

BANTA Mailbox

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

Phased Postal Rates?

USPS discusses phasing in rates over two-year period

At the most recent rate-making summit held on June 27, the USPS outlined a preliminary idea to phase in the next rate increase over a two-year period. This would allow the USPS to get the revenue it needs while softening the blow of a larger increase for mailers. For example, the USPS would file a rate case in 2003 with phased increases on a scheduled basis in 2004 and 2005. For purposes of determining what the rates should be, the USPS would use 2005 as its "test" year.

The plan would involve an increase in the first year sufficient to cover the USPS operating costs in that year. The increase in the second year would cover operating costs, plus the contingency and prior years losses.

So far, the proposed plan would include phasing of all postal rates, even the First-class stamp. Mailers were generally in favor of the plan but raised some concerns about implementation and policy. Mailers also question what incentive the

USPS has to control their costs if the rates are phased in.

On a related note, a suggestion to shorten the rate making process was suggested in the first rate making summit held in May. However, it appears that shortening the rate case is not feasible under current law. The current process can take up to 18 months from start to finish (6 months for the USPS to gather and analyze data, 10 months for the Postal Rate Commission proceedings, and 2 months for implementation). Despite suggestions from mailers on ways to streamline the process, the USPS appears reluctant to try any of these streamlining ideas. One suggestion that may work is to hold a global technical conference at the start of a rate case to reduce some of the steps in the official proceedings.

For more information on the rate-making summits, you may obtain transcripts at the Postal Rate Commission web site at www.prc.gov.

What Are the True USPS Costs?

The USPS has cited numerous times the increase in delivery points it has to service each year as a major cost problem. The USPS services 1.7 million new delivery points each year. However, SLS Consulting, an economic consulting firm, has analyzed the data and determined that in fact the added mail not only covers its cost but makes a contribution to overhead, to the tune of \$234 million. This assumes that the new delivery points get the same mail volume as existing delivery points. The study shows that even if the new points received only half the volume of the existing points, the additional volume still covers its costs and contributes to overhead. Even the USPS data used in the most recent rate case indicates that the cost of adding delivery points each year adds only about \$154 million to the USPS total costs of \$68 billion. By

contrast, the annual added costs of labor (wages, benefits and inflation) for the USPS are more than \$2 billion.

Another part of the study indicates that more mail is presorted, barcoded, palletized and drop shipped than 10 years ago, meaning that the mail should be getting less expensive for the USPS to process, not more expensive. One of the interesting trends in the data shows that the volume of carrier route sorted mail has declined (48% of Standard mail in 1991 and only 39.6% in 2000) while the volume of 3/5 digit sorted mail has increased (31.5% of Standard mail in 1991 and 50.5% in 2000).

All of this information leads to the conclusion that most mailers already know: the bulk of the USPS costs can be attributed to labor.

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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:

Entire Publications Group

Director, Mailing & Distribution Services

Monica Lundquist
816-792-6370 Phone
816-792-3112 Fax
mlundquist@banta.com

List Services Manager
John Buck
816-792-6349 Phone
816-792-3112 Fax
jbuck@banta.com

Long Prairie, MN plant

Distribution Manager
Al Lemke
320-732-7946 Phone
320-732-7976 Fax
alemke@banta.com

Distribution Supervisor
Jane Zirbes
320-732-7969 Phone
320-732-7976 Fax
jzirbes@banta.com

Liberty, MO plant

Distribution Manager
Jeff Volkmann
816-792-6402 Phone
816-792-2031 Fax
jvolkmann@banta.com

Mailing Coordinator
Bobbie Hill
816-792-5300 ext 6376 Phone
816-792-2031 Fax
bhill@banta.com

Shipping Manager
Steve Bieri
816-792-6363 Phone
816-792-6480 Fax
sbieri@banta.com

Greenfield, OH plant

Postal Specialist
Margaret Mobley
937-981-2161 Ext. 320 Phone
937-981-5032 Fax
mmobley@banta.com

Hope Dims

Postal reform legislation bill dies

Once again, postal reform legislation has died in the political process. The House Government Reform Committee defeated a proposal supported by Chairman Dan Burton, R-IN and Rep. John McHugh, R-NY. It now appears certain that no bill to reform the 30-year-old Postal Reorganization Act will be considered in this Congress and likely not even in the next.

While strong lobbying against the bill from United Parcel Service (UPS) and the Teamsters union had an impact on the death of the bill, most of it can be blamed on politics among party members and legislators general reluctance to change the postal system.

At this point, it appears that the greatest hope

for postal reform would be a presidential commission. It appears that the White House is seriously considering such a commission, perhaps as early as this summer. Evidently staff at the Treasury department have been boning up on postal issues, which may be a sign of movement in this area.

We strongly encourage all publishers to contact your legislative representatives regarding postal reform. For this reform to be successful requires a grass roots effort. If many publishers contacted their representatives to explain the burden that postal rate increases place on your business, it would lend more credence to the efforts of postal reform bill supporters.

Periodicals Discounts

Changes result in pallet discounts and greater drop ship savings

Effective with the most recent postal increase that occurred on June 30, 2002, there have been some changes in the postal discounts for Periodicals mail. A new Area Distribution Center (ADC) advertising pound rate has been implemented, as well as a discount per piece for copies directly entered at ADC locations. This has increased the potential for drop ship savings for our customers. Another new discount is the pallet discount. The USPS offers 1.5 cents per piece discounts for mail on pallets that is directly entered at postal facilities using drop shipping and .5 cents per piece discounts for mail on pallets that is entered at the plant post office. Again, this increases the savings potential of drop shipped mail. These new discounts, along with changes in the amounts of the zoned rates and existing drop ship discounts, has resulted in more magazines qualifying for drop shipping than before the rate increase.

There are two key elements for taking advantage of these discounts. First, your mailing list must include pallet containers in the parameters used for presorting the list. Only mail on pallets (as opposed to in sacks) qualifies for the pallet discount. Sec-

ond, you need to provide a mail.dat file along with the mailing list in order for drop ship savings to be analyzed. If your list is processed by Banta Distribution Services (BDS), we are already sorting your lists for pallets when the minimum weight requirements are met and we are also producing the mail.dat file at no additional charge. If your list is not processed by BDS, you should contact your list vendor to insure that your list is being presorted for pallets and the mail.dat file is being produced. BDS also offers presort testing on your mailing list so that you can compare the presort that BDS provides vs. your current vendor or in-house software. These tests are free of charge, so if you are interested in having BDS perform a presort test on your mailing list, contact John Buck at 816-792-6349 or jbuck@banta.com.

On a related note, the ride-along rate for items riding along with Periodicals rate publications increased from 10 cents per piece to 12.4 cents per piece. There are some physical restrictions as far as pieces qualifying for this rate. Contact your plant Customer Service Representative for details or to arrange for a review of these pieces.

Move Update

Proposed changes aim to cut down on UAA mail

The USPS is proposing some changes to the Move Update and Address Matching Requirements. The proposals are an effort to reduce the costs to the USPS of handling undeliverable-as-addressed (UAA) mail. According to the USPS, the costs to handle UAA mail in fiscal 2000 were \$1.8 billion, with the number of UAA pieces at 5.7 billion. Their data indicates that UAA mail has increased by 5.6% in just the last two years.

Current postal regulations require that addresses on all presorted and automation rate First-class mail be updated within 180 days before the mailing date using a USPS approved method (e.g. NCOA, ACS, FASTforward®, ancillary endorsements, etc.). The USPS is proposing to reduce the window to 90 days instead of 180 and make these regulations effective

for Periodicals, Standard and Package Services classes of mail. The USPS is also proposing to eliminate one of the methods for updating (manual corrections from ancillary endorsements).

What this means is that if you are currently mailing a magazine or catalog at Periodicals, Standard, or Package Services rates, you would be required to utilize one of these methods of updating your addresses and you would need to do it within 90 days of each mailing. If you did not utilize one of the updating methods, you would not be able to qualify for any presort or barcode discounts on your mail. Currently, there is no requirement at all for any type of address updates for Standard or Package Services mail and for Periodicals address corrections are automatically sent to the publisher, but the manual forms of correction would not meet this new requirement.

In addition to the move update proposed changes, the USPS is looking at reducing the

timeframes for permissible use of any Address Information System (AIS) product release from the current 60 days to 30 days. There is a 45-day allowance for installation and testing of these products, so the end result is that mailers would have a

maximum of 75 days to use these products as opposed to the current 105 days. This affects mailing list processors, who use the AIS products to perform address coding functions.

Mailers have expressed concern that these new requirements would substantially increase their costs, particularly those who are not currently performing any type of move updating to their mailing lists. The USPS has indicated that it intends to have an implementation period of 18 months for these new requirements, which should give mailers substantial

time to get new processes in place and budget for any increased costs. On the plus side, if your addresses are being updated more frequently before mailing, it could reduce your costs of handling returns.

For more information on this proposal, log on to the USPS web site at www.usps.com. Click on Info, then on RIBBS, then on Federal Register Notices. The proposal is in the May 31, 2002 Federal Register. The USPS is soliciting comments from mailers regarding this proposal. We strongly encourage our customers to read the notice and submit their written comments to the USPS. Comments are due no later than August 29, 2002 and should be directed to the Office of Product Management-Addressing, National Customer Support Center, USPS, 6060 Primacy Pkwy, Ste 201, Memphis TN 38188-0001. Comments may also be sent via fax at 901-821-6206 or via e-mail at chunt1@email.usps.gov.

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Online Information

More information on Banta Corporation is available through the company's World Wide Web site at www.banta.com

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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.

Damaged Mail Continues

AFSM 100 flat sorting machines identified as culprit

As we've discussed in previous issues, mailers are reporting damage to magazine and catalog covers during postal processing. There have been numerous reports of covers being torn off magazines and in some cases, the recipient receives the magazine without the cover, the cover without the magazine, or the wrong magazine is matched up with the wrong cover before delivery. The USPS has pinpointed the problem to its new AFSM 100 flat sorting machine.

The USPS and machine manufacturer Northrup Grumman are researching and testing possible solutions to the problem, but the USPS is saying that

any implementation of fixes will not occur until the spring of 2003.

There have been 534 of the new flat sorters deployed, replacing the old FSM 881 sorters. The new sorters are much faster and more efficient than the old ones, improving productivity and reducing costs for the USPS. This is small consolation to mailers, however, who must deal with subscriber complaints and reduced renewal rates. While mailers approve of the USPS cost savings because of its positive impact on rate increases, they don't appreciate it at the expense of their own rising costs.

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Barcode Discounts Now Available for Bound Printed Matter

Effective with the rate increase on June 30, 2002, there are now barcode discounts available for Bound Printed Matter (Package Services) flat size mail pieces weighing up to 20 ounces and that are printed with a Postnet barcode. Up until the rate change, there were no barcode discounts available for Bound Printed Matter flats. The pieces must meet the requirements in the Domestic Mail Manual (C820) for AFSM 100 compatible mail. The discount is 3 cents per piece and applies to single piece and presorted mail only, not to carrier route sorted mail. If you have pieces mailing at Package Services Bound Printed Matter rates (pieces that do not qualify for Periodicals rates that weigh one pound or more), you may want to check with your list processor to insure that your mailing list is presorted for these discounts if applicable.