

BANTA Mailbox

Banta Publications Group ■ 12 Salt Creek Lane, Suite 350, Hinsdale, IL 60521 ■ January 2002

Financial Crisis

USPS asks Senate for \$5 billion

Postmaster General Jack Potter, in a statement before the US Senate Appropriations Committee, made a request for a total of \$5 billion to cover the USPS losses since the September 11 terrorist attacks. The \$5 billion total includes \$3 billion to cover costs of battling the anthrax threat and other security issues plus \$2 billion to cover revenue losses. The \$3 billion figure includes such items as:

- Damage to facilities in New York City
- Implementation of new security procedures
- Medical and environmental testing of employees and facilities and resulting cleanup of facilities
- Purchase of sanitizing equipment for mail
- Protective equipment for employees
- Communication and education of employees and customers
- Disruption of operations and cost of rehan-

dling mail

Without such an appropriation, the USPS will have little choice but to pass these costs on to mailers, resulting in a postage increase of up to 15%. It appears likely that the USPS will receive some sort of funding, but it will likely be a lengthy process and will most likely address only the security costs, not the revenue losses.

At the same time, the USPS has come under fire for its announcement that it intends to pay \$124.5 million in pay-for-performance awards to managers, executives and officers. The awards are part of a five-year-old program called Economic Value Added (EVA) that ties annual awards to performance goals. The USPS lost \$1.7 billion in FY 2001, which has raised the question of why the awards will be paid out at a time when private industry is cutting executive bonuses due to the soft economy.

Rate Case Settlement?

Settlement agreement could mean new rates as soon as spring '02

Rumors abound that the most recent postal rate case, filed in September 2001, could possibly end in a settlement agreement rather than going through the full-blown rate making procedure. The USPS and mailer representatives participating in the rate case have had discussions and have agreed to pursue a settlement. Reaching a settlement, however, would require agreement about specific factors in the rate case as well as agreement on an implementation date. Mailer representatives have indicated that there will be no agreement if the implementation date would be earlier than the projected September 2002 date, but the USPS is suggesting that a settlement may result in implementation of new rates as early as spring of 2002. The

settlement agreement doesn't necessarily have to be unanimous, but it would make it more difficult for the Postal Rate Commission to approve the agreement. In any event, the Postal Rate Commission still has the opportunity to alter the proposed rates, even if a settlement is reached. At this point, the USPS Board of Governors has established a deadline of December 28 for the settlement to be reached. There are a number of other questions that remain unanswered, such as what impact does any funding (or lack thereof) from congress have on the settlement agreement, what happens if the settlement is reached after December 28, what effect do the labor contract settlements have, etc. Stay tuned for further updates.

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Banta Publications Group Distribution Contacts

As a customer, you are encouraged to direct all of your communications to your plant Customer Service Representative. However, there may be occasions when you may need to contact someone in the distribution areas directly. To facilitate this, the following is a list of contacts:

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Drop Shipping 101

Could your mailings benefit from drop ship savings?

Many of our customers are asking about the possibility of drop shipping their mail to additional postal entry points in an effort to reduce postal costs. We'd like to take this opportunity to give you an explanation of how drop shipping works.

Under normal circumstances, the finished magazines are packaged, placed in sacks and on pallets and entered at the post office serving the printing plant location. With drop shipping, the magazines are prepared much the same way except that a portion of the magazines are loaded on to trucks to be shipped to postal facilities close to the final destination of the mail. For example, your magazine may have a pallet of mail containing 2,000 copies destined for the Chicago, IL area. Rather than enter this mail at the printing plant, such as our Long Prairie MN facility, we would place this pallet on a truck and ship it directly to a postal facility in Chicago. The USPS offers discounted postage to mailers who transport the mail to these facilities. The key to drop shipping is determining if and when the discounted postage is enough to cover the shipping/handling costs to get the mail to those destinating facilities.

Banta Publications Group has invested in computer hardware and software to help us analyze each individual mailing to determine if drop shipping is cost effective. In addition, we have also invested in racking and staging areas in the plants along with training for plant personnel. The end result is additional postal savings for our customers. Savings can vary from issue to issue and are directly tied to the weight per copy and the percentage of advertising for Periodicals mail. The higher the weight

and ad content, the more opportunity for savings. As an example, there were 23 magazine titles drop shipped from our Kansas City plant in the month of November with net savings (after shipping/handling and administrative charges) per title ranging from \$199 to over \$5,000. Drop shipping incentives are greater for Standard and Package Services mail (catalogs) than they are for Periodicals mail, but there is still opportunity for drop ship savings for magazines.

The key to performing the drop ship analyses is the mail.dat file. Mail.dat is an industry standard file format for a relational database file that is generated at the time the mailing list is sorted into postal presort sequence. The mail.dat file contains all the details about a specific mailing without containing the actual names and addresses. Banta's drop shipping software can read the specific mailing data on these mail.dat files and compare destination entry postage to plant entry postage and apply the appropriate shipping/handling costs to each entry to determine which, if any, destination entries make economic sense. Banta Distribution Services list processing department creates these mail.dat files automatically for each job processed and transmits the files to the appropriate plant for use by the distribution departments for the analyses.

Most other major list processors can also produce mail.dat files. If Banta Distribution Services does not process your mailing list, please contact your list processor and request that they provide a mail.dat file for a drop ship analysis. The mail.dat files can be sent to the distribution manager at the appropriate plant.

Clarification on Attachment Regulation

There has been some confusion about the regulation regarding the size requirements for attachments to covers of flat size mail pieces. Postal regulations state that attachments to covers (tip-ons, cover wraps, etc.) must fall within $\frac{3}{4}$ " of the trim size of the magazine. If the attachment is smaller than that, the piece must either be polywrapped, enveloped, or the attachment must be spot glued in a minimum of two locations. Some mailers are under the impression that they have the option to forgo automation discounts if the short size attachments are not wrapped or glued. However, this is not the case. Pieces that have short attachments and are not wrapped or glued are considered non-mailable pieces. The only exception to this regulation is bellybands. Bellybands do not have to fall within $\frac{3}{4}$ " of the trim size of the magazine, nor do they have to be glued or wrapped.

Rate Increases

UPS and FedEx to raise rates

Both UPS and FedEx have announced plans to increase rates by an average of 3.5% for air and ground shipments. Both companies have set an implementation date of January 7, 2002 for the new rates, which is about a month earlier than their normal rate increases.

Both companies residential premium will increase to \$1.10 from \$1.05. UPS' Ground services will increase by 3.5%, with overnight and 2-day services increasing by approximately 4%. The temporary fuel surcharge remains at 1.25% for ground service at both companies as well.

International Mail

Mailing list formats can impact postal rates

As indicated in the article on page 4, the USPS will be increasing international Periodicals rates in January 2002. As part of the increase, the USPS is expanding the number of rate groups from 3 to 5. The current rate groups are Canada, Mexico, and all other countries. The new rate groups include Canada, Mexico, a group that includes Australia, Japan and New Zealand, and two other country groupings (for details see the International Mail Manual (IMM) at www.usps.com).

To facilitate the application of the correct postal rates, it is important that any international mailing labels be sorted by country name and ideally by rate grouping. If your mailing list is processed by Banta Distribution Services, your international la-

bel are already being sorted by rate grouping. If you have your lists processed in-house or by an outside source, please request that the international names be sorted by country name and by rate groupings.

To facilitate this sortation, it is important that the mailing list provided to the list processor include country names in a separate field and that the country name spellings match those in the IMM and are consistent. For example, if your mailing list has the country names included in the same field as the city name, it is not possible to sort by country name or by rate grouping. In these cases, all the pieces will be subject to the highest rate category, which is Rate Group 5.

Damaged Mail

As we told you in the September 2001 issue, there continue to be reports from mailers of damaged mail, specifically torn covers of magazines. The USPS continues to research the causes of this damage and welcomes any data that mailers can provide. If you are experiencing damage complaints, please communicate the details to the USPS via e-mail at 100flats@email.usps.gov. Include in your message the number of copies, destination, and date of mailing. Any sample pieces that can be forwarded to the USPS are also helpful.

Advertising Data in Periodicals

Some interesting statistics from the USPS' PERMIT system for FY 2000 (reflects data for about 95% of Periodicals Outside Country rate publications):

Ad Percentage	Number of Pubs	Mail Volume	Total Weight
0-10%	12,487	1,005,867,452	291,783,604
10-20%	2,171	460,226,956	183,601,708
20-30%	1,941	573,401,204	186,966,107
30-40%	2,209	1,781,213,921	630,546,628
40-50%	2,745	2,333,316,245	1,061,847,729
50-60%	2,461	2,102,640,725	1,495,201,558
60-70%	1,232	560,342,788	390,872,198
70-80%	380	95,069,385	68,287,985
80-90%	125	859,837	1,702,140
90-100%	121	329,231	89,108
Totals	25,872	8,913,267,744	4,310,898,765

Source: The Pace Report, November 2001

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is a monthly publication produced by the BANTA Publications Group. Any comments or questions are welcome. Please contact Monica Lundquist of the BANTA Publications Group by phone at 816-792-6370, by e-mail at mlundquist@banta.com, or write to BANTA Publications Group, Mailing & Distribution Services, 3401 Heartland Drive, Liberty, MO 64068-3378.

International Rates Increase

The USPS will be increasing the rates for Publishers Periodicals, which is the surface delivery service to countries outside the US for magazines qualified as Periodicals for domestic postage rates. The rates will increase effective January 7, 2002 and will average about 8% above the old rates. In addition to the rate increase, the rate structure will change to include 5 rate groups based on destinating country. The old rates had three rate groups (Canada, Mexico, all others). The rate chart below shows the new rates compared to the old rates, as well as the

new rate groups.

An alternative to using the USPS for delivery of international copies is to use Banta's business partner, World Distribution Services. World offers very competitive pricing and much better delivery service than USPS surface service. For additional information or a quote, please contact your plant CSR or the plant distribution manager. Or you can contact our World representative, Debbie Volpe, directly at 847-784-9631.

INTERNATIONAL PUBLISHERS PERIODICALS RATES										
Weight Not Over	Rate Group 1 Canada		Rate Group 2 Mexico		Rate Group 3 See IMM for country listing		Rate Group 4 Australia, Japan, New Zealand		Rate Group 5 See IMM for country listing	
	Old Rate	New Rate	Old Rate	New Rate	Old Rate	New Rate	Old Rate	New Rate	Old Rate	New Rate
1 oz	\$.40	\$.45	\$.48	\$.60	\$.44	\$.60	\$.44	\$.60	\$.44	\$.60
2 oz	.46	.51	.60	.75	.55	.71	.55	.71	.55	.74
3 oz	.52	.57	.78	.90	.71	.82	.71	.82	.71	.88
4 oz	.59	.63	.90	1.05	.83	.93	.83	.93	.83	1.02
5 oz	.65	.69	1.13	1.20	1.05	1.04	1.05	1.04	1.05	1.16
6 oz	.72	.75	1.13	1.35	1.05	1.15	1.05	1.15	1.05	1.30
7 oz	.78	.81	1.36	1.50	1.27	1.26	1.27	1.26	1.27	1.44
8 oz	.85	.87	1.36	1.65	1.27	1.37	1.27	1.37	1.27	1.58
12 oz	1.11	1.15	1.80	2.13	1.71	1.81	1.71	1.81	1.71	2.02
16 oz	1.37	1.43	2.26	2.61	2.15	2.25	2.15	2.25	2.15	2.46
20 oz	1.49	1.59	2.68	3.09	2.56	2.69	2.56	2.69	2.56	2.90
24 oz	1.61	1.75	3.10	3.57	2.98	3.13	2.98	3.13	2.98	3.34
28 oz	1.73	1.91	3.52	4.05	3.39	3.57	3.39	3.57	3.39	3.78
32 oz	1.85	2.07	3.94	4.53	3.81	4.01	3.81	4.01	3.81	4.22
48 oz	4.00	4.23	5.38	6.45	5.13	5.77	5.13	5.77	5.13	5.98
64 oz	4.64	4.87	6.82	8.37	6.45	7.53	6.45	7.53	6.45	7.74