



Western Area Focus Group

January 2013

Agenda

- **Mailers Technical Advisory Committee (MTAC)**
 - History
 - Structure
- **November 2012 Meeting**
 - **Leadership Forum for Stakeholders**
 - Operations Update
 - Financial Update
 - The Need for Paper-based Communications
 - “More than Green”
 - Digital Solutions Update
 - State of the Postal Service
 - **MTAC Focus Group Meetings**

MTAC History

- **Established in January of 1965**
 - **Charter**
 - The Postmaster General's Mailers' Technical Advisory Committee (MTAC)
 - A venue for the Postal Service to share technical information with mailers and to receive advice and recommendations from mailers on matters concerning mail-related products and services
 - Enhance customer value and expand the use of these products and services for mutual benefit
- **MTAC Internet Tools**
 - RIBBS, MITS, and RITS

MTAC Leadership & Membership

- **MTAC Executive Committee is comprised of seven members**
 - Four from the USPS and three from industry
 - Industry Co-Chair and Vice-Chair are elected from the MTAC industry representatives
 - Each serve a two-year term beginning in January
- **Membership** *(52 Associations)*
 - Comprised of mailer associations and other organizations related to the mailing industry
 - Approved for membership by the Executive Committee
 - Each MTAC member association/organization will nominate three representatives
- **Meetings**
 - Generally held on a quarterly basis

MTAC Executive Committee Members

Industry	U. S. Postal Service
<p>Phil Thompson Industry Chair (2012-2013) Manager of Postal Operations Quad/Graphics Inc N61 W23044 Harry's Way Sussex WI 53089-3995 414-566-4731 phil.thompson@qq.com</p>	<p>Maura Robinson Postal Chair Vice President, Consumer & Industry Affairs 475 L'Enfant Plaza SW Rm 4016 Washington DC 20260-5600 202-268-7319 maura.robinson@usps.gov</p>
<p>Christopher G. Lien Industry Vice Chair & Treasurer (2012-2013) Bell and Howell 75 Josons Dr Rochester NY 14623-3494 585-341-3306 Cell: 585-698-9891 chris.lien@bhemail.com</p>	<p>Sharon Owens Postal Co-Vice Chair Manager, Industry Engagement & Outreach Consumer & Industry Affairs 475 L'Enfant Plaza SW Rm 4541 Washington DC 20260-5006 202-268-7304 sharon.d.owens@usps.gov</p>
<p>Anita Pursley Immediate Past Industry Chair (2010-2011) Vice President, Postal Affairs RR Donnelley 430 Cameron Woods Ct Johns Creek GA 30022-6040 404-519-9505 anita.s.pursley@rrd.com</p>	<p>Lauren Zalewski Postal Co-Vice Chair Manager, Operations Industrial Engineering Network Operations 475 L'Enfant Plaza SW Rm 3626 Washington DC 20260-1501 202-268-8504 lauren.zalewski@usps.gov</p>
	<p>Wendy A. Hocking MTAC Program Manager, and Manager, Industry Engagement Strategy Consumer & Industry Affairs 475 L'Enfant Plaza SW Rm 4437 Washington DC 20260-5006 202-268-8149 Cell: 202-297-4367 wendy.a.hocking@usps.gov</p>

MTAC Structure

- Industry Stakeholder Meeting / Reception
- MTAC: User Groups, Workgroups, and Task Teams

Group Type	Primary Sponsor / Oversight	Participants	Participation Approval	Timeframe for Conclusion
User Group	MTAC Focus Area Leader	Anyone	User Group Leaders	Open - No defined End
Workgroup	MTAC Focus Area Leader	Primarily MTAC Members and industry experts	MTAC Focus Area Leader	Based on achieving desired results per the Issue Statement
Task Team	MTAC Executive Committee (may also be delegated to Focus Area Leader if subject is specific to an Area)	Selected by MTAC Leadership and EC	MTAC Exec Team	Achievement of very specifically desired results

- MTAC Focus Area Meetings
 - Opportunity to candidly discuss class-specific topics in smaller groups

MTAC Leadership (Leadership Team includes the Executive Committee members, previous page)

Industry Leaders: Classes of Mail	Industry Leaders: Focus Areas	USPS Focus Area Leaders
<p>Sharon Harrison / First-Class Mail VP, Postal Strategy Finance AT&T Services Inc 3900 Channel Dr West Sacramento CA 95691-3432 916-376-2040 sh3157@att.com</p>	<p>Angelo Anagnostopoulos / Payment VP, New Product Dev & Postal Affairs GrayHair Software Inc 124 Gaither Dr Ste 160 Mt Laurel NJ 08054-1719 856-924-2208 angelo@qrayhairsoftware.com</p>	<p>Jim Cochrane VP, Product Information U.S. Postal Service 475 L'Enfant Plaza SW Washington DC 20260-5626 (202) 268-7536 jim.p.cochrane@usps.gov</p>
<p>John Medeiros / Package Services Director, USPS & Domestic Networks DHL Global Mail 10790 Lee Vista Blvd Ste 201 Orlando FL 32829-8073 407-563-1076 Cell: 954-804-7728 jmedeiros@dhlglobalmail.com</p>	<p>Lisa Bowes / Service Performance Manager, Account Services Intelisent 240 Hartford Ave Newington CT 06111-2077 860-577-8077 lisa.bowes@intelisent.com</p>	<p>Pritha Mehra VP, Mail Entry & Payment Technology U.S. Postal Service 475 L'Enfant Plaza SW Washington DC 20260-0911 (202) 268-8049 pritha.n.mehra@usps.gov</p>
<p>Wanda Senne / Standard Mail Director, Corporate Postal Affairs & Strategy World Marketing 1961 S Cobb Industrial Blvd Smyrna GA 30082-4915 770-431-2591 wsenne@worldmarkinc.com</p>	<p>Todd Black / Entry & Preparation Director, Postal Operations & Systems Time Inc. 1271 Avenue of the Americas Rm 7-218 New York NY 10020-1393 212-522-0672 todd_black@timeinc.com</p>	<p>Gary Reblin VP, Domestic Products U.S. Postal Service 475 L'Enfant Plaza SW Washington DC 20260-1010 (202) 268-6078 gary.c.reblin@usps.gov</p>
<p>John Stark / Periodicals Executive Director of Distribution Operations Condé Nast 1166 Avenue of the Americas 19th Fl New York NY 10036-2708 212-790-6917 john_stark@condenast.com</p>	<p>Rose Flanagan / Mail Piece Design & Product Development Manager, Corp Postal & Logistics Strategies Data-Mail Inc 240 Hartford Ave Newington CT 06111-2077 860-697-6116 rosef@data-mail.com</p>	<p>Dave Williams VP, Network Operations U.S. Postal Service 475 L'Enfant Plaza SW Washington DC 20260-7100 (202) 268-4305 david.e.williams@usps.gov</p>
<p><i>Have a question about MTAC?</i></p>  <p>Send it to MTAC@usps.gov</p>	<p>Dale Miller / Acceptance Postal Affairs Manager RR Donnelley 1000 Windham Pkwy Bolingbrook IL 60490-3507 630-226-6373 dale.r.miller@rrd.com</p>	<p><i>Looking for MTAC updates & info?</i></p>  <p>Go to the MTAC page on RIBBS: https://ribbs.usps.gov/mtac</p>



Stakeholder Meeting

Agenda

- **Operations Update**
 - Megan Brennan (Chief Operating Officer)
- **Financial Update**
 - Joseph Corbett (EVP & Chief Financial Officer) - **UPDATED**
- **The Need for Paper-Based Communications**
 - John Runyan (Executive Director, Consumers for Paper Options)
- **“More than Green”**
 - Thomas Day (Chief Sustainability Officer)
- **Digital Solutions Update**
 - Paul Vogel (President, Digital Solutions) - **UPDATED**
- **State of the Postal Service**
 - Patrick R. Donahue (Postmaster General & CEO)

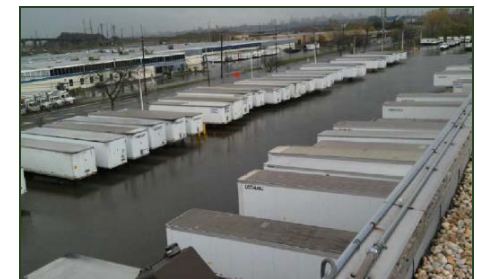
Operations Update

Megan Brennan (Chief Operating Officer)

BROWN

Hurricane Sandy Recovery

- Largest hurricane on record
- 34,000 deliveries affected
- USPS employees were congratulated
- People, Product and Property priorities (3 P's)
- Some redirection of mail
- Communication to mailers in timely manner
- DVD without power for 8 days
 - 1.3 million square foot yard was flooded

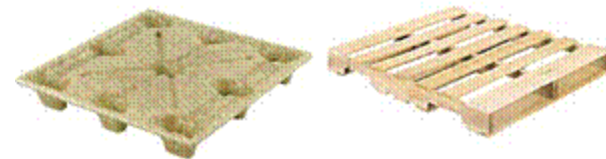


Service Performance Trends

- **First-Class**
 - Measured more mail in FY12; 13 billion pieces of 1C
 - Strong improvement from FY11; resolve service issues more effectively
 - FY13 increased target to 96.70
- **Standard Mail**
 - SCF & NDC Letters; good news; consistent improvement
 - Standard SCF & NDC Flats was not consistent; needs improvement
- **Key Actions Going Forward (roll out in January 2013)**
 - WIP tool to drive reduced cycle time
 - Manage inventories and performance – predictable alerts to prevent service failure
 - FSS tiger teams reviews – improvement across the board, still opportunity; 47 locations; 26 follow up reviews

MTE

- **Fall 2012 preparation – Senior Level planning committee**
 - Invested \$115M (140% increase over 2011) in equipment purchases
 - Launched MTEOR – September 2012
 - Equipment inventories
 - 1 week and 2 week safety level method
 - Industry participation
- **Lack of plastic pallets**



Optimization Update

- **Right size the USPS**
- **Financial challenge \$2B+ to be taken out of system**
- **Phased in approach**
 - 46 consolidations in summer
 - February 2013 resume; “the list” published on RIBBS; minimum of 30-days notice (equipment and employee moves)
 - Customer feedback (9 customer inquiries in summer consolidations); USPS will give it visibility
- **Delivery optimization – curbside delivery has preference**

Network Rationalization Path

PROCEEDING WITH CONSOLIDATIONS OVER A LONGER TIME SPAN

Summer
2012:
Phase 1
Begins

Consolidating
activity at 46
locations within
schedule
constraints



Spring
2013:
Phase 1
Concludes

Consolidating
activity at 140
locations; \$1.2B
in annual
savings



Spring
2014:
Phase 2

Consolidating
activity at 89
locations;
\$2.1B
combined
savings

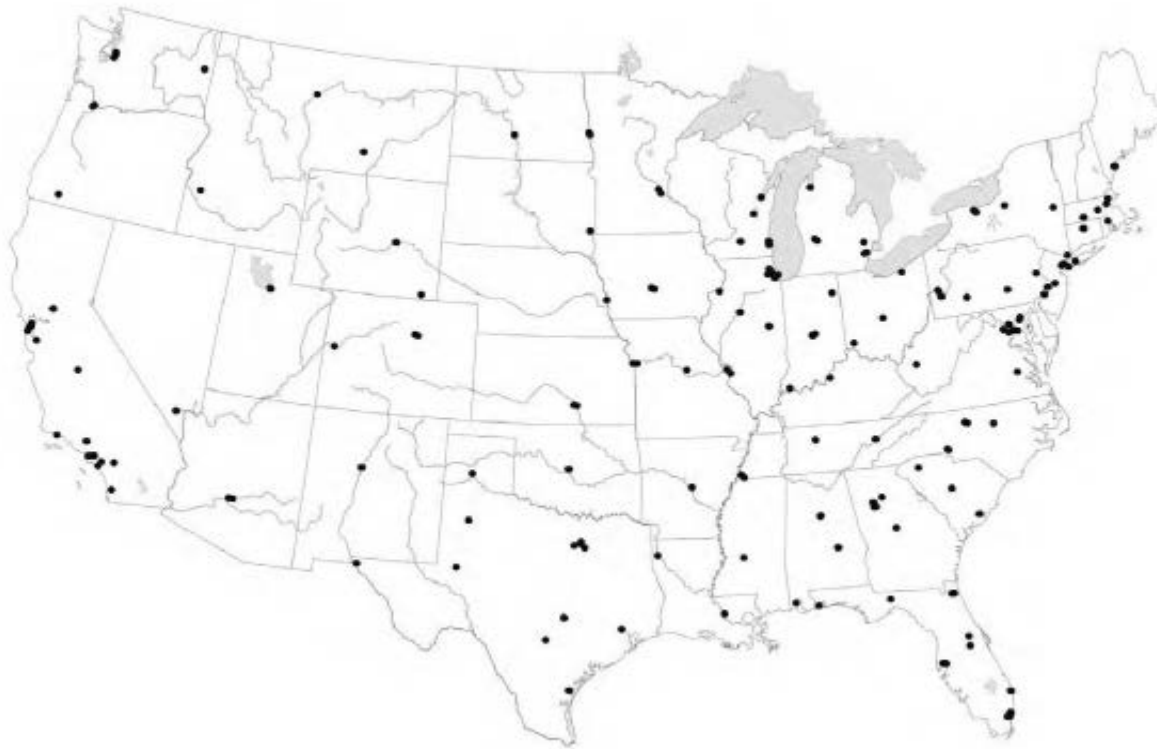
Network Rationalization

Studying 252 Facilities for Potential Consolidation



Network Rationalization

Potential Network



Customer Outreach Efforts

- **Communication**
- **Very dynamic environment**
- **Informational briefings; example of Hurricane Sandy**
 - **Continued usage**
- **Focus Group meetings to continue**
- **Leverage website for posting relevant, timely information**

Financial Update

Joseph Corbett (EVP & Chief Financial Officer)

BROWN

 **MAILERS TECHNICAL
ADVISORY COMMITTEE**
UNITED STATES POSTAL SERVICE®

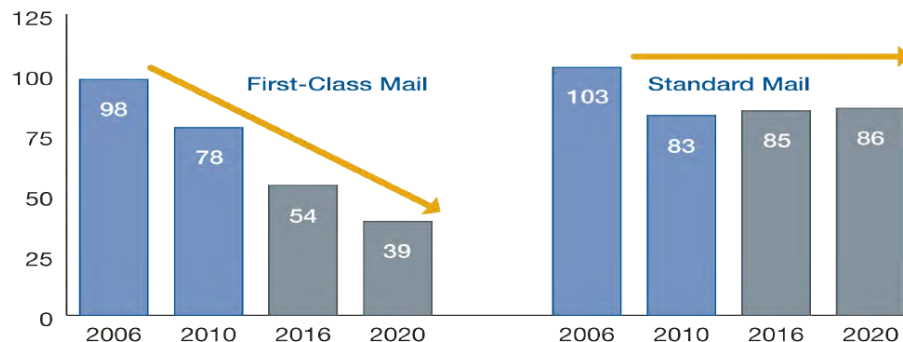
Postal Service Financial Condition

- **Record annual lost of \$15.9 Billion for FY12**
 - Losing roughly \$25 million a day
 - More than triple its \$5.1 billion loss last year
 - The loss included expenses of \$11.1 billion related to two payments to prefund retiree health benefits
 - 70 percent of the net loss
 - Hit its \$15 billion borrowing limit for the first time in 2012
 - Liquidity continues to be a major concern
 - Total mail volume of 159.9 billion pieces compared to 168.3 billion pieces a year ago

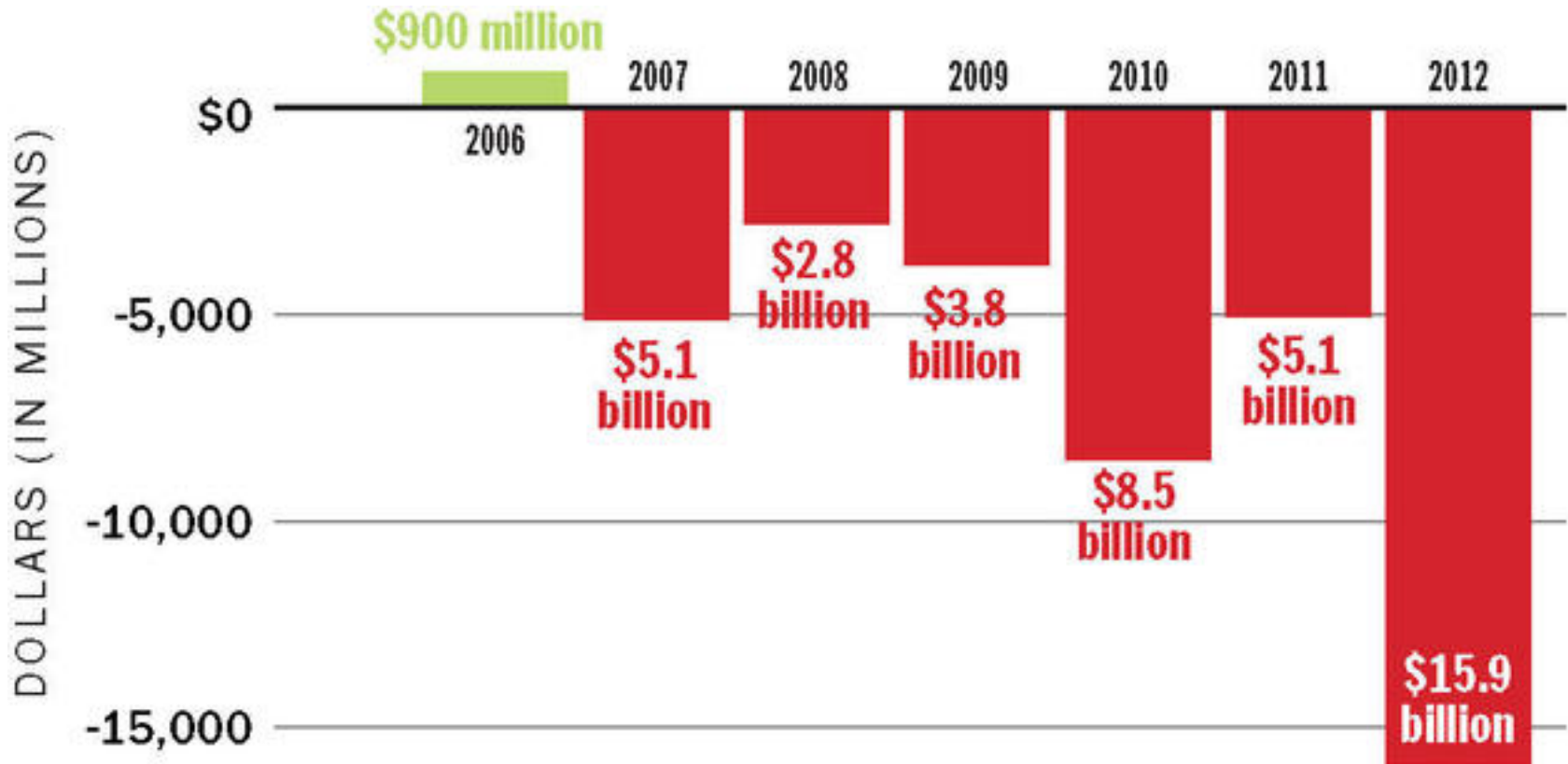
Postal Service Financial Condition

■ Problems

- Healthcare benefits prepayment of \$5.5B (2X)
 - Congress continues to pass resolutions (*Kick the Can*)
- 80% of budget related to labor costs
- Mail Volume Shifting To a Less Profitable Mix
 - FY2010 (Total Contribution)
 - First-Class / \$17 Billion / 78 Billion Pieces
 - Standard Mail / \$6 Billion / 83 Billion Pieces



Collapsing USPS Revenue



SOURCE: U.S. Postal Service

DESERET NEWS GRAPHIC



USPS Bailout or Shutdown

- **David Williams, Inspector General USPS**
 - Statement "The choices are that it would cease to exist or it would need a bailout"
- **USPS reached debt ceiling**
 - \$15 billion credit limit with the US Treasury
 - Will run out of cash in October (Postal Cliff)
- **PRC Chairwoman Ruth Goldway**
 - The pension payments are largely responsible for dire financial condition
- **Congressional Action Needed**
 - Just-In-Time Congress
 - Looks like last minute deal

2013 Integrated Plan

- Revenue to be flat
- Slower growth; consumer confidence in at all time high; some decline in deposable income
- Decline of 1C mail; \$300M in revenue decline
- Standard Mail also to decline projection; 79.5 to 77.0 billion pieces
- Packages to grow
- Reduction of 41M work hours; fewer career employee
- FY13 loss of \$2.4B; goal to reduce to \$2B; RHB \$6.7B
- Liquidity – out of money by October 2013 (cash to run business); if on plan OK till end of year; liquidity includes unrestricted cash plus available borrowing, up to \$15B limit; push legislative agenda; best guess right now
- October results; made money; strong season; \$100M profit (FY12 loss of \$100M)

Postal Reform

Industry: Things USPS Must Do

1. Congress must pass legislation that resolves the problems associated with Retiree Healthcare Benefit Prefunding
2. The Postal Service must be allowed to complete Network Rationalization within their stated timeline
3. The Postal Service must be allowed to move to 5-day delivery (eliminating or modifying Saturday)
4. The Postal Service must manage labor, moving retiree-eligible employees into retirement and right-sizing their labor force in alignment with the processing and distribution network
5. The Postal Service must find something to replace declining First Class Mail volume/revenue without impeding on the businesses of their customers and Mail Service Providers

Congressional Role

- **PAEA - Postal Accountability and Enhancement Act of 2006**
 - Over 150 changes to postal law
 - Defined the term “postal service”
 - Obligates USPS to prefund 75 years’ worth of future health care benefits within a ten-year span
 - Pay for the health benefits of employees it *hasn’t even hired yet*
 - No other government agency
 - Retirement cost of 500 billion between 2007 and 2015
- **Is USPS budget artificial?**

Urgent Priority

- **USPS and unions looking for ways by getting back surplus contributions**
- **GAO report**
 - Differences in surplus amounts; less feasible
 - Difficult to continue the current prefunding schedule in the short term
- **PMG: “Unsustainable financial path”**
- **Board of Governors**
 - Instructed USPS to move faster to cut costs

Cutting Delivery

- **When will Saturday delivery end?**
 - Not this year
 - Annual resolution through appropriations
- **66% of consumers support shifting to 5-Day**
- **\$3 Billion USPS savings annually**
 - Change requires legislative action

Mon	Tues	Weds	Thurs	Fri	Sat
					 \$3 B savings annually

The Need for Paper Based Communications

John Runyan (Executive Director, Consumers for Paper Options)



Consumers for Paper Options

- www.paperoptions.org
- **Question: who works in a paperless office?**
 - Only people believe in this work for the federal government
- **Since 2010**
 - Social Security Administration announced end to paper checks and annual statement of earnings
 - IRS stopped mailing annual tax form; almost 30 million taxpayers still file by mail
 - Treasury eliminated paper savings bond sales
 - Department of Labor pushed for “electronic only pension information”
 - Many state agencies going “paperless” as well (debit cards)

Consumers for Paper Options

- 30% of household are not online; 45% of seniors don't own a computer; 8% of population is “unbanked”
- Public is not ready for “E-Only” Government
- Actions to date involve minimal public preparation of input; and almost no congressional oversight
- 2011 EMA poll highlights public concerns; 72% of people want paper options
- AARP poll; 75% of 1000 pension plan participants prefer paper over online delivery
- Objective
 - Develop congressional and administration support for federal policies protecting citizens' right to paper based information

“More Than Green”

Thomas Day (Chief Sustainability Officer)



Sustainability

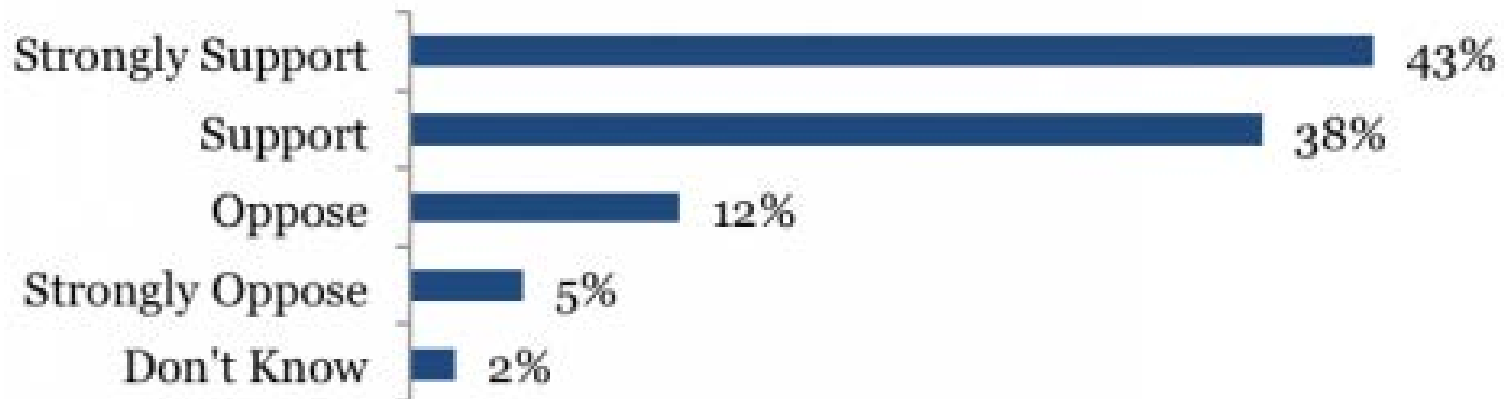


- Outside of the postal industry; into corporate America
- Broad range of topics; last six months
- Wal-Mart: CEO announcement; 5 years to meet social and environmental compliance standards
- How does it come back to the postal sector?
 - Packaging trends; #1 driver is sustainability
 - Individual consumer buying decisions; environmentality friendly
 - Customers are willing to pay more for a sustainable product
- Video; cooperative with UPS; sharing information; great story working together; video is public
 - Slogan: “**Blue and Brown Make Green**”

“Do Not Mail” Initiative

Would you support or oppose a do not mail list that would help reduce the amount of advertisements you receive in your postal mailbox.

(N=1203)



Digital Solutions Update

Paul Vogel (President, Digital Solutions)

Digital Solutions

- **Digital paradigm shift to empower the mail receiver**
- **Digital solutions are:**
 - **Products or services that enhance physical USPS offerings with digital capabilities or present fully digital alternatives to physical products and services**
- **Consumer platform; easy app for all of the packages from ecommerce companies**
- **Secure messaging overview; federal government involvement; authentication is key**

Digital Solutions

- **USPS expansion into digital services represents a virtualization of its core principles: trust, security, connectivity, identity**
- **Postal Inspection involvement**
 - **Federal offense; provide the service if identity is stolen; good footprint for the USPS; sophistication very complicated; USPS secure IDM platform**
- **USPS is well suited for platform for digital community; senders and receivers; platform model**
- **Announcement soon**
 - **Launching the program/lab; go to market strategy**

USPS Office of Inspector General

- **January 7th Report**
 - Details e-government possibilities for USPS
- **Evolutionary stages of e-government**
 - Interaction and integration of digital services for citizens and other agencies
- **Obstacles**
 - Lack of universal standards
 - Privacy concerns involving passwords and home addresses
- **USPS must find solutions**

Technology & Sustainability

- **MyPost – USPS biggest Tech Effort**
 - Digital platform that is working alongside UPS
 - Personalized website
 - One Digital place
 - Allow people to log in and see all the packages that are coming to them
 - Past package delivery
- **Blue + Brown = Green**
 - Unique partnership designed to offer better service to customers, reduce greenhouse gas emissions and optimize operational efficiencies



2013 Price Adjustment

2013 Price Adjustment – FAQ's

- **When will the new prices go into effect?**
 - Jan. 27, 2013 (12:01 a.m. ET)
- **What is the Consumer Price Index (CPI) price cap for the January price change?**
 - 2.6 percent (exact cap is 2.570 percent)
 - By law, the average price increases for each class of mail must be equal to or less the rate of inflation (as measured by the Consumer Price Index)
- **What is the role of the Postal Regulatory Commission (PRC) in this price adjustment?**
 - The Postal Service filed notice with the PRC for the Mailing Services price adjustment on Oct. 11
 - The Commission had 45 days to review the new prices to make sure they comply with the CPI price cap and other regulations

2013 Price Adjustment

- The average increases are as follows:

Price Adjustment Authority By Mail Class

Class	Price Adjustment Authority (%)
First-Class Mail	2.570
Standard Mail	2.570
Periodicals	2.570
Package Services	2.570
Special Services	4.964

Standard Mail

- PRC approved the USPS proposals for all classes of mail EXCEPT Standard Mail Flats
 - The PRC remanded those rates back to the USPS
 - Cited the proposed rates did not provide adequate cost coverage for this mail
 - Current cost coverage at 76%
 - The new increase for this mail is an average of 2.617 percent
 - Higher than the average increase for the rest of Standard Mail (2.569 percent)
 - Higher than the CPI-U price cap of 2.570 percent.

2013 Price Adjustment

- Standard Mail (Catalog) Breakdown:

STANDARD MAIL PRICE CHANGES	
Standard mail product	Percent change (%)
Letters	2.610
Flats	→ 2.617
Parcels	3.081
High Density/Saturation Letters	2.059
High Density/Saturation Flats	
and Parcels	2.092
Carrier Route	2.907
Overall	2.569

- USPS remains concerned about the financial health and long-term viability of the catalogue industry
 - No other Standard Mail prices were changed

2013 Price Adjustment

- **What's new in Standard Mail?**
 - **The introduction of a new High Density Plus price tier that creates carrier route pricing between High Density and Saturation**
 - **The goal of this initiative is to create an incentive for High Density customers to increase their mail volumes**
- **Proposing the introduction of simplified preparation and pricing for a new product samples initiative called Simple Samples.**
- **There is no charge for Repositionable notes.**

Periodicals

- The prices for these products change as follows:

Periodicals Price Changes

Product	Percent Change
Outside County	2.546
Within County	2.911
Overall	2.560

- The Periodicals class has been challenged in terms of cost coverage
- The Postal Service was cognizant of Periodicals' value to the public when making its pricing decisions
- Care has been taken to adjust the individual price elements in a manner that limits the resulting postage increases.

Promotions and Incentives

USPS® 2013 PROMOTIONAL CALENDAR



JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
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DIRECT MAIL MOBILE COUPON & CLICK-TO-CALL



Include direct mail mobile coupons and/or click-to-call functionality to get an upfront 2% postage discount.*

PRODUCT SAMPLES



Get a 5% upfront postage discount when you run a qualifying product sample direct mail campaign.*

MOBILE BUY-IT-NOW



Integrate mobile shopping technology into your mail campaigns and get an upfront 2% postage discount.*

PICTURE PERMIT™



Increase the visibility and impact of your mailings—and save up to 2 cents per piece—when you use a Picture Permit™ Imprint Indicia on your outgoing mail.*

EARNED VALUE REPLY MAIL



Increase your response rates and get 2 cents back on every reply when you include First-Class™ CRM/BRM envelopes in your outgoing mail.*

EMERGING TECHNOLOGIES



Use innovative technologies—like near-field communication, augmented reality, and authentication—in your mailings and get a 2% discount.*

*Restrictions apply. Promotion details are subject to change.

Mobile Coupon/Click-to-Call incentive

- **March 1 and April 30, 2013**
- **A cataloger could provide a coupon in the catalog that can be scanned or pulled out**
- **The coupon can be redeemed at a store location or send the recipient to a mobile optimized website**
- **A promotion code from the "coupon" that is pre-populated or can be keyed in on the website by the customer during the shopping experience**
- **The coupon would need to be prominently displayed as a coupon only available to the catalog recipient**

Every Door Direct Mail (EDDM)

- Hot product for USPS
- Reach every address in a surrounding area
 - One to one marketing connection
 - Possible uses:
 - New store opening
 - “Neighborhood only” deals
 - Announce local events
 - Community events
- No names or addresses required
 - Saturate an entire neighborhood
- Dedicated webpage
 - <https://www.usps.com/business/every-door-direct-mail.htm>

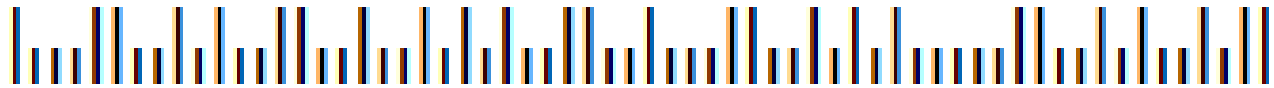
Reach
every home,
every address,
every time.



Intelligent Mail Barcode

Intelligent Mail Barcode

From POSTNET™ ...



...To IMb™



Full-Service IMb

- Required for Automation Prices
- The USPS has a plan to fully implement the Intelligent Mail barcode (IMb) by January 2014. This transition will occur in two steps:
 - January 28, 2013: POSTNET™ barcode will be discontinued and will no longer qualify for automation rate discounts. Only Basic and Full-Service IMb will apply for discounted rates.
 - January 2014: Only mail with the Full-Service IMb will be eligible for automation rate discounts. Basic IMb can still be utilized, but it will no longer qualify for discounts.

IMb Explained

- **The Intelligent Mail barcode (IMb)**
 - A 65-bar Postal Service barcode used to sort and track letters and flats
 - Allows mailers to use a single barcode to participate in multiple Postal Service programs
 - Expands mailers' ability to track individual mailpieces, and provides greater mailstream visibility

Nine-digit Mailer Identifier

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
Barcode ID [2N]		Service Type ID [3N]			Mailer ID [9N]									Serial Number [6N]						Routing Code (ZIP) [none, 5, 9 or 11N]										

Contact Information

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