

the Communicator

Baltimore Postal Customer Council

Special Spring 2007 Edition Volume 7.0

Baltimore PCC Annual Education Seminar Held April 27th Focused On Rate Case

It was a Baltimore PCC Mailer's Education Seminar to beat all education seminars and the new 2007 rate case highlighted the day's events. 175 attendees representing 34 different businesses took advantage of pertinent and up to date mailing information, networking, and a great lunch.

Charlie Howard and William Ridenour opened the seminar while keynote speaker Susan Plonkey, Vice President of USPS Customer Service talked about the PCC and providing quality service at affordable prices. Susan emphasized that the USPS has expertise to deal with mailers issues and encouraged mailers to take advantage of worksharing and address cleansing. She also answered the question as to whether or not there would be a new rate case under the old rules and unfortunately it is a little too early to tell as this point.

She spoke about intelligent barcodes and the transparency of data that this technology will provide; which will make USPS look good and bad as well. This will allow for predictions of deliverability, help to predict staffing and costs, and add value while growing the mail. She spoke about flat sequencers with 100 being deployed over the next 2 years. This will revolutionize flat mail processing while reducing manual labor.

Susan emphasized that the internet did not kill the mail as predicted. Instead the internet works very nicely together with the mail, especially in the area of catalogs which really create a need for internet buying. She took the time to remind everyone that September 19, 2007 is National PCC day.



Keynote speaker Susan Plonkey, USPS Vice President of Customer Relations receiving this beautiful gift from the Executive Board for taking time out of her busy schedule to address our annual Baltimore PCC's Mailer's Education Conference.

There were sessions on mailpiece design, intelligent mail barcode, advertising and direct mail and demographics of the mail, presorted standard mail and flats, address management, ancillary endorsements, mail security, identity theft, PostalOne, vendor evaluation and of course a super session on the 2007 rate case.

John Gibson presented the rate case which highlighted the "Forever Stamp" and the new Shape Based Rates. He mentioned that there are still some unsettled issues revolving around Standard Mail Flats, Nonmachinable Surcharge for First-Class letters and Priority Mail flat-rate boxes. New Periodical Rates are scheduled later this year in July, but for the most part its full speed ahead for May 14th. All the 2007 rate case information has been published in Postal Bulletin 22203A dated April 6, 2007 and can be found at www.usps.com.

It was a day filled with information to help members grow their respective businesses.

Customer Training Schedule – 2007

- May 22 First Class & Standard Mail Eligibility
- June 19 MERLIN
- July 17 PostalOne
- August 14 Perfect Bundle
- September 11 Standard Mail Preparation
- October 23 Nonprofit Standard Mail
- November 20 Periodicals Eligibility
- December 18 MERLIN



Events

Baltimore PCC Spring Meeting
June 1, 2007, Conrad's Ruth Villa, 3301
Edwards Lane, Baltimore, MD 21220

General Commentary – Postal Rate Case Issues

By Charley Howard, Postologist



On February 26, 2007 the PRC made their long awaited recommendations on the USPS rate case. To many it was a real shocker. I found it rather interesting.

Curiously, the PRC recommended rates are very close to what I predicted the USPS would ask for in a Postology Report a year ago. To me, it was the USPS filing that was hard to understand considering the "push" to create shape based rates.

However "correct" the recommended rates are there are several problems with them the most felt is Standard Mail Flat Mail "RATE SHOCK." The USPS is somewhat sensitive to the rate shock issue and had sought to mitigate it till a later rate case by sacrificing letter rate mail for flats. The PRC apparently realizing that it would require the USPS to file another Omnibus ten month rate case to finish the shape-based rate structure decided to "cut to the chase" and do it for them.

The PRC has cause to have done this. They have 18 months to get the postal service up and running under the new laws enacted at the end of December 2006. There are less than 15 months to do this and 10 months spent on another rate case under the old rules likely seemed an unwise use of their time.

Can the PRC actually do what they did? Well, the USPS provided the cost data that supports the PRC's recommendations, so yes, they can and they did.

The Board of Governors has accepted the PRC recommended rates with three exceptions. The most pertinent to us has to do with the Standard Mail flats "rate shock". Recently the BOG wrote the PRC indicating that they wanted the PRC to roll back the flat rates and increase letter rates.

I do not think this is a wise recommendation. Of course it should be noted that the Chairman of the Board, Jim Miller, included in their remand that they wanted to file one last 10 month rate case. No one in the mailing industry wants that. The PRC obviously does not want another 10 month rate case. So what will the PRC do?

There are many options, one of which is to do nothing. There are many in the USPS I have spoken with that feel this is what the PRC will do.

I think the PRC should leave the rates as recommended alone BUT alter a worksharing discount. The PRC listened to the industry and increased the pass-through on Drop Ship entry discounts to 100%. However, these discounts have always been the same for letter mail and flat mail, parcels too. The USPS gains far greater benefits from flats being drop ship entered than those for letters and the discounts should reflect these differences. In view of the effort the PRC made to further the shape distinction in the rates I think they should further this effort with the drop ship discounts.

Unlike the USPS I do not think it wise to tamper with the recommended rates for Standard letters. The PRC got it right and raising them to offset flat rates would likely push more letter mail out of the mailing system hurting the USPS automation plans. Rather, I think the PRC should increase the drop ship discounts for flats beyond the 100% to effect the mitigation of flat mail rate shock. They can do this for this very reason. They probably should do the same with parcels. Any later fine tuning can be done by the USPS under the new rules of rate making. This really should be done by the PRC rather than doing nothing in that flat mail volume will likely plummet undercutting the USPS's flat automation plan. Many mailers are already in the process of attempting to shape-shift their flats into automatable letters. This is not necessarily a wise marketing decision in that response rates could drop-off with the new shape format. If that were to happen the mailers would look to using newspapers or other viable media to communicate to their customers. This is not something the USPS can afford to have happen. Inaction or the wrong choice by the PRC can have devastating impacts on mail volumes.

So, a little proper compromise is what is desired here and hopefully the PRC will do just what I recommend.

Yes, I did write them about this.

Something that seemed to go unnoticed was a little rule change the USPS made after the PRC rate recommendations. It has to do with Standard Mail letters – Enhanced Carrier Route – Basic.

Up until the recent PRC rate recommendations ECR – Basic for Standard Mail was the same rate for both letters and flats. The PRC made the shape distinction that was eventually going to happen. Because of this the USPS felt compelled to require automation characteristics for this rate tier for letters starting May 14th. It does make sense in that they will want all letters on their automation equipment. Not meeting automation requirements for this letter rate will require paying the flat shape postage rates.

This is bigger than simply applying tabs to pieces that now need them, though this in itself is a big change. This rule change effectively "kills" ECR-Basic for letter mail. If you now have to meet the automation requirements for Carrier Route mail it would be better to use the 5-Digit automation rates. And, where you do not have 150 or more pieces to a 5-Digit Zipcode to qualify for the rate, use the 3-Digit auto letter rates, as the rate spread from ECR-Basic is now minor.

Most of our client's mailings qualify between 70% and 98% ECR-Basic with their letter mailings. These will all now have to be delivery point barcoded and sealed (tabbed or glue strip/spotted). The wee bit of mail that was not codable and mails at presort and basic rates will eventually be surcharged as it is all manually processed and may even be undeliverable as addressed.

All this additional tabbing is going to require more equipment for all of us service providers. Add to this the possible flat mail being shape-shifted to letters due to the rate shock effect for flats.



Baltimore PCC Executive Board member Jim Barlow explaining how the new flat portrait versus landscape rule is going to work to USPS Mail Design Analyst Floresca Ross. We don't think she bought it, but good try Jim.



USPS Rep Tony Estrada talking to potential customers and PCC members.



Now let's see, was I supposed to call my husband before or after lunch!



Just a small sample of the many participants which represented such companies as Erickson Retirement Communities, MECU of Baltimore, T. Rowe Price and Harte Hanks. Harte Hanks was represented well by Rich Austin, Amy Gardner, Littieri Hill, Debbie Carter, Emily McManus, Heidi Duthoy and Diane Whitacre. MECU of Baltimore was represented by Ronald Muse and Erickson Retirement Communities was represented by Mark Gardner and Debbie Anderson.



USPS Representatives Floresca Ross and John Gibson presented on Mail Piece Design and the 2007 Rate Case respectively. The fact that they were positioned by the EXIT sign for this picture should not be misinterpreted as their presentations were met with much enthusiasm.



FOOD: yet another good reason to join the PCC and get to the functions.



Baltimore PCC
Box 1010
Baltimore, MD 21203

PRSR STD
POSTAGE & FEES PAID
USPS
PERMIT NO. G-10

Baltimore Postal Customer Council EXECUTIVE BOARD OFFICERS CY 2007

INDUSTRY CHAIRMAN

Charles Howard
Harte-Hanks/DMA

POSTAL CHAIRMAN

William L. Ridenour
Acting Postmaster, USPS Baltimore

VICE-CHAIRMAN/SECRETARY

Lisa Kline
Alliance Mailing

TREASURER

Joseph Fetcho
Circular Advertising

EXECUTIVE COMMITTEE

Judith Antisdel
Anne-Tisdale & Assoc., Inc.

Bill Sell
T Rowe Price & Assoc.

Louis Haber
Distribution Postal Consultants

Angela Brown
Marketing Mgr., USPS

Jack Weber
Uptown Press

Dana McCormick
Wells Fargo Mortgage

Chester Worthham
Johns Hopkins Hospital

John Nall
Towson University

Greg Incontro
Senior Plant Mgr., P&D Center

Jim Barlow
Mail Systems Management

Ray Cross
Relizon Company

Dorothy Reed
Provident Bank

Yvette Singh
Customer Relations Coordinator, USPS

Robert Tiefenwerth
United Way of Central Maryland