

# the Communicator

Baltimore Postal Customer Council

Fall 2007 Volume 7.1

## SEVERAL USPS PROMOTIONS NOTED IN BALTIMORE AREA



The Baltimore Postal Customer Council wishes to express congratulations to several USPS Managers who were recently promoted. Mr. Bill Miner was promoted to District Manager, Capital District; Mr. Michael Harlow was promoted to Baltimore District Manager, and Mr. William Ridenour shown above, who was recently promoted to Baltimore Postmaster.

## Spring PCC Fling – A Very Good Thing

What can be said about the PCC Spring Meeting that hasn't already been said a thousand times? Wonderful, stupendous, grand, unbelievable, or just plain great. About 160 people turned out to enjoy the beautiful day; cool bay breezes, unbelievable bay scenery, networking and simply the best food and beverage. Oh; and did I mention the steamed crabs!

Co-Chair Charlie Howard opened the meeting with membership news describing how vibrant the Baltimore PCC Executive Board has been in building membership which now stands at 139 members and 72 companies. He credited the board with establishing a new dues structure which includes corporate partnership categories. Charlie took time to thank everyone who donated gifts for the



USPS Distribution Managers Leslie Kellam and Beverly Wade talking over receiving and sorting strategies with Angela Brown, USPS Marketing Manager.

## Baltimore District Customer Training - 2007

Training held in Room 401 Main Post Office. To Register call 410-347-4436  
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## National PCC Day Celebrated September 19th

September 19 marked the annual National Postal Customer Council (PCC) Day with events held at 150 sites across the country. Postmaster General John E. Potter addressed a record 14,000 participants via broadcast from a site in Cincinnati, Ohio, with the message that leveraging cutting-edge technology and finding ways to make mail more valuable is invaluable to the future of the U.S. Postal Service.

The Baltimore Postal Customer Council was on hand to hear his message at the Baltimore, Fayette Street Post Office with well over 100 in attendance. Breakfast and lunch was served and the attendees

got a tour of the Baltimore mail processing plant. There were presentations on workshop in a box, flat sorter sequencing (FSS), and suspicious mail. It was a full and productive day.

The Postmaster General talked about the PCC being a network of community-based business mailers and representatives of the U.S. Postal Service who meet regularly to share ideas and resources to create a strong working relationship and improve services. He emphasized that the key is communication in that the postal service needs to know what's working and not working so the USPS can help



# Events

Baltimore PCC Fall Meeting  
December 7, 2007- Turf Valley

2008 Baltimore PCC Education Seminar  
March 20, 2008 University of Baltimore

National Postal Forum  
May 18-21, 2008  
Anaheim, CA.

## National PCC Day Celebrated September 19th *from page 1*

the industry. Potter acknowledged that he has heard from the industry about the level of personnel knowledge and consistency of service at BMEU's and that steps were being taken to correct those areas.

Potter cited the Intelligent Mail Barcode as a way the Postal Service is using technology to provide value and ease to business mailers. The Postal Service recently recorded the milestone of scanning its one billionth barcode. One out of every 100 pieces of mail sorted daily contains this code.

In what many in the postal community regard as good news, Potter said he would prefer that the next rate adjustments be made with the new rate making system being created in accordance with the Postal Accountability and Enhancement Act. With the Postal Regulatory Commission on schedule to complete the new system by the end of October, it would appear now that the next rate adjustments will be made under the new system. However, the Postmaster General pointed out that the final decision will be made by the Postal Service Board of Governors.



*Executive Board members taking advantage of a great lunch on National PCC day.*



*Some thought provoking presentations were made at National PCC Day in Baltimore.*



*Board member Lisa Kline received the "PCC Industry Member of the Year" award quite fittingly on National PCC Day. Co-chairs Bill Ridenour and Charlie Howard presented this well deserved award.*



*Board members presented these beautiful gifts to our National PCC Day presenters.*

## Spring PCC Fling – A Very Good Thing *from page 1*

spring meeting. He talked about the new flat rates and the new flat sequencing machines soon to be in place and how mailers need to start thinking about solutions for the new flat rules. Charlie reiterated that the PCC meetings were not just about the mail, great food and beverage; as if that weren't enough. "Attendees should take some time to meet new people, press the flesh and network." He noted that there was a wealth of knowledge and experience within the PCC membership so we should take advantage of it.

Our featured speaker was Mr. Edward Wanta, Manager for the National Customer Support Center in Memphis. He manages PostalOne, PAVE, CASS & MASS and he manages the Customer Data Analysis Program. His presentation focused on Total Address Quality and the new CASS Cycle "L". Mr. Wanta caught everyone's attention when he advised the meeting that the USPS handles 9.7 billion pieces of poorly addressed mail at a cost of 1.8 billion dollars. Poorly addressed mail includes missing route or apartment numbers, incorrect street numbers, or incorrect street or recipient's name.

Mr. Wanta outlined the USPS Total Address Quality Process which includes Updating, Validating and Standardizing address lists. He also emphasized the tools that are available to accomplish this process; which includes NCOALink, LACSLink, DPV, AEC, and CASS. He encouraged the gathering to take advantage of the tools available in order to get your mail where you want it to go efficiently and cost effectively. He also advised the meeting that the MOVE Update requirement is being changed to a 95 day requirement in 18 months, on or about October, 2008.



*Charles Howard of Harte Hanks Direct Marketing registering with Darlene Sanders, Yvette Singh and Eloise Jackson of the USPS with Lisa Kline of CAC Direct Marketing looking on.*



*Charlie Howard, Postmaster Bill Ridenour and District Manager Michael Harlow present a gift to our Spring Meeting featured speaker Edward Wanta USPS Program Manager for Intelligent Mail.*



*T. Rowe Price employees in the foreground led by our own Bill Sell.*



*Lora Harris and Evelyn Amtmann of CCBC joined Lisa Sagner of BD Diagnostics and Pam Moran of Aramark at a table with a great view.*

**I just inkjetted 25,000 fundraising envelopes for dog rescue. And I'm a cat person. Yeah, I'm that good.**




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# PRC beats the Clock

By Charles Howard,  
Industry Co-chair.

Perhaps the biggest news of the week as regards the USPS is that the Postal Regulatory Commission has completed a 160-page proposed framework for setting mail rates. This is well ahead of schedule and adds emphasis to the fact that the PRC does not want the USPS to file another old rule Omnibus rate case.

The Postal Regulatory Commission has clearly signaled its appreciation that postal law has changed. It very clearly noted that its future role will be oversight and not ratemaking. It has done an admirable job of reflecting in its Federal Register notice its intent to fully and professionally as possible reflect the changes Congress had envisioned for postal reform.

Comments to the proposed regulations are due by September 14, 2007, and reply comments are due by September 28, 2007. The proposed regulations are available on the Commission's website, [www.prc.gov](http://www.prc.gov), and will be available in the Federal Register. The proposed rulemaking consists of three parts: regulations related to competitive products; regulations related to rate adjustments for market dominant products, including the formula for calculation of the rate cap under which annual adjustments may be made; and establishment of a Mail Classification Schedule, which categorizes products as either market dominant or competitive.

As we dig our way through this document we will be getting the highlights out to you. However, it should be noted that unless there are severe extenuating circumstances rates by class will not exceed the prior 12 months Consumer Price Index. You can also expect that the USPS will raise rates annually.

At least for now the odds are against the USPS filing a 10 month rate case which would need to be filed by 12/20/07.

Below is a question and answer presentation from Gene A. Del Polito, President of PostCom.

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# MAKING HEADS OR TAILS OF THE PRC PROPOSED RATE RULES

On August 15, 2007, the Postal Regulatory Commission (PRC) issued its proposed rules to establish a new system of postal ratemaking. While the rules themselves are not impossible to comprehend, it can be easy for the uninitiated to get lost in the PRC's "he said...she said" review of public comments received during its initial inquiry. The purpose of this paper is not to cause you to descend into the kind of rulemaking minutia that makes lawyers and economists rich, but to give you a simple, easy to understand review of what the PRC is proposing using a question and answer format. So...buckle your seatbelts, because here we go.

**Q.** There has been some fear that the PRC might have somewhat of a difficult time shucking its previous role as a postal ratemaking, and would try to bring forth a set of rules designed to preserve postal ratemaking as it's been known for the past three and half decades. Did it do this?

**A.** To its credit, it did not. The PRC noted quite explicitly that Congress clearly intended to abandon PRC style ratemaking, and that it expected the PRC to evolve more into an overseer of the administration of the new postal law rather than postal rate maker.

**Q.** Do the PRC's proposed rules create the kind of administrative flexibility Congress had hoped to imbue in a new ratemaking scheme?

**A.** Yes, they do. The PRC went the full nine yards to ensure that the Postal Service could approach ratemaking and mail classification with the fullest possible regulatory discretion limited only by the constraints Congress originally specified. In no way would one be justified accusing the PRC of trying to pour new wine in old wineskins. In fact, the PRC labored mightily to get these rules out in time to enable the USPS to abandon any thought of calling for one more cost-of-service rate case and to enable all future rate changes to take place in accordance with the new postal reform law.



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**Q.** Really?

**A.** Yes, really. In fact, the Commission went way out of its way to make its intention clear that it wanted to pave the way to a new scheme of ratemaking that the USPS could use without delay. It made abundantly clear that it wanted to obviate the need for another omnibus rate case, while still providing the USPS with a suitable mechanism for insuring its financial needs and market conditions.

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Q. Okay, so the PRC's heart was pure. In its proposal, however, did the PRC propose different rules governing rates for market-dominant and competitive mail services as Congress stipulated?

A. Yes, it did. Indeed the PRC's proposed rules follow very faithfully the directions Congress intended "modern" ratemaking to go. There are specific rules that will pertain to market-dominant products, rules that pertain to competitive services, and rules for determining how these products are to be delineated in a modern classification schedule, as well as rules that will govern how products may be reclassified some time in the future.

Q. How has the PRC set about this task?

A. The PRC recognized that the U.S. Postal Service (USPS) knows how to read the new postal law, can discern the distinctions that Congress had placed in the law, and knows best where its products fit in either the market-dominant or competitive categories. Consequently, it has asked the USPS to begin by preparing a proposed Mail Classification Schedule that identifies and distinguishes market dominant and competitive products.

Q. How will rates for market-dominant products be set?

A. In its proposed rule, the PRC identifies the various means by which the USPS might seek rate changes. The first would be to change rates in a fairly straightforward means governed by the inflation-based limits specified in the Postal Accountability and Enhancement Act (PAEA). The second was to recognize USPS-proposed rate changes that included the Postal Service's discretionary ability to "bank" some of its ratemaking discretion (i.e., defer raising rates at the class level fully up to inflation-based limits) and to "un-bank" (i.e., use any deferred rate raising discretion) accumulated ratemaking credits) by some permitted discretionary amount. The third was encompassed in rules governing ratemaking via negotiated service agreements. And the fourth, took full account of the procedures that would need to be followed when the USPS sought some greater-than-inflation rate increases because of some extraordinary and unforeseen exigencies.

**Q.** Is there any chance these rules could be used by interested parties to bog down rate changes as rate-making rules under the PRA had done in the past?

**A.** No. The PRC made very clear that rate changes should be made predictably and expeditiously, and stated quite clearly it would not permit seemingly endless rounds of discovery and challenges to frustrate Congress' intent.

**Q.** Is the public excluded from having any say at all in what the USPS proposes?

**A.** No, provision for public comment is made, but it limits this comment to proving whether or not the USPS has violated the intent of PAEA generally and the PRC's ratemaking procedural rules specifically.

**Q.** And worksharing discounts. What's to be done about these?

**A.** The Commission's proposal sets forth explicitly the kind of information the USPS must present when proposing new discounts or when proposing discounts that exceed an economically sound method for determining the savings derived from mailer worksharing.

**Q.** Did the Commission ever resolve the different points of view over how the cumulative rate of inflation would be determined to set the maximum permissible increases permitted for any class of mail?

**A.** Yes, it did, and it's plain that it opted to use a "moving average method" for calculating inflation computed over a 12-month period rather than the more discrete point-to-point method initially proposed by the Postal Service.

**Q.** Okay, let's go back a bit to that banking stuff. Does this mean the Postal Service can craft bank-breaking larger than inflation rate increases via any unused rate increasing discretion that it might have forgone over previous years?

**A.** Greater than inflation? Yes. Bank-breaking? No. The PRC's rules make quite clear that at no time can the use of banked discretion cause rates in any class to exceed inflation-based limits by more than two percent. It also made clear that banked discretion doesn't last forever. The maximum period from which unused discretion could be employed for above-inflation increases is five years.

**Q.** Oh yeah, sure, but I bet the PRC proposed really ridiculous rules regarding negotiated service agreements, right?

**A.** No, not at all. It is very clear that the PRC intends its NSA rules to simply make as transparent as possible what the Postal Service proposes to do and that it has a clear method for justifying any NSA and measuring its success. Other than that, the USPS will suffer no untoward impediments on its ability to enter into fruitful contracts with customers.

**Q.** Okay, what about the rates for competitive services. Has the Commission been reasonable in specifying the procedures the USPS must follow when making changes to competitive service rates?

**A.** Yes, it appears that it has been reasonable. Indeed, it has recognized in its rules that proposed increases to competitive services can be given greater benefit of the doubt regarding their reasonableness, and that proposed reductions in rates (which could run the danger of cross-subsidy) should require more explicit explanations of what the USPS was proposing to do and the absence of cross-subsidy (via an incremental cost test) or some other harm that could befall market-dominant ratepayers.

**Q.** So, you would conclude that the Commission has been duly diligent in following Congress' directives?

**A.** Yes, I would.

**Q.** Anything else you would care to add?

**A.** Sure. These rules are still only proposed. The PRC has asked for comments from the USPS and mailers. Additional changes still can be made, and, we will have to reserve judgment until we have some final outcome. Overall, however, the Commission is to be commended for the flexible and very reasonable approach it has taken with this proposed regulation. Indeed, the Commission should be particularly praised for its ability to complete this phase of its work several months before the time limit Congress originally imposed. As for whether there are signs of divinity or demons in the details of these rules, only further analysis of the specific proposal, and a review of comments and how the Commission responds to these comments.



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