

2010 Postal Outlook

WHITE PAPER:

MAILING EFFICIENCY AND COMMUNICATIONS INTELLIGENCE



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THE U.S. POSTAL SERVICE® CONTINUES TO IDENTIFY WAYS TO INCREASE THE EFFICIENCY AND VALUE OF MAIL. IN 2010 YOU CAN EXPECT A SERIES OF NEW RULES, PROGRAMS AND GUIDELINES – MANY THAT WILL REQUIRE CHANGES TO THE WAY YOU PROCESS MAIL.

AS AN INDUSTRY LEADER, PITNEY BOWES WILL KEEP YOU UP-TO-DATE WITH THESE PROPOSED CHANGES. WE WILL ALSO PROVIDE RECOMMENDATIONS ON WAYS YOU CAN APPLY THESE NEW COMPLIANCE REGULATIONS TO ACHIEVE GREATER SAVINGS AND INCREASE EFFICIENCY WITHIN YOUR ORGANIZATION.

IN 2009, THE USPS® ANNOUNCED CHANGES THAT TOOK EFFECT THROUGHOUT THE YEAR, INCLUDING NEW POSTAL DISCOUNTS, NEW RULES FOR CERTAIN MAIL CLASSIFICATIONS, REQUIREMENTS FOR MEETING MOVE UPDATE, AS WELL AS THE ROLL-OUT SCHEDULE FOR THE INTELLIGENT MAIL® BARCODE. AS MANY OF THESE CHANGES OVERLAP INTO 2010, THE DETAILS ON MANY OF THESE CHANGES ARE HIGHLIGHTED IN THIS WHITEPAPER

FOR THE MOST UP-TO-DATE INFORMATION ALL YEAR, VISIT <http://postalupdates.pbiblogs.com/>

PITNEY BOWES BUSINESS INSIGHT KEEPS YOU UP-TO-DATE ON USPS RULES, PROGRAMS AND GUIDELINES

Move Update: Performance Based Verification

As a refresher, on November 23, 2008 the Postal Service increased its effort to improve the percentage of deliverable mail by revising the Move Update standards to:

- Increase the minimum frequency of Move Update processing from 185 calendar days to 95 days prior to the date of mailing.
- Extend the revised Move Update standards to include all Standard Mail® (letters, flats, parcels and Not Flat-Machinables), as well as automation-rate and presort-rate First-Class Mail®.

Along with these new rules, the USPS announced a new method of measuring Move Update compliance. As of the spring of 2009, the USPS deployed its Performance Based Verification (PBV) process, which is being used at acceptance sites where MERLIN® equipment is deployed.

Initially, the USPS announced that beginning May 11, a mailing with a 30 percent or more error rate for Move Update requirements would no longer qualify for automation discounts. For a First-Class Mail mailing, this meant that every piece in the mailing will be charged at the applicable single-piece price. As an example, a 1-ounce letter would be priced at the new single-piece First-Class Mail letter price of 44 cents. A 1-ounce flat would be priced at the new single-piece First-Class Mail flat price of 88 cents. A 1-ounce parcel would be priced at the new single-piece First-Class Mail parcel price of \$1.22.

PBV is based on a number of pieces sampled from a mailing, and within the sample, the number for which a Change of Address should have been implemented. The error rate was a comparison of the number of sampled pieces that should have been updated with new addresses versus those that actually were.

However, on behalf of our customers and ourselves, Pitney Bowes protested this new process and the associated penalties as there are too many potential errors in determining Move Update compliance under the proposed process and the penalties much too severe for the sake of an additional piece or two over the established threshold. Penalties in the thousands of dollars should not hinge on just a few pieces.

Many mailers and mailing associations also protested the proposed measurement process and penalty assessment. We were very pleased and applauded the USPS for listening and responding by delaying the May 11 proposed enforcement. First, the USPS extended the date of enforcing fee assessments to January 4, 2010. Secondly, the USPS announced that failure to meet Move Update compliance will result in a fee assessment that is based on the percentage of failure. The following example shows the revised method of determining compliance from a mailing sample. If the USPS determines there are 20 COAs that have occurred and the mailer corrected 14 (70%) of them, there is no additional fee assessed. However, if the mailer only corrected 10 COAs, resulting in a 50% failure rate, a \$0.07 per piece penalty would be levied against 20% of the entire mailing (50% less 30% threshold). If the complete mailing was 100,000 pieces, 20,000 pieces would be penalized \$0.07 each or \$1,400 or the mailing could be taken back by the mailer and “re-worked.”

If your BMEU has deployed MERLIN®, we encourage you to ensure that you are getting the PBV reports so that you can see the mail quality from the USPS’ perspective. Also, look for the Guide to Accessing Move Update Reports under Move Update Latest News on www.ribbs.usps.gov. The guide is listed in the blue box titled “Latest News – Move Update Requirements.”

In a related move, USPS Form 6014 has been discontinued. In the past, this form had been used to establish postage

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liability between a mail owner and service provider in case of non-compliance with Move Update requirements. The USPS believes that form 6014 was not initially intended to be used for this purpose and these issues should be resolved between mail owners and their service providers.

Tips and Recommendations:

- Establish an internal team to document current processes and identify gaps in meeting Move Update compliance requirements.
- Engage your vendor of choice to assist in the gap analysis
- With guidance from your vendor, develop a business case for address change management and learn how error detection and closed-loop update processes can strengthen your bottom line.
- Discover how pro-active, certified NCOALink® solutions can help you detect address changes so you can update records before mailing.
- If your business requires customer consent and notification prior to making record updates, employ address change workflow and update technologies
- Leverage USPS ACS™ information (which is a component of Intelligent Mail® feedback) to automate address change workflows

Related Pitney Bowes Solutions include:

- VeriMove™ which captures move updates faster and more efficiently.
- Aura™ makes Change of Address records actionable and automates the process of correcting and updating them.
- MAIL360™ makes it easy to take advantage of Intelligent Mail® Barcode (IM™BC) benefits, including ACS.

Address Orientation on Flats

New standards require that the delivery address appear in the top half of the mailpiece for all flats, except First-Class, mailed at automation, presorted or carrier route rates. This only applies to Periodicals, Standard Mail, Bound Printed Matter, Media Mail and Library Mail.

Mailers may place the address parallel or perpendicular to the top edge (but not upside down relative to the top edge). These changes, effective March 29, 2009, are designed to expedite processing of flat-size pieces. (For complete details, please refer to the Domestic Mail Manual, section 302.)

Intelligent Mail® Barcode (IM™BC) Launch

Many mailers had been using the Basic version of the IM™BC for over a year. However, some of the early adopters began using the new Full Service IM™BC in May. As a reminder, postage pricing currently remains the same whether you use Basic or Full Service IM™BC or the existing POSTNET™ barcode. With the Full Service Intelligent Mail option, you can take advantage of “start the clock” service, enhanced mail tracking (CONFIRM®) and Full-Service electronic address change services (ACS).

In May, the USPS provided Release One, which allows you to receive and process electronic documentation using the USPS PostalOne!™ system. Given the complexity of software and the changes made to PostalOne!, it comes as no surprise to many that there were scheduled patch releases for June, July and August.

Release Two, which included lower prices for Full Service IM™BC, supports Mail.XML was released on November 29, 2009. With Release Two, mailers who comply with Full Service IM™BC requirements can:

- Subtract \$0.003 from automation rate on a First-Class Letters and Flats.

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- Subtract \$0.001 from automation rates on Standard Mail Letters and Flats and periodicals.

Release Three is slated for March of 2010 and contains: replace the use of hard copy statements, Full Service updates, SOX-compliant issues, NDC consolidation, MID/CRID management, PBV to support SOX, Full Service compliance consequences, mixed-class comail, Priority Open Mail and Distribute, Mail.dat and Mail.XML changes, and ACS charges.

Tips and Recommendations:

- Mailers interested in maximum postal savings and the most advanced USPS services such as ACS and CONFIRM should be developing a business case with guidance from their vendor of choice for Full Service IM™BC.
- To comply with the USPS Intelligent Mail Full-Service standards, in addition to printing a unique IM™BC, you must submit your postal files and documentation electronically, and print your IM™BC, IM™BC Tray and Container tags per the defined specifications.
- Participate in the USPS, required, Test Environment for Mailers (TEMS) which is a detailed testing process that ensures your Intelligent Mail deployment meets the USPS standards.

Related Pitney Bowes Solutions include:

- MAIL360™ can help you generate the IM™BC and receive the USPS feedback (Confirm and ACS) that allow you to increase the value of Intelligent Mail when you are ready.
- MailStream Plus®, provides Container and Tray IM™BC and produces the Mail.dat to be used for submission to the USPS.
- DAT-MAIL MSP allows you to modify your Mail.dat file by removing spoilage or creating custom pallets for submission to USPS PostalOne!; and schedule drop shipments with the USPS using the USPS FAST™ system.

- TPS 2009 which allows you to print your Intelligent Mail Container and Tray tags, in production to the USPS standards.

New Specifications for Letters and Flats

Among other USPS changes that took effect May 11, 2009:

For letters:

- Standards for commercial machinable and automation letters aligned so all machinable letters would have the physical characteristics required of automation letters (with the exception of a qualifying barcode).
- A minimum 0.009 inch thickness standard for automation and machinable letters.
- Letters with non-paper surfaces, and letters with keys, coins or similar objects that are either loose or thick enough to make a letter non-uniform in thickness, would be classified as nonmachinable.

For flats:

- Flat-size mailpieces that do not meet the published flexibility standards could still qualify for automation pricing if shown to be machine compatible through a Pricing and Classification Service Center-administered testing process.
- All flat-size mailpieces using polywrap must use automation-compatible polywrap.

Related News:

Some states are considering bans on polywrap in favor of more ecologically-friendly materials. Mailers who use polywrap today may want to begin looking into alternatives.

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New Standards for Letter-Size Booklets and Folded Self-Mailers

When the USPS introduced shape-based pricing in 2007, many mailers transformed their flat-sized mail into booklet formats. Over the past two years, however, the USPS has identified areas where booklet design may impede efficient mail processing. They have proposed new guidelines to address these issues. In 2009, these changes will be required for booklets and recommended for folded self-mailers (continued testing is taking place on folded self-mailers).

Among other changes, the USPS has proposed:

- The use of tabs with no perforations.
- Tab size would be dictated by the design of the mailpiece. Booklets need three 1-1/2 inch tabs and folded self-mailers need two 1-inch tabs.
- Glue spots or a continuous glue line may be used to seal folded self-mailer and booklet designs.
- Maximum size reduced to 6 inches high by 10-1/2 inches long by 0.25 inches thick.
- A nonmachinable price (for Standard Mail), a surcharge (for First-Class Mail), or a non-barcoded price (for Periodicals) would apply to booklets that do not comply with the proposed standards and are too small to be mailed at flats prices. Such pieces are not eligible for automation or machinable letter prices.

CASS™ Cycle M

Companies that offer CASS-certified software for address correction and coding will be issuing updates this spring in order to comply with CASS Cycle M, which took effect August 1, 2009. Among the changes were:

- The option for mailers to use SuiteLink™, which provides suite numbers for business addresses in selective high-rise buildings.

- Updates to rules regarding how Delivery Point Validation is applied.
- Ability to abbreviate address lines to meet the new 30-characters per line standard
- Ability to use USPS approved 13-character city abbreviations.

Tips and Recommendations:

- Deploy and test CASS Cycle M release early to ensure you'll be ready for the new requirements.
- Develop a strategy to collect secondary address information (apartments, suites) from customers.
- Consider using SuiteLink in this cycle in order to prepare for the mandate in the Cycle N CASS release scheduled for August 1, 2011.
- Use the "vacant" indicator to identify locations the USPS considers vacant and develop business processes around these addresses.

Related Pitney Bowes Solutions include:

- Finalist® V8.0 and Code-1 Plus® V3.4 are certified for CASS™ Cycle M.

Intelligent Mail Barcode Release Two

In November, Release Two expanded on the May 2008 launch of IM™BC. In addition to Postal Wizard and Mail.dat, this release allowed you to receive and process electronic documentation using Mail.XML.

On November 29, 2009, mailers complying with the Full Service IM™BC requirements can save money, up to \$0.003 per piece on qualified First-Class Mail.

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Tips and Recommendations:

- As few mailers will want to change their approach to barcoding any more than required, implementing a solution that allows you the future option to take advantage of Full-Service Intelligent Mail is important, even if you currently plan to choose the Basic IM™BC option.

Related Pitney Bowes solutions include:

- MAIL360™ can help you generate the IM™BC now. When you are ready, you will be able to take advantage of the extra discounts and added value available through the Full Service offering.

Looking Ahead – Proposed Changes for 2010

The USPS has already announced changes proposed for May 2010 which include consequences for failing to meet Full Service compliance and modifications that enhance processing and delivery efficiency while continuing to offer mailers choices.

Flats

- Identical standards for nonautomation and automation flats. The terminology would likely change to machinable, barcoded machinable, and irregular flats.
- New flexibility standards.
- Modifications to prevent inserts from falling out of the host flat-size mailpiece during normal sortation and delivery.

Irregular Flats

- A new “irregular flats” category which encompasses flat-size pieces that are machinable but with parcel-like characteristics that affect deliverability; or flats that are foldable with favorable delivery characteristics, but are not machinable, such as flimsy pieces.

Not Flat-Machinable (NFM)s

- Discontinue or redefine the NFM category. Pieces that would have been mailed as NFM's can likely qualify as Standard Mail parcels. Some NFM's, with modifications, might be mailable as machinable or irregular flats.

Solutions From an Industry Leader in Mailing Efficiency

Pitney Bowes continues to monitor changes proposed by the USPS. With a Postal Relations team in Washington, DC – and the most experienced team of mailstream professionals worldwide – we will continue to advocate on behalf of our customers and develop the solutions you need to comply with USPS standards in the most efficient, cost-effective manner possible.

We offer a variety of resources that make it easy for you to keep up with the latest news, including:

- <http://commintel.net> – a community for our customers to learn and interact
- www.pbpostalinfo.com – postal news and updates
- www.pbinsight.com – details on our products and services

Pitney Bowes can help certify your mailing team on Intelligent Mail technology and regulations. To speak with a Pitney Bowes expert today, call 800.327.8627.



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