

MEDIA LOGISTICS

News

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The “NEXT” Rate Case

The last time we reported on the industry speculations about what we would be paying for postage in 2007 was in May of 2006. While it was prior to the finalization of the most recent rate case, industry pundits wanted to prepare us for a significant changes. At that time the prognostications about the percentage increase were in the 3 to 6 % range overall but warned that everyone would not see the same increase.

While it is still true that changes in the rate structure are expected the unfortunate

reality is that the overall percentages are expected to be much higher.

The primary reason for the change in structure is that the last rate increase was based on statements by the Postal Service that the need for an overall increase was primarily to pay the escrow obligation. In order to expedite the case there were no adjustments made for shifts in volume among the various classes and sub-classes of mail nor did it adjust for changes in how the postal service handled (or planned to handle) the mail. It was believed that the next rate case would concentrate on rectifying the resultant inequalities.

For example, First Class Mail volume has declined steadily and Standard

Mail has increased.

Other changes are the result of how the mail is handled. New automation equipment and the ongoing network realignment shifts attributable costs among the sub-classes of mail. The next rate case will take those shifts into consideration.

Expect “high single digit” percent increases and possibly low double digit for Periodicals.

While these shifts were anticipated, a recent report by the Magazine Publishers Association (MPA) informed its members that along with these shifts mailers can

expect “high single digit” percent increases and possibly low double digit for Periodicals.

They came up with this conclusion after looking at recently released 2005 data that the postal service will use as its base year. The costs reflected by this data is higher than anticipated, especially for periodicals. Additionally, they also learned that the “test year” would be 2008, not 2007, which would add another year of inflation to the figures.

It is expected that rates will reward mail that is prepared more economically, especially in the Periodicals class. Once rates are

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The goal of this publication is to summarize events impacting the mailing and distribution issues affecting publishers and other mailers.

Information is gleaned from various industry sources and while every effort is made to assure accuracy readers not familiar with Postal and Transportation Rules and Regulations should seek appropriate guidance prior to making changes to their normal business plan.

Comments, suggestions and requests for clarification are greatly appreciated and should be addressed to Matt Morrone at medialogistics@optonline.net or call 201 880 0903

PMG Cites Fuel Impact On Costs

April 3, 2006, Orlando FL.

Postmaster General John E. (Jack) Potter told Postal Forum Attendees that the Postal Service will be filing a rate case shortly. He indicated

that rising energy costs are a prime factor in increased costs and that the Postal Service cannot compensate

for the rising cost of fuel with surcharges as other transportation providers.

He also said that rising energy costs impact the Consumer Price Index and that because collective

bargaining agreements have cost of living increases the cost of labor has risen 9 per cent since the last rate increase in 2002.

“...Rising energy costs are a prime factor in (the Postal Services’) increased costs ...”

Mr. Potter also commented on “reform” and the future of rates. He told attendees that “Ratemaking is one of the cornerstones of the legislation that is now headed for a House and Senate conference. Consistent with the legislation passed in

the House and Senate Bills, our Strategic Transformation Plan has two rate-related goals: first, hold rates at or near inflation and, second, move to annual changes. We intend to do just that beginning in 2009.”

NEXT

(Continued from page 1)

announced mailers should look for more opportunities to drop ship as well as look to their vendors to co-mail or co-palletize.

On a positive note, it is believed that depending on the reform legislation currently in play this could be the final rate case under current law. Previously, it was believed that this might be one of two “smaller” rate cases

David Straus, Washington counsel for American Business Media told Folio that “it is not surprising that the Postal Service would want to get its rates as high as it can, in case postal reform, with its CPI-based price cap, actually passes (because) the Postal Service will want the base as high as possible if it is to be limited to

strict percentage increases thereafter.”

If the rates structure changes in favor of mailers who prepare more efficient pallet mail over sack mail, those publishers in the less efficient sacks will pay higher rates. However, if the incentives to move to pallets and drop shipping are significant, those mailers will be in a position to work with vendors who can help reduce their costs.

It is expected that the case will be filed this month. The normal rate case process takes 10 months but the Postal Service should allow time for changes to be implemented. This is especially important since a change in the rate structure would require additional time for programming.

You could expect changes around the Spring of 2007.

DMM ADVISORY

Several new mail preparation changes are on the horizon for July and are summarized below. They will be incorporated into the DMM when they are effective.

Effective Date	Shape of Mail	Class of Mail	Mail Preparation Change
April 30, 2006	Flats Irregular Parcels	First-Class Mail Standard Mail Bound Printed Matter Media Mail Library Mail Periodicals	Mailers must use two bands to secure all bundles of presorted flat-size mail and irregular parcels when those bundles are not shrinkwrapped. See the March 2, 2006, Postal Bulletin for details.
May 11, 2006	Flats Irregular Parcels	Standard Mail Package Services Periodicals	New preparation requirements for bundles of flats and irregular parcels on pallets. See the January 5, 2006, Postal Bulletin for details.
		Periodicals	New preparation requirements for bundles of flats and irregular parcels on pallets. See the January 5, 2006, Postal Bulletin for details.
		Periodicals	Mailers have a new option to reallocate bundles of flats and irregular parcels on pallets to protect an ADC pallet. See the December 22, 2005, Postal Bulletin for details.
July 6, 2006	Parcels	Parcel Select Bound Printed Matter	Mailers have a new option to drop-ship machinable parcels for certain ZIP Codes when entered at designated SCFs. See the March 16, 2006, Postal Bulletin for details and new labeling list L607.
		Bound Printed Matter	Mailers must place a new marking on machinable parcels consisting of multiple pieces secured with transparent shrinkwrap. See the March 30, 2006, Postal Bulletin for details.

Parcel Return Service

Parcel Return Service is now a permanent mail classification, ending the former Parcel Return Services experiment. Parcel Return Service offers a cost-effective way for merchants to receive returns from their customers. The permanent offering includes a new option for consumers to buy a Certificate of Mailing. Bound Printed Matter rates are no longer available. The Postal Service Governors set April 2, 2006, as the effective date of the change. The new standards will be included in a special update to the DMM on April 3, 2006.

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serviceupdates.htm](http://www.usps.com/communications/news/serviceupdates.htm)

Transportation News

Fuel Prices on the Rise

A recent Energy department "seasonal outlook" predicted that prices at the pump will increase another 10 to 15 cents from the current average as recent increases in crude oil work their way into the system. The report added that after peaking in May prices should decline somewhat and settle in with an overall average of \$2.62 per gallon for the April-September time frame. Some analysts said the Energy Department's April-through-September forecast could be too low considering that gasoline prices are already at that level and there are still risks of new hurricanes and political turmoil. There are also new more stringent sulfur and ethanol specifications which will add to the cost of fuel. A recent article in the Philadelphia Enquirer went so far as to predict that prices will top \$3 per gallon this summer. Time will tell.

UPS Expands Network

UPS Inc. announced the addition of three new flights connecting Shanghai to the United States. The company now flies to more points in China than any other US freight or passenger airline, according to David Abney, president of the UPS' international operations.

FMCSA Crash Study

The Federal Motor Carrier Safety Administration's (FMCSA) Large

Truck Causation Study found that among truck drivers, prescription drug use was an "associated factor" in 28.7% of all crashes sampled, and over-the-counter drugs were an associated factor 19.4% of the time. The agency plans to further examine the role legal drug use, drivers' hours of service and speed may play in crashes involving large

treatment throughout the FedEx Freight system.

Record High Driver Turnover Could Impact Trucking Costs

According to the American Trucking Association, there was a 136% turnover rate for large truckload carriers in the last quarter of 2005. This is an increase of 1 percent compared with the previous quarter and ties a record high set in the fourth quarter of 2004. The full-year turnover rate for large truckload carriers averaged 130%, breaking the record average rate of 121% set in 2004.

The small truckload driver turnover rose 18 points in the fourth quarter to an all-time high of 109%. The previous record was 102%. The full year turnover of 96% was also a record.

APX Logistics Files for Bankruptcy

APX filed for Chapter 11 protection, canceling its package service, forcing several companies to find alternate carriers to ship their packages. According to its Web site, the company is largest package shipping partner of the U.S. Postal Service. USPS spokesman, Gerald McKiernan said the Postal Service is trying to arrange alternative providers but "in the meantime, the postal processing network will fill in the gaps."

In this Section:

- Fuel Prices on the rise
- UPS Expands in China
- FedEx Time Definite Service
- Truck Driver Turnover
- APX Files Chapter 11

trucks. "We'll be doing further analysis on the data to test which factors are associated with increasing the risk of a crash," Ian Grossman told Transport Topics.

Shipping to Shows or Conferences? Look Into the New FedEx Time-Definite Service

FedEx Custom Critical introduced a new service that provides shippers with additional delivery options for expedited freight shipments.

The new network, called FedEx Custom Critical Surface Expedite Network, will enable customers to choose the hour that the freight will be delivered or a one-hour delivery window. The freight receives priority loading and

THE MIXER

RPNs / Value Pricing OK

The Postal Rate Commission (PRC) issued its *Opinion and Recommended Decision* about Repositionable Notes (RPNs) approving the concept that the Postal Service could charge a fee for a service based on the value of the service even though there is little or no additional cost to the USPS. While the PRC acknowledged that mailers raised some legitimate concerns about both the legality as well as the shift in policy in this practice it felt that these concerns were not sufficient to deny approval. The charge to add yellow "sticky notes" on the outside of letter and flat mail is 5 cents on First Class Mail and 1.5 cents on Standard Mail and PERIODICALS. For more information see the article in the January 2005 issue.

Stamps That Advertise

The United States Postal Service said plans to allow businesses to use made-to-order stamps carrying corporate logos or even advertisements.

AKQA to Manage USPS Consumer Web Site

San Francisco-based AKQA said it has won the largest creative account in its history by being named the lead Web agency for the United States Postal Service. The company will design and maintain USPS.com, the postal service's main consumer Web site.

From Space to the Post Office

A new anthrax detector devised by Universal Detection Technology Inc., in Beverly Hills CA could

work twice as fast as the detection system currently used by the U.S. Postal Service. It is an extension of work done by the Jet Propulsion Laboratory (JPL) at the California Institute of Technology in Pasadena as part of the space program. It will be tested in the field, to confirm claims that it will be cheaper and more effective than the present system of countering bio-terrorism.

Four-State Barcode Coming Soon

The U.S. Postal Service announced that the new four-state barcode and OneCode solutions will go live for all letter mail by Sept. 1. "Right now, a piece of mail can have several barcodes on the envelope," said Charlie Bravo, USPS senior vice president of intelligent mail and address quality. "But because the four-state barcode can hold up to three times more information than other kinds



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of postal barcodes, only one barcode will be needed on a mail piece. This will make it easier for our customers to do business with us as well as make the mail a more valuable business tool by freeing up space on the envelope for marketing messages." The term four-state describes the "up" and "down" bars in the barcode: A tall bar, a short bar, an upper half bar and a lower half bar. It holds 31 characters and will be the same length as today's Postnet barcode, but it is taller than the Postnet code.

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