
BUSINESS MAILERS REVIEW

Incorporating Postal World

Monitoring the Postal Service, Private Carriers and Suppliers

Published by Sedgwick Publishing Co.

Volume 28, Number 14

July 2, 2007

In-County Newspapers Consider Private Delivery

Faced with rising preparation costs and uncertainty about future requirements for entering Periodicals, the National Newspaper Assn. (NNA) has voted to look into private delivery options for community papers.

While daily newspapers have used private delivery for decades, community newspapers have not felt the need to, NNA representative Dave Berry told the Postal Regulatory Commission (PRC) during a field hearing in Kansas City, MO, on June 22.

"Most publishers would rather have a hive of hornets let loose in their offices than to develop a private delivery system. We are in the information business, not the distribution business," said Berry.

But recent events "have awakened many of us to the need to rely on ourselves," he added. Chief among these events is the fact that top postal officials have not given community newspapers the assurances they want that they will be able to continue to drop-ship their publications to the delivery unit once the flats sequencing system (FSS) is implemented.

County Periodicals enter their mailings at the delivery unit whenever possible in order to get timely delivery and service for this drop-shipped mail has typically been good. With deployment of 100 FSS machines starting in the fall of 2008, community mailers have tried but "been unable to get assurances from the Postal Service at the highest levels that DU entry will continue to be available for all local newspaper entry in the FSS zones," Berry said. "We fear that the onset of this new automation will be a fatal blow. It could be the thing that messes up

the one aspect of USPS service that really works – the local entry and delivery," added Berry, who is vice president of Community Newspaper Publishers Inc. and publisher of the Bolivar Herald-Free Press. In a related issue, Berry notes that mail that is not entered at the delivery unit will be moved into the FSS facilities as they are deployed. "The size of the facilities and the sparse deployments in the beginning may mean our mail has to travel even greater distances for sortation," said Berry, airing a concern about the FSS transition that other mailers have also raised.

The other issue of concern for smaller Periodicals is the changes in mailing standards and rates that go into effect July 15, which include charges for sacks and tubs and will impact the costs of Periodicals, Berry said.

During the June 22 hearing, Berry urged the PRC to set service standards for Periodicals that exceed today's performance. And he said that sanctions should be available when the Postal Service does not meet these standards. "If there is a comment I hear most frequently from publishers about the Postal Service it is surprise that USPS doesn't have to pay us back when it didn't provide the service we bought," he said. Sect. 3653 of the Postal Accountability and Enhancement Act gives the PRC the authority to hold annual inquiries as to whether service performance and other aspects of the law have been met, Berry noted.

"This power isn't as good as being able to require the Postal Service to give the money back to the individual mailer. ... But it does seem to authorize the Commission to reduce rates if service is not provided," he concluded.

Mailers Push For Full Recognition of Workshare Efforts

A group of major mailers is looking to get full credit for the costs they spare the Postal Service through workshare efforts as part of the modern rate system now being developed by the Postal Regulatory Commission (PRC).

How delivery cost savings are calculated is a big concern to the Major Mailers Assn. (MMA), a group whose members mail at least one million pieces of First Class mail per month.

(Continued on Page 3)

Short Takes

With mailrooms contending with an average postal increase of about 8%, Neopost President and CEO Christopher O'Brien last week talked with reporters about how businesses can use the meter manufacturer's technology to reduce the impact of those rate hikes. Neopost estimates the average size customer with a mailroom staff of one spends about \$12,000 per month on mailings – this includes \$4,000 in postage, \$2,000 in UPS costs and another \$2,000 in FedEx costs and \$4,000 in labor. O'Brien and Mark Evanoff, operational market manager for Neopost, walked through ways customers could save about \$3,300 per month, a 27.5% savings, through a combination of improved postage accuracy, resizing and redesign of mailings, improved address hygiene, presorting, appropriate determinations about whether to pay for next-day service, more savvy carrier selection and labor cost savings through automation. Neopost is touting its PrintMachine Office Plus machine to optimize mailings. The company also has a FourPoint Detection System to determine the length, width, thickness and weight of a piece in the new shape-based pricing environment. O'Brien said the system was developed ahead of USPS's change. Britain last year went to shaped-based pricing and Neopost developed its system for that market.

FedEx Corp. reported earnings of \$1.96 per diluted share for the fourth quarter, which ended May 31, an improvement over the \$1.82 per diluted share a year ago. Despite the slowing of the economy FedEx showed some steady growth with revenue of \$9.15 billion in the quarter, up 8% over the same period last year (SPLY) while net income of \$610 million was up 7% compared with SPLY. The FedEx Ground Segment saw an 8% increase in daily package volume, which the company attributes to increased commercial business and growth in the FedEx Home Delivery service. Yield improved 4%, due primarily to rate increases,

including dimensional weight charges, as well as extra service revenues. For the year, FedEx Corp saw revenue of \$35.2 billion, up 9% from last year and net income of \$2.02 billion, a 12% increase.

Following the lawsuit filed by the American Postal Workers Union and the Consumer Alliance for Postal Services challenging Mailers' Technical Advisory Committee (MTAC) policies regarding access to meetings, workgroups and records, MTAC has made changes to its website. Among those changes the group will no longer require a password or user name to gain access to meeting dates, agendas, group charter, the guidelines of workgroups or minutes of quarterly meetings. A new temporary category of user name and password will be used for workgroup members so they can view activities in the MTAC Issue Tracking System for their specific areas of focus. The temporary passwords will no longer provide access once the workgroup is done.

The Postal Accountability and Enhancement Act (PAEA) may have accomplished some good things but it doesn't get to the heart of the problem: a business model that is broken, according to postal commentator Murray Comarow in a recent paper for the National Academy of Public Admin. In the short run, Comarow, who has long been an opponent of excessive regulation of the Postal Service, said that damage control should be put in place. New rate-setting procedures should be "carefully crafted" and the Postal Regulatory Commission (PRC) should "restrain those who want to exercise their new powers to the hilt," Comarow wrote. Longer term, Comarow thinks it is time for a careful study of whether to privatize the Postal Service as part of a thorough review of what the PAEA does and does not do. A key question this study should answer is: "Should the Postal Service be fully privatized, 'commercialized' with some degree of public control, or remain part of the government?", Comarow says in his article, entitled "What Does Postal Reform Do?"