

## Bundle, container charges, and more

# PRC saddles Periodicals with costly, complex outside-county charges July 15

Newspapers mailing outside the county face a set of complex charges for bundles and containers, and confusing piece rates that classify some "flats" like newspapers as machinable and nonmachinable, even though both get discounts for barcoding.

While many have been quick to criticize the Postal Service, it should be stated upfront that these changes were not

requested by USPS, but imposed in the rate case decision by the new Postal Regulatory Commission. It cited testimony from Time-Warner, which has been working for a dozen years to try to lower its postage rates and increase those paid by smaller Periodical magazines and newspapers with various proposals under the banner of "cost-based rates."

A similar Postal Rate Commission tossed out a 2004 complaint case filed by Time and four other large magazine publishers but endorsed a gradual move

toward "cost-based rates" rather than averaging costs among all Periodicals mailers, a historical practice that is followed in other mail classes.

Why the switch? The PRC apparently decided that it's time to set rates on a more technical, formulaic basis rather than on the basis of fairness and impact. The decision shocked Periodicals mailers who had no reason to believe that the PRC would suddenly allow Time-Warner to set postal rates for the entire class.

I want to stress that these decisions, as negative as they are for small newspapers, do *not* apply to in-county mail, which is nevertheless absorbing double-digit increases, even after the National Newspaper Association's testimony shaved 6-11 percent off the original USPS proposal.

I will try to outline the changes, what they mean for community newspapers and possible solutions to reduce or avoid the costs.

One thing is for sure: PAVE-certified postal software is more essential than ever. With the new complexity, which increases the 3541 from three to eight pages, newspapers should no longer try to compute sortations and postage manually, or with home-grown or outdated software that is not approved under the postal Presort Accuracy Validation and Evaluation program. (Vendors who tailor software for newspapers advertise in Pub Aux.)

**Pound rates lowered.** A continuing trend to reward mailer deposit deeper into the postal system, plus shift of some charges to bundles and containers, results in lower pound weights at all zones, as reported in Part B of the July 3541. DDU advertising pound rate drops from 16.7 to 16 cents. Zone 8 drops from 67.2 to 61 cents per advertising pound.

For the first time, non-advertising pound rates are zoned as well. Rather than the 20.3-cent non-ad rates for all pounds, mailers will pay four rates based on level of entry, all lower than 20.3. DDU entry earns 13.3 cents per non-ad pound, DSCF entry, 17.4 cents; DADC, 18.2 cents; and all other non-ad pounds, 19.9 cents.

**Machinable and Nonmachinable piece rates.** Part C of the new 3541 brings a new level of puzzlement that is sure to be interpreted many ways by postal people, some of them wrong. Piece rates sorted to Mixed ADC, ADC, 3-digit and 5-digit are broken into two categories. Both allow for barcoding discounts, but Nonmachinable flats cost about 10 cents more per piece. For the first time, an ADC piece rate is introduced separate from Mixed ADC that could lower the rate on some pieces in ADC containers of 24 pieces if ruled Automation Machinable. But the MADC automation rate increases 17.7 percent vs. 9.7 percent for nonauto MADC pieces. Go figure.

The new criteria are "Automation" and "Alternate Criteria," which are euphemisms for the more productive AFSM100 flat-sorting machines compared with the older UFSM1000 machines, which were made to handle larger, floppier flats like newspapers. While final rules are yet to be issued at deadline, even USPS experts offer conflicting interpretations.



Most newspapers meet the size criteria for Automation and only the flimsiest of newspapers are likely to fail the "droop test," which has been cited to some newspapers as a cause for denial of Automation discounts. Only newspapers thicker than three-quarter inch are likely to run afoul of the rules relegating newspapers to the Nonmachinable category. So for now, NNA is taking the position that most newspapers will continue to qualify for Machinable flats.

My advice: Claim Machinable Flats. Contact NNA if ruled otherwise.

**Carrier Route & Firm Bundle piece rates.** While the basic carrier route rate is dropping from 17.2 to 16.9 cents, high-density increases 1.1 cents to 14.9 cents, and saturation goes up 1.3 to 13.1 cents. A *firm* bundle pays a fixed charge of 16.9 cents, regardless of sortation level, under the new rates. Now, it pays the same piece rate as the sortation level of the host bundle.

**Non-advertising piece rate discount.** This discount per piece increases from 7.8 cents to 9.1 cents per piece times the number of addressed pieces times the non-ad percentage. That's a good thing.

**Bundle rates.** Part D of the 3541 effective July 15, 2007, brings the first-ever bundle charges. While relatively small overall, they are an added cost never before paid, and their percentage effect varies widely depending on the number of copies per bundle, the container level, and bundle level. (This is one area where PAVE-certi-

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fied software is mandatory to get this right.) Minimum copies per bundle are still six, but the larger the paper, the more copies going to a particular sortation. Bundle rates are as low as 0.8 cent for a 5-digit bundle sorted to the 5-digit, and 2.7 cents for a FIRM bundle sorted to 5-digit. But they run as high as 16.1 cents for a 5-digit bundle in a Mixed ADC container, an infrequent occurrence, and 13.4 cents for a 3-digit SCF bundle in a MADC container.

**Sack/Tray rates.** Part E of the new 3541 is for calculating container costs both by point of entry and level of sortation of the container. This is especially controversial. When the PRC tossed out the 85-cent sack charge in favor of something much more complex, it also indicated that Flats Trays, or Tubs, should not be charged—like-wise for unsacked bundles. An obstinate Postal Service in its proposed rules still seeks to apply the same charge for sacks to trays, even though it has no cost data on Periodicals handled in trays, a recent optional sortation allowed since October 2005. NNA is fighting this in comments and letters to management. Any such tray charge, if imposed, is unfair on the part of USPS, especially if identical to sack charges.

The most expensive sack charge is \$2.24 for 5-digit/carrier route sacks entered at an origin post office or SCF, presumably

because in some cases it gets handled more times. This is particularly unfair to newspapers because most of their 5-digit/carrier route sacks are going through only one, or at the most two, SCFs to get to the delivery office. However, a 5-digit/carrier route sack entered AT the SCF, pays only a 90 cent charge, suggesting the newspapers should enter more mail outside the county at the SCF wherever possible.

The least expensive is 42 cents for a MADC sack entered at the origin post office or SCF, because the sack gets fewer handlings, presumably, before it is opened and worked.

**Pallet rates** are computed on a second Part E page, and range as low as \$1.20 for a DDU pallet to the 5-digit/carrier-route level, to \$18.61 for an ADC pallet entered at the origin post office, SCF or ADC. But because pallets can hold more mail, up to 500 pounds, they should be cheaper in most situations for those with enough mail to palletize.

**What are cost implications?** While the actual scenario can vary widely based on the amount of outside county mail, the number of containers, and size of bundles, I will attempt some generalization. A study of a typical weekly I use in training seminars mailing 761 copies outside the county projected an 18 percent increase outside the county on the PRC/Time-Warner rates,

compared with 8.5 percent proposed by USPS. Pound rates actually decline 7 percent. Sack charges make up 61 percent of the increase, and bundle rates only 6.6 percent.

Actual experience will vary for your newspapers, but the only possible way to get this right is with good software.

## PRINTABLE POSTAGE STATEMENT WIZARD NO LONGER FUNCTIONAL

In a surprising development, the Postal Service took out of use the printable version of the Postage Statement Wizard in May. The word I got is that USPS did not have the resources to program all the changes in the rate case effective in May and July. An electronic Postage Statement Wizard is still available for those paying postage electronically through a Postal One! account. If you are unable to apply for this option, which debits your bank account (eliminating the need to maintain a deposit balance) your only option is to manually complete the forms.

NNA advises that newspapers should be using PAVE-certified software that generates a paper 3541 to submit. Manual form completion is no longer practical, and becomes even less so in July.

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# Alternatives to help reduce impact of new outside-county rate proposals

**W**hat are alternatives? The Postal Regulatory Commission claims it is sending price signals to mailers to be more efficient. As I told PRC Chairman Dan Blair at the March National Newspaper Association Government Affairs Conference, most newspapers are not in position to react to these alleged signals, other than to live with them, raise rates and lose even more subscribers. That is somehow supposed to be good for the U.S. Postal Service, in the eyes of the PRC (Time-Warner, of course, just wants to lower its rates at your expense).

*To the extent possible, however, newspapers need to do these things:*

**Co-mail** multiple newspapers in one mailing. Some newspapers, but few, do this now, in plants where they own and print multiple titles going out the same day. For most newspapers, this is simply not feasible. But the additional volume in bundles and containers can make it more feasible to palletize or reduce cost incurred with minimal pieces in bundles and sacks. Software to combine multiple mailings is also critical.

**Palletize** mail outside the county, dropping at DDUs or SCFs where possible. NNA got a rules change allowing 100-pound pallet minimums at SCFs, and any amount at DDU's. However, NNA encourages DDU-entered mail to be dropped in unsacked bundles to avoid container charges outside-

county.

**DDU entries** should be increased outside the county, where feasible, in unsacked bundles, using Exceptional Dispatch rules. Be sure the bundles weigh up to 40 pounds when possible, because DDU bundles can weigh double those in sacks. NNA got rules changes allowing unsacked bundles to be dropped at delivery post offices, Exceptional Dispatch (letter approval by your entry postmaster) to qualify for DDU-entry rates, and stopped application of the container charge to unsacked bundles, absurd as it was.

**SCF entries** should be increased for outside-county mail, especially if you are close to, or print in, the Sectional Center Facility town. This will reduce the sack charges for 5-digit/carrier route mail within the SCF from \$2.24 to 90 cents. It will also likely provide a one-day gain getting mail outbound into the system to improve delivery.

**Use flats tubs** to the greatest degree allowed. NNA is trying to avoid the charge on those, at least for now, until cost data are developed, while also seeking an expansion of their use. Three options USPS allows now are for MADC, Origin MADC (OMX, for First-Class truck trips) and any ADC of 24 pieces or more. Some plants and post offices allow *permissive* use of trays for SCF, 3-digit, and 5-digit mail within their service area. Even if charges are applied, they will improve service in most cases. Be sure to

maximize full tubs by setting copy levels per tub to achieve that.

**Sell electronic subscriptions** to out-of-area subscribers, especially snowbirds and those who have moved away. Between the poor delivery of working mail by the USPS, and the complex new charges of the PRC, newspapers are being forced to abandon mail to serve their out-of-area customers. While in-county mail is still a comparatively good deal, distant subscriptions are less feasible.

NNA member John Galer, publisher of the Hillsboro (IL) Journal-News, put it bluntly: "With the implementation of the 24-piece rule (a year ago) ... I went from over 1,200 out-of-state subscribers to less than 900 at present. We are talking loss of revenue here for myself as well as USPS." And trying to analyze the Federal Register notice on the PRC/Time-Warner rates, he said, "It seems beyond complex. Surely there is a better way. If this is going to increase rates without solving the service issues, USPS officials are going to be surprised, when publishers like myself ... demand compensation for losses incurred."

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