



# A Challenging Year

## *Dealing with Change in 2009*

MFSA Pacific Chapter  
Cerritos, CA  
April 21, 2009



# Topics

- USPS business
- Rate cases
- Address quality
- Booklets and self-mailers
- The IMB
- Other bad stuff
- Take-aways

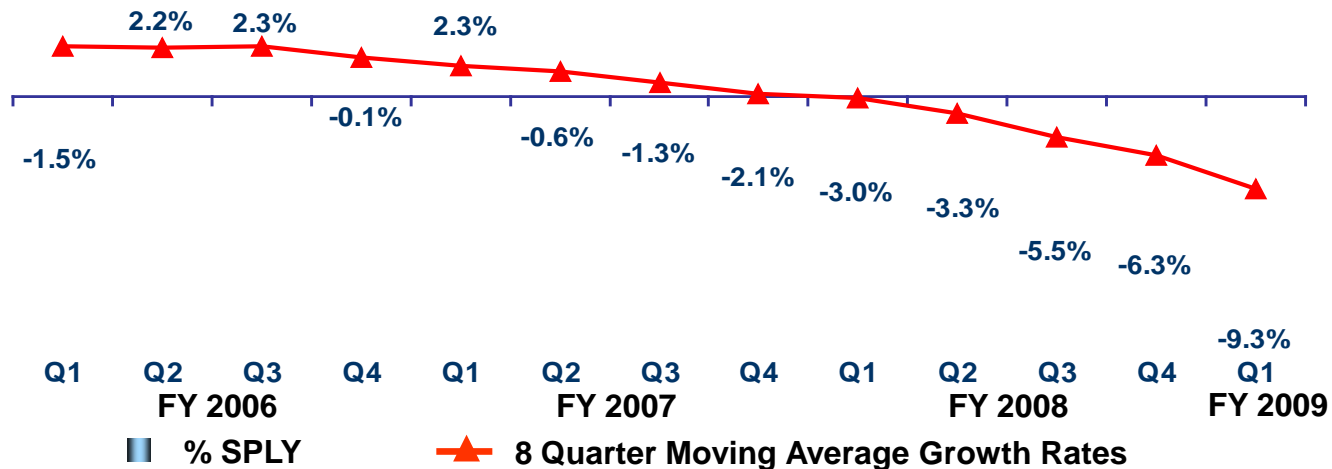


# USPS Business

- FY 2007
  - Total revenue: \$74.973B
  - Loss of \$5.1B (after \$5.4B prefunding payment)
  - Total volume: 212.2B pieces, down 0.4%
    - First-Class Mail: 95.9B pieces, down 1.6%
    - Standard Mail: 103.5B pieces, up 1%
- FY 2008
  - Total revenue: \$74.968B
  - Loss of \$2.8B (after \$5.6B prefunding payment)
  - Total volume: 202.7B pieces, down 4.5%
    - First-Class Mail: 91.7B pieces, down 4.8%
    - Standard Mail: 99.1B pieces, down 4.3%
- FY 2009 outlook
  - Total revenue affected by rate increase, volume loss
  - ±\$5-8 B loss anticipated (after \$5.6B prefunding payment), despite planned cost reductions
  - Total volume: ±180B pieces, down 10% (or worse?)

# USPS Business

- USPS totals:
  - February:
    - Volume: 13.6B pieces, -17.2%
    - Revenue: \$5.3B, -12.7% ( YTD)
  - Year to date:
    - Volume: 78.9B pieces, -12.1%
    - Revenue: \$30.2B, -8.5%



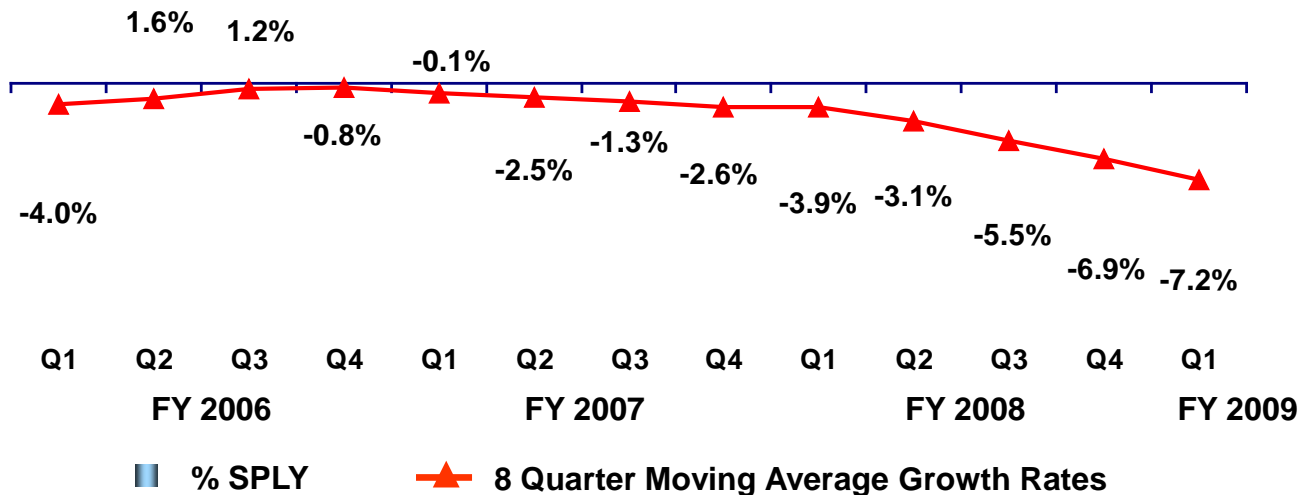
# USPS Business

- First-Class Mail

- February 2009

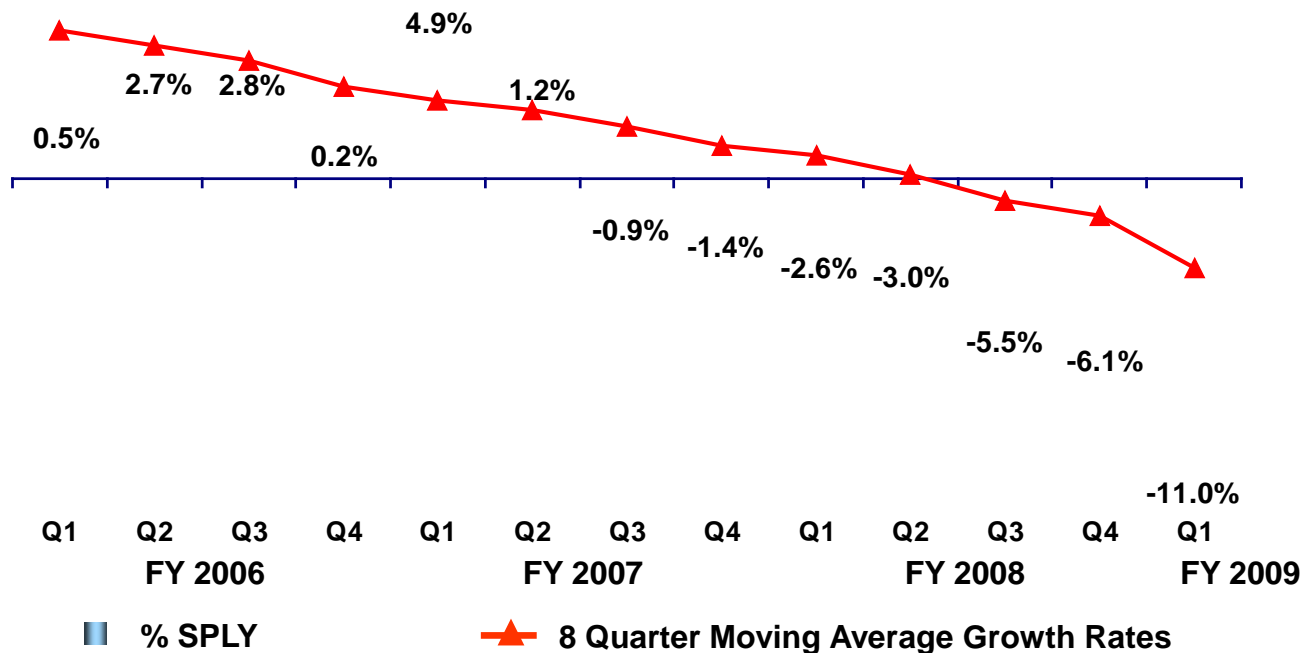
- Volume: 6.6B pieces, -12.2% (36.9B pieces, -8.6% YTD)
    - Revenue: \$2.8B, -9.7% (\$15.6B, -6.7% YTD)

- Continued overall decline, especially single-piece rate
  - Growth of automation/presort not enough to offset



# USPS Business

- Standard Mail
  - February 2009
    - Volume: 6.2B pieces, -21.7% (37.4B pieces, -15.1% YTD)
    - Revenue: \$1.3B, -21.4% (\$7.8B, -14.7% YTD)
  - No growth or usual seasonality
  - Decrease in flat-size mail in double-digits





# USPS Business

- February 2009

<i>(Millions)</i>	Current Period					Year-to-Date				
	Actual	Plan	SPLY	% Plan Var	% SPLY Var	Actual	Plan	SPLY	% Plan Var	% SPLY Var
Operating Rev.	\$5,309	\$5,815	\$6,083	-8.7%	-12.8%	\$30,203	\$32,130	\$33,028	-6.0%	-8.6%
Operating Exp.	\$5,966	\$6,267	\$6,451	-4.8%	-7.5%	\$31,997	\$32,881	\$32,755	-2.7%	-2.3%
Net Income/Loss	<b>-\$658</b>	<b>-\$455</b>	<b>-\$368</b>			<b>-\$1,797</b>	<b>-\$768</b>	\$258		
Mail Volume	13,620	15,031	16,446	-9.4%	-17.2%	78,904	84,112	89,815	-6.2%	-12.1%
Workhours	98	95	111	3.3%	-12.0%	538	522	588	3.1%	-8.5%
Career Empl.						646,466				
Non-Career Empl.						97,753				

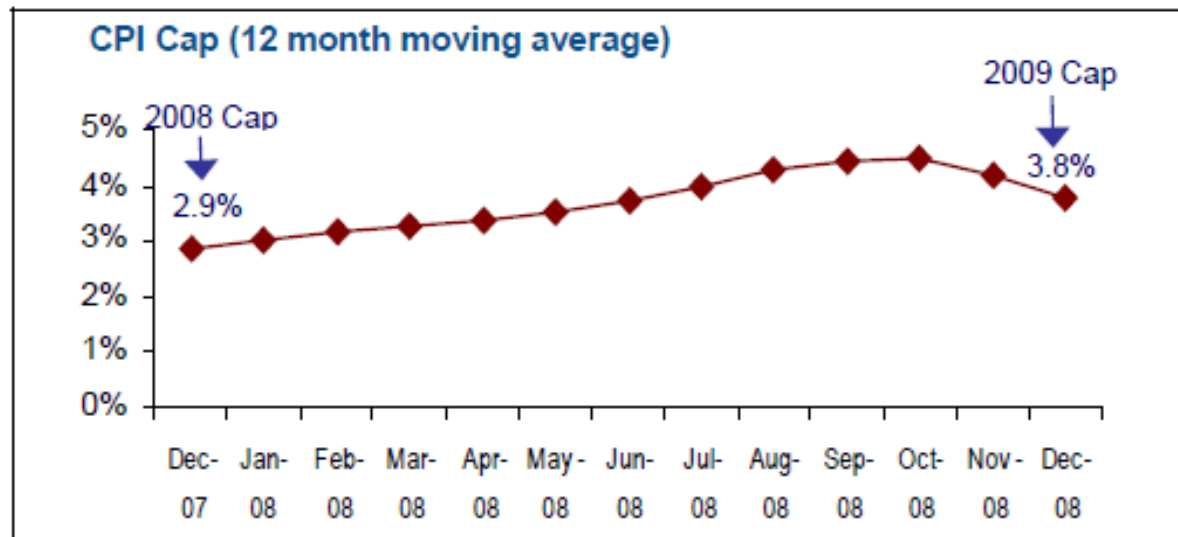


# USPS Business

- Loss of volume and revenue
  - Smaller base to absorb cost
  - Less efficient use of transportation, equipment
  - Fixed costs can't be reduced proportionally
  
- USPS actions
  - Cost controls
    - Administrative and personnel expense reductions
    - Elimination of overtime and operating tours
    - Facility consolidations
    - Changes in transportation
    - Changes to delivery methods
  - Search for more revenue
    - Competitive products
    - Business development initiatives

# USPS Business

- Challenges for USPS
  - Staying within the CPI cap
  - Generating revenue without hurting volume
  - Controlling costs without hurting service
  - Implementing service standards and performance measures
  - Making USPS network more efficient





# Rate Cases

- R2006: the *last* traditional omnibus case
  - Significant changes in rate structure and design
    - Shape-based rates -- separate rates for letters, flats, parcels
    - Emphasis on “efficiency” – “inefficient” mail pays more
    - Evolving presort and destination entry (e.g., Auto CR)
    - Deaveraged presort levels
- R2008: the first “price adjustment” rate case
  - Changes primarily affect prices
  - Process used new rules for both “market-dominant” and “competitive” products
- R2009: more price signals
  - IMB-related rates
  - Surcharges for nonmachinable mail
  - Penalties for “move update” failures



# Address Quality

- Drive to reduce UAA costs
  - Reduce \$1.7 billion annual expense
  - Cut waste of industry and USPS resources
  - Keep postage rates lower
- “Move update”
  - Reduce the volume of forwarded or returned mailpieces by periodic matching of address records with USPS COA data
  - Standards expanded effective November 23, 2008
    - Standard Mail as well as First-Class Mail
    - Update cycle shortened to 95 days
- Penalty for noncompliance
  - First-Class Mail – single-piece rate
  - Standard Mail – \$0.07 per piece (deferred to 1/4/2010)



# Address Quality

- To comply with “Move Update,” mailers may use:
  - Address Change Service (ACS)
  - National Change of Address Linkage System (NCOALink)
  - FASTforward
  - OneCode ACS
  - Ancillary service endorsements except Forwarding Service Requested
- Alternate methods available with USPS approval
- MSPs who do not perform “Move Update” service need guarantees from mail owner

United States Postal Service  
**Postage Statement — First-Class Mail and Priority Mail**  
Post Office: Note Mail Arrival Date & Time

*Use this form for either First-Class Mail or Priority Mail. They may not be combined.*

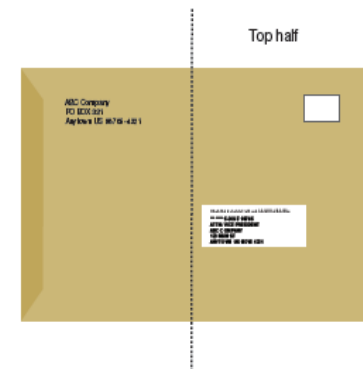
Mailer	Permit Holder's Name and Address and Email Address, if Any	Telephone	Name and Address of Mailing Agent (if other than permit holder)	Telephone	Name and Address of Individual or Organization for Which Mailing Is Prepared (if other than permit holder)	
	CAPS Cust. Ref. No. _____					
	Customer No. _____		Customer No. _____		Customer No. _____	
Mailing	Post Office of Mailing	Processing Category	Mailing Date	Federal Agency Cost Code	Statement Seq. No.	No. & type of Containers
	Type of Postage <input type="checkbox"/> Permit Imprint <input type="checkbox"/> Precanceled Stamps <input type="checkbox"/> Metered	<input type="checkbox"/> Letters <input type="checkbox"/> Flats <input type="checkbox"/> Automation Flats <input type="checkbox"/> Parcels	Weight of a Single Piece _____ pounds		Total Pieces _____	_____ Sacks _____ 1 ft. Letter Trays _____ 2 ft. Letter Trays _____ EMM Letter Trays _____ Flat Trays _____ Pallets _____ Other
	Permit # _____	For Mail Enclosed Within Another Class <input type="checkbox"/> Standard Mail <input type="checkbox"/> Bound Printed Matter <input type="checkbox"/> Library Mail <input type="checkbox"/> Media Mail <input type="checkbox"/> Parcel Post		<input type="checkbox"/> Periodicals	Total Weight _____	
	For Automation Price Pieces, Enter Date of Address Matching and Coding _____/_____/_____		Move Update method: <input type="checkbox"/> NCOALink <input type="checkbox"/> ACS <input type="checkbox"/> Alternative method <input type="checkbox"/> Multiple		<input type="checkbox"/> Ancillary service endorsement <input type="checkbox"/> FASTforward	

# Address Quality

- Addressing flats
  - Changes linked with, but not required for FSS deployment
  - New rule effective March 29, 2009
  - Address must be
    - Entirely within top half of mailpiece
    - Parallel or perpendicular to top edge, but not upside down
    - Minimum 8pt type, or 6pt in CAPS if with IMB/Postnet
  - Noncompliance
    - Penalty could be single-piece FCM rates
    - Short-term exceptions possible



Catalog addressed on back cover. "Top" is the upper edge when the spine is on the right.



Large envelope. "Top" is the left or right edge as viewed in this horizontal orientation. The "top half" could be either the left or right half.



# Booklets and self-mailers

- Proposed rule
  - Published December 29
  - Comments due January 28
  - Proposed to be effective May 2009
  - Based on testing and comments on March notice
- Objectives
  - Improve integrity of mailpieces during processing
  - Reduce equipment jams and damage
  - Reduce processing costs
  - Ensure letter-size mail can be processed on letter sorting equipment
- Proposed solutions
  - Tougher standards for mailpiece design, closure
  - Surcharge for nonconforming pieces



# Booklets and self-mailers

- Mailpiece design
  - Self-mailers
    - Single folded sheet of paper
    - Maximum weight: 3 ounces
    - No larger than 6" high x 10½" long x ¼" thick
    - Paper stock: 50-70 lbs., depending on design
    - More and bigger tabs – nonperforated
  - Booklets
    - Multiple sheets, folded, stapled, or bound
    - Maximum weight: 3 ounces
    - No larger than 6" high x 10½" long x ¼" thick
    - Cover stock: 40 lb. minimum, heavier recommended
    - More and bigger tabs – nonperforated
    - Spine cannot be trailing edge



# Booklets and self-mailers

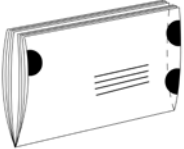
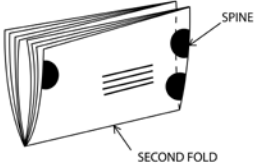
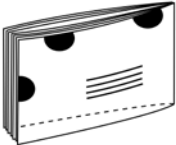
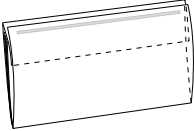
- Issues
  - Self-mailers
    - Single folded sheet of paper
    - Maximum weight lighter than other letter-size mail
    - Size is smaller than other letter-size mail
    - Paper stock requirements, cost
    - Size and number of tabs – nonperforated
  - Booklets
    - Maximum weight lighter than other letter-size mail
    - Size is smaller than other letter-size mail
    - Cover stock requirements, cost
    - Size and number of tabs – nonperforated



# Booklets and self-mailers

- Final rule issued in April
  - Requirements for booklets
  - Recommendations for self-mailers
  - Effective September 2009
  
- Testing of self-mailers
  - To be conducted Summer 2009
  - Associations will coordinate for members
  - Samples needed
    - Details of mailpiece construction
    - Details of tabs or glue
  - Mail preparers may observe testing

# Booklets and self-mailers

If the spine or final fold is...	And the length is...	The cover stock must be at least...	Mailers must seal the piece with...	And place the tabs in these locations...
 <p>Spine or fold on the bottom (longer) edge</p>	5" to 9" long	50-pound	Three 1.5" non-perforated tabs	Two tabs on leading edge; one tab on trailing edge. Position lower leading tab 0.5 inch from the bottom edge. Position upper tabs 1 inch from the top edge.
	Over 9", up to 10.5" long	60-pound		
 <p>Final fold on the bottom (longer) edge, with the folded spine on the leading or trailing (shorter) edge</p>	5" to 10.5" long	40-pound	Three 1.5" non-perforated tabs	<p>Folded Booklet</p> <p>Two tabs on leading edge; one tab on trailing edge. Position lower leading tab 0.5 inch from the bottom edge. Position upper tabs 1 inch from the top edge.</p>
 <p>Spine on the leading (shorter) edge</p>	5" to 9" long	60-pound	Three 1.5" non-perforated tabs	Two tabs on top edge; one tab on trailing edge. Position top tabs 1 inch from left and right edge. Position trailing tab in the middle.
	Over 9", up to 10.5" long	70-pound		
 <p>Spine on bottom (longer) edge, non-perforated inner flap on top (upper) edge</p>	5" to 9.5" long	80-pound	Continuous glue line or glue spots	Perfect bound or saddle stitched with a continuous glue line along flap preferred, minimum 1inch glue spots acceptable if placed within 3/4 inch of right and left edges.



# The IMB

- Format
  - 31 digits, 65 bars
    - 20-digit tracking code
    - 11-digit Routing Code (delivery point ZIP Code)
  - Four bar types: full, ascender, descender, tracker
  - Encoder software required
  - Cannot be read visually; algorithms required
  - Includes five data fields
    - Barcode ID
    - Service type ID
    - Mailer ID (6- or 9-digit)
    - Unique mailpiece ID (6- or 9-digit)
    - Routing code (none, 5-digit ZIP, ZIP+4, DPBC)



# The IMB

- Final rule
  - Published in the August 21 *Federal Register*
  - Applicable to:
    - FCM, PER, STD, BPM automation rates
    - STD ECR rates
  - May 2009:
    - IMB standards implemented
    - All auto and ECR rate flats must bear a DPBC
  - Fall 2009: IMB rates implemented
  - May 2010:
    - QBRM/PRM must have IMB
  - May 2011:
    - BRM/CRM must have IMB
    - POSTNET no longer valid



# The IMB

- Options
  - “Basic” service
    - IMB on all mailpieces
  - “Full service”
    - IMB on all mailpieces
    - IM sack, tray, container labels
    - Electronic submission of postage statements and mailing documentation
    - DBMC/DADC/DSCF entry scheduled in FAST (PER, STD, BPM only)
    - Free “Start-the-clock,” Address Service, Change Service information
    - Address Correction Service available subject to fees



# The IMB

- Mail production, implementation readiness issues
  - Employee and client education
  - Systems changes for data file format, production software
  - Mailpiece design – address labels/label area
  - Printing the IMB on mailpieces and sack/tray/pallet labels
  - Postage reporting and documentation
    - Software upgrades
    - Electronic interfaces (USPS PostalOne)
- Pricing issues
  - Size of discount
    - \$0.003 per piece for First-Class Mail
    - \$0.001 per piece for other classes
  - Discount not available until November 2009
  - Uncertain duration of discount



# Other bad stuff

- Do-not-mail proposals
  - Often based on do-not-call model
  - Driven by narrow concerns (privacy, environment, recipient)
  - Disinformation spread by activists
  - Fostered by industry practices
    - Poor targeting
    - Overmailing
    - Bad address management
- *Mail Moves America* coalition
  - Major associations and companies
  - Proactive messaging, education of legislators
- USPS, industry action
  - Attention to address quality
  - Improved list selection and targeting
  - Messaging – local action most effective



# Other bad stuff

- SSUTA
  - Multi-state agreement and definitions
  - Aimed at collecting taxes on remote purchases
  - Participation by 41 states, DC, PR
- Problematic definitions
  - Postage is treated as a part of the taxable sales price
  - “Toggle” to exempt delivery charges not always used
- Industry coalition
  - Strategy coordination
  - Meeting with SST committees and board, legislators
  - New toggles being developed
- Federal legislation
- Need to monitor legislative activity
- Local action most effective with local politicians



# Take-aways

- Monitor postal affairs
  - CPI changes as indicators of future rates
  - Network changes that may affect presort, destination entry
  - Revisions to mailing standards
    - Mailpiece design and barcoding
    - Postage payment and documentation
- Prepare for ongoing change
  - Optimize worksharing capabilities
  - Diversify services – and clients
- Look beyond the Postal Service
  - Do-not-mail initiatives
  - Tax-on-postage
  - Be involved
- ***Pay attention!***



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