

BANTA Mailbox

Banta Publications Group ■ 12 Salt Creek Lane, Suite 350, Hinsdale, IL 60521 ■ March 2004

Complaint Filed

Group of publishers propose changes to Periodicals rate structure

On January 12, 2004, a group of large publishers filed a complaint with the Postal Rate Commission (PRC) proposing changes in the structure of Periodicals postage rates. The group of publishers consists of Time Warner, Conde Nast Publications, Newsweek, Reader's Digest, and TV Guide.

The complaint states that processing costs for Periodicals mail have been rising for the past seventeen years, and that mail processing productivity has been falling, despite efforts by both the USPS and the mailing industry to increase the efficiencies in handling Periodicals mail.

The group of publishers is proposing changes to the rate structure, which would include zoned editorial rates and replacing the simple piece and pound rates with separate charges for the bundles, sacks and pallets used for the mailing. The group is calling this a cost-based approach to rates, which in essence means that the most efficiently prepared mail pays the lowest postage rates.

The proposal threatens to pit large publisher against small publisher, as has happened in the past when zoned editorial rate structures have been proposed. On the other hand, rate structures such as those proposed, could theoretically offer substantial enough discounts to incent smaller mailers to do more co-mailing, co-palletizing and drop shipping. The current discounts for these efforts are in many cases not sufficient to outweigh the costs of performing the functions, especially for smaller

mailers.

For more details on the filing, log on to www.prc.gov and check out the daily listings for January 13, 2004. American Business Media also has made available to their members a calculator that may be used to assess the effects of the changes on specific magazines. To use the calculator, you will need mail.dat files. You may also request the calculator from Time Warner by calling Scott Lorenz at 212.522.8049.

As of press time, the USPS has issued a response to the filing, asking the PRC to dismiss the complaint. The USPS opposes the complaint on procedural grounds, indicating that the complainants have not proved that the existing rates are a violation of the Postal Reorganization Act. The USPS states in its response that it is not opposed to improved efficiencies in Periodicals rate design and is in fact exploring in some form similar structural changes to those proposed in the complaint. The USPS contends that the complainants real intent is to start a classification case rather than a rate complaint case, and that the Postal Reorganization Act reserves that right to the USPS. The complete USPS response may be viewed at www.prc.gov under Daily Listings for February 11, 2004.

The PRC is not under any specific deadline to act on the USPS response, so it is difficult to tell when they might issue a ruling. We will keep you posted on the progress of this complaint.

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USPS Approves Filing for High Editorial Publications

The USPS Board of Governors has approved a filing of a new co-palletization discount that is aimed at high weight, high editorial publications. This is a separate discount structure than the current co-palletization discounts, and has more restrictions on participation.

To qualify, a publication must mail at Periodicals rates, have a circulation of 75,000 or less, weigh at least 9 ounces, and have an advertising percentage of 15% or less. Like the current co-pallet discounts, the mail is required to be on pallets that are drop shipped to SCF or ADC facilities. Because of the weight and ad content restrictions, it is expected that participation in these discounts will be very limited.

The USPS expects to file the rate proposals with the Postal Rate Commission (PRC) sometime in February with a goal of implementation sometime in the fall. The PRC must approve the filing prior to implementation of the discounts.

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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Ad Percentage Reminder

Providing a timely and accurate ad percentage is critical

Publishers mailing at Periodicals rates must supply the advertising percentage for each issue of the magazine. The advertising percentage is used in calculating Periodicals postage rates, and is an important factor in determining whether a mailing qualifies for drop shipping or not. It is critical that this advertising percentage supplied to us is accurate and is supplied as much in advance as possible. Ideally, this information should be supplied along with your instructions for processing the mailing list. This allows for the advertising percentage to be included in the mail.dat files that are created during the list presort process. These

mail.dat files are in turn used at the printing plant to perform the drop ship analysis. If no advertising percentage is supplied, or if the information is inaccurate, it will affect the postage estimate that we supply to you (could be too high or too low), and may also negatively impact the drop ship analysis (you could actually end up losing money, or not saving as much as possible).

To help alleviate these situations, we suggest that you include the advertising percentage not only on your print order, but also on your instructions to the list processor.

Standard Mail vs. First Class

“Personalized” mail required to go First Class

The lines are beginning to blur between these two classes of mail, and that has many Standard class mailers worried that their postage costs may go up substantially. At issue is the definition of “personalized” when it comes to mailpieces at Standard rates. First-class mail is required to be used for “personal and actual correspondence.” However, as technology has improved over the years, Standard mail has become more and more personalized, which is causing the USPS to more closely scrutinize this type of mail.

Many publishers send out renewal notices in bulk quantities at Standard rates, but each notice is personalized with the subscriber's name.

Some mailers have already been penalized with additional First-class postage charges on mailings that they have been sending for years at Standard rates. Most upsetting to mailers is not just the additional cost, but that the change in classification has come without prior notice.

An example that clearly hits home to publishers is subscription renewal notices. Many publishers send out these renewal notices in bulk quantities at Standard rates, but each notice is personalized with the subscriber's name. USPS Customer

Support Ruling PS-238 specifies that the renewal notice must not include a reference to a bill or statement that indicates an amount that is owed. Inclusion of this information would make the piece subject to First-class rates.

In November of 2003, however, language was added to this support ruling that refers to a federal law passed in 1997, which requires a

disclaimer on the piece to protect consumers and businesses from fake bills. Adding this language to the support ruling lead postal acceptance staff to believe that these disclaimers were now required to be added to subscription renewal notices.

Luckily, a workgroup has been formed within the Mailers Technical Advisory Committee to hammer out a clarification on this issue. We will keep you posted with any progress. In the interim, if you have any questions about renewal notices or any other type of “personalized” mail that you are currently sending out via Standard mail, contact your local Business Mail Entry office for review of the mailpieces.

Fax Marketing Restrictions

New rules to be implemented January 1, 2005

Many publishers utilize fax technology to market products or services. For our publisher clients, subscription or request renewal notices are many times sent via fax, as well as promotional materials for advertising, conference or show announcements, product offerings, etc.

The Federal Communications Commission (FCC) recently implemented new regulations that may restrict the ability to use faxes for these purposes. Basically, the FCC has changed the definition of "established business relationship," which is required with the recipient in order to send marketing related faxes. The FCC has defined the "established business relationship" as one that exists for 18 months following a purchase or transaction and 3 months after an inquiry.

Luckily, the FCC has backed off from its original regulatory revision, which requires express consent from the recipient (i.e. signed dated consent form) in order to send any marketing faxes, regard-

less of whether any established business relationship exists or not. The FCC has put off implementing this portion of the changed rules until January 1, 2005 to allow companies to obtain these consent forms and/or to modify their marketing methods. Industry groups have and will continue to fight implementation of this portion of the regulations. Even if this occurs, the established business relationship portion will apply.

Any businesses marketing via fax are encouraged to start obtaining consent from customers to receive these faxes and build a database with this information. Electronic signatures, such as clicking on a box on your website, are permitted under these rules.

For more detail on these new rules, long on to www.fcc.gov, Click on Headlines, then Search, then type in "fax advertising rules." The information can be accessed either via Word or Adobe Acrobat.

Barcode Readability

Ink jet address knock-out windows must meet specifications

In previous issues, we have discussed the MERLIN mail verification equipment, and how it is being used to more closely scrutinize postnet barcodes. As mentioned previously, the MERLIN equipment is not only being used to test the readability of the barcodes, but is also being used to test the accuracy of the barcodes.

As part of the test for readability, MERLIN tests any number of physical specifications for postnet barcodes, such as height of the bars, space between the bars, skew of the bars, clearance around the postnet barcode, etc. It has been noted during some of this testing that the ink jet knock-out areas on the covers of the mailpieces are not always large enough to allow for adequate clearance around the postnet barcode. USPS regulations require .040" clearance above and below the barcode, and .25" clearance on each side of the barcode.

It has also been noted that in some cases, the background of the knock-out area is too dark or

has a busy background. Ideally the ink jet knock-out should be white, but if color is used, it is recommended that it be a screen of no higher than 20% and that there be limited images in the screened background. Using ink jet knock-out areas that are too small, too dark, or that contain a busy background can result in loss of automation discounts, which can increase your total postage substantially.

Banta's bindery specifications include information regarding the required size of the ink jet knock-out area, which takes into account both manufacturing and postal requirements. A USPS mailpiece design analyst can review any screened ink jet knock-out areas to insure postal compliance.

If you are using ink jet addressing for any of your titles at Banta, please check with your client services account manager to insure that the knock-out area on your magazines and catalogs meets both manufacturing and postal specifications.

For additional copies of the Banta Mailbox, log on to www.bds.banta.com or contact Jennifer Fitzpatrick, Marketing Coordinator at 630-789-5652 or at jfitzpatrick@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.

Mail Volume Statistics

Revenues continue to rise,
despite less volume

USPS postal revenue grew by 7.7% in 2003, largely due to the rate increase implemented in June of 2002. Total mail volume fell slightly, from 202.8 billion pieces in 2002 to 202.2 billion pieces in 2003.

First-class mail revenues were up, but volume was down, as was the case for Periodicals and Package Services mail. Standard mail, however, saw an increase in both volume and revenue. The chart at right details the revenue and volume numbers for the past several years.

Pre-paid Priority Mail Envelopes Available

The USPS has issued a pre-paid Priority Mail Flat Rate envelope that is a good alternative for frequent users of Priority Mail. The pre-paid envelope costs \$3.85 and contains an image of the Jefferson Memorial stamp right on the envelope. The prepaid envelopes may be ordered online at www.usps.com/shop or by calling 1-800-STAMP-24.

Mail Volume and Revenue (in millions)

Class of Mail	2003	2002	2001
First-class			
Volume	99,059	102,379	103,656
Revenue	\$37,048	\$36,483	\$35,876
Priority Mail			
Volume	860	998	1,118
Revenue	\$4,494	\$4,723	\$4,916
Express Mail			
Volume	56	61	69
Revenue	\$888	\$911	\$996
Periodicals			
Volume	9,320	9,690	10,077
Revenue	\$2,235	\$2,165	\$2,205
Standard			
Volume	90,359	87,231	89,938
Revenue	\$17,203	\$15,819	\$15,705
Package Services			
Volume	1,129	1,075	1,093
Revenue	\$2,216	\$2,080	\$1,994
International			
Volume	939	904	1,083
Revenue	\$1,615	\$1,580	\$1,732
All others			
Volume	465	485	429
Revenue	\$1.2	\$1.4	\$1.4
Total			
Volume	202,185	202,822	207,463
Revenue	\$65,701	\$63,761	\$63,425

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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