.6% increase! The small 3/5-Digit non-automated presort category disappears as well. Most of this mail will fall to the better of the two basic rate tiers - Non-auto-AADC. This rate tier reflects an increase of 1.8%, however, the 3/5-Digit presort mail falling to this category is looking at a 10.0% increase. These two items alone help contribute to a rate increase higher than the USPS's stated average and that for the easiest mail the USPS has to process - letters.

The USPS has created a whole new set of rate tiers for Non-Machinable letters which average in the mid to high 30 percentile. I have not been able to locate the non-machinable surcharge for ECR-Basic which is currently 0.8 ¢. I have also not been able to gain a clarification from the USPS on this point - perhaps it was overlooked. Or worse, it will be handled in the rules where it will fall all the way down to 5-Digit Non-Machinable. If this happened a piece today entered to the DSCF at 17.7 cents plus the .8 cents surcharge totaling 18.5¢ would then be charged in 2007 32.6¢, or an increase of 76.2%! Ouch! However, the USPS may have treated this issue as they did in First Class and simply dropped the surcharge. We will get clarification on this matter.

Then there are the Flats.

In my example above now using flat shaped mail the mailing experiences 92% ECR-Basic and the bulk of the balance automation rates (7.1%). This is where one needs to be careful. There is proposed a whole new rate segment called NMF, Non-Machinable Flats. These are the flats that physically cannot be processed on the USPS AFSM100 flats sorter, rather are mailable as automated flats on the UFSM1000. These are flats greater than 12" X 15", and/or between $\frac{1}{2}$ " and 1" thick or less than 5" x 6". These flats are looking at postage increases ranging 77.8% to 160.9% in the piece rate category. What has me concerned with NMF is the definition of an automatable flat. The UFSM1000 was used for many flats that were too floppy for the AFSM100 machine. As the UFSM1000 machines are being taken out of service, does this mean that the dreaded "droop meter" is back? If so, does this mean that a good many of the 4% to 8% of my sample will now have to mail at the NMF rates? If so, the increase would then be on the whole mailing of my example 23.28%!!! That potential "rule" change would generate a great leap of 10.83 percentage points on the whole mailing due to only 7.1 percent of the mailing. As can be seen here knowing the rules are as important as knowing the specific rates. Many of these floppy flats, like most retail advertising flats, have been migrated from the FSM1000 to the AFSM100 without any real difficulty in processing. This being the case we can "hope" that the USPS will exclude the floppy rule from the definition of a NMF.

It at first appears that the pound rate flats of Standard Mail took a hit because the per piece portion jumps from 19% to 60% while

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Baltimore PCC Education Seminar 2006

by Jim Barlow
Mail Systems Management Consultants,
Education Committee Chairperson

The University of Baltimore Thumel Business Center was again the site of our Mailer's Education Seminar for 2006. The date was April 21st, the weather was excellent and it was one of our best with over 145 attending. All in all it was a great success. We were very happy to have the Postal Service's Chief Marketing Officer, Anita J. Bizzotto as the keynote speaker. She shared important information about the US Postal Service's future, products and services to meet the pressing demands from customers and the marketplace. BPCC Industry Co-Chairman, Charles Howard, Harte-Hanks Direct Marketing and BPCC USPS Co-Chairman, C Michael Harlow, Baltimore Postmaster provided opening remarks. The education filled day featured exciting education opportunities with the latest critical mail related topics, vendor booths and great food. We had seven popular sessions plus a new session on stamp development and a new SUPER SESSION to cover the current and the rate case that was to be filed in May, 2006. The highly competent session instructors were provided by the US Postal Service speakers' bureau and presented the following sessions:

- Mail Piece Design
- Intelligent Mail
- Advertising and Direct Mail/New Products
- Serving Small Businesses More Effectively
- Non-Profit Standard Mail
- Address Management/Ancillary Endorsement
- Mail Security
- Development of Stamps
- SUPER SESSION – Rate Case 2005/2006

Four vendors displayed their products and services in the Thumel Business Center atrium area for the benefit of the attendees. Special thanks to these vendors for their support for this and other PCC events:

Brokers Worldwide - Tracy Favre (610) 461-3661

Corporate Mailing Services – Barbara Pearson & Monte Hunter (410) 242-7356

The Scale People – Pat Merrigan & Richard Guild (410) 309-5880

U. S. Postal Service – Adrienne Spruill & Vanessa Williams (410) 347-4337

The 2006 Education Seminar included a "Certificate Achievement" award for every participant completing this areas best mailer's education event.

The Education Committee strives to provide education opportunities for the Baltimore PCC members in partnership with the US Postal Service. Education events facilitate the exchange of ideas about new and existing Postal Services products, programs, services and regulations that affect all businesses that use the mail. The success of this education event required the team work of many people behind the scenes. Special thanks to the Education Committee members Angela Brown-USPS Marketing Manager, Dana McCormick-Wells Fargo, Chester Wortham-Johns Hopkins Mail Services and Jude Antisdell, Anne-Tisdale & Associates and to the supporting USPS staff including Vicky Bazemore- Marketing Staff, Yvette Singh- Customer Relations Coordinator and Adrienne Spruill-Business Network Manager.

Please check our website www.baltimorepcc.com for future events and look for the next Mailer's Education Seminar in the spring of 2007. Please let us know if you have any ideas about possible future Education Seminar sessions or events for our planning process such as, tours of local commercial mailers, printers and mail center operations. You can reach me at jamesbarlow@comcast.net or call 410-321-8821.



The education seminar was well attended as you can see from the opening session.



Lunch is always special at the education seminar. Dotty Wileman, retired Mail Design Analyst graced the seminar with an appearance – shown here at the head of the table.

Chesapeake Postal Customer Council

News and notes from the Eastern Shore

The Chesapeake Postal Customer Council (CPCC) is busy gearing up for National PCC day this September. We are planning a full day event where business mailers from the Bay Bridge all the way to Ocean City can network with other mailers, business services, and Postal representatives. We will be sending out a flyer with more details as the date approaches. Be on the lookout for our annual crab feast coming up this fall as well, it is always a good time!

Recently there have been several changes in the Executive Board of the CPCC due to the recent passing of the Secretary/Treasurer. We would like to welcome Mr. Jim Poore, of the Poore House, Inc. in St. Michaels, MD as our newly appointed Treasurer. The Secretary position has been filled by Sharon Bayly, Postmaster of Linkwood MD 21835. Rick Fischer, USPS co-chair, is on a detail position to USPS Headquarters and while in his absence Sharon will be taking over his duties temporarily. In June we plan to meet and have a brainstorm session on growing our local PCC membership.

May 2, 2006 was our most recent meeting and open house held at the Easton Post Office and Eastern Shore Mail Processing and Distribution Facility. Starting the day at the P&DC mailers and Postal representatives from the Baltimore District were escorted around the building by Mr. Tom Tyykila, Directory Analysis Specialist. Tom gave detailed information and mail "tips" for getting your mail through the postal processes with as much ease as possible. The combination of information and actu-

Spring Membership Meeting

The Baltimore PCC held its annual Spring Membership meeting on June 2nd at Conrad Ruth's Villa. A USPS representative gave a presentation entitled "Shaping a More Efficient Future", which contained valuable information on the 2007 Rate Case.

After the meeting, the over 140 attendees enjoyed a crab feast and bull roast. The afternoon included opportunities to network, speak with USPS representatives, and as always, door prizes. A great time was had by all.



You can just tell that the spring meeting was a success.



Charles Howard, Tom DeVaughn and John Gibson engaged in some postal talk.



James Barlow, Angela Brown and Chester Wortham enjoying the day.



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the per pound rate drops from 1% to 8.6%. Yet, a 3.9 ounce flat mailed at Saturation rates and drop ship entered to the delivery unit such as our Harte-Hanks Shoppers would see an increase of only 2.96% that is as long as the mailpiece is addressed as opposed to using a Detached Address Label. If DALs are employed a new rate is created specifically for them of 1.5¢ per piece. Now the 2.96 % is closer to 14%.

Standard Mail in R'06 is divided into:

- Letters
- Flats
- Non-Machinable Flats, NMF
- Parcels

I suspect that eventually over the next rate case or two that NMF will disappear and these mailpieces will become parcels.

It seems that a great deal of the revenue burden shift from First Class to Standard Mail is in the ancillary services area - value added per the USPS. To me this seems a little oxymoronic in that much of this is inherent in First Class and is an outright add-on for Standard. In addition the costs to the USPS is "classless;" in other words the same for First Class and Standard.

Here are some of the areas of import:

Address Change Service:

- ACS Hardcopy drops 33.3% from 75¢ to 50¢
- ACS Electronic
 - First Class drops 71.4% from 21¢ to 6¢.
 - Standard increases 19.0% from 21¢ to 25¢.
- OneCode ACS (using the 4-state barcode starting 9/06)
 - First Class 5¢
 - Standard 15¢

CONFIRM goes from a fixed rate hierarchy pricing structure to a combined fixed plus usage rate structure with "class" distinctions. Currently there are three main levels of CONFIRM with annual subscription fees and prescribed volumes of scans with that for Platinum being unlimited:

- Silver \$2,000
- Gold \$4,500
- Platinum \$10,000

The new structure based upon an annual subscription for user ids plus usage:

1st ID, includes 1 million "units"	\$5,000
Additional ID codes each	\$2,000

Blocks of Million "units" per million:

- 1st to 9th million units \$70.00
- 10th to 99th million units \$35.00
- 100th or more \$17.50

This is where First Class and Standard are differentiated. One scan:

- First Class - one scan costs one "unit"
- Standard - one scan costs five "units"

Remember that each planet coded mailpiece receives 2-4 scans, normally. That would translate to 10 to 20 units for Standard versus 2 to 4 units for First Class.

This pricing differentiation is right out of the USPS Strategic Plan. It is an effort to add value to First Class Mail by making their use cheaper and thus more attractive. However, as the costs for these services are the same whether for First Class or Standard it begs the question of revenue/costs coverage of First Class as to if using the costs to support their use by Standard Mail that the core costs of First Class are appropriately covered by it's revenue.

More importantly though is the issue of using Plant Codes. It is critical to the reasonable tracking of mail through the postal processing system. It will be vital to any service performance requirement placed upon the USPS that currently exists within both the Senate and House postal reform Bills. With Standard Mail now the dominant mail class does it make sense to nearly price the use of planet code tracking out of viability, effectively killing the program? Hopefully, the PRC will see the issue in the same light.

We must remember that this is just the beginning of the rate case process. The

Postal Rate Commission will take ten months to review and to develop their recommendations. It is likely, that in a rate case as complex as this one is that the PRC will indeed make changes to several of the USPS's requests. And, even if the PRC does indeed change some of the rates the Postal Board of Governors can disagree with them and send the case back. This has happened before.

What is important in this case is we need to know the rules, first and foremost. Next, shape is obviously the dominant issue with these rates so many will need to look at what it will take to convert their flat mailers into letter shape mailers.

Chesapeake Postal

from page 4

ally seeing the process happen right before their eyes was impressive. Mailers get a first hand look at how a piece gets from Point A to Point B in the mail stream and how automation really advances that process along.

The afternoon continued with lunch at the Easton Post Office and presentations. Mr. Andrew Harris, Acting Plant Manager, took questions on the processes that we saw earlier at the plant. Sharon Bayly presented different ways and options to pay for your mailings. She also demonstrated on the web the Postal Explorer website and www.usps.com for personal and business needs. Mr. John Gibson, Manager Business Mail Entry, spoke on "Mail Qualification Reports" which went in deeper on how your mail qualifies for volume discounts. All were informative and we thank them for being available as a resource for the CPCC. Everyone was given a bag with handouts that included the "My Desktop" Postal CD, PCC information, and more detailed information of our various websites.

Finally we wish to thank the Baltimore Postal Customer Council for all their help and direction. Angela Brown and Vicky Basemore provided us with more information and handouts to give to our customers. We are looking forward to a great fall season and sharing more with you in the future!

Keeping The Johns Hopkins Mail Distribution and Transportation System Healthy

By Jim Barlow, Mail Systems Management Consultants

The Johns Hopkins Mail Distribution and Transportation System is a long time member of the Baltimore Postal Customer Council and, over the years, has made great strides to keep pace with the dynamic growth of the Johns Hopkins Hospital and University. The Johns Hopkins Hospital has grown into the Johns Hopkins Medical Institutions, a collective name for the Johns Hopkins Hospital and Health System, and the health divisions of the Johns Hopkins University. This includes the Johns Hopkins Bayview Medical Center, Howard County General Hospital, the School of Medicine, the School of Nursing and the Bloomberg School of Public Health.

Today the Johns Hopkins Mail Distribution and Transportation System is one of the top mail service operations in the area thanks to the Manager, Roderick Toney and Chester Wortham, Jr., the Director of Special Services who oversees mail services as well as the Patient Transport and Reprographic departments. Mail Distribution and Transportation successfully delivers over 15 million mail pieces annually to over 40,000 staff and faculty system wide and well within the Johns Hopkins' high performance standards. Over one million outgoing mail pieces are processed annually. Currently a mail services staff of 39 reports to Rod Toney on the East Baltimore campus. The University's staff of

11 is managed by Andrew MacSherry, with 21 years of mail experience. His responsibilities extend to the newly opened Mt. Washington campus as well as the University's Homewood location which includes The Johns Hopkins at Eastern campus. He also manages a fleet of 8 vehicles which serve as the delivery arm of the operation. The Hopkins' mail system is blessed to have a highly qualified staff of mail professionals including George Miller,

with 30 years of experience, who manages a staff of six for The Bloomberg School of Public Health and the School of Nursing. Kay Lall, with 16 years of mail experience at The Johns Hopkins Bayview Medical Center supervises four staff members at the Bayview campus. Within the past two years The Johns Hopkins Mail Distribution and Transport System has adjusted its'

system has also been employed to keep up with the hundreds of time sensitive mail pieces that must be delivered daily. To make this all work efficiently, a system of proven processes and procedures are employed by a motivated and well trained staff and a warm and supported culture that keeps staff turnover low.



Mr. Floyd Gilliam, Senior Mail Technician



Mr. Chester Wortham, Jr., Director of Special Services and Roderick Toney, Mail Services Manager

supervisory staff to include David Blucher, Christopher Parker, Lakeysa Richardson and Stanton Bell, all with significant mail experience.

The Johns Hopkins Mail Distribution and Transport System utilizes up-to-date mail processing equipment including a Mail Code Olympus II that automatically sorts incoming mail at the rate of up to 24,000 pieces per hour. An automated tracking

This all didn't happen overnight. About 15 years ago I was contracted to perform a study of the Johns Hopkins mail services operation to correct operating inefficiencies, delivery delays and to support the new manager with matrix reporting and staff performance accountability. The resulting improvement recommendations put them on their way. In 1999 a 13-member work group including Rod Toney and Chester Wortham assessed the performance of the University and Hospital mail services. The result was a new consolidated and centralized organizational structure with new policies and procedures, that crossed traditional lines of authority. This created a faster, more reliable and cost-effective mail services operation that continues to improve.

The leadership team is aggressively working to improve their skills and knowledge base where mail handling and automated systems are concerned. Chester H. Wortham, Jr., a 27 year veteran at Hopkins, Roderick Toney and Kay Lall, achieved the Executive Mail Center Manager (EMCM) certification from the US Postal Service in 2005. Kay also received the Mail Center

Professional Certificate while attending the National Postal Forum in Washington D. C. Rod Toney who has been with Johns Hopkins for 21 years, received the Social Awareness Award for Mentoring presented at the Spring 2002 National Postal Forum for his work mentoring new mail service staff.



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