



Future Mailing Strategies

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Brown Printing Company



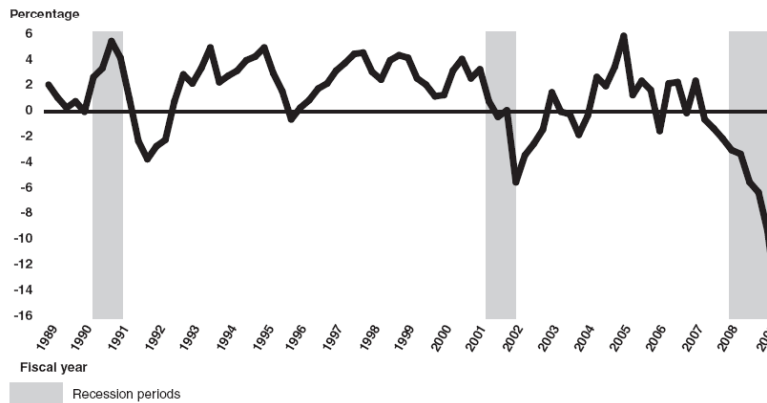
Agenda

- USPS Financial Condition
 - 2010 Price Adjustment and will it happen?
- USPS Operations
 - What is FSS and how will it effect my magazine?
- Co-Pal and Co-Mail
 - Can I save postage using these?
- Have you heard about the IMB?
 - Challenges and impacts
- New Deflection Standards (aka Droop)
- 10 Things You Should Be Doing to Save Postage

What Happened to the Mail Volume?



Quarterly Changes in Total Mail Volume, Fiscal Year 1989 through March 2009



Sources: USPS (mail volume); National Bureau of Economic Research (recession periods).

USPS Finances



- USPS added to High-Risk list by GAO
 - Broad based transformation is needed to combat economic conditions
- USPS expects year-end debt of \$10.2 billion!

USPS's Financial Results and Projections, Fiscal Years 2006 through 2010

Dollars in billions

Fiscal year	Net income (loss)	Year-end cash	Year-end debt
2006	\$0.9	1.0	2.1
2007	(5.1)	0.9	4.2
2008	(2.8)	1.4	7.2
2009 (projected)	(7.0)	(1.0)	10.2
2010 (projected)	(7.0)	(4.5)	13.2

Source: USPS.

GAO Recommendations



- Reduce compensation and benefits costs
 - ▣ Retirements, early retirements and lower benefit costs
- Consolidate retail and processing networks
 - ▣ Reduce the network of 37,000 retail facilities
- Consolidate field structure
 - ▣ Review need for 74 districts and 9 area offices
- Generate revenue through new or enhanced products
 - ▣ Maximize profitable mail volume

Congressional Approval



Hot Issues

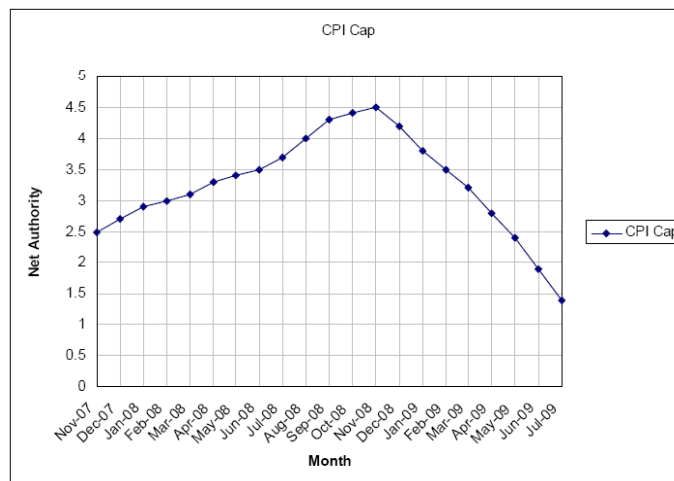
- Change funding requirements for retiree health benefits
 - ▣ USPS could miss \$5.4 billion retiree health benefit payment due to cash shortage
 - Relief: *Temporary spending bill passed on September 25 to keep the federal government in business through October*
 - *U.S. Postal Service will be able to cover its budget shortfall by reducing its retirement account spending by \$4 billion*
- Realign delivery services with changing use of mail
 - ▣ 6 to 5 days per week
 - ▣ Elimination of Saturday delivery
 - ▣ No processing over weekend

Rates and What Changed



- PAEA (Postal Accountability & Enhancement Act)
 - Passed December 2006
 - Ties postal rate increases to the rate of inflation (CPI)
 - Annual increases with 45-day notice to public
 - A tight exigency clause for emergencies
- What does it mean for mailers?
 - No more double digit rate increases
 - More predictable
 - Easier for mailers to construct future postal budgets

Postage & the CPI



Source: MFSA

2010 Postage



- Former PRC Chairman Don Blair
 - Postage increase for 2010 would likely be less than 1%
 - Current CPI posted on PRC website (www.prc.gov)
- Exigent clause
 - USPS previously rejected because of weak volume
 - Continued deterioration of USPS finances
- Periodicals
 - Failure to cover their attributable costs (83%)
 - Ballpark guess: 2-3% (*Could be more!*)

Postal Operations



- Flats Sequencing System (FSS)
 - Walk-sequence order, ready for delivery
 - Delivery Point Sequence (DPS)
 - Shift processing from delivery units to processing plants
 - Eliminate carriers to manually case flat mail
 - Reduction in work hours at delivery units
 - Cost: 100 machines at \$875 million
 - Operational savings up to \$600 million annually
 - Locations selected with greatest potential for savings
 - Redeployment as a result of declining flats volumes

Flats Sequencing System



- Potential changes to the industry
 - Drop Ship entry points would change
 - Impact to time sensitive publications
 - Carrier Route presort eliminated (Automated Zones)
 - Increase to 5-Digit/FSS Scheme presort volume
 - 11-Digit barcode required
 - Higher address hygiene standards for automated pieces
 - Preparation
 - Lowest postage applied to pieces meeting FSS standards

Create Greater Efficiency

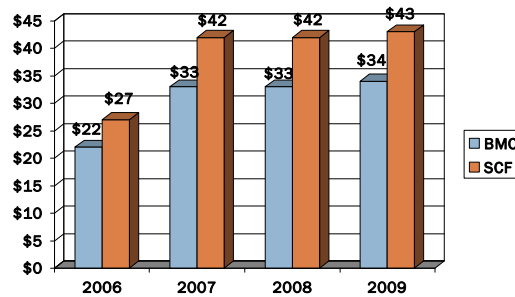


- Reduce costs through more efficient processing
- Eliminate sacks
 - Costly for mailers to produce and for the USPS to process
- Move mail onto pallets that can be drop-shipped
 - Mail entered deeper into the mailstream
 - Greater discounts
 - More consistent service
 - Better mail integrity with fewer USPS handlings

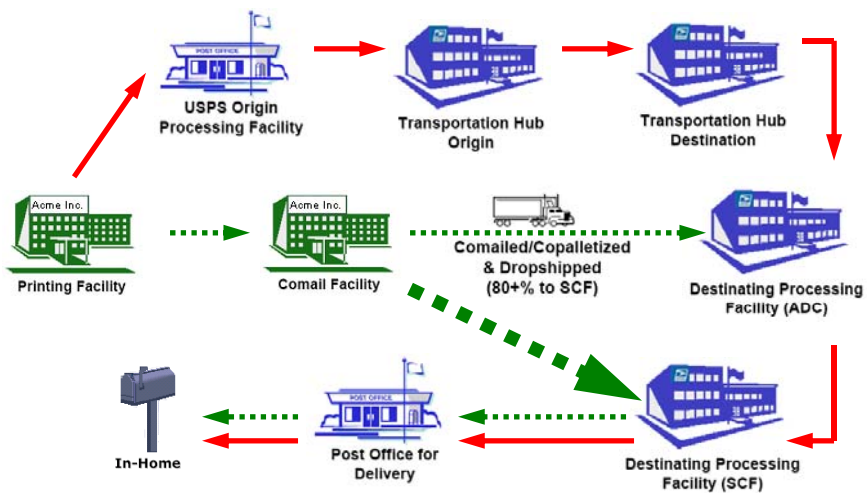
Drop Shipping



- Take full advantage
 - New opportunities & Greater incentives
 - Increase work share and control in-home delivery



Mail Flow



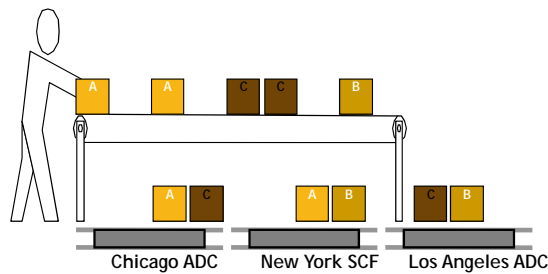
Co-Palletization



- Combination of bundles onto common pallets
- Previously prepared in sacks
- Entered at destination postal processing centers
- Advantages
 - ▣ No restriction on amount of titles in a pool
 - ▣ Provides full flexibility on book size, addressing and mail date



Co-Pal Makes Sense



Mail would have otherwise been prepared in sacks (less than 250 pounds to an ADC)



Prepared on SCF and ADC pallets
Drop Shipped to the SCF or ADC

Co-Mailing



□ Definition

- Co-Mail is the process of combining and presorting two or more titles into a single mail-stream
- Lowers the per/piece postage rates due to improved level of presort for each title
- Creates deeper penetration into the postal system
- Facilitates more consistent and timely delivery
- Allows mailpieces to arrive in better condition

Applies to Periodicals and Standard Flats

Types of Co-Mail



□ In-Line

- Co-Manufacturing, Co-Stitch, Selective, Co-Production, & Variable Trim Binding
- The combination of mail lists of two or more jobs and selectively stitch or bind the copies on one bindery line

□ Off-Line

- The combining of multiple mail lists from multiple publishers into a single pool for a combined off-line mailing

Before Co-Mail



Mailing Line 1



Mailing Line 2



Mailing Line 3



Bundles Before Co-Mail



Mailing Line 1



Mailing Line 2



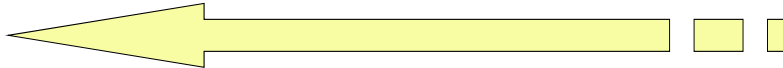
Mailing Line 3



Co-Mail



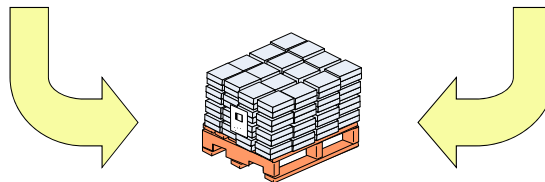
Mailings are Merged into One



Bundle Preparation



Co-Mail Pieces are Presorted Together into the same Bundles onto the same Containers



Co-Mail Requirements



- Addressing restrictions, for the most part
- Trim size range within a co-mail cycle is restricted
- Mailpieces with poly in limited use
- Presort conducted by the mail service provider
- All participants together cannot exceed the number of available pockets
- Cover design changes are possible
 - ▣ Ink-Jet addressing box / Paper label

Co-Mail Criteria



- Customer requirements
 - ▣ Periodicals Publications
 - Regular and Non-Profit
 - Additional Entry Application/Entry Point
 - ▣ Standard Mail
 - Permit Application
 - ▣ Postage
 - Debit CAPS Account
 - CPP Accounts
 - ▣ List Preparation
 - Per current production schedule



Mixed Class Co-Mail



- Mailpiece processing: A flat is a flat
- FSS Technology
 - ▣ One common mail stream
- Periodicals and Standard Mail (Pilot program)
 - ▣ Increase in presort discounts for all participants
 - ▣ Fewer bundles to prepare
 - ▣ Improved palletization/drop shipping
 - ▣ Consistent delivery

FAQ

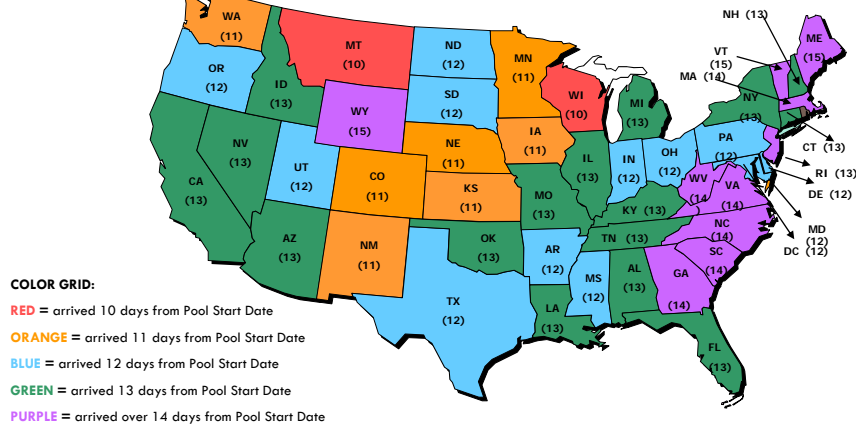


- Standard Mail & Periodicals have different bundling requirements. How will this be handled?
- If Periodicals and Standard mail are mixed together will the Periodicals pieces see a slower processing and delivery time through the USPS?

Delivery Comparison



Average Day Span from Co-mail Event Start Date to In-Home



Mixed Class co-mailings produce same delivery time as pure Periodical Class co-mailings

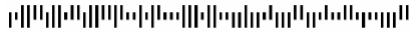
Latest Technology



- Variable Trim Binding
 - Unique co-binding technology
 - Variable size products can be co-mailed into a single, cost effective mailstream
 - Allows for multiple sized products
 - It removes the barrier of trim size alignment from the process
 - Various configurations
 - In-side ink-jetting

Intelligent Mail Barcode



- The IMB provides end-to-end visibility into the mail
 - 
- Allows the USPS to capture information about mail as it flows through their system
 - OneCode Confirm
 - OneCode ACS
- Combines the data of existing POSTNET and the PLANET Code barcodes, as well as other data, into a single barcode

IMB Options



- Implementation started in May 2009
- Two options:
 - Basic Service
 - Routing information but does not require the barcode to uniquely identify the mailpiece
 - Full Service (Electronic Communication)
 - Requires use of unique IMB on mailpieces
 - Benefits:
 - Start-the-clock information at no additional charge
 - Address correction information at no charge for qualified pieces

Deflection Testing



- AKA “Droop Test” (*Postal Bulletin #22264, dated July 30, 2009*)
 - Implementation date set for January 4, 2010
 - Delayed; Original date was September 8, 2009
 - Postal Bulletin dated July 30th
 - Applies to all commercial flat-size mailpieces
 - Except those at Saturation Carrier Route prices
 - Deflection standards changed to allow one inch less of vertical drop
 - Non-complying pieces = Not-Flat Machinable (NFM)
 - Postage increase by as much as 40%

USPS Testing Method



DMM Revision: New Polywrap and Deflection Standards for Commercial Flat-Size Mail
Postal Bulletin 22264 (7-30-09)

Exhibit 1.5a Deflection Test—Pieces 10 Inches or Longer

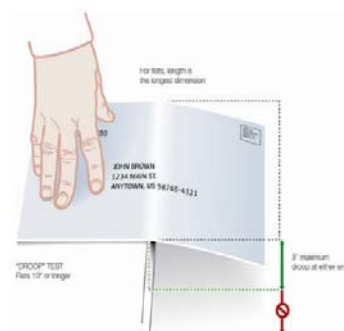
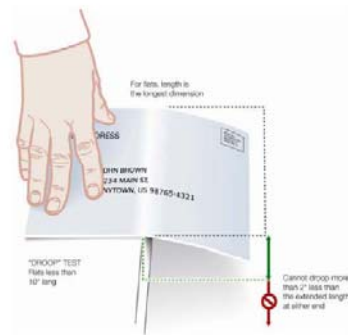


Exhibit 1.5b Deflection Test—Pieces Less Than 10 Inches Long



Customer Responsibility



- USPS regulation states:
 - *DMM Section 301.3.3b – Mailpieces must be approved for automation flats pricing by the USPS. Mailers seeking approval for mailpieces under this standard must contact their local manager, business mail entry for instructions on submitting sample mailpieces to the Pricing and Classification Service Center (PCSC) for analysis and possible testing*
- Brown Printing can provide guidance and even test sample mailpieces, but the actual approval must be made by the USPS for the customer to claim automation rates

Polybag Standards



- Applies to all Flat-Size mailpieces using polywrap
- Implemented on September 8, 2009
 - Originally the date was May 11, 2009
 - More time to transition to the new standards
- All polywrap used by Brown Printing is approved
- Polywrap selvage (overhang) will be included on a mailpiece when measured for maximum dimensions
 - Increased maximum length to 15 ¾ inclusive of selvage
 - No more than 1 ½ selvage in the length and no more than ½ inch in the height

10 Things to Save Postage



1. Address hygiene
2. Paper stock
3. Trim size
4. Review advertising inserts for compliance
5. Stay on top of postal changes (www.usps.com)
6. PostalOne
7. Postal payment / Should you be using CAPS?
8. Critique your postage statement
9. Evaluate co-pal & co-mail opportunities
10. Get aboard the IMB train

Contact Information



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Questions

Thank You