



NPES Member Report – MTAC 2016Q3

September 2016

The NPES MTAC Team* presents the following report summarizing noteworthy developments discussed during the July 2016 quarterly MTAC meeting in Washington, DC.

Potential Price Adjustments Coming Our Way

*By Joe Schick, Quad/Graphics' Vice President of Postal Affairs**

At recent MTAC meetings, the USPS shared information on what's being considered for price adjustments that would take effect in January. With that, it appears that postal price increases in 2017 should be minimal. The USPS also announced some structural changes and possible insight into greater discounted categories of mail. The primary areas affected would be:

1. **Flats/FSS** – A possible return to the pricing structure that was in place prior to the 2015 change for Standard Mail, Periodicals and Bound Printed Matter flats. That would bring High Density, High Density+, Carrier Route and 5-digit presort pricing back into FSS, resulting in those presort categories being equal and available for all flats regardless of whether processing was on FSS.
2. **Flats/FSS** – Consideration is being given to increase the discounts for 5-Digit Carrier Route pallets and FSS Scheme pallets, but no decision has been made on further incenting DDU entry. The USPS is not certain they want large volumes of flats entered at that level.
3. **First Class letters** – Because 2nd ounce free was successful the last few years, the USPS is considering extending that to the 3rd ounce.
4. **Standard Mail flats** – Consideration to initially increase the piece/pound breakpoint from 3.3 ounces to 4 ounces. If that proves to be beneficial in adding pages and/or moving to heavier basis weight paper, the shift to a higher breakpoint could continue in future price changes.
5. **Standard Mail letters** – Costing data has shown that dropship letters may be getting too much dropship discount. As a result, the USPS would either increase letter prices above CPI and/or decrease the dropship discounts. This would be done over a number of years and not all at once to avoid "rate shock".

At this time, these are only the intentions of the USPS Pricing group. They are not carved in stone since many layers of USPS approvals are needed before a price filing can take place. With the exception of the pricing implication for Standard Mail dropship letters, these should be

positive changes. However, the devil is in the details. Until we see the actual mail pricing proposal and the mail class prices that go along with it, there is no way of knowing the impact.

The Postal Service has clearly indicated there will be a CPI price increase on January 22, 2017. Current CPI is about .6% and trending upward, so by the time the USPS files for their increase at the PRC (Postal Regulatory Commission) it may be anywhere between .6 – 1%. I would suggest budgeting for the 1% to be on the safe side. But remember that whatever the number, it is the average for a class of mail (First Class, Standard Mail, Periodicals & Bound Printed Matter). So there can be variance by a few percentage points higher or lower. We should have greater detail on mail classes when prices are filed at the PRC sometime in September or October.

There is one caveat on 2017 postal pricing, and that relates to what Congress may do in a Lame Duck Session in December as nothing will happen before that. In the current postal reform bill that passed through committee in the House, there is a provision for a 2.15% increase (half of the rolled back exigent) that would be added to base pricing and implemented in early 2017. However, the likelihood of legislation being passed by the House and Senate this year is still very minimal, but anything is possible. Mailers will have to determine whether they want to add this to the 1% as a safeguard.

**Joe Schick, Quad/Graphics' Vice President of Postal Affairs is an advocate for mailers and the print industry and works closely with the USPS and Congress to achieve effective postal reform. Stay tuned for more postal news.*

Other Significant Developments

In addition to rate changes the USPS is going forward with automated Full Service¹ assessments in November - data from the October Mailers Scorecard will drive the assessment process - as well as with Automated eInduction² and Move Update³ assessments in early 2017, though no implementation date has been announced. Both of these new assessments have the potential to be much costlier than the upcoming Full Service assessments and may have a ripple effect in the supply chain.

One of the largest eInduction assessments (Misshipped) can generate invoices in the many thousands of dollars and is often caused by mistakes made by the mailer's logistics company.

Move update assessments can be large and will force mailers to determine which of their clients is causing these assessments so they can recover some of these costs. The USPS is shifting the costs of these problems to the mailer and the mailer will have to shift those costs to their logistics providers and clients when they are responsible. The end result may be a change in the business relationships between these parties and there are likely to be unintended consequences.

¹**Full Service Intelligent Mail:** Full-Service Intelligent Mail enables seamless acceptance and verification, as well as end-to-end visibility into the mail stream. It streamlines mail entry,

provides visibility via scan data, expands access to scan data and mail-quality feedback to improve decision making, and improves efficiency. Full-Service is available for First-Class Mail, Periodicals, Standard Mail, and Bound Printed Matter cards, letters, and flats To participate in Full-Service IntelligentMail, customers must:

- Use electronic documentation to submit mailings (Mail.dat, Mail.XML, Postal Wizard, Intelligent Mail for Small Business) and
- Ensure all containers, trays, and pieces have an Intelligent Mail Barcode that is unique for 45 days from the postage statement mailing date.

For more information, see:

https://ribbs.usps.gov/intelligentmail_guides/documents/tech_guides/GuidetoIntelligentMailLettersandFlats.pdf.

²Automated einduction: USPS deployed *einduction* in 2013 with the goal of replacing hard copy PS Forms 8125 and 8017 used for drop shipments of origin and destination mail. Leveraging Full Service Intelligent Mail, einduction streamlines the acceptance and entry of commercial mailings – how and where mail physically enters the USPS mail stream. Participating mailers enjoy three key benefits: 1) a streamlined mail induction process, 2) a more accurate mail preparation process, and 3) a data-driven process enabling transparency and future improvements. For more information, see:

https://ribbs.usps.gov/intelligentmail_guides/documents/tech_guides/Guide_to_einduction.pdf.

³Move Update: Nearly 40 million people (or about 12 percent of the U.S. population) change their addresses each year. To minimize undeliverable and discarded mail, it is essential that mailing address lists are kept up-to-date. USPS Move Update services are designed for this purpose.

Move Update allows mailers to keep their mailing addresses current and reach their customers after they have moved, which ultimately leads to customer retention. Move Update is also critically important for Postal Service operational purposes, because massive amounts of undeliverable and discarded mail put a strain on the Postal Service, which translates to needless expenses and inefficiencies. In sum, Move Update is designed to reduce waste and associated expenses by improving the quality of mail address lists, which benefits both mailers and the Postal Service.

The Move Update standard applies to commercial mailings of presorted and automation First-Class MailR, presorted First-Class Package ServiceR, Parcel Select Lightweight, and all Standard MailR pieces. Mailers who present mixed mailings that pertain to at least one of the above mentioned categories are subject to the Move Update standard.

The Move Update standard requires mailers periodically to match their address records with the customer-filed, change-of-address (COA) orders maintained by the Postal Service. Mailers are required to reconcile their mailing address lists within 95 days of the postage statement finalization date or a surcharge will be assessed. † For more information see: https://ribbs.usps.gov/move_update/documents/tech_guides/GuidetoMoveUpdate.pdf. ‡<https://www.gpo.gov/fdsys/pkg/FR-2016-07-01/pdf/2016-15648.pdf>.

***NPES MTAC Team members:**

Paul Abdool, Vice President, Enterprise Solutions, Solimar systems, Inc.

David Mastervich, Executive Manager, New Business Development, HP Enterprise Services,
U.S. Public Sector

Lloyd Moss, Vice President, Premier Client Solutions, Window Book, Inc

Mark J. Nuzzaco, Government Affairs Director, NPES The Association for Suppliers of Printing,
Publishing and Converting Technologies

9-8-2016