

# 709 Negotiated Service Agreements and Experimental and Temporary Classifications

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## 1.0 General Requirements for Negotiated Service Agreements (NSAs)

### 1.1 Basic Information

#### 1.1.1 Definition and Purpose

A negotiated service agreement (NSA) is a customized and mutually beneficial contractual agreement between the USPS and a specific mailer (customer or organization). An NSA provides for customized pricing, prices, and classifications under the terms and conditions established in the NSA and may include modifications to current mailing standards and other postal requirements. Any mailer may submit an application for an NSA if the mailer meets the requirements in [1.2](#) and follows the process in [1.3](#).

#### 1.1.2 Legal Framework

Terms and conditions of an NSA affecting prices or classifications require that the USPS request a recommended decision from the Postal Regulatory Commission before the USPS may approve and implement the NSA. NSAs must be recommended and approved under 39 U.S.C. 36 and the Postal Regulatory Commission's rules of practice and procedure.

### 1.2 Candidate Factors and Requirements

#### 1.2.1 Factors

The USPS considers the following factors in evaluating any candidate's NSA proposal:

- a. Candidate's presentation of information as requested by the USPS to document the following:
  1. Current mailing systems, postage payment systems, and quality control procedures and programs.
  2. Historical data showing mail volumes and use of specific mail services or mailpiece characteristics, as applicable. The candidate, as necessary, must also provide the effect on mail volumes of any corporate mergers, acquisitions, divestitures, and similar events.



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- b. Candidate's ability to make and present in an acceptable format accurate forecasts of future mail volumes for USPS products and services proposed for an NSA.
- c. Candidate's ability to collect necessary data in an acceptable format to support an NSA.
- d. Candidate's willingness to establish and maintain electronic systems and quality control programs as specified by the USPS for paying postage and generating records to facilitate monitoring and reconciling mail volumes, prices, and fees, including volumes and postage paid by a mail preparation agent on behalf of the candidate.
- e. Candidate's production of mail using a formal system to ensure proper mail preparation and accurate postage calculations.
- f. Candidate's use or planned implementation of a Certified Mail preparation total quality program to ensure proper mail preparation and to provide accurate documentation of mailings and postage payment.

#### **1.2.2 General Requirements**

No proposed NSA may have an overall negative financial impact on the USPS. Any proposed NSA must also contain, at a minimum, the following general candidate requirements and conditions:

- a. The candidate must permit USPS inspection of mail content to determine price eligibility.
- b. The candidate must prepare mail under current applicable mailing standards, unless they are to be modified under a proposed NSA.
- c. The candidate must meet and adhere to quality management standards for the classes of mail and prices claimed.
- d. The candidate must make available to the USPS necessary records and data related to the NSA in a form that facilitates monitoring of compliance with the terms and conditions of the NSA.
- e. The candidate must provide proper specified notice to cancel the NSA.
- f. The USPS has the right to cancel the NSA at any time with specified proper notice for any failure or, where appropriate, material failure of the mailer to:
  - 1. Use the NSA within the time period specified in the NSA.
  - 2. Provide accurate data, present properly prepared and paid mailings, or comply with any other material term or condition in the NSA.
- g. The candidate must engage counsel and file testimony as necessary in support of the NSA before the Postal Regulatory Commission.

### **1.3 Application Process**

#### **1.3.1 Initial Proposal**

A mailer seeking to enter into an NSA with the USPS must submit a written proposal, with appropriate supporting documentation, to the USPS manager of Pricing Strategy (see [608.8.0](#) for address). The proposal must contain the reasons

for requesting the NSA along with a summary of the information responding to the applicable candidate features and general requirements described in 1.2. A nondisclosure agreement must be signed before any substantive discussion of the proposal.

### 1.3.2 Negotiations and Contractual Agreement

As a result of the proposal, the candidate and the USPS may enter into negotiations to establish an NSA, with terms and conditions specific to the candidate, that is either a functionally equivalent NSA (i.e., comparable to an existing baseline NSA) or a new baseline NSA (i.e., not comparable to an existing NSA). A candidate in the negotiation process may withdraw a proposal for an NSA at any time prior to the execution of the NSA. Once the NSA is executed, the NSA is controlled by its terms and conditions.

### 1.3.3 Additional Consideration

If the USPS decides to end negotiations with the candidate before reaching an agreement to enter into an NSA under 1.1, the manager of Pricing Strategy notifies the candidate in writing and gives the reasons for the decision. Within 15 days from the receipt of the written explanation, the candidate may ask for reconsideration of the manager's decision. The candidate's request for reconsideration must include additional information and reasons why negotiations for an NSA should be resumed. The candidate submits the request for reconsideration through the manager of Pricing Strategy to the vice president of Pricing and Classification (see 608.8.0 for address).

## 1.4 Market Dominant First-Class Mail and Standard Mail Letters NSAs

### 1.4.1 Definition and Purpose

The First-Class Mail and Standard Mail NSA is based on the combined total revenue of First-Class Mail automation letters, Standard Mail automation letters, and Standard Mail carrier route automation letters, and provides an incentive to encourage the growth of First-Class Mail. A baseline is determined from the revenue generated from First-Class Mail automation letters, Standard Mail automation letters, and Standard Mail carrier route barcoded automation-compatible letters that are mailed as and eligible for full-service Intelligent Mail prices (705.24.0) during a prior specified 12-month period of time. It includes a postage threshold that is adjusted from the baseline to qualify for a rebate. If the adjusted revenue threshold is met, a rebate is generated on a percentage of the difference of an increase in postage as a result of a subsequent cumulative First-Class Mail and Standard Mail price increase related to the prices in existence at the time of the agreement. If the adjusted revenue threshold is not met, the NSA holder will pay a penalty.

### 1.4.2 Candidate Factors and Requirements

Potential participants must be IMb full-service customers with extensive, but declining First-Class Mail volumes and significant additional volumes of Standard Mail. Candidates must also meet the standards in 1.1 through 1.3 to qualify. The basic agreement comprises five components:

- a. Revenue threshold: Is based on the amount of total combined postage paid for First-Class Mail automation letters, Standard Mail automation letters, and Standard Mail carrier route barcoded automation-compatible letters. The



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baseline for the revenue threshold is the total postage for these categories over the previous one-year period. The threshold is calculated at a negotiated percentage above the baseline for each year during the duration of the agreement.

- b. Revenue threshold adjustment: Will be adjusted upward by a negotiated amount for every dollar decline in First-Class Mail postage. To qualify for rebates under this adjustment, a pre-determined revenue amount of Standard Mail must be mailed to offset each dollar decline in postage from First-Class Mail.
- c. Postage commitment with penalty: The postage commitment is an amount equal to the adjusted revenue threshold. If the amount of total postage from eligible mail in the first year of the contract is less than the adjusted revenue threshold, a negotiated percentage penalty in the amount of the difference between the adjusted revenue threshold and the actual total postage paid for contract year one must be paid. Subsequent year penalties for failing to meet the adjusted revenue threshold are negotiated by the parties within nine months of the end of the previous contract year.
- d. Rebate on First-Class Mail: If the mailer holding the agreement exceeds the adjusted revenue thresholds in any given year of the contract, it will earn rebates on its qualifying First-Class Mail postage. The rebate will be equal to a negotiated percent of the increase in postage as a result of a subsequent cumulative price increase (relative to First-Class Mail prices in existence at the initiation of the agreement) for all qualifying pieces.
- e. Rebate on Standard Mail: If the mailer holding the agreement exceeds the adjusted revenue thresholds in any given year of the contract, it will earn rebates on its qualifying Standard Mail postage. The rebate will be equal to a negotiated percent of the increase in postage as a result of a subsequent cumulative price increase (relative to Standard Mail prices in existence at the initiation of the agreement) for all qualifying pieces.

#### **1.4.3 General Requirements**

Any proposed First-Class Mail and Standard Mail NSA under this classification must also contain, at a minimum, the following general candidate requirements and conditions:

- a. The NSA expires three years from the effective date. Either party can terminate the agreement, without penalty, for convenience prior to the last 90 days of each contract year with 90 days written notice to the other party.
- b. The NSA will contain a merger and acquisition clause, which adjusts the threshold to account for increased mailing activity (or decreased, in the case of a sale or closure).

#### **1.4.4 Initial Proposal**

The proposal must explain how the candidate meets the requirements in [1.4.2](#) and also must meet the following conditions:

- a. The candidate must submit a written proposal that includes appropriate supporting documentation to the manager of Correspondence & Transactions (see [608.8.0](#) for address).
- b. The proposal must be initiated by the mailer and include a summary of the information responding to the applicable candidate features and general requirements described in [1.4.3](#).
- c. A nondisclosure agreement must be signed before any substantive discussion of the proposal begins.

## 2.0 Alternate Postage Payment Method for Greeting Cards

### 2.1 Description and Purpose

An Alternate Postage Payment for Greeting Cards, using Intelligent Mail technology, is being tested in a 2-year program from January 2, 2011, through December 31, 2012. Participants pay for postage based on sales data reported to the Postal Service. Each mailpiece is scanned and counted as it moves through postal mail processing equipment. Reports allow a debit from the participant's Centralized Automated Processing System (CAPS) account for the postage that was not paid based on sales data. Mailpieces may be addressed to any domestic location by the sender.

### 2.2 Prices and Fees

There is no fee to participate in the market test. Participants agree to pay the market test postage price, which is higher than the First-Class Mail single-piece letter price, for each greeting card sold or mailed. Participants must have sufficient funds in their CAPS account to cover the market test postage for the mailpieces. Participants pay postage as follows:

- a. At least 50 percent of the market test postage price will be paid to the Postal Service based on the participant's reports of greeting cards sold. When a greeting card is sold to an individual customer, payment will be retained by the Postal Service, whether or not the greeting card is mailed.
- b. The remainder of the postage will be collected based on scans of Intelligent Mail barcodes on mailed pieces as specified in [2.5](#). The scans will produce a count of pieces processed, allowing appropriate postage to be deducted from the CAPS account.

### 2.3 Eligibility for Participation

Greeting card companies interested in participating in the market test must conform to the following standards:

- a. Each greeting card company must request and obtain written consent from Transactions and Correspondence (see [608.8.1](#)).
- b. Each letter-size mailpiece must be tested and approved prior to distribution (see [2.5](#)).



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- c. Participants must print a unique Intelligent Mail barcode on each mailpiece using the Mailer ID (MID) assigned exclusively for the market test by the program office.
- d. Participants must establish quality control measures to ensure production of mailpieces meeting all standards in [2.0](#).

#### **2.4 Early Termination**

A participant that terminates the market test prior to the end of the program period must maintain their CAPS account and will remain liable for 100 percent of the market test postage for each greeting card sold, but not scanned, at the time they terminate the agreement.

#### **2.5 Mailpiece Characteristics**

Mailpieces must include the following elements:

- a. Intelligent Mail barcode.
- b. Legend: First-Class Mail, permit number, and the city and state where the permit is held. Participants must maintain a permit imprint account.
- c. Facing Identification Mark (FIM) E.
- d. Postage Imprint: "No Postage Necessary If Mailed in the United States".

#### **2.6 USPS Responsibility**

The Postal Service will assign Mailer IDs to be used exclusively for the market test, approve all mailpiece designs prior to the production, distribution, and sale of greeting cards, and conduct pre-production tests of mailpieces.

### **3.0 Holiday Mobile Shopping Promotion**

#### **3.1 Program Description and Scope**

The holiday mobile shopping promotion provides a 2 percent discount on the prices of Presorted and automation pieces in mailings of First-Class Mail cards, letters, and flats, and Standard Mail (including Nonprofit) letters and flats that include a transactional two-dimensional mobile barcode and meet all the conditions in [3.0](#). The term "mobile barcode" also will include equivalent mobile technologies, such as watermarks and tags, that meet all the conditions in [3.0](#). Automation pieces must bear Intelligent Mail barcodes. The promotion is valid for mailings entered from November 7, 2012, through November 21, 2012. Plant-verified drop shipment (PVDS) mailings meeting all relevant standards may be accepted at origin as late as November 21, 2012, if they are entered no later than December 6, 2012 at the destination facility. Mailers also may qualify for an additional 1 percent rebate on the postage of their qualifying mailers under [3.3](#).

#### **3.2 Eligibility Standards**

To be eligible for the 2 percent discount, customers must be registered for the promotion on the Incentive Programs Service through the Business Customer Gateway at <https://gateway.usps.com/bcg/login.htm>, and specify which permits

and CRIDs will participate in the promotion. Registration opens September 15, 2012, and must be completed at least 2 hours prior to the first mailing. Mailpieces must be mailed under the following conditions:

- a. The mobile barcode or similar image must be on each mailpiece, either on the outside or printed on the contents of the piece. Brief instructions or directional copy must be printed near the mobile barcode to instruct the recipient to scan the barcode or image. See [3.4](#) for placement restrictions.
- b. The mobile barcode must be readable by a mobile device and must lead to a mobile-optimized website. The mobile barcode must be relevant to the contents of the mailpiece. Scanning the barcode must lead the consumer to a webpage that allows the recipient to purchase an advertised product on the mobile device. Barcodes with links that direct consumers to sites that allow purchase of a service, payment for prior or future purchases, or that encourage enrollment in online bill payment or paperless statement services are not eligible for the discount. Mailpieces with mobile barcodes that convey postage information, destination, sender, or a machinable serial number for security purposes also are not eligible for the discount.
- c. The mailpieces with mobile barcodes must be one of the following:
  1. Presorted or automation First-Class Mail cards, letters, or flats. Automation pieces must bear Intelligent Mail barcodes.
  2. Standard Mail (including Nonprofit) letters or flats. Automation pieces must bear Intelligent Mail barcodes.
- d. Postage must be paid by permit imprint or by affixing metered postage or a precanceled stamp to each piece of mail; the postage statement and mailing documentation must be submitted electronically. The mail owner's identity must be indicated in the electronic documentation ("eDoc"). The eDoc must identify the mail owner and mail preparer in the by/for fields, either by Customer Registration ID (CRID) or Mailer ID (MID) assigned by the USPS. All Presorted and automation pieces declared on a postage statement must contain a mobile barcode that qualifies for the discount.
- e. At the time of mailing, mailers must provide the USPS acceptance unit with an unaddressed sample of the mailpiece that contains a mobile barcode. Mailers also must retain, until February 15, 2013, a sample of each mailpiece claiming a discount.
- f. Other than a full-service Intelligent Mail discount (see [705.24.0](#)), no other incentives apply for mailpieces claiming a discount under this promotion.
- g. Participants must agree to participate in a survey conducted either during or after the promotional period.
- h. Federal government official mailings under OMAS are not eligible for this promotion.
- i. The electronic equivalent of the mailer's signature on the postage statement will certify that each mailpiece claimed on the postage statement contains a qualifying mobile barcode.



### 3.3 Discounts

Mailers must claim the 2 percent postage discount on the postage statement at the time the statement is electronically submitted. Mailings with postage affixed will deduct the discount amount from the additional postage due, except that mail service providers authorized to submit Value Added Refund ("VAR") mailings may include the discount in the amount to be refunded. Pieces with metered postage must bear an exact amount of postage as stipulated by the class and shape of mail. Affixed postage values for metered mailings may be found in the Federal Register notice preamble available at [pe.usps.com](http://pe.usps.com). Provisions for additional postage for First-Class Mail pieces over 1 ounce are in [234.2.2a](#) and [334.2.2a](#), and in [244.2.2](#) and [344.2.2](#) for Standard Mail pieces over 3.3 ounces. Mailers may also qualify for an additional one percent rebate on the postage of their qualifying mailpieces if a portion of their orders are fulfilled via Priority Mail between November 9, 2012, and December 31, 2012 (fulfillment period). To claim the rebate, mailers will need to demonstrate that during the fulfillment period, the number of Priority Mail packages (sent with a unique trackable barcode, such as USPS Tracking/Delivery Confirmation or Intelligent Mail package barcode) delivered to customers exceeded 0.5 percent of the total number of qualifying mailpieces mailed from November 7, 2012, through November 21, 2012.

### 3.4 Mobile Barcode Placement

The mobile barcode cannot be placed on a detached address label (DAL or DML) or card that is not attached to the mailpiece. The mobile barcode cannot be placed in the (postage) indicia zone or the (Intelligent Mail) barcode clear zone on the outside of the mailpiece. For letters, the barcode clear zone is defined in [202.5.1](#). For flats, the barcode clear zone for this purpose is the barcode itself and an area that extends an additional 1/8 inch from any part of the barcode. The indicia zone is defined as follows:

- a. The postage "indicia zone" is 2 inches from the top edge by 4 inches from the right edge of the mailpiece;
- b. When the postage indicium is not in the area described in [3.4a](#), the mobile barcode must not be placed within 2 inches of the actual postage indicium.