



February 14, 2019

U.S. Postal Regulatory Commission  
901 New York Avenue NW, Suite 2000  
Washington, DC 20268-0001

RE: Annual Compliance Review, 2018  
Docket ACR2018  
Order No; 4258

After reviewing the Annual Compliance Review, 2018 filed by the USPS, Quad would like to submit comments on the filing.

### **Cost Coverage of Flats**

In Section II.B.1.b USPS Marketing Mail Flats, the USPS observes how the mailers have responded to the price signals it has given, as relates to the Flat and Carrier Route products. Specifically, it has observed that the mailers use co-mail to move low-cost coverage Flats volume to high-cost coverage Carrier Route products. This looks like an effective use of the PAEA pricing options, a win-win situation.

This still leaves the USPS with a challenge, though — the low-cost coverage in Flats. As a solution, the USPS proposes to evaluate combining Flats, Carrier Route Flats and High-Density Flats into a single Non-Saturation Flats product. This proposal does not look to fix the cost coverage of Flats, though, and instead looks to muddle up the cost coverage by combining a profitable product with an unprofitable product. If the USPS does move forward on this request, you can expect additional feedback, as some are concerned that the analytics for the USPS to create price signals to create profitable mail, will be diminished.

### **Ongoing Steps to improve Flats and Periodical Efficiency**

The USPS submitted data related the to the ongoing steps to make processing of Marketing Mail Flats and Periodicals more efficient. (sec II.3.b.i)

- FSS Scorecard (Table 9)

The table shows a continued degradation in the USPS's ability to effectively manage this critical component in the Flats processing stream. As these numbers deteriorate, the cost per piece rises. With more than 20 percent of the Flats mail stream prepared for FSS this continued poor performance will continue to affect



MM Flats as well as Periodical cost coverage. The USPS needs to fix or remove the FSS from the Flats processing stream instead of expecting mailers to pay for their inefficient and more costly processing on FSS machines.

- **Bundle Breakage**

Quad acknowledges that bundle breakage can have an impact on Flats processing costs and service. However, the USPS needs to find a reliable measurement for this value. We are disappointed that the USPS — which has been part of workgroup examining bundle breakage — would continue to publish this data as a reliable measurement of bundle breakage.

In 2018, Idealliance sponsored a workgroup made up of Flats mail preparers, including Quad, and the USPS to tackle the bundle breakage issue. As the group investigated, the USPS supplied 3-scan logic data, and we observed that bundle breakage is just one of many legitimate causes of a positive hit with the 3-scan logic. This workgroup continues to work with the USPS on this issue, however Quad would like the PRC to be aware of the discovered flaw in applying 3-scan logic to bundle breakage.

Quad is a marketing services partner that helps brand owners market their products, services and content efficiently by using its strong print foundation in combination with other media channels. In our consultative role with our clients, we continue to emphasize the positive ROI that is achieved using mail as a key component of marketing. In 2018, Quad produced and presented to the USPS over 10 billion mail pieces of all shapes, sizes and postal classes. Quad appreciates the opportunity presented by the PRC to comment on the 2018 ACR, and we look forward to your findings.

Sincerely,

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