



Postal Points

Timely information of interest to mailing and fulfillment service companies ... and their suppliers

March 27, 2009
Issue #09-05

[PRC Reviews USPS Prices; USPS Responds.](#) The imperfect process continues. *Page 1.*

[Postal Economizing – and Opposition – Continues.](#) Save money, but at someone else's expense. *Page 4.*

[USPS Workforce Shrinking – but not Fast Enough.](#) Too many people for the work at hand. *Page 6.*

[Opposition to Surcharge Begs Larger Questions.](#) PostCom's objection to the seven-cent penalty raises others questions. *Page 7.*

[Flap Over PMG Pay Illustrates USPS Dichotomy.](#) Top executives wanted but not for top pay. *Page 9.*

[Do-Not-Mail Bills Appear Despite Recession.](#) Bad ideas are recession-proof. *Page 10.*

[Associations Comment on Proposed Rule.](#) Four groups offer joint comments. *Page 11.*

[Text of the Joint Comments.](#) Comments from PostCom, the DMA, the Alliance, and MFSA on the USPS proposed rule. *Page 12.*

[Postal Service Revises Acceptance Policy.](#) A low-key notice of a big change. *Page 18.*

[Postal Bulletin Stuff.](#) Highlights of the latest issue. *Page 19.*

[Short Subjects.](#) *Pages 2-11, 18-19.*

[Calendars.](#) *Page 20.*

The calculated price cap for **Market-Dominant Products** is

3.2%

as of
3/18/2009

using the PRC's formula.
(39 CFR 3010.12 and 3010.21)

The cap is a rolling 12-month average and will be recalculated following release of the February CPI-U data on

4/15/2009.

Note: The CPI cap is not necessarily indicative of the Postal Service's rate authority at any given time.

PRC Reviews USPS Prices; USPS Responds

In a March 16 report, the Postal Regulatory Commission stated that it "has reviewed the proposed rates to examine adherence to the requirements of [the law]" and determined that they "do not violate the rate cap ..., adhere to the extent practical to the formulae in [the law], and appear consistent with, or justified by an exception to, the workshare discount limitations in [statute]."

So, for the Postal Service, the good news is that – with one exception – the rates they announced last month have passed muster and can be implemented as planned on May 11. To the extent that any aspect of higher rates can be "good news" for mailers, any planning they may have made based on the announced rates will not be upset by unexpected changes as a result of the PRC's review.

A further review

In its report, the PRC acknowledged that the brief period of review that it is allowed under the 2006 postal reform law is inadequate to allow it to examine complex issues – such as costing methodologies and passthrough calculations – that may be raised by commenters on the postal proposals. Further, commenters' allegations that rates may be "burdensome," "discriminatory," or "not justified by operational efficiency" can't be resolved within the 45-day review period.

As a result, the PRC said it was establishing "a rulemaking to consider workshare discount rate design methodologies." This activity likely will be an active forum for aggressive criticism by the postal clerks' union, which has opposed workshare discounts since their inception over thirty years ago.

Corrections and comments

The Commission's analysis of the Postal Service's proposed rates and supporting workpapers found a few errors that ultimately altered the net percentage of increase in some cases. The final increase per class, and the rate authority remaining (banked) for future use is shown in the table below, extracted from the PRC's report.

The added "banked" authority for First-Class Mail (+0.001%), Periodicals (+0.005%), and Special Services (+0.012%) may not seem significant, but even the small amount of additional revenue that could be generated through use of this additional authority may be welcomed if postal finances continue to suffer. The PRC also restated the net increases for the classes of mail and major rate categories, as shown in the second chart below.

Mailers still pondering what to do about intelligent mail barcode implementation may want to note the Postal Service's response to a PRC inquiry about the proposed \$0.003 discount for IMB "full service" option First-Class Mail. The agency responded that use of the "full service" option will not enable it to avoid any additional costs and, →

Short Subjects

Be afraid, be very afraid.

The Postal Service has prescribed its version of capital punishment for yet another potential mail preparation failure – address placement on flats.

Generally, a final rule issued last April requires that, as of March 29, the delivery address on flats must be in at least a minimum-size font and located in the upper half of the mailpiece (see the April 25 and August 8, 2008, issues of *Postal Points*).

Expecting that there will be mailings that fail to meet the new standard, the Postal Service has told its mail acceptance personnel that the penalty for such failures will be a severe increase in postage [emphasis theirs]:

If commercial flat addressing (for Periodicals, Standard Mail, Bound Printed Matter, Media Mail, and Library Mail flat-size pieces sent at automation, presorted, or carrier route prices) does not meet the new standards...

THE MAILPIECE MAY ONLY BE ELIGIBLE FOR THE APPLICABLE FIRST-CLASS PRICES.

In practical terms, this means that eagle-eyed BMEU and DMU clerks, armed with rulers, will be checking mailings of flat-size mail to ensure address placement, font size, and character spacing meet the new standards.

Given that the Postal Service has allowed no tolerance for compliance, it's only a matter of time before a zealous clerk finds the piece that slipped in production and has an address label too far across the midline to still be in the top portion of the piece, or that bears an address where an inkjet glitch caused some of the characters to be too short or improperly spaced. Following that will be the phone call to the mailer advising them that the postage for their eight-ounce flat has soared to \$2.07 each – the single-piece First-Class rate.

Whether the added postage accurately reflects added USPS processing costs is another matter.

[TOP](#)

Table III-2
Summary of Docket No. R2009-2 Pricing Information¹

Column A	Column B	Column C	Column D	Column E	Column F
Class	Docket No. R2009-2 Statutory Price Cap (%)	Unused Authority from (R2008-1) (%)	Docket No. R2009-2 Total Available Price Adjustment Authority (%)	Planned Price Adjustments (%)	Total Unused Pricing Authority (available for future price adjustments) (%)
First-Class Mail	3.8	0.014	3.814	3.770	0.044
Standard Mail	3.8	0.062	3.862	3.781	0.081
Periodicals	3.8	0.176	3.976	3.961	0.015
Package Services	3.8	0.025	3.825	3.800	0.025
Special Services	3.8	0.052	3.852	3.825	0.027

¹ As originally filed, the Postal Service's planned price adjustment for First-Class Mail was 3.771 percent, 3.966 percent for Periodicals, and 3.837 percent for Special Services. Notice at 5.

therefore, the discount's basis isn't worksharing. Instead, the discount is a "policy-based differential to promote adoption of full service so that the

Price Change Percentage	
Class	% Change
First-Class Mail	3.770
Single-Piece letters and cards	4.616
Presort letters and cards	3.080
Flats	3.882
Parcels	2.567
International (incl. inbound and outbound single-piece First-Class Mail International)	4.136
Standard Mail	3.781
Letters	3.829
Flats	2.306
Parcels and NFMs	16.425
High Density/Saturation letters	1.248
High Density/Saturation flats and parcels	2.233
Carrier Route letters, flats and parcels	4.310
Periodicals	3.961
Outside County	3.971
Within County	3.730
Package Services	3.800
Single-Piece Parcel Post	4.450
BPM flats	-2.000
BPM parcels	2.504
Media Mail and Library Mail	7.468
Inbound Surface Parcel Post (as determined by the Universal Postal Union)	5.027
Special Services	3.825

promise of Intelligent Mail can be more fully and expeditiously realized." Further, the agency stated that it **did not "expect the incentive to become permanent, and** envisions that **eventually it will no longer be relevant or meaningful and thus will be phased out.**" [Emphasis ours.]

In Standard Mail, a significant element of the postal rate proposal was the \$0.07 per-piece surcharge related to move-update failures. In its report, the PRC was brief: "Given the limited record available in this expedited review, the surcharge has not been shown to be inconsistent with applicable law."

Therefore, any mailers – or list owners – who had put off updating their lists in hope that the surcharge would be quashed might want to start the list update process soon. (There's more to this story; see below.)

Confirm

The element of the rate proposal to which the PRC most objected was the increase in the Platinum level Confirm service subscription fee for mailing agents; that jumped 963.8%, from \$23,500 to \$250,000. "Given the magnitude and selectivity of the proposed increase," the PRC wrote, "it is not surprising that mailing agents and their customers have questioned the lawfulness of the Platinum tier price increase for →

mailing agents. Their allegations raise troubling issues of discrimination and compliance with the objectives and factors of [the statute].”

In its report, the PRC said that it reviewed documentation supplied by the Postal Service to support the higher mailing agent subscription fee and concluded that it contradicted some USPS assertions made in support of the proposal. As a result, the PRC stated that “Unless and until the Postal Service can present a credible connection between customer status and cost causation, the large differential between the prices paid by mailing owners and the prices paid by mailing agents appears to be discriminatory on its face.”

Given its observations, the PRC found that the difference between the fees for mailers and mailing agents “is inconsistent with applicable law” and that, until the Postal Service can produce “adequate justification for separate mailing agent rates, those rates must be removed” and both mailers and agents charged the same rate. If it chooses not to offer support for the higher agent fee, the Postal Service must recalculate its compliance with the price cap for Special Services as a “class.”

Confirm	
Bronze – Sub. fee (12 mos.)	\$ 1,000.00
Add'l. scans (block of 10,000)	250.00
Silver – Sub. fee (3 months)	2,000.00
Add'l. scans (block of 2 million)	500.00
Gold – Sub. fee (12 mos.)	
Mail owner	7,500.00
Mailing agent	10,000.00
Add'l. scans (block of 6 million)	800.00
Platinum – (12 mos.)	
Mail owner or mailing agent	25,000.00
Additional ID Codes	
Annual	2,500.00
Quarterly	900.00

Dissenters

Though the PRC’s review generally supported what the Postal Service proposed, not all the commissioners concurred. For example, PRC Vice Chairman Nanci Langley criticized the Postal Service for changing its methods for calculating workshare discounts, complaining that such action “frustrates the goal of transparency” in the ratesetting process.

In a dissenting opinion, Commissioner Ruth Goldway chided the Postal Service for effectively delinking single-piece and commercial First-Class Mail, saying this could “place an unequal, and potentially unfair, price burden on single-piece mailers.” Rather than moving the proposed rates through the review process on schedule, she stated, the PRC should have rejected them and more thoroughly examined the Postal Service’s “unilaterally” adopted methodology changes, particularly regarding workshare rates. Failing to make the agency follow PRC rules, she added, threatens to reduce those rules to no more than “window dressing.”

Late developments

On March 26, the Postal Service filed an “amended notice” that deleted the proposed \$250,000 Confirm fee for mailing agents; both they and mail owners would pay the same \$25,000 annual fee as shown in the corrected chart, above. The agency said it expected to lose about \$3.4 million in revenue as a result, and that the “banked” authority for Special Services pricing would grow from 0.027% to 0.137%.

In the same notice, the Postal Service stated that it will delay implementation of the \$0.07 per-piece penalty for Standard Mail that fails to comply with “move update” standards. Rather than taking effect on May 11 as planned, the penalty will now be deferred to January 4, 2010. No change was announced in the penalty for noncompliant First-Class Mail; it’s been subject to “move update” rules for over a decade. As a result, Standard Mail revenue over the rest of 2009 will be reduced by about \$4.5 million, and the effective price increase for Standard Mail will decrease from 3.781% to 3.759%. [TOP](#)

Nothing we’ll see here.

The *Dutch News* reports that postal unions at TNT Post in the Netherlands have accepted a 15% wage reduction in exchange for a promise from the company that there will be no “compulsory redundancies” (layoffs) during the first three years of the deal.

Although the unions’ members have yet to approve the pact, the alternative would be layoffs for up to 11,000 workers. If approved, the wage cuts would be phased-in beginning April 1 according to a schedule based on age and length of service.

The agreement, which includes a budget for worker training, is expected to yield annual savings of €125 million (\$159.8 million).

TNT Post is facing volume losses like those experienced in the US, but also will be losing its letter monopoly on April 1.

Although the US Postal Service’s letter monopoly isn’t at risk (yet), it is suffering from significant volume and revenue losses. Nonetheless, its unions continue to enjoy immunity from layoff, based on concessions given by the Postal Service decades ago, and its clerks’ union is quick to oppose any measure to reduce USPS operating costs.

Another eBay entrepreneur.

A lot of stuff is available on eBay, as enterprising Americans clean out their attics and swap each others’ junk, but one item that perhaps shouldn’t be for sale is stamps, and especially not at a discount.

But postal inspectors found just such a deal, according to the *Baltimore Examiner*, and traced it to a resident of a nearby suburb. Looking further, they found the man was working with an employee of the Elkridge (MD) post office, which had experienced “a pattern of thefts” from January 2007 through last December.

Using surveillance, they observed the employee removing bricks of Forever Stamps from the post office and, using hidden markings, tracked them through to sale on eBay. In all, the two men are charged with stealing and selling over \$600,000 in stamps. [TOP](#)

More on BMC reengineering.

Information from the mailhandlers' union to its membership has provided further details of the Postal Service plan to rework its bulk mail center network.

The agency had been considering outsourcing the work of the BMCs but changed its plans after decreasing mail volume made guaranteeing contract terms problematic. Instead, as postal executives stated at the February MTAC meeting, the BMCs will be redesignated as network distribution centers and retasked in three categories.

- Tier 1 NDCs will be responsible for local and destination standard mail, periodicals and package services, and will perform surface transfer center containerization and dispatch operations for outgoing and incoming mail.
- Tier 2 facilities will perform Tier 1 activities, plus distribution of outgoing standard mail, periodicals, and package services to the network.
- Tier 3 facilities will perform all Tier 1 and 2 functions and also will act as a consolidation point for less-than-truckload volumes from Tier 2 sites.

The first three BMCs to be converted as test sites will be in Springfield (MA), Jersey City (NJ), and Philadelphia, starting this spring. Staffing changes are likely but have not yet been determined.

Outsourcing Memphis?

The Postal Service recently published a notice in *FedBizOpp* looking for "a strategic relationship between the USPS and a capable and compatible supplier and/or alliance partner [that] would be designed to defray the USPS costs of the COA program and deliver meaningful revenue growth for the USPS and its partner."

The agency's address management services are performed by its National Customer Support Center in Memphis, so what the notice signifies for that group's future remains to be seen. [\[TOP\]](#)

Postal Economizing – and Opposition – Continues

The Postal Service is continuing to pursue every reasonable opportunity to reduce its operating costs in the face of collapsing volume and revenue, but is often frustrated by the opposition of groups or individuals who put their own narrow self-interest first. Some examples of both:

Economy moves

- District office closures. As had been anticipated, the Postal Service announced on March 20 that it would reduce the number of administrative districts from 80 to 74, eliminating 521 positions in the process, and trim the staff of the remaining offices by 15%. The district offices being closed are:

- Massachusetts District (North Reading, MA) 010-019, 055 ZIPs. The district territory, covering all of Massachusetts north and west of metropolitan Boston, will be absorbed by the Boston and Connecticut (Hartford) districts. The closure will affect 116 employees, 105 of whom are eligible to retire.
- New Hampshire/Vermont District (Manchester, NH) 030-039, 050-054, 056-059 ZIPs. The district territory, covering all of New Hampshire and Vermont, will be merged with the adjacent District of Maine (Portland) to form the Northern New England District. Of 75 affected employees, 68 can retire. The closure is interesting in that it was originally rumored to operate in reverse, with the Maine office being shuttered. However, the Postal Service apparently didn't want to further rankle Maine's influential Senator Susan Collins, one of the agency's few supporters on Capitol Hill, who was already miffed over an operational consolidation impacting the Eastern Maine P&DC near Bangor and the Postal Service's plea for relief from postal reform provisions she helped design only a few years ago.
- Central New Jersey District (Edison, NJ) 077, 085-089 ZIPs. The Northern New Jersey (Newark) and Southern New Jersey (Bellmawr) districts will divide the Central New Jersey District's territory – coastal and inland from Toms River and Perth Amboy to Trenton and Phillipsburg. The closure affects 92 employees, 63 of whom are eligible for retirement.
- Erie District (Erie, PA) 155, 157-168 ZIPs. The district's territory – most of western Pennsylvania – will be merged with the Pittsburgh district to form the Western Pennsylvania district. Retirement is available for 44 of the 63 impacted employees.
- Central Florida District (Lake Mary, FL) 327-329, 334, 347, 349 ZIPs. The district's territory – inland and coastal Florida from Orlando and Sanford to Palm Beach and Miami's northern suburbs – will be divided between the Suncoast (Tampa) and South Florida (Miami) districts; 79 of the 104 affected employees are eligible for retirement.
- Spokane District (Spokane, WA) 832-838, 990-994. The Seattle and Salt Lake City districts will divide the Spokane District's territory – eastern Washington and all of Idaho; 52 of the 71 impacted employees can retire.

It will take about five months to finalize the closures; employees who do not retire or cannot be outplaced will be terminated by August 28.

- Management reductions. More than 1,400 supervisory and management positions will be eliminated in over 400 processing facilities. The Postal Service explained that this reduction is to readjust the ratio of management to craft employees in light of the number of craft positions that have been trimmed recently. Affected employees who neither retire nor find new jobs will be terminated by July 31.
- Early-outs. After the first round early retirement offers made late in 2008 and early in 2009 failed to gain adequate participation, the →

Postal Service will try again next month, giving 150,000 eligible employees the opportunity to retire sooner than otherwise possible. As in the previous offers, no incentives are included. The VERA will be open to all eligible employees except for some mechanics and technicians and part-time postmasters.

The Postal Service hopes that its latest actions will yield about \$100 million in annual savings. These are in addition to a reduction of fifty million workhours for the fiscal year; a halt to new facility construction; a nationwide freeze on hiring and on pay for executives; adjustments to or elimination of thousands of carrier routes; a reduction in authorized staffing at headquarters and area offices by 15% or more; the sale of unused or under-utilized facilities; and operating adjustments and consolidations at retail and processing facilities.

The agency is even cutting the production of stamps; some of the commemoratives planned for this year won't be produced, including the 2009 installment of the state flag series, a stamp honoring Edward Hopper, and a holiday stamp showing an angel playing a lute. Whether any will be rescheduled and to when was not announced.

The opposition

Not surprisingly, the same politicians who decry alleged postal inefficiency are in front of the cameras when USPS measures to be more efficient come too close to home. For example:

- Senator Charles Schumer (NY) has declared as “unacceptable” the possible consolidation of outgoing mail processing from the postal facility on Staten Island (NY) into a plant in Queens or Brooklyn, as is now being evaluated by a Postal Service study. According to the Staten Island *Advance*, he also objected to the possible relocation of about 300 employees and to the loss of a Staten Island “postmark.” (The latter issue is somewhat specious given that the ink-jet on postal canceling equipment can spray any “postmark” necessary – so Staten Island collection mail could still bear a Staten Island “postmark” even if processed in Queens.) Schumer was joined in his objections by the local Congressman Michael McMahon (NY 13th). Repeating unsupported assertions offered by the postal clerks’ union, Schumer also alleged that transferring the operation would delay mail delivery on Staten Island.
- New Hampshire’s entire Congressional delegation has written the Postmaster General urging him to reconsider the closure of the New Hampshire/Vermont district office, claiming the action is “unacceptable and misguided.” The group stated that the district is “one of the best performing offices in our country,” though support for that claim was not evident. They also wanted a briefing “on the effects of this closure on regional distribution, cost-effectiveness, and customer service to New Hampshire’s residents.” (As an administrative office, operations at processing facilities and customer service through retail and delivery should be unaffected.) Whether their colleagues from Maine would support the New Hampshire perspective wasn’t noted.
- Congressman John Bocchieri (OH 16th) is asking the Postal Service’s Office of Inspector General to investigate the possibility of worsened delivery service if processing of collection mail at the Canton (OH) plant is consolidated into the facility in Akron. Though the agency says it could save \$2.2 million annually by the move, the Congressman is apparently more concerned over satisfying the local postal unions who are objecting to job relocations and alleging contract violations.
- A Long Beach (CA) city council member is asking the city’s attorney to draft a resolution opposing USPS plans to consolidate some operations from the local processing facility into plants in Los Angeles and Santa Ana. Though the consolidation does not mean the Long Beach plant will close, the city is claiming jobs will be lost and business mailers inconvenienced nonetheless. [\[TOP\]](#)

Governors meeting.

The next meeting of the Postal Service’s Board of Governors, March 30-April 1, is departing from the norm in several ways.

First, it will be held at the agency’s conference center in Potomac (MD) rather than at USPS HQ.

Second, it will extend over three days and all the sessions will be closed. Usually, the meetings are two days or less and the second session is public.

Finally, during the lunch on March 31, the governors will be welcoming representatives of mailing associations (including MFSA) to hear what can be done to increase mail volume.

Otherwise, the meeting’s agenda includes items reflecting the times: financial matters, strategic issues, pricing, personnel matters and compensation issues, and board governance.

A different view.

In an interview with Washington’s *WFED*, city letter carriers’ union president William Young offered some insights on the current state of the Postal Service.

His remarks reflected his belief that his members’ employer is in trouble and that external forces are more at fault than any missteps by postal management. “Nothing we did, nothing the Postal Service did, and nothing the postal industry did caused this crisis. We’re a victim just like everybody else in the country right now, and we’re just doing the best we can to see this thing through.”

Young noted that new technology also is draining away hard copy mail, but still maintained that the “current problems are related to only one thing, and that is the current economy.”

Young supported changing the statutory formula under which the Postal Service funds retiree health care costs, saying that’s a better solution than cutting jobs or offering early retirements.

Young’s relatively thoughtful assessment of the situation is in contrast to that of the clerks’ union whose sole explanation for any problem is “big mailers” and worksharing. [\[TOP\]](#)

New sheriff in town, for now.

The Postal Service has announced that 35-year postal veteran Bill Chatfield has been detailed into the position of Manager, Mailing Standards, replacing (at least for now) Sharon Daniel, who was recently reassigned to serve as Manager, Mailing and Shipping Services Strategy.

Chatfield, who came up through the ranks, both in the field and in the mail classification function, is a knowledgeable and well-respected senior classification specialist. Among the recently reshuffled functions in post-Marketing USPS HQ, Mailing Standards reports to Pricing, part of the Customer Relations group.

[\[TOP\]](#)

USPS Workforce Shrinking – but not Fast Enough

As the Postal Service continues to seek equilibrium between its revenues and costs, it's also trying to do the same between workload and complement. Unfortunately, the agency long ago gave away its right to lay off craft employees, and is essentially limited to three tools – attrition, early-outs, and reductions-in-force – to trim its career workforce, and neither can be implemented with the speed or flexibility that would be most suited to the task.

Among the many reports the Postal Service must submit to the Postal Regulatory Commission is the *On-Rolls and Paid Employee Statistics* national summary. Comparing those documents' February data since 2006 (below) shows how well (or not) the Postal Service has done in rightsizing its workforce. In three years, the agency has reduced career complement by over 49,000 employees (7.19%), mostly from the two largest crafts – clerk and city carrier – enabled by strides in automated mail processing and revisions to delivery routes and methods.

As the recession and other factors continue to suppress mail volume, however, more staff trimming at all levels will be essential. Achieving that in the face of union and political resistance will be another matter. [\[TOP\]](#)

USPS WORKFORCE – February 2006-February 2009												
	Feb 2006	Change '06-'07 (%)	Feb 2007	Change '07-'08 (%)	Feb 2008	Change '08-'09 (%)	Feb 2009	Change '06-'09 (%)				
CAREER FIELD WORKFORCE												
PMs/Mgrs/Supvs	57824	-375	-0.65	57449	-611	-1.06	56838	-1934	-3.40	54904	-2920	-5.05
Professional/Administrative	8580	-333	-3.88	8247	-626	-7.59	7621	-3	-0.04	7618	-962	-11.21
Clerk craft	212595	-8427	-3.96	204168	-8564	-4.19	195604	-12575	-6.43	183029	-29566	-13.91
Mailhandler craft	53599	1560	2.91	55159	21	0.04	55180	-2943	-5.33	52237	-1362	-2.54
City carrier craft	219636	-2306	-1.05	217330	-5068	-2.33	212262	-9864	-4.65	202398	-17238	-7.85
Motor vehicle operators	8389	69	0.82	8458	-7	-0.08	8451	-261	-3.09	8190	-199	-2.37
Vehicle maintenance	5351	-40	-0.75	5311	33	0.62	5344	-55	-1.03	5289	-62	-1.16
Maintenance service	39194	25	0.06	39219	49	0.12	39268	42	0.11	39310	116	0.30
Rural carrier craft	63633	1952	3.07	65585	1614	2.46	67199	-10	-0.01	67189	3556	5.59
Area/operations office staff	1329	45	3.39	1374	-80	-5.82	1294	-56	-4.33	1238	-91	-6.85
Total career workforce (field)	670130	-7830	-1.17	662300	-13239	-2.00	649061	-27659	-4.26	621402	-48728	-7.27
Headquarters staff	2771	-40	-1.44	2731	137	5.02	2868	-126	-4.39	2742	-29	-1.05
Headquarters field units	7625	-436	-5.72	7189	183	2.55	7372	-284	-3.85	7088	-537	-7.04
Office of the Inspector General	849	296	34.86	1145	6	0.52	1151	-13	-1.13	1138	289	34.04
Total career workforce	681375	-8010	-1.18	673365	-12913	-1.92	660452	-28082	-4.25	632370	-49005	-7.19
NONCAREER WORKFORCE												
Casuals and temps	20414	-163	-0.80	20251	-2755	-13.60	17496	-7460	-42.64	10036	-10378	-50.84
Rural carrier and PM subs	63066	1623	2.57	64689	-1070	-1.65	63619	-2150	-3.38	61469	-1597	-2.53
Transitional employees	6247	-1311	-20.99	4936	12527	253.79	17463	164	0.94	17627	11380	182.17
Total noncareer workforce	89727	149	0.17	89876	8702	9.68	98578	-9446	-9.58	89132	-595	-0.66
CAREER WORKFORCE BY FUNCTION												
Operations support	5314	-80	-1.51	5234	-451	-8.62	4783	130	2.72	4913	-401	-7.55
Mail distribution	153570	-3698	-2.41	149872	-4012	-2.68	145860	-8946	-6.13	136914	-16656	-10.85
Rural delivery	63631	1932	3.04	65563	1613	2.46	67176	12	0.02	67188	3557	5.59
Delivery services (city)	231213	-2041	-0.88	229172	-4721	-2.06	224451	-10158	-4.53	214293	-16920	-7.32
Vehicle services	16272	-54	-0.33	16218	-114	-0.70	16104	-420	-2.61	15684	-588	-3.61
Plant and equip. maintenance	42120	-40	-0.09	42080	52	0.12	42132	54	0.13	42186	66	0.16
Customer services	116567	-3532	-3.03	113035	-5229	-4.63	107806	-6824	-6.33	100982	-15585	-13.37
Finance	2715	-49	-1.80	2666	-50	-1.88	2616	-50	-1.91	2566	-149	-5.49
Human resources	4283	140	3.27	4423	-88	-1.99	4335	-389	-8.97	3946	-337	-7.87
Marketing/communications	8304	82	0.99	8386	-43	-0.51	8343	-251	-3.01	8092	-212	-2.55
Postmaster/supervisor	26111	-132	-0.51	25979	-76	-0.29	25903	-679	-2.62	25224	-887	-3.40
Administrative/clerical	5120	19	0.37	5139	19	0.37	5158	-128	-2.48	5030	-90	-1.76
HQ general management	933	-69	-7.40	864	56	6.48	920	-47	-5.11	873	-60	-6.43
Inspection Service	3458	-670	-19.38	2788	136	4.88	2924	-161	-5.51	2763	-695	-20.10
Office of the Inspector General	849	296	34.86	1145	5	0.44	1150	-13	-1.13	1137	288	33.92
Misc (incl. OWCP, rehabs, etc.)	915	-114	-12.46	801	-10	-1.25	791	-212	-26.80	579	-336	-36.72
Total career workforce by function	681375	-8010	-1.18	673365	-12913	-1.92	660452	-28082	-4.25	632370	-49005	-7.19

Opposition to Surcharge Begs Larger Questions

The Association for Postal Commerce (PostCom) has filed comments with the Postal Regulatory Commission objecting to the seven-cent per-piece surcharge proposed by the Postal Service for mailings that do not meet move update standards.

In its March 2 filing, PostCom stated:

“The proposed surcharge is excessive, unrelated to the costs imposed on the Postal Service by nonconforming mail, and therefore unjust and unreasonable within the [statute]. Accordingly, the Commission should decline to recommend the seven-cent surcharge. Alternatively, the Commission should limit the application of the surcharge to the particular pieces in a mailing that fail to meet the Move Update requirements, rather than the entire mailing.”

In its arguments, PostCom stated that

“The Postal Service’s Notice of Price Adjustment and supporting workpapers, however, do not claim that the amount of the per-piece charge has any relationship to the added costs incurred by the Postal Service from noncompliance with Move Update requirements by Standard Mail, and no relationship appears to exist. For letters weighing less than 3.3 ounces, a penalty of seven cents amounts to a rate increase of at least 27 percent over the otherwise applicable Standard Mail rate per piece. The Postal Service has offered no evidence that the average costs incurred by the Postal Service in disposing of undeliverable-as-addressed (“UAA”) pieces in noncompliant Standard Mail mailings equal either seven cents per piece or 27 percent of the otherwise applicable postage.

“The unreasonableness of the seven cent surcharge is compounded by the Postal Service’s intention to impose it on every piece in a noncompliant mailing – not just the pieces in the mailing with stale addresses. This meat-axe approach is likely to magnify the Postal Service’s windfall from the surcharge, since only a small fraction of the pieces in a noncompliant mailing typically have stale addresses.

“The punitive nature of the surcharge is heightened by the error rates of the Move Update methods that the Postal Service has made available to mailers. The Postal Service has announced that it will use MERLIN to screen mailings for Move Update compliance. MERLIN, however, has an error rate of several percent. So do all of the Move Update methods available to mailers. These error rates appear likely to exceed the allowed tolerance ranges. The Postal Service has informed mailers that the initial tolerance level will be 30 percent – i.e., a mailing will be accepted as Move Update-compliant if 70 percent of the addresses tested are found to be compliant. To some mailers, this may appear on first blush to be a comfortably wide tolerance range, it is unclear, however, whether the full audience of mailers comprehends how the Postal Service actually intends to calculate the error rate. Particularly, our members reporting business activity more recent than the change of address data are concerned they will be required to expend excessive resources demonstrating compliance.”

PostCom further argued that the surcharge violates the postal reform statute in several ways, largely because the size of the proposed penalty is unreasonable and inequitable, and added that the Postal Service cannot justify the surcharge as either cost-based or a deterrent to poor list management practices.

Unfortunate traditions

The imposition of a fee unrelated to any identifiable cost has an unfortunate precedent: repositionable notes. When those were first introduced experimentally for letter-size mail there was no charge for their →

More Congressional meddling.

The latest example of Congress’ apparent obsession with micro-managing the Postal Service through legislation is a bill filed on March 2 by Representative Anthony Weiner (NY 9th). Weiner’s bill would bar the Postal Service from implementing a change-of-address order until it got written confirmation that it was made by or on behalf of the addressee.

A BILL

To amend title 39, United States Code, to provide that the United States Postal Service may not carry out a change-of-address request unless it first receives a signed confirmation that the request was in fact made by or on behalf of the addressee.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. PROCEDURAL SAFEGUARD RELATING TO CERTAIN CHANGE-OF-ADDRESS REQUESTS.

Section 404 of title 39, United States Code, is amended by adding at the end the following:

“(f) Effective no later than 3 months after the date of the enactment of this subsection, the Postal Service shall implement procedures to ensure that no permanent change-of-address request shall be carried out unless the Postal Service first receives signed confirmation from the addressee (or duly authorized agent thereof) that the request was in fact made by (or on behalf of) such addressee.”.

Weiner’s website did not provide the usual self-promotional press release to explain why he believed the measure was necessary or why any need for it couldn’t be satisfied more simply through USPS regulations.

The proposal was referred to the House Committee on Oversight and Government Reform. [\[TOP\]](#)

HR 22 winning more support.

If the number of cosponsors – over 220 – is an indication, the odds are improving that HR 22 eventually will pass the House.

HR 22 was introduced in early January by Rep. John McHugh (NY 23rd) to restructure the payment process under which the Postal Service is funding retiree health costs. In effect, the bill would make a minor revision to the 2006 postal reform law to allow the existing Health Benefit Trust Fund to supply about \$2 billion annually for current retiree health costs. The Postal Service now pays this from its operating revenues, plus about \$5.8 billion more into the fund for future retiree health costs. McHugh's plan would not end the latter obligation, but letting the Postal Service use the fund – which currently holds \$32 billion – to pay present costs would offer welcome relief to the agency.

Although the measure is widely supported by the postal community, including major associations (like MFSA) and the postal unions, the Congressional Budget Office has “scored” the bill as a negative on the federal budget. In its own contorted rationale, the CBO believes that relieving the Postal Service from a \$2 billion annual cost will disincent it from being more efficient.

The recession helps Aliso Viejo.

The recession has called a timeout in the running feud between the Postal Service and the city of Aliso Viejo (CA) over the construction of a new postal processing facility.

Though the agency has owned property for 18 years with the intention of building on it, the city and its prim suburbanite population were apoplectic when the Postal Service actually revealed plans for the plant. The toney Orange County burb objected to everything, from the plant's size and site to the people and vehicles it would attract, but the Postal Service plans inched along nonetheless.

In early March, however, facing shrinking revenues, the Postal Service deferred further action on the plant as part of its efforts to control and avoid costs. [\[TOP\]](#)

use but, when the notes became a permanent service classification and were authorized for flats as well, a fee was added based on the class of mail of the host piece. The Postal Service acknowledged that the fee was not cost-based; the industry protested but the (then) Postal Rate Commission approved it anyway. In this case, the Postal Service is simply following that tradition.

Another tradition is that mailings that fail to meet a rate eligibility requirement are rerated at the next highest rate for which they qualify; in most cases, that rate is single-piece First-Class. The resulting jump in postage is bad enough if the mailing is First-Class to begin with, but is even more painful if the mailing is at another class – such as Standard Mail – that has no single-piece rate of its own.

Yet another tradition has been to rerate an entire mailing once an error threshold has been exceeded, not just a proportional amount based on the detected error rate, presumably because the Postal Service cannot recoup any worksharing value from the mail because of the defects detected at the time of acceptance. While penalization of the entire mailing has always been objectionable to mailers, it's been particularly onerous for those who consolidate mail from various sources and who can, therefore, identify the quantity in a mailing from each. Their appeals to limit error-related charges to only those portions of the combined mailing that had errors have usually gone unsatisfied. Only recently – for the move update penalty, ironically – has the Postal Service been open to limiting surcharge assessments in such cases.

Pandora's box of surcharges

Mailers have grumbled for some time about the traditional USPS practices for rerating mail, but PostCom's protestation is a significant documentation of that complaint and represents a rare challenge to the Postal Service's penalty surcharge and rerating practices.

In some ways, a deliberate consideration of PostCom's objection to the move update penalty might offer the mailing community, the Postal Service, and the PRC an opportunity to more broadly review and rationalize the entire schedule of situational penalties and surcharges.

At one time, for example, there was discussion of a “penalty rate” – essentially a proxy for a single-piece Standard Mail rate – that would be formally established for use when error rates were exceeded. Such a rate could still be implemented for each class of mail respectively and tailored to have a reasonable correlation to the actual added costs the detected errors represent to the Postal Service. Other forms of surcharges could be introduced that are – overtly – not linked to cost but designed to induce or inhibit specific mailing behaviors or, like the fee for RPNs, intended simply to generate revenue.

Regardless of what add-on fees may be developed, however, the growing list of rate eligibility requirements being monitored at the time of entry means the list of potential errors and error thresholds is growing as well. As a result, a review of the surcharge list might also want to include establishment of a policy for “double jeopardy,” i.e., for how penalties are assessed on those unfortunate mailings that fail in more than one way. Arguably, the added cost for rehandling mail should need compensation only once, but validation of that perspective is just what might be achieved by following the thread of PostCom's comments to its logical end. [\[TOP\]](#)

Flap Over PMG Pay Illustrates USPS Dichotomy

Merriam Webster defines *dichotomy* as “a division into two especially mutually exclusive or contradictory groups or entities,” as in the dichotomy between theory and practice. If the dictionary wanted to illustrate the term it could use the Postal Service and the manifestations of its charge to be a public service operating in a business-like manner. Most observers would agree that trying to do both at once unavoidably yields tension and conflicts – such as the flap over its chief executive’s “pay.”

The PMG’s “compensation”

Though it’s a lot of money for average folk, most might agree that \$263,000 is not an exorbitant salary for someone tasked with running a \$76 billion enterprise, nor would it seem unreasonable that such an executive should be eligible for performance bonuses and a decent retirement plan. However, if you’re the Postmaster General, apparently such compensation *is* too much, at least in the opinion of some in Congress and the media.

When the Postal Service filed its Form 8-K last year and reported the total compensation paid its executives, the figure for the PMG – over \$850,000 – set tongues wagging all over DC. Ignoring the details of what constituted that amount, the media played up the story and the irony of such a large paycheck while the Postal Service is struggling financially. Naturally, politicians quickly jumped on the issue and one, Rep. Stephen Lynch (MA 9th), chair of the House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, demanded that the PMG appear on the matter before his panel.

Facts ruin the story

The underlying facts, ignored by those writing or seeking headlines, explain the truth about the PMG’s pay:

- First, realizing the nexus between top-level executive performance and top-level executive compensation, Congress directed (in the 2006 postal reform law, now 39 USC 3686(c)) that “the Board of Governors may allow up to 12 officers or employees of the Postal Service in critical senior executive or equivalent positions to receive total compensation in an amount not to exceed 120 percent of the total annual compensation payable to the Vice President.” The Board did so, and the PMG’s salary in 2008 was \$263,575.
- Second, under an incentive program set by the Board, the PMG also earned a bonus \$135,041 which, because of the statutory cap on total compensation, is deferred until after he retires.
- Third, these monies triggered higher contributions – totaling \$381,496 – into the PMG’s Civil Service Retirement System account which, by definition will be a factor in calculating the annuity he gets after he retires.
- The final element, another \$77,347, didn’t even go to the PMG; rather, it paid for the security detail he’s required to have.

All together, these components total \$857,459. It’s unlikely that a competent CEO of any true “business” the size of the Postal Service would take anything less than ten times that, but the CEO of a similar “public service” apparently is expected to take less, much less than the income of the CEOs at UPS and FedEx who manage smaller businesses.

Granted, CEOs of private sector companies have the appurtenant risks and rewards, but they also have more latitude to operate as appropriate for their missions. More importantly, they’re free of the chronic nattering of Congressional busybodies who say they want top talent to run the Postal Service but apparently don’t want to pay for it. [\[TOP\]](#)

Mailers Council supports PMG.

In a March 11 news release, the Mailers Council, an industry group (of which MFSA is a member), affirmed its support for the Postmaster General in the current flap over his compensation.

The Council stated that “We want to state emphatically that Postmaster General Jack Potter has earned his salary and the incentive pay authorized by the Board of Governors. He is unquestionably one of the most successful individuals to hold that office in the institution’s more than 235-year history. His ability to reduce costs, and eliminate more than 100,000 positions without laying off a single employee or degrading service, is both remarkable and unprecedented.”

The group noted that the current pay system for all senior postal managers was created in 2006 when Congress passed the Postal Accountability and Enhancement Act. That law gave the postal Board of Governors a means to attract and retain talented managers by paying them commensurate to their responsibilities. The Mailers Council also pointed out that media reports incorrectly claimed that the PMG earns more than \$800,000 a year (see related article, left).

The Mailers Council is a coalition of corporations, nonprofit organizations, and major mailing associations. Collectively, the Council accounts for 70% of the nation’s mail volume.

Higher benefit payments ahead.

The National Association of Postal Supervisors reports that an item buried deep in the new president’s budget package would “realign [USPS] employee/employer benefit contributions” to be more like those of other federal agencies. The proposal allegedly would yield a “5-year cost savings ... of \$4.2 billion and a 10-year savings of about \$9.5 billion” for the government.

NAPUS stated that postal employee groups “have already communicated their displeasure” over the prospect of employee benefit contributions higher than those prescribed by existing labor contracts. [\[TOP\]](#)

Just a simple little cabin.

Among typical corporate policies are those about the reassignment of managers to new jobs or locations, including programs for assisting in the sale of the individual's old residence. Logically, because it, too, reassigns its executives, the Postal Service has long had such a policy. In practice, if an employee's residence can't be sold in a prescribed period of time, the Postal Service's relocation contractor will buy the property and resell it.

However, when a postmaster from South Carolina was promoted to a position in Texas, and the Postal Service's relo company bought the house, the media had another field day. Of course, as *CNN.com* reported, the house – an 8,440 square foot, six bedroom lakefront "mansion" worth \$1.2 million – wasn't the typical civil servant's residence, either.

But reading the facts of the story reveals that the property was far from representative of what the relocation program handles. In 2007 and 2008, 1,022 homes were purchased under the program at an average price of about \$258,000; just over 1% of the homes were valued at \$1 million or more. Nonetheless, reports of the deal brought the usual indignant complaints from postal critics, like Senator Charles Grassley (IA) who was quick to chide the Postal Service and promptly called upon the agency's Inspector General to investigate.

Given the nature of the transactions, the Postal Service has usually lost money on the program. That situation worsened as the economy slowed and housing prices fell so, as the agency's own financial situation worsened, it took action to limit its exposure and capped the value of program-eligible houses at \$1 million.

Regardless, despite exceptions like the South Carolina property, the USPS program is not unlike those of private sector companies because relocation benefits are a necessary investment if desirable executives are to be retained. Some would argue that such a business-like perspective is appropriate if the Postal Service is to operate like a business. [TOP](#)

Do-Not-Mail Bills Appear Despite Recession

The illogic of supporting measures that would cost jobs has not dissuaded legislators in some places from pursuing proposals to restrict direct mail. Fewer do-not-mail bills have appeared in 2009, so far, than in previous years, but this cannot be construed as a measure of interest among lawmakers and the groups who promote the bills.

Where there's smoke

The *Mail Moves America* coalition, of which MFSA is a member, monitors state legislatures and alerts the industry when anti-mail proposals are introduced. Among the initiatives the coalition is currently watching:

- **Connecticut.** Two bills have been introduced – HB 5410, a do-not-mail registry bill filed by Rep. James O'Rourke (32nd, Cromwell), and HB 5413, an opt-out option bill offered by Rep. Demetrios Giannaros (21st, Farmington). Both bills were referred to the Committee on General Law in late January. Mail Moves America coalition members in Connecticut have met with the bills' sponsors to express the coalition's concerns.

- **Florida.** Companion do-not-mail bills have been introduced: HB 781, filed by Rep. Mary Brandenburg (89th, Lake Worth), and SB 1324, submitted by Sen. Dave Aronberg (27th, West Palm Beach). The bills require a \$10 initial listing payment from consumers and a \$5 renewal fee; limit the 501(c)(3) exemption to only "bona fide members" of the organization; and exempt newspaper publishers and their agents or employees. Both bills have been sent to four committees for review.

- **New York.** SB 2132, a do-not-mail bill, was introduced by Sen. Carl Kruger (27th, Brooklyn). The bill is a variation in that it is a "do-not-offer" registry and exempts only existing business relationships and verbal or written requests from a customer. Kruger has filed anti-mail legislation before. SB 2132 reprises SB 1403 from the previous session; that bill never received initial Senate consideration but last year's elections changed the political dynamic.

Also, A03191, filed by Assembly Member Audrey Pheffer (23rd, Queens) has passed the Consumer Affairs and Protection Committee and has been referred to the Codes Committee. The bill requires senders of unsolicited advertisements to provide consumers with an annual written notice of their ability to opt out of receiving future mailings. Though not a traditional do-not-mail bill, it places an unnecessary burden on businesses, most of whom likely already maintain and utilize an in-house suppression list. Several New York-based coalition members have already weighed in opposing the bill.

- **California.** The City Operations and Neighborhood Services Committee of the San Francisco City Council has approved a non-binding resolution introduced by Supervisor Ross Mirkarimi. The resolution next goes to the full Council for a vote later this month. *Mail Moves America* has good support in San Francisco, including from members of the Labor Council, in opposing the resolution. Supervisor Mirkarimi also has recently introduced a proposal to amend the handbill ordinance to include "unsolicited print publications" defined as "a publication that (1) is printed, published, and circulated at regular intervals ... (2) contains at least three separate sheets of paper, and (3) has printed matter on at least one side of the paper." The proposal has been referred to the City Operations and Neighborhood Services Committee. Although not a do-not-mail bill, the coalition is still watching its progress.

Fighting the fires

The *Mail Moves America* is in its second year, but in only that short time has responded to do-not-mail legislation that's appeared in twenty different states. Fortunately, the coalition thus far has been able to →

educate legislators that anti-mail legislation is unwise, unnecessary, and a threat to jobs and small businesses.

Originally formed by the DMA in 2006, the coalition was necessary because the cost of fighting anti-mail legislation at the state level is beyond the means and budget of any single organization. Using DMA assets, the coalition monitors legislative activity in all fifty states and is prepared to respond quickly to legislative activity and media inquiries. The coalition also develops content for its website and for position papers and other materials to ensure that industry facts and figures are available, up-to-date, and accurate.

However, despite the critical nature of its work to the health of the mailing industry, and even though virtually every association in the printing, mailing, publishing, and supplying sectors has joined, very few individual companies have committed their support for *Mail Moves America*. MFSA has participated in and supported the coalition since its inception, and agrees that broader participation and support is needed.

Interested companies are urged to contact the coalition's Executive Director, Ben Cooper, at bycooper@wms-jen.com to learn what can be done to help fight anti-mail legislation. [\[TOP\]](#)

Associations Comment on Proposed Rule

Four major mailing industry associations have submitted joint comments to the Postal Service on its proposed rule titled "New Standards for Domestic Mailing Services, Revised Proposal," published in the February 6 *Federal Register* (see the February 13 issue of *Postal Points*). The collaborating associations represent a broad cross-section of the mailing industry, from marketers through mail owners to mail preparers.

In their joint comments, shown in their entirety beginning on the next page, the Association for Postal Commerce (PostCom), the Direct Marketing Association, the Alliance of Nonprofit Mailers, and MFSA expressed "an overarching industry concern about the unintended consequences of Postal Service efforts to reduce its costs," recommended "a new process for the Postal Service to collaborate with industry to minimize the unintended consequences of revising its rules," and offered specific comments about the elements of the proposed rule.

In their comments, the mailing groups observed that the Postal Service's legitimate interests in becoming more efficient should not be pursued at the expense of the value of the mail. Forcing mail to become homogeneous to reduce processing costs may have the unintended consequence of reducing mail usage and, in turn, USPS revenue.

If the agency has concerns over mail characteristics that may be impeding processing efficiency, the commenters argued, those should be brought to the industry's attention so that mutually acceptable solutions can be developed. The existing process of announcing rule changes and soliciting comments through formal rulemaking does not include testing and evaluation of mail, opportunities for effective dialogue about real or perceived problems, or the exploration of alternatives that can satisfy the interests of both the Postal Service and the mailing industry.

Given that the Postal Service is interested in implementing some of the proposal concurrently with the new rates (on May 11), a final rule is expected relatively soon. [\[TOP\]](#)

USPS files to add services.

The Postal Service has filed proposed Mail Classification Schedule language with the Postal Regulatory Commission as part of resolving the issue of "non-postal services." The new MCS provisions would be for some of the services the PRC had approved for continuation at the conclusion of a proceeding last year that reviewed the entire list of "nonpostal services." The proposed MCS language also renames and realigns some of the services to better reflect the nature of what's offered.

The MCS language is for:

Market Dominant Products

- Alliances with the Private Sector to Defray Cost of Key Postal Functions
- Philatelic Sales
- Rental, Leasing, Licensing or Other Non-Sale Disposition of Tangible Property
- Advertising
- Mail Services Promotion
- Training Facilities and Related Services
- Licensing of Intellectual Property Other than Officially-Licensed Retail Products
- Equipment Repair Service

The agency also filed proposed MCS language for seven postal services that had not been included earlier:

Market Dominant Products

- Address Management Services
- Customized Postage Program

Competitive Products

- International Money Transfer Service – Outbound
- International Money Transfer Service – Inbound
- Address Enhancement Service
- Shipping and Mailing Supplies
- Greeting cards, Stationery, and Related Items

New forms available.

In a March 24 *DMM Advisory*, the Postal Service stated that the 3541, 3600, 3602, 3605, and 3700 series postage statements have been revised to reflect the rates taking effect on May 11, and can be downloaded at www.usps.com/forms. [\[TOP\]](#)

**JOINT COMMENTS OF
ASSOCIATION FOR POSTAL COMMERCE, DIRECT MARKETING ASSOCIATION,
ALLIANCE OF NONPROFIT MAILERS, AND
MAILING AND FULFILLMENT SERVICE ASSOCIATION
ON PROPOSED RULE**

The Association for Postal Commerce (“PostCom”), the Direct Marketing Association, the Alliance of Nonprofit Mailers, and the Mailing and Fulfillment Service Association (collectively “PostCom *et al.*”) file these joint comments on the Postal Service’s proposed new standards for domestic mailing services (“Revised Proposal”).

Our comments are based on careful evaluation of the proposal by each of our large memberships. We do not attempt to address the full range of concerns of all of the undersigned associations and our members; some may also file comments separately.

In Section I, we collectively express an overarching industry concern about the unintended consequences of Postal Service efforts to reduce its costs. In Section II, we propose a new process for the Postal Service to collaborate with industry to minimize the unintended consequences of revising its rules. In Section III, we address concerns more specific to the Proposed Rule.

I. The Postal Service Should Recognize An Unintended Consequence of its Efforts To Achieve Greater Operational Efficiency.

The Postal Service’s proposed changes to domestic mailing services represent the most recent in a collection of proposals that, if adopted, would diminish the value of mail as an advertising medium, and impose significant additional costs on industry. At a time when the Postal Service is struggling to retain existing volume, it can ill afford to push its customers towards alternative media by further restricting the creative mail design options afforded to mailers. In pursuing enhanced operational efficiency, the Postal Service should not lose sight of why its commercial and nonprofit customers are using the mail. The value of a solicitation mailpiece lies in the response it generates. Frequently, it is uniqueness that generates response.

Commercial and nonprofit entities evaluate the expected return of a direct mail campaign relative to other media choices. This expected return is influenced by comparing the expected ability of the medium to generate sales, donations, responses, or other action from the audience or recipient, against the expected costs of that medium. For mail, these costs include not only postage, but also the costs of printing, mail preparation, and mail entry. Changes to Postal Service eligibility rules that restrict design creativity or increase mail preparation costs directly reduce the expected return of a direct mail campaign relative to other media options.

In considering whether to propose or adopt new rules, the Postal Service should weigh any potential cost savings against the potential loss of mail volume and revenue that are also likely to result from causing would-be mailers to choose other marketing media. To maintain operational efficiency, the Postal Service must maintain throughput. To maintain throughput, the Postal Service must not stifle creative use of the mail.

II. The Postal Service and Industry Need a New Process

PostCom *et al.* strongly urge the Postal Service to adopt a new process to work with its customers when considering revisions to mailpiece design standards. While we commend the Postal Service for the consultative testing approach it took with exploring booklet designs and now is taking with self-mailer characteristics, the Postal Service should take additional steps to communicate better with its customers and their service providers. The Postal Service could achieve such a dialogue through its existing Mailers Technical Advisory Committee (MTAC) or some other venue. To be successful, this process should include the elements outlined below, most of which are not evident in recent rule changes advanced by the Postal Service.

Hold Discussions In Advance of Rulemaking. A notice of proposed rulemaking without advanced dialogue between the Postal Service and its customers does not provide the opportunity for industry to understand fully the issues the Postal Service perceives, or for the Postal Service to understand the potential effect of any contemplated changes on the Postal Service’s customers. To our knowledge, the Postal Service has not engaged its customers in meaningful discussions about the impact of these proposed changes, particularly for flats.

The mere announcement of a proposed rule is an action that has consequences. Although a requirement may be ill-advised and ultimately withdrawn, the proposal alone has the potential to stifle investment in ongoing activities, such as new mailpiece design and redesign, that would be affected by rule changes. This is an unintended impact of Postal Service regulatory action, and an undesirable one for both the Postal Service and industry, particularly when the proposed rule is ultimately withdrawn.

We therefore recommend that discussions between the Postal Service and industry concerning potential changes to mailpiece design standards and mail preparation and entry requirements take place well in advance of the formal notice and comment process. Ideally, there should be a regular meeting of Postal Service, customers and their service providers to discuss the issues involving each market segment or Postal Service processing category (e.g., letters, flats, parcels). In this manner, the Postal Service can engage its customers →

**JOINT COMMENTS OF
ASSOCIATION FOR POSTAL COMMERCE, DIRECT MARKETING ASSOCIATION,
ALLIANCE OF NONPROFIT MAILERS, AND
MAILING AND FULFILLMENT SERVICE ASSOCIATION
ON PROPOSED RULE**

earlier in the process and work in concert to develop solutions—before options are narrowed and positions are hardened by the filing of a formal notice of proposed rulemaking.

Perform Formal Testing and Share Test Results. In its Revised Rule, the Postal Service proposes a host of restrictions on mailpiece design, including, but not limited to: restricting on the use of “non-paper” outer surfaces for letters, revisions to flats flexibility/deflection standards, revisions to use of polywrap on flats, and new standards for flats containing inserts. To our knowledge, the Postal Service has performed no formal testing on these design characteristics to determine the extent to which specific characteristics affect Postal Service operational efficiencies. We recommend that when the Postal Service perceives that mailpieces that meet existing standards are impeding operational efficiency, the Postal Service should inform mailers, so that mailers have an opportunity to have a two-way discussion of these concerns with the Postal Service before it issues proposed and final regulations that may have unintended consequences.

The Postal Service should then work jointly with industry to design and perform tests to isolate, if possible, those mailpiece characteristics that cause significant loss of Postal Service’s operational efficiencies, such as but not limited to reduction of machine throughput, increase in equipment jams, or increased Postal Service employee workhours. Testing also should include live mailpieces whenever possible to minimize the Postal Service’s costs of mailpiece fabrication and to provide test pieces that are representative of real mailer production processes and materials.

In addition, when the Postal Service identifies mailpiece designs that test favorably, whether through engineering testing or through the PCSC approval process, the Postal Service should publish information describing the characteristics of the piece approved, including any waivers of or exceptions from particular DMM provisions that may have been granted. Publication should be accomplished through Customer Support Rulings (CSRs) or other channels that other customers can easily access in the future. Widespread communication will reduce the number of exception/approval requests to the Postal Service from multiple companies concerning the same design variances. In addition, service providers such as printers should be allowed to request rulings on designs that they then can use for multiple clients.

Consider Revenue Impact, Not Merely Operational Cost Savings. Changes to mailing standards that restrict customer mailpiece design options should be considered not only from the Postal Service’s operational perspective, but also from the perspective of the impact on the effectiveness of the mailpiece for marketing, advertising, and other postal commerce. Ultimately, the impact on mailstream revenue/volume should be a key consideration by the Postal Service prior to proposing such revisions.

The Postal Service in its revised standards proposes changes that would further restrict customers’ creative design options and further shift costs to mail preparers. Both effects induce customers to re-evaluate their use of the mail.

Ideally, the Postal Service should have an organizational structure that results in a better understanding of its customers needs by market segment. The Postal Service’s representatives for each market segment should be an integral part of the internal process for reviewing proposed rules, in order to provide feedback within the organization as to the potential customer impacts. These Postal Service managers should have established relationships with key industry representatives and major customers within their assigned market segment who they can engage in discussions as issues arise. Using such a process, the Postal Service could avoid publishing proposed rules that it subsequently retracts after being provided with customer feedback.

Explore Alternatives Jointly With Industry. As part of this process, the Postal Service and industry should work in concert to explore more aggressively and creatively better alternatives to restrictive mailpiece design standards. Alternative approaches that should be jointly considered include new product definitions/prices, alternative preparation/entry processes that minimize the impact of the design issues on Postal Service automated equipment or other operations, or other compromise approaches that mitigate or avoid the harm to customers and the impairment of their use of the mail.

PostCom *et al.* are unaware of any discussions between the Postal Service and affected mailers or their service providers concerning possible alternatives to these revisions in mailing standards proposed by the Postal Service.

Engage Service Providers As Well As Mail Owners. The Postal Service should engage in this process not only mail owners, but their service providers, who routinely serve as expert liaisons for mail owners on postal matters. →

**JOINT COMMENTS OF
ASSOCIATION FOR POSTAL COMMERCE, DIRECT MARKETING ASSOCIATION,
ALLIANCE OF NONPROFIT MAILERS, AND
MAILING AND FULFILLMENT SERVICE ASSOCIATION
ON PROPOSED RULE**

Provide Adequate Lead Time Before Implementation. When necessary changes to mailpiece design standards are identified through this recommended process, the Postal Service should provide as much formal advance notice as possible to allow customers and service providers to make the necessary changes to processes and materials, and to use up existing inventories. If the recommended process were followed, customers and their service providers would be aware of these issues very early in the process and would be able to work with the Postal Service to establish adequate implementation time lines.

With a Final Rule not likely to be published until early April at best, the May 2009 implementation time line proposed by the Postal Service for many of the requirements in this rulemaking will provide customers with very little lead time to make the necessary changes to processes, materials and operations. Most companies already have their 2009 budgets in place and will not be able to make the necessary investments to accommodate some of the proposed requirements in 2009. Investment capital for small business is scarce, and cost overruns will be impossible for struggling companies to absorb. PostCom *et al.* outline in Section III B their specific comments on implementation time lines for proposed changes that would be problematic to implement by May 2009.

III. Analysis of the Proposed Rule

A. General Comments on Proposed Requirements

Recommendations and Guidelines. In several places in its Proposed Rule, the Postal Service includes “recommendations” or “guidelines” that are not requirements. Those “recommendations” and “guidelines” should be deleted. As PostCom *et al.* stated in its recent comments in response to the Postal Service’s proposed rules for Automation Letter-Size Booklets and Folded Self-Mailers, the *Domestic Mail Manual* (DMM) is not a guidance document. It is used by customers and acceptance clerks to identify the Postal Service’s price eligibility requirements. Including recommendations and guidance in this document makes for ambiguous rules, which can confuse acceptance clerks into misinterpreting recommendations as requirements, causing mail entry to be held up while competing interpretations are reconciled. Alternatively, misinformed customers could simply assume unnecessary costs.

We urge the Postal Service to take all recommendations and guidelines out of the proposed rule before it is finalized. The Postal Service publishes a variety of support publications which contain such guidelines. Any recommendations should be included in one of those publications, if warranted.

Finally, because today’s recommendations tend to become tomorrow’s requirements, the undersigned parties would oppose any formal Postal Service proposal to change such recommendations into requirements without consultation with industry, and joint Postal Service-industry testing to assess the operational value of the change in advance of a formal rulemaking proceeding.

B. Comments on Requirements For Letters

Revised List of Nonmachinable Characteristics. Proposed DMM 201.2.1, which applies to Commercial Mail Letters and Cards, states that “[a] letter-size piece is nonmachinable if it has *an exterior surface that is not made of paper* or if it does not meet the standards in 201.3.0.” In addition, proposed DMM 202.3.3 of, which contains recommendations on static and coefficient of friction, also states, “[t]he exterior surface of letter-sized machinable and automation mailpieces must be made of paper material...”. These provisions, taken together, might suggest that the proposed rule would make paper envelopes with windows non-machinable. But revised DMM 101.1.2, which applies to Retail Mail Letters, Cards, Flats and Parcels, states that “[p]aper envelopes with windows prepared under [DMM] 202.5.8 and 601.6.3 do not make mailpieces nonmachinable.”

We assume that the Postal Service’s does not intend to prohibit all window envelopes from qualifying as automation letters. Therefore, we urge the Postal Service to clearly state in the appropriate DMM section for Commercial Mail Letters and Cards that the window envelopes do not constitute “an exterior surface that is not made of paper” within the meaning of DMM 201.3.3, and window envelopes do not make these mailpieces nonmachinable or nonautomation. (If it is the Postal Service’s intent to prohibit window envelopes from qualifying as machinable and automation letters, PostCom *et al.* vehemently opposes this revision. The Postal Service has offered no justification for such a change, which would have a detrimental effect on business mailers.)

In addition, the proposed requirement that the exterior surface of letter-sized machinable and automation mailpieces must be made of paper material with a specified static and coefficient of friction appears to prohibit →

**JOINT COMMENTS OF
ASSOCIATION FOR POSTAL COMMERCE, DIRECT MARKETING ASSOCIATION,
ALLIANCE OF NONPROFIT MAILERS, AND
MAILING AND FULFILLMENT SERVICE ASSOCIATION
ON PROPOSED RULE**

designs that have non-paper attachments on the inside or outside of the piece, such as stickers, tipped-on cards, scratch offs, magnets, or other materials. These mechanisms are frequently used to increase response rate, an outcome that benefits both the customer and the Postal Service. It is also unclear whether the “non-paper” requirement would prohibit use of envelopes made of Tyvek, or clear plastic, poly, or eco-friendly materials that are not “paper.”

To our knowledge, the Postal Service has not conducted testing on the wide variety of designs or envelope materials that would be prohibited by a strict interpretation of “nonpaper surfaces,” and therefore is unable to distinguish those designs that process with no issue from those that may be problematic.

Therefore, the Postal Service should remove this proposed requirement from any final rules it may issue, until such time as the appropriate testing and customer dialogue has taken place, as described in the process outlined in Section II of these comments.

Static and Coefficient of Friction. The Postal Service's Proposed Rule DMM Section 201.3.3 states that “[t]he exterior surface of letter-sized machinable and automation mailpieces must be made of paper material, with the following recommended characteristics: a. Static charge of less than 2 KV when tested using test method ASTM D4470. b. Kinetic coefficient of friction between 0.26 and 0.34 when tested as paper to same paper using test method ASTM D4917.”

As stated in our general comments above, the Postal Service should delete recommendations from the proposed DMM language. Because current recommendations could become future requirements, we offer these further comments. PostCom *et al. et al.* oppose any requirements that concern the paper characteristics of static charge and coefficient of friction. Customers and their service providers cannot test whether pieces have met the requirement; there is no viable paper certification process; and the Postal Service has no way to verify at acceptance that the requirements have been met. These recommendations therefore are impossible to measure or enforce. Furthermore, we observe that the testing method referred to for purposes of testing kinetic coefficient of friction is for uncoated stock, so the proposed rule is ambiguous as to its applicability to coated stock.

New Minimum Thickness for Automation and Machinable Letters. The Proposed Rule would eliminate the existing DMM provision in 201.3.2c(1) that allows machinable and automation letter-size pieces and Standard Mail ECR letters to be 0.007 inch thick if no more than 4¼ inches high or 6 inches long. The Postal Service offers no justification for eliminating this provision. Therefore, PostCom *et al.* oppose this change.

Furthermore, proposed Rule DMM Section 201.3.2c exempts cards eligible for and mailed at postcard prices from the new minimum thickness of 0.009 inch, but it is not clear whether this exemption also applies to Business Reply Mail (BRM) cards. We ask the Postal Service to clarify that BRM cards mailed at BRM prices can be 0.007 inch thick.

C. Comments on Requirements For Flats

In the Proposed Rule, the Postal Service identified no operational issues with processing flats that meet existing requirements on the current automated flat sorting equipment. Nor does the Postal Service offer evidence that the proposed changes in the requirements for flats will improve machinability on either existing or anticipated equipment. Rather, the Postal Service repeatedly has assured industry that its Flats Sequencing System (“FSS”) equipment is being designed to process successfully the existing spectrum of allowable flats characteristics. In sum, Postal Service offered no rational basis for tightening the deflection, flexibility and polywrap standards, and changing the insert standards.

Flexibility Standards. The Proposed Rule states that effective May 2009, the Postal Service will extend the eligibility for automation flats prices to “certain flat-size mailpieces that are not able to meet the flexibility standards in DMM 301.1.3, but that are able to demonstrate flats machine compatibility through a Pricing and Classification Service Center (PCSC)-administered testing process.” To the extent that the testing process envisioned by the Postal Service in the Proposed Rule would allow flats to qualify for automation prices that would not do so under the existing DMM specifications, PostCom *et al.* support this proposed change. As described in Section II of these comments (at p. 5 above), we encourage the Postal Service to improve its communication process for sharing PCSC test results in an effort to (i) streamline the exception/approval process for like pieces submitted by other mailers, (ii) avoid duplication of Postal Service testing efforts and related costs, and (iii) allow service providers to obtain rulings on designs that then can be used by multiple clients without separate approvals. →

**JOINT COMMENTS OF
ASSOCIATION FOR POSTAL COMMERCE, DIRECT MARKETING ASSOCIATION,
ALLIANCE OF NONPROFIT MAILERS, AND
MAILING AND FULFILLMENT SERVICE ASSOCIATION
ON PROPOSED RULE**

The Proposed Rule further states that, effective May 2010, the Postal Service plans to replace the existing flexibility standards and the PCSC-administered process described in its Proposed Rule with a “single flexibility standard requiring all machinable flat-size mailpieces to be foldable, parallel to the length, to a height no greater than 5 inches.” The Postal Service states that flats failing to meet this level of flexibility may be categorized as irregular flats – a new category the Postal Service proposes to establish in May 2010.

The Postal Service should clarify exactly how the proposed flexibility standards apply to the mailpiece. For instance, how is the height measured for the foldability test described above? Is the 5-inch maximum the distance from the spine to the edge after the piece is folded flat? If that is the case, the maximum height of the flat would be 10 inches, two inches shorter than the 12-inch maximum height for automation flats in the current DMM specifications. Or does the 5-inch maximum height for the foldability test measure the vertical space between the two edges of the flat when folded, assuming the piece does not fold entirely flat? Diagrams illustrating the exact test being proposed by the Postal Service are essential not only for mailers to comment intelligently on the proposed rules, but to prevent customers and Postal Service acceptance personnel from misinterpreting the requirement if adopted.

Furthermore, mailers also produce both polywrapped and enveloped pieces whose bound edge or spine is parallel to the height, not to the length. These pieces – which process well on postal automation equipment – would fold against the bound edge or spine, parallel to the *height* to no greater than 5 inches, but they would not fold against the bound edge or spine to 5 inches if the fold is strictly defined as “parallel to the length.”

The lack of clarity of this proposed requirement makes comment on it difficult. Any requirement that would have the effect of reducing the maximum overall mailpiece dimensions for automation flats, however, would be extremely undesirable.

In addition, the establishment of additional flexibility standards for flats that largely will be processed by Flats Sequencing System (FSS) equipment is a source of great concern for our members. We understood that the FSS machines were designed to successfully process the complete spectrum of existing flats specifications. The Postal Service fails to substantiate the need for these additional flexibility standards. We reiterate the concerns we raise in Section II of these comments (at p. 2) regarding the need for the Postal Service to weigh any potential efficiency gains and related cost savings the rule may generate against the potential loss of mail volumes and revenue that the rule may cause.

Polywrap Standards. The Proposed Rule states that, effective May 2009, the polywrap standards in current DMM 301.3.3, which currently apply only to automation flats, will be extended to all flat-size mailpieces using polywrap, including saturation carrier route flats.

While this change may not be a significant issue for large printers or for mailers or other mail service providers that largely produce automation flats, many small and mid-sized printers currently use polywrap that does not meet the existing standards for automation flats. We urge the Postal Service to engage this market segment in discussions to determine the extent of use of non-automation polywrap, the amount of polywrap inventory generally kept on hand, and the necessary transition period for these mailers to convert to polywrap that meets the existing standards for automation flats.

Polywrap Flats Dimensions. The Postal Service also proposes that, effective May 2009, that polywrap selvage count against the maximum allowed height and length of polywrap flats. This proposed requirement is totally unacceptable, as well as unmanageable from a flats production standpoint.

The Postal Service asserts that “selvage that extends beyond the maximum height or length may interfere with efficient processing.” To our knowledge, however, the Postal Service has experienced no problems with polywrapped flats that meet the existing selvage requirements in DMM 301.3.3.3. If the Postal Service is experiencing significant problems with polywrap selvage caused by pieces that do not meet the existing requirements, it should focus its efforts on ensuring compliance with the existing standards. If the Postal Service is experiencing significant problems with polywrap selvage caused by pieces that do meet the existing requirements, the Postal Service should provide industry with specific information about the nature and extent of the problems, and work with industry to identify a viable solution. PostCom *et al.* are not aware of any such dialogue; nor are we aware of any testing to support making such a drastic change to the existing polywrap selvage standards.

Deflection Standards. The Postal Service proposes that, effective May 2009, it will extend the deflection standards that currently apply only to automation flats, to all flat-size mailpieces, except those mailed at →

**JOINT COMMENTS OF
ASSOCIATION FOR POSTAL COMMERCE, DIRECT MARKETING ASSOCIATION,
ALLIANCE OF NONPROFIT MAILERS, AND
MAILING AND FULFILLMENT SERVICE ASSOCIATION
ON PROPOSED RULE**

saturation carrier route prices. It also proposes changing the existing standards to allow one inch less of vertical deflection (droop) than is now allowed. PostCom *et al.* strongly oppose the proposed deflection requirements. There is no rational basis for the proposed change. If the change is driven by the introduction to FSS, the Postal Service should stand behind its commitment to industry that the FSS is being designed to successfully process the existing spectrum of eligible automation flats.

The Postal Service also proposes to eliminate the current exception to the deflection standards for oblong flats (those with bound edge on the shorter side) effective May 2009. This is a format widely used by catalog mailers, and PostCom *et al.* members have tested the format with Postal Service engineering with good results. The Postal Service does not offer any justification or rationale for the proposed change, which again would eliminate a popular format used by customers. We strongly urge the Postal Service to reconsider the elimination of this exception and work further with mailers to resolve whatever issues are being encountered.

New Standards for Inserts. The Postal Service proposes that, effective May 2010, it will implement new standards for all flats except those mailed as saturation carrier route flats, to “prevent inserts from falling out of the host flat-size mailpiece during normal sortation and delivery.” The Postal Service proposes “that loose inserts less than 75% of the size of a host mailpiece be limited to single-ply unfolded cards, when the mailpiece is not enclosed in polywrap, an envelope, or other wrapper. Allowable loose inserts should be injected well into the body of the mailpiece.”

The need for these specific restrictions is unsupported. If inserts are injected properly into the body of the host mailpiece, no further limitations on the types of inserts used should be necessary. The Postal Service offers no rationale for limiting inserts in size and type. Does the Postal Service intend to ban folded cards as inserts? Does the proposed rule limit the total number of inserts that can be included in one host piece?

This proposed requirement not only limits customers’ use of the mail in terms of the host piece design, it limits their ability to market to their customers through use of inserts. Any of the proposed restrictions would prove costly to mailers of catalogs and periodicals. PostCom *et al.* strongly urge the Postal Service to evaluate more closely the issues involving inserts. Rather than abruptly making a such sweeping change with potentially significant market impact, the Postal Service’s first course of action should be to work with problem mailers, if any, to resolve any perceived concerns with inserts. PostCom *et al.* ask the Postal Service to work with its customers and their service providers to develop a viable plan that does not jeopardize this mailstream.

Irregular Flats Category. The Postal Service proposes that effective in May 2010 it will establish a new “irregular flats” category. Although the Postal Service generally describes the types of flats that would fall into this new category, the proposal cannot be evaluated intelligently without a more detailed definition. It would be helpful if the Postal Service would define or describe which pieces currently categorized as Not Flat-Machinable (NFM) would fall into the irregular flats category and which would fall into the machinable parcels category.

Tray Preparation. The Proposed Rule states that the Postal Service intends to simplify mail preparation by eliminating the bundling requirements for First Class Mail commercial flats, and that the new tray-based standards “streamline mail preparation and processing and improve efficiency for this type of mail.” . Some mailers are concerned that eliminating the use of bundle-based preparation for First Class mail flats may cause the presort levels of many of these flats to fall back from 5-Digit presort to 3-Digit presort, and thus require each of these pieces (formerly in a 5-Digit bundle) to receive an additional sort (i.e., the sort from SCF/3-Digit to 5-Digit). While eliminating the use of bundle-based preparation has some appeal, these mailers are concerned that the additional flat sorting costs that would be imposed on the Postal Service may not be sufficient to offset the cost savings associated with the proposed tray-based preparation. PostCom asks the Postal Service to review the more detailed comments of Pitney Bowes concerning this issue, and examine the question collectively with industry before issuing a Final Rule.

D. Comments on Requirements For Parcels

The Postal Service proposes to remove the “definitions of irregular parcels from the mail preparation standards in DMM 465, 475, and 485, and provide references to the current definition of irregular parcels in DMM 401.”¹⁰ The DMM sections cited in the proposed change, sections 465, 475, and 485, apply to Bound Printed Matter (BPM), Media Mail and Library Mail respectively.

The Postal Service should clarify whether this change has any substantive effect, or is intended merely to consolidate language and conform each of the three definitions of irregular parcels in DMM 465.5.1.1.b, 475.5.1.b, and 485.5.1.b to the definition in DMM 401.1.6. [\[TOP\]](#)

The cost of retirement.

As the Postal Service continues to offer employees voluntary early retirement, it also continues to decline to offer any incentives to encourage retirement. That decision may be based on real financial concerns for an agency already awash in red ink.

For example, when then-PMG Runyon offered incentives for early retirement in 1992, those incentives cost about \$886 million but resulted in a net reduction of only 7,300 employees. Such a ratio may well explain why no incentives are being offered now. [\[TOP\]](#)

Postal Service Revises Acceptance Policy

Through a notice buried on page 19 of the March 26 *Postal Bulletin*, the Postal Service announced a significant change to its error threshold for barcode readability and its policy for handling mail involved in an appeal to the PCSC. The text of that notice is reprinted below.

The revised policy effectively raises the error threshold at which no penalty will be assessed on a mailing to 90% by eliminating the lower threshold (80%) at which only a partial penalty would be imposed.

Concurrently, mail that is submitted to the PCSC as part of an appeal would be reentered at another downstream facility (i.e., at other than the New York post office) at the conclusion of the appeal at the mail owner's expense if the appeal is denied. Presently, all downstream movement is at postal expense, although the agency doesn't really charge itself.

The Postal Service is revising the allowable tolerance for a Mail Evaluation Readability Lookup Instrument (MERLIN) barcode readability verification to eliminate the 80-89 percent threshold. The Postal Service is also revising the process for mailers who request an appeal when a mailing processed on the MERLIN or manual barcode verification falls below the acceptable tolerance for barcode readability verification.

The Postal Service has allowed a three-tiered barcode readability verification threshold for letter and flat mailings. The threshold allows for mailings that score from 90 to 100 percent to pass the verification. Mailings with a verification result from 80 to 89 percent have additional postage calculated based on the actual percent of error applied to the total automation price pieces in the mailing. Mailings with a verification result below 80 percent have additional postage applied based on 100 percent of the total automation price pieces in the mailing. In either case, additional postage is assessed for the difference between the automation prices and the nonautomation prices. As with all verifications, mailers have the option to withdraw the mailing to make corrections or to pay the additional postage.

Additionally, mailers may request an appeal when a mailing is processed on MERLIN and the barcode readability verification result falls below the 90 percent threshold. The mail sample that was verified on MERLIN is sent via Express Mail service to the national appeal site at the Pricing and Classification Service Center (PCSC) in New York. Upon completion of the appeal, mailers may have the sample returned via Express Mail service or directly entered into the mailstream in New York. The Postal Service bears the cost of the Express Mail shipments.

Effective May 11, 2009, the 80-89 percent threshold for barcode readability verification will be eliminated. When a MERLIN or manual barcode readability verification falls below the 90 percent threshold, additional postage will be assessed based on the difference between the automation prices and the non-automation prices for the total automation price pieces in the mailing.

Also effective May 11, 2009, if mailers desire to appeal a MERLIN barcode readability verification failure, then they must agree to pay for the Express Mail shipment (both to and from the PCSC) from their permit imprint or additional postage account. Sufficient funds must be in the account to cover the Express Mail costs. Mailers will receive a refund for the Express Mail costs for any appeal upheld by the PCSC. Mailers will not receive a refund when the PCSC denies an appeal. The PCSC will notify the mailers and the origin acceptance site of the results of the appeal and whether or not a refund is authorized.

– *Business Mail Acceptance,
Business Mail Entry and Payment Technology, 3-26-09*



For better or worse

The change is not inconsequential. A mailing that's evaluated at 88% compliance now is subject to a much smaller assessment – a 12% penalty – than it will be in May when the penalty becomes 100%. Deleting the middle tier (80-89%) means that a mailing either passes (scores 90% or better) or completely fails – a very stark difference.

Moreover, given the not infrequent failure of clerks or supervisors to correctly employ MERLIN, apply DMM standards, or advise customers with allegedly failing mail, moving the level at which a 100% penalty is assessed up by ten percentage points could significantly increase the occasions on which mailers must appeal a local finding.

Finally, if a finding must be appealed, the Postal Service has rubbed salt in the wound of a 100% postage penalty by charging back to the appellant the cost to forward the mail sample used for the appeal. Some might argue that, given the significant jump in revenue when an entire mailing is rerated, the Postal Service is making plenty (above any true costs occasioned by the barcode failure) to offset the cost of moving a tray of mail downstream by Express Mail.

For its part, the Postal Service offered no explanation for its decision. The agency may expect – not incorrectly – that the production of quality barcodes on at least 90% of a mailing shouldn't be a problem for any competent mailer. If such a presumption is accurate – and supportable by data from the Postal Service's systems such as PostalOne – supplying an explanation for the policy change would have gone a long way to resolve any industry concerns.

Some observers may also wonder why the policy change was announced with so little visibility. Nothing was said at the February MTAC meeting, nothing like a *DMM Advisory* preceded the *Postal Bulletin* notice to call attention to the new policy, and nothing was sent to mailer associations to explain the change or why it was appropriate. And, obviously, the change was not published for comment in the *Federal Register*, so mailing industry opposition – or support – was never evaluated. At a time when the Postal Service wants its customers to collaborate on volume growth ideas, slipping a meaningful change in acceptance policy under the radar seems counterproductive and incompatible with cooperative relations at the least.

Regardless, absent a reversal or delay, passing MERLIN muster will be even trickier come May 11. [\[TOP\]](#)

postal|bulletin Stuff

In the March 12 issue:

- Effective **March 2**, DMM 708.6.6 was revised to allow preparing pallets or other approved containers bearing pallet placards including Intelligent Mail container barcodes. Current standards require that pallet placards prepared in the 8"x11" format be affixed to the outside of any shrinkwrap or plastic by a self-adhesive or other adhesive means. The revised standard permits IM-barcoded 8"x11" format pallet placards to be affixed beneath shrinkwrap or plastic until November 29, 2009. Placards must be affixed to not obscure any required element of the placards and to remain secure throughout USPS processing. →

Moving expenses.

The Postal Service has shared some details of the costs for its relocation program that's drawn criticism after an exceptional occurrence involving a \$1.2 million "mansion" in South Carolina (see page 11).

For fiscal 2008, the Postal Service stated that it spent \$78.4 million to relocate employees. Of that amount, \$37.9 million was for the "residence purchase and/or sale/lease" program under which the agency's contractor buys (and resells) property that the employee can't sell directly before moving to a new job.

Employees benefiting from the program included headquarters and area staff (\$15 million), postmasters and supervisors (\$15 million), employees of the Inspection Service and Office of Inspector General (\$3.4 million), and craft employees (\$.3 million).

Comparable programs are offered by private sector companies as a tool in retaining quality personnel but the Postal Service – despite having a similar need – has been criticized for offering a benefit that is too generous.

Staying with the company.

Data recently presented by *PostalReporter.com* reveals that some postal employees are working well past the time when most of their colleagues retire.

According to the report, the agency has 14,840 employees on the rolls who are over age 65, including 235 who are over 80.

At the other end of the scale, 165 employees are 18 or younger.

On average, postal employees are 48 years old, with 24 years' service.

The significance of this may be overlooked by most mailers, but the agency's aging workforce suggests that turnover from retirements (or early-outs) may be increasing as the average age moves higher, and that retirement costs – including those for retiree health care – may become an even larger burden on USPS finances – and postage costs in the near future. [\[TOP\]](#)

MFSA Calendar

Mailer Strategies Conference

Washington, DC
April 30-May 1, 2009

Annual Conference/ Mailing & Fulfillment Expo

Chicago, IL
June 3-6, 2009

Fulfillment & Print Conference

Tampa, FL
October 15-18, 2009

USPS Calendar

Mailers Technical Advisory Committee (MTAC)

(At USPS Headquarters)
April 29-30, 2009
August 12-13, 2009
November 18-19, 2009

Board of Governors

(At USPS Headquarters)
(No published 2009 schedule.)

National Postal Forum

Washington, DC
May 17-20, 2009
Nashville, TN
April 11-14, 2010

[\[TOP\]](#)

Placards prepared in the 4"x7" optional format must continue to be affixed to the outside of any shrinkwrap or plastic by a self-adhesive or other adhesive means. Beginning **November 29**, placards bearing IM container barcodes must be affixed by self-adhesive or other adhesive means to the outside of the shrinkwrap or plastic.

- Effective **March 12**, Publication 431, *Post Office Box Service and Caller Service Fee Groups*, was revised to include the changes noted.
- Effective **April 6**, IMM 123 and 324 are revised to reflect changes to PS Form 2976-A, *Customs Declaration and Dispatch Note — CP 72*; the revised PS Form 2976-A has a January 2009 edition date.

In the March 26 issue:

- Effective **April 6**, DMM 364 and 464 are revised to provide a new option for mailers to document postage payment for nonpresorted Bound Printed Matter mailings, and to streamline, simplify, and clarify the mailing standards for postage payment and documentation.
- Effective **May 11**, DMM Labeling Lists L603 and L604 will be eliminated and irregular parcels may no longer be prepared in 3-digit or ADC and mixed ADC containers. Also, all references to irregular parcels will be removed from labeling list L009, and existing content identifier numbers for irregular parcels will be revised to reflect SCF preparation or BMC/ASF and mixed BMC preparation.
- Effective **April 6**, IMM 371 is revised to codify that the fee charged for each PS Form 6401, *Money Order Inquiry*, is \$5.20.
- Effective **April 6**, the IMM Country Price Groups and Weight Limits section and the Individual Country Listings, and Publication 51, *International Postal Prices and Fees*, are revised to authorize use of the Priority Mail International flat-rate envelope and small flat-rate box for shipment to Ascension and the Falkland Islands; and use of the Priority Mail International flat-rate envelope for shipment to the Democratic People's Republic of Korea (North Korea).
- Effective **April 6**, the IMM and Publication 51, *International Postal Prices and Fees*, are revised to modify all references to the Republic of Montenegro by omitting the words "Republic of."

The complete text of current and back issues of the *Postal Bulletin* is available at www.usps.com/cpim/ftp/bulletin/pb.htm. [\[TOP\]](#)

Mailing & Fulfillment Service Association

1421 Prince Street, Suite 410

Alexandria, VA 22314-2806

703-836-9200 800-333-6272 703-548-8204 (FAX)

www.MFSAnet.org

Leo Raymond, *Postal Points* Editor

MFSA Board of Directors and Officers

CHAIRMAN OF THE BOARD	TREASURER					
Constance Hill TFC, Inc Napa, CA	Michael Murphy Japs-Olson St. Louis Park, MN	Tammy Caserta Think Patented Dayton, OH	Joy Franckowiak Cox Target Media, Inc. Largo, FL	Tim Johnson Impact Mailing Minneapolis, MN	Buz Prosser Consolidated Mailing Corp. Shawnee Mission, KS	Gary Weinberg Quality Letter Service, Inc. New York, NY
VICE CHAIRMAN	IMMEDIATE PAST CHAIRMAN					
Ken Wartman Commercial Letter, Inc. St. Louis, MO	John Rafner Nice Lines Direct Mail, Inc. Norristown, PA	Tom Duchene World Marketing, Inc. — Los Angeles La Mirada, CA	Laura Harper FPMSI, Inc. North Andover, MA	Michael Kellogg Century Direct, LLC Long Island City, NY	Shane Randall aNETorder/ American Mailers Naperville, IL	John E. Wolf III Wolf Mailing & Marketing Services, Inc. Oklahoma City, OK
SECOND VICE CHAIRMAN						PRESIDENT AND CEO
Ken Gossett AMI Alexandria, VA	Francis Barkyoub Hartford Direct Marketing, Mailing & Fulfillment Svcs. Berlin, CT	Greg Fischer Marketing Support Services Cincinnati, OH	Donn Irwin immedia, Inc. Fife, WA	Ted Kulpinski W. A. Wilde Company Holliston, MA	John Roberts Diamond Marketing Solutions Council Bluffs, IA	Ken Garner MFSA Alexandria, VA

Postal Points is published every three weeks and provided to MFSA members and colleagues electronically. For membership or subscription assistance, call Tyler Keeney at (800) 333-6272, extension 206, or send an e-mail to keeney@MFSAnet.org; provide your name, title, company, and e-mail address.

Postal Points is protected by the copyright laws of the United States (Title 17, US Code). Reproduction of the contents of this newsletter is prohibited without the written consent of the Mailing & Fulfillment Service Association. ©Copyright 2009 Mailing & Fulfillment Service Association.