

Good News

More good news on postal rates

In our May issue, we told you about the USPS promise to hold rates stable until 2006, based on passage of legislation to adjust the USPS funding for the Civil Service Retirement System. In that article, we cautioned that while this applies to omnibus rate cases, there could be changes to rates as a result of special rate cases, such as Product Redesign or special niche classification cases.

In a recent meeting on the Product Redesign program, the USPS clarified that Postmaster General Jack Potter's promise to keep rates stable meant

that NO rate categories will increase prior to 2006. What this means is that even if the USPS does pursue any special or niche classification cases, there will be no "push up" on rates. Any special rate cases that offer discounts would have to be financed with cost savings and not rate increases.

This is good news for mailers in that even if the USPS decides to pursue some alternative classification or mail preparation changes before the next omnibus rate case, they will not result in an increase in rates, at least not until 2006.

Postal Commission Update

Commission issues recommendations

The Presidential Commission on the Postal Service has issued its recommendations, even though at press time the full report has not been issued. The final report will be issued on July 31, but the Commission made public some of its recommendations at a recent public meeting. Some of the specific recommendations:

Report of the Co-Chairs

- Current Board of Governors be transformed into a corporate-style board of directors, consisting of three directors appointed by the President, eight independent directors, and the Postmaster General. Terms would be for three years with mandatory retirement at age 70.

- Allow the USPS the flexibility to take advantage of corporate best practices as discussed in the sub-committees.

- Current Postal Rate Commission be transformed into a Postal Regulatory Board with responsibility to protect the public interest and promote public confidence in postal operations. This board would consist of three members appointed by the President with approval by the senate, with no more than two members from the same political party. This new board would have authority to review and refine the scope of the universal service obligation and postal monopoly, regulate rates for non-competitive products and services, establish limits on accumulation of retained earnings, ensure financial transparency, obtain information from the USPS (through subpoena power if necessary), and review and act on complaints from those who believe the USPS has exceeded its authority.

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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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■ The existing rate-setting process be replaced with an incentive based methodology in which the Postal Regulatory Board establishes base-line rates and rate ceilings for non-competitive products and services, reviews in advance rate requests for non-competitive products and services that exceed the established ceilings, and ensures that rates for competitive products and services are not cross-subsidized by revenues generated from non-competitive products and services.

■ The Postal Regulatory Board would be authorized to review rate increases after the fact, upon written complaint, to take remedial action when needed. This process would allow for participation by all affected parties, but would limit this participation to written submissions and would have a definitive timeframe, such as 60 days, for final determination to be reached.

■ Allow the USPS to set rates within the limits established by a new Postal Regulatory Board without obtaining prior approval.

■ Repeal the sub-limits on borrowing that currently exist in the annual limit on borrowing and allow the USPS to retain earnings.

Report from the Business Model Subcommittee

■ USPS continues to operate as an independent establishment within the executive branch of the government, mandated to be a self-sustaining commercial enterprise.

■ Amend the 1970 Act to clarify the mission of the USPS as providing high quality essential postal services to all persons and communities by the most cost-effective and efficient means possible, using uniform rates where appropriate.

■ The USPS should maintain the mail monopoly and sole access to the customer mailboxes. However, there would be a regulatory board established that would periodically review the scope of the monopoly and that the USPS does not have the authority to alter the scope of the monopoly or access to the customer mailboxes.

■ The USPS would comply with Securities and Exchange Commission reporting requirements and periodically issue reports on the allocation of costs.

■ Creation of a Postal Network Optimization Commission, responsible for making recommendations on the consolidation of the USPS infrastructure, such as processing facilities.

■ Repeal existing statutes that limit the USPS flexibility to close post offices, and to expand access to retail postal services at alternative venues such as banks, grocery stores, etc.

■ USPS to include policies and procedures to more effectively manage its real estate holdings.

Report from the Private Sector Partnership Subcommittee

■ USPS functions that can be performed better and at lower cost by the private sector be outsourced to the private sector.

■ USPS to utilize its core strengths in the "first" and "last" mile of the mail delivery stream through mutually beneficial partnerships with the private sector. In other words, the USPS should stick to what it does best (collection and delivery) and partner with the private sector to perform other functions.

■ Expand retail opportunities beyond the traditional post office by developing additional private sector partnerships.

■ USPS to continue to offer workshare discounts for additional workshare products and expand opportunities for smaller mailers to participate in them. These opportunities should reflect the lowest combined private sector-postal costs. These discounts should not exceed the costs avoided by the USPS, and the expected savings from these discounts are actually captured in the form of reduced costs.

■ USPS should have greater flexibility to enter into negotiated service agreements with customers for non-competitive products.

■ Revise procurement regulations and adopt commercial best practices.

Report from the Technology Subcommittee

- USPS should balance capital expenditure on automation technology with outsourcing to the private sector those functions that can be handled more efficiently or cost effectively by the private sector. Continue development of merging technology that is responsive to customer needs that results in one bundle of mixed letters and flats for each delivery point.

- USPS to examine mail processing with the goal of re-designing the mail system using new technology. Create a standard footprint for all processing facilities with identical level of technology and equipment in each.

- Put mail tracking technology in place on a timely and comprehensive basis so that it is available to all mailers at an affordable price.

- Integrate facility automation efforts with the transportation network by using Intelligent Mail technology, global positioning systems, and onboard computer technology.

- Improve the postal web site and make all postal services available at a reasonable cost at the web site and at kiosks and contract stations. Develop and produce “personalized” stamps at a reasonable premium.

- Strengthen the existing Mailing Technology Strategy Council to be an independent advisory body to make assessments, originate ideas, and gather ideas from outside sources for improvements or upgrades to technology, with an annual report to the Board of Directors.

Report from the Workforce Subcommittee

- Develop an appropriately sized world class workforce by taking advantage of attrition opportunities and discipline in hiring practices.

- Improve the collective bargaining process to create incentives for the parties to reach negotiated

settlements, and failing a settlement to ensure that arbitration awards are made in a reasonable amount of time. Specific recommendations were made regarding the negotiation, mediation, and interest arbitration processes.

- Pension and post-retirement healthcare benefits should be subject to collective bargaining; separating these plans from existing Federal plans. USPS to work with the Department of Treasury and Office of Personnel Management to determine the impacts of this on existing Federal systems.

- Postal Regulatory Board be authorized to determine comparable total compensation for all USPS employees by using comparisons with the appropriate private sector workforce. The result would be a total compensation cap for new employees, and if a compensation premium exists for current employees, the authority to determine the timeline in which the premium will be eliminated.

- Allow for pay-for-performance programs.

- Revise grievance procedures to implement best practice procedures.

- Relief to the USPS from certain requirements of the Federal Employees Compensation Act, specifically regarding Worker’s Compensation.

- Remove current statutory cap on executive compensation to bring it more in line with private sector executive compensation.

- Restructure management to eliminate redundant positions and geographical divisions. Require managers to justify their positions and staffs.

- Review accounting of retiree health care obligations and return responsibility for funding Civil Service Retirement System benefits relating to the military service of USPS employees to the Department of Treasury.

For copies of the complete recommendations, log on to the Commission web site at www.treasury.gov/offices/domestic-finance/usps.

Online Information

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

BANTA Mailbox

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.

Cover Tip Confusion

There has been some confusion recently regarding postal regulations governing what is termed in the printing and publishing industry as a “cover tip.” Cover tips are single sheet attachments to the cover of a magazine, usually slightly smaller than the trim size of the publication. These attachments are smaller than the trim size of the publication due to manufacturing equipment requirements. These sheets are attached with glue to the bound or stitched edge of the magazine. Most publishers use these cover tips for subscription/requester offers or renewals, but many also include advertising on these cover tips. The cover tips are usually printed on card stock and include a removable reply card.

It has long been printing and publishing industry understanding that magazines with these cover tips were mailable at automation rates as long as the cover tip falls within $\frac{3}{4}$ ” of the trim size of the magazine. That understanding recently came into question by the USPS, and the confusion is centered around the definition of a cover tip and the postal regulations that apply to it.

Domestic Mail Manual (DMM) language includes regulations that relate to protective covers, cover pages, and attachments to covers. These regulations differ and the applicable regulations are found in more than one location in the DMM. Some of the regulations apply specifically to Periodicals mail, while others apply to flat size mail in general.

Some of the regulations state that the material is not mailable at all (at any rate) unless the attachment is exactly the same size as the magazine. Other regulations state that the material is mailable as long as the attachment falls within $\frac{3}{4}$ ” of the trim size of the magazine or if not, as long as the magazine is wrapped or the attachment is spot glued top and bottom. Still other regulations limit the definition of a protective cover to one that covers both the front and back of the publication. It is confusing to say the

least.

Since the word “cover tip” does not exist in the DMM, it is up to individual post offices to make the interpretation as to whether a cover tip is a protective cover, cover page or an attachment to the cover, and then apply the appropriate postal regulation. A recent interpretation by a local post office went contrary to the long time industry understanding of the rules for these pieces, thereby bringing this confusion to light.

At this point, the USPS has agreed to allow the publishing and printing industry to continue mailing these pieces using the $\frac{3}{4}$ ” rule, as has been our long term understanding. However, the USPS recognizes that the DMM language in this area is less than clear, so they are currently in the process of reviewing this language. We anticipate either a customer support ruling or some revised DMM language to appear in the future.

Obviously the ramifications of any changes to our understanding of these rules would have a huge impact on our industry. While we are fairly confident that the USPS will not make any DMM language changes that will negatively impact the industry, there is no guarantee. We are encouraging our customers to contact the USPS either directly or through an association such as American Business Media or Magazine Publishers Association to provide feedback on the impacts for your business of any changes in this regard.

We will keep you posted on any changes, but for now, it is business as usual with regard to mailing cover tips.

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