Postal Rate Commission Submitted 4/28/2003 3:40 pm Filing ID: 37983 Accepted 4/28/2003

United States of America Postal Rate Commission Washington, DC 20268-0001

Petition for Review of Unclassified Services Docket. No *2003

COMMENTS OF WALZ POSTAL SOLUTIONS, INC.

Walz Postal Solutions, Inc. appreciates the opportuinty to provide these comments on the Report on Nonpostal Initiatives submitted by Nicholas F. Barranca on March 7, 2003 regarding NetPost Certified Mail.

Walz Postal Solutions, Inc. is the largest provider of privately printed Certified Mail forms and processing software to businesses and government agencies in the United States. Over 130,000,000 Walz Certified Mailers have been used over an array of different industry categories (legal, mortgage, finance, courts, general business use, etc.). As a result, Walz is, and has been, the leading expert in matters pertaining to the reason why industries use Certified Mail, as well as having a large enough customer database sample to significantly impact marketing research and projections.

In response to Mr. Barranca's description of this particular service, Walz would like to clarify and expand upon the true relationship between the United State Postal Service (USPS) and US Certified Letters, LLC, (USCL), and the service provider for NetPost Certified Mail. On the surface, one is led to believe that NetPost Certified is nothing more than a simple web link agreement for a nonpostal initiative. Yet, when you start to examine the USPS actions related to NetPost Certified Mail, serious questions arise that have implications on USPS ethics, the Postal Rate Commission's (PRC) approval process, USPS revenues and management decisions affecting the future competitive nature of the USPS.

In his response, Mr. Barranca refers to a letter agreement dated February 2002 with a company called US Certified Mail. We would like to clarify that the actual service provider is USCL and the letter agreement is dated March 19, 2001. This is based on a copy of the letter agreement provided to me by the USPS purchasing department under our Freedom of Information Act (FOIA) request. If there is another contract letter dated in 2002, this letter has not been forwarded to me pursuant to my FOIA request. Additionally, in February 2003, I specifically asked the NetPost Certified project manager at the USPS, Jim Samaniego, if there was an updated contract and he told me there was only one letter contract.

For the public, the concept that "NetPost Certified Mail is a private sector service" is difficult to grasp. The public connects to NetPost Certified through WWW.USPS.com. Not only is this service offered through a link on the Postal Service Website, but also USPS Marketing account representatives have actively marketed this service, on a national basis since September/October 2001 (see attached USPS power point presentation). The USPS account representatives were instructed to find the decision makers and make oral presentation of the benefits of NetPost Certified mail. How can one say this is just a web link agreement when the full force of the USPS marketing department is employed on a fee basis per unit? These direct marketing activities on behalf of USCL, directly competes against Walz and other approved Certified Mail form providers. It appears to have started shortly after the September 2001 department reorganization and transfer of e-commerce projects to Mr. Barranca's new group called Product Development. Walz has provided Mr. Barranca and Postal Service management with copies of the USPS prepared PowerPoint presentation used to instruct account representatives in marketing NetPost Certified Mail. Additionally, Walz has written the USPS in June and July 2002, with copies to Mr. Barranca, complaining of unfair competition by the USPS because these marketing activities occurred during a "pilot test" of the batch processing/bulk acceptance and manifesting of Certified Mail to provide electronic information in bulk. There is nothing in Mr. Barranca's description of NetPost Certified or in the March 19, 2001 contract letter that implies this type of marketing activity or support to US Certified Letters, LLC.

At National Postal Forums, the USPS conducts seminars to promote this service. Walz, as mentioned above, markets its Certified Mail forms, software and fulfillment services on a daily basis to similar Certified Mail users, has heard on numerous occasions about this new "USPS service" not the "private sector service" referred to by the Mr. Barranca. Walz is not the only entity to raise this issue. The 2001 OIG annual report also refers to a similar complaint. It should be noted that while this service was part of a "pilot test", it appears that the USPS Account Representatives were unaware that this service was a "pilot test", presumably because the Marketing Department never told them.

In response to our complaint to the USPS about the unfair competition associated with NetPost Certified and Pitney Bowes offering "Batch Delivery Confirmation" including an emphasis on not using Return Receipt service because of the "Batch Delivery Confirmation," Walz received a reply on July 3, 2002 from John Dorsey, Special Services Manager, who wrote "if the pilot testers offered additional services to their customers in conjunction with the operational test, it was done at their own risk because this was a pilot test that could have been terminated at any time. Moreover the PRC could have refused to recommend the Certified Mail changes".

We now have a confirmation from the USPS about the risks that USCL and the USPS Marketing Department took in promoting this new NetPost Certified Mail service in a "pilot test". This statement also opens the doors for the next two issues. Did the PRC actually approve the batch processing/bulk acceptance and manifesting of Certified Mail to provide electronic information in bulk and what is the economic impact on the USPS and NetPost Certified Mail?

The following is an excerpt from a meeting Walz had with the USPS on March 13, 2003 that addresses these specific questions.

"In PRC testimony by the USPS and the advisory letter issued by the PRC regarding the batch processing and manifesting of Certified Mail it was obvious the USPS perceives this as a preferred service delivery method for the future. At the same time it was acknowledged in the meeting that the USPS had not prepared any quantitative studies on the cost benefits or revenue impacts of batch processing. The Research Department knew this was a proposed service offering but did not include any questions or analysis of the impacts in its studies. Why they did not study this anticipated service delivery method is an open question? Susan Mayo did not indicate to the PRC, in her testimony, that batch processing was under consideration.

We discussed that in the July 3, 2002 letter from John Dorsey to Walz, he attempts to imply the authority for the Postal Service to implement "electronic access (batch processing) in the most efficient means possible" was derived from the recent R2001-1 rate filing because "Certified Mail includes electronic access to delivery time and date or attempted delivery time and date for any Certified Mail purchase". When we were discussing this issue, Tangie Samuels pointed out the reference to DMCS 941.11, which states in part "Certified Mail services provide a mailer with evidence of mailing and, upon request, electronic confirmation that an article was delivered or that attempted delivery was made..." If the USPS managers are interpreting this wording as approval by the PRC, for the batch processing and manifesting of Certified Mail offered by USPS approved vendors, then Walz does not understand how this wording relates to batch processing.

Walz obtained an advisory letter from the PRC, dated March 5, 2003, that concludes "thus at no stage in the process of considering potential changes in Certified Mail in Docket-R2000-1 was the concept of bulk access to delivery status information explicitly presented, considered, or recommended by the Commission". This letter also points to section 6, page 26 of the direct testimony of Susan Mayo upon which the Commission recommended inclusion of additional descriptive language.

Please note that any changes to the DMCS language recommended by the PRC regarding Certified Mail "electronic confirmation" were implemented by the USPS in the DMM as follows: "Delivery status information for a Certified Mail item can be found at www.usps.com by entering the article number shown on the mailing receipt". The intent of the DMCS language approved by the PRC was not meant to be an approval of "Batch/Bulk Processing", nor was the language implemented by the USPS in the DMM meant to imply delivery by any other method or vendor including Pitney Bowes, NetPost Certified or USCL.

During the meeting Walz asked the Manager of Research if he knew of plans for the "Batch Delivery" concept, he acknowledged he did know of such plans. He was then asked if any of the questions in the market study related to "Batch Processing". The response was: "No, the questionnaires did not include questions about "Batch Processing" and the impact was not studied."

Therefore the actions taken by the USPS clearly show there was no intent to disclose the "batch or bulk delivery access" concepts to the PRC and the PRC did not approve any similar concept."

The effect on revenues and the USPS measurements for tracking the NetPost Certified service.

The USPS response refers to balanced scorecards and Profit and Loss (P&L) Statements (page 4 of 11) as measurement used for tracking nonpostal services. However, without a public reporting of the NetPost Certified results and comparison to USPS management's initial financial objectives there is no objective public evaluation of the results. USPS has the sole authority to subjectively determine a positive result that would continue a program even if it shows a loss and when initially the program may have been projected to make millions of dollars. There is no accountability to the public or the PRC for "nonpostal services".

To illustrate this point Walz prepared the formula below for use by the USPS to evaluate the impact on revenue to the USPS from the Netpost Certified service offering.

The negative impact on Return Receipt revenues is computed by the following formula: multiply the number of Certified Mail transactions manifested by USCL by 60% (84% normal less 25% actual Return Receipt percentage according to Tom Carter, President of USCL) of lost Return Receipts to all Certified Mail multiply that \$1.75 equals lost Certified Mail revenues of \$1.05 per transaction, then add back \$.55 the USPS is to collect by contract for a net loss of \$.50 for each Certified letter processed by USCL. For every 1 million transactions processed by NetPost Certified, the USPS loses \$500,000 in net revenues.

The USPS has the ability to easily verify the results by just asking USCL what percentage of Certified Mail uses Return Receipt.

Walz also determined the USPS has not established any method to measure if this service actually creates an increase in Certified Mail. The USPS informed us they have plans for such a test but there has been no evaluation to date. This is particularly concerning since Certified Mail has decreased approximately 8% in the first six months of fiscal 2003 compared to fiscal 2002 when the USPS forecasted an increase of 8% in the most recent rate case.

Finally, Walz informed the USPS that the economic model for NetPost Certified and USCL was flawed because of the \$1.30 base charge above postage, for NetPost Certified Mailing services, was excessive compared to the market place for large volume mailing of Certified Mail and too low a base charge for individual letters. There is also an issue if the USPS actually requested rate and mail classification changes for the "batch processing" of Certified Mail delivery confirmation data. This is an additional factor related to the economic viability of NetPost Certified Mail. If USCL does not have the ability to offer "batch processing" and access to Certified Mail date and time information, then their services are comparable to many other letter shops or fulfillment services that send Certified Letters for a far less rate.

Regarding the final point made above regarding the \$1.30 being excessive, at the recent National Postal Forum in New Orleans (April 13-16), a fulfillment competitor to NetPost Certified was boldly offering Certified Mailing services for "40% less than NetPost". Also in a letter date January 31, 2003 to the Presidents Commission Mr. Carter, President of US Certified Letters, states his company is not breaking even and he has issues about the Postal Services effectiveness in promoting and selling NetPost Certified Mail to users of Certified Mail. These statements from the President of USCL differ remarkably from the description presented by Mr. Barranca. So how should the scorecards read? And how will the public know they were scored fairly?

In summary, Walz respectfully requests the Postal Rates commission evaluate;

- 1. The merits of Non-Postal service businesses and whether there should be PRC oversight of lack of accountability;
- 2. NetPost Certified as a nonpostal service business in particular;
- 3. The USPS ethics surrounding the implementation and marketing of this service during a "test" compared to related court decisions
- 4. ;
- 5. Investigate whether the impacts of and provision of "batch processing of Certified Mail delivery confirmation data" was properly studied and presented by the USPS on the terms required or provided by the Postal Service in accordance with the policies and factor set forth in the Postal Reorganization Act. If "batch processing of Certified Mail delivery confirmation data" was not approved by the PRC, then the PRC should take appropriate actions.

Sincerely,

Peter Casserly

President, Walz Postal Solutions, Inc.

Attachments in PDF format; Letter Agreement with USCL dated March 19, 2001 USPS Power point presentation on NetPost Certified Dated 9/28/01 Letter Copied to Mr Barranca dated June 7, 2002 and July 8, 2002 Letter From John Dorsey Dated July 3, 2003 Letter from Tom Carter, USCL, dated January 31, 2003.



September 18, 2002

Peter Casserly, President Walz Postal Solutions, Inc. 1588 South Mission Road Suite 110 Fallbrook, CA 92028-4112

Dear Mr. Casserly,

In response to our conversation on September 17th, I have enclosed a copy of the US Postal Service letter contract (102595-01-U-1602) with US Certified Letters, LLC.

Definitization of this contract is in process and I will forward you a copy of the definitized contract when it is executed.

Thank you for your patience.

Sincerely,

Stanley A. Lipinski Contracting Officer

Professional, Printing and Creative Services CMC

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-6255
202-268-4900
FAX: 202-268-4363
www.usps.com

PRINTING PURCHASING



March 19, 2001

US Certified Letters, LLC 2410 Valleydale Road Birmingham, AL 35244-2015

SUBJECT: Letter Contract 102595-01-U-1602

NetPost Certified Letter Program Launch

Dear Mr. Carter,

It is the intent of the US Postal Service (USPS) to definitize this letter contract referenced above with US Certified Letters, LLC for the NetPost Certified Letter Program launch.

The terms, conditions and provisions of this letter and its attachments constitute a contract. Upon acceptance of this letter contract, you are authorized to proceed with the NetPost Certified Letter Program launch.

Limitation of Postal Service Liability

- a. You are not authorized to make expenditures or to incur obligations in performing this contract in excess of revenues you have collected in performing the production and mailing services as associated with the Price Table (see attachment).
- b. The maximum amount for which the USPS will be liable if this contract is terminated is limited to the revenues you have collected in performing the production and mailing services as indicated in the Price Table (see attachment).

Contract Definitization

- a. A requirements contract is contemplated. You have agreed to and submitted a firm-fixed price table for the production and mailing services that you will provide under this program that will be effective throughout the contract definitization period.
- b. You agree to negotiate with a USPS contracting officer the terms of a definitive contract that will include:
 - 1. All clauses required by the USPS Procurement Manual on the date of execution of the letter contract,
 - 2. All clauses required by law on the date of the execution of the definitive contract, and
 - 3. Other mutually agreeable clauses, terms and conditions.

- c. As a condition of this letter contract, you agree to negotiate in good faith a Success Rights Agreement, providing for USPS participation in equity appreciation due to services under this award, within the 90-day definitization period for this award.
- d. The schedule for definitizing this contract is as follows:

Submission of proposal: April 16, 2001
 Beginning of Negotiations: May 1, 2001
 Definitization Target Date: June 15, 2001

- e. If you and the USPS contracting officer cannot agree on a definitive contract to supersede this letter contract by the target date in paragraph b., or any extension of that date granted by the contracting officer, the USPS may determine a reasonable price or fee in accordance in Chapter 5 of the USPS Procurement Manual. You may appeal this price or fee as provided in the Claims and Disputes clause. In any event, you must proceed with com,pletion of the contract, subject only to the Limitations of Postal Service Liability paragraph above. After the date of the contracting officer determination of price or fee, the contract will be governed by:
 - 1. All clauses required by the USPS Procurement Manual on the date of execution of this letter contract for either requirements, fixed-price or cost-reimbursement contracts, as the contracting officer may determine under paragraph e;
 - 2. All clauses required by law as of the date of the contracting officer's determination;
 - 3. Other clauses, terms and conditions mutually agreed upon; and
 - 4. To the extent consistent with subparagraphs 1., 2., and 3., all other clauses, terms and conditions included in this letter contract, except those that by their nature are applicable only to a letter contract.

The attachment lists all provisions and clauses applicable to this letter contract and incorporates them by reference. Note that Sections J, K, and L of the attachment are included for informational purposes only. These sections are only for your reference in submission of your actual proposal and are not a part of this letter contract.

Execution and Commencement of Work

You must indicate acceptance of this letter contract by signing three copies and returning them to me no later than March 20, 2001. This letter contract is electronically signed by the contracting officer. You will be provided a fully signed copy after our receipt of your three signed copies.

Upon acceptance by both parties, the contractor must proceed with performance of the work including purchase of necessary materials, if applicable.

Sincerely,

John J. Gorzo, Jr. John J. Gorzo, Jr.

Contracting Officer Printing Purchasing

ACCEPTANCE

Letter Contract No. 102595-01-U-1602 is accepted and agreed to:

Authorized Signature

Date

William T. Carter, President and CEO

Typed Name and Title

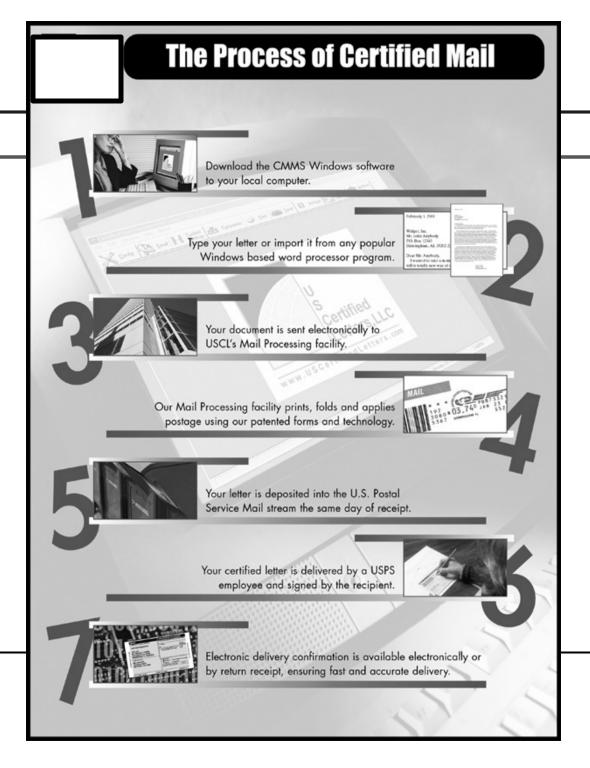
Attachment

USPS & USCL COST WORKSHEET - SELF MAILER REVISION 1

	Cert. Mail		Cert. Mail		Cert. Mail	
	Non-RR		Ret. Rec.		RR & RD	
	<u>\$</u>	3.74	\$	5.20	\$	8.40
Postage	\$	0.275	\$	0.275	\$	0.275
Cert. Mail	\$	1.90	\$	1.90	\$	1.90
Ret. Receipt	\$	-	\$	1.50	\$	1.50
Rest. Delivery	\$	-	\$	-	\$	3.20
Total Postage	\$	2.18	\$	3.68	\$	6.88
Total Materials Cost	\$	0.25	\$	0.22	\$	0.22
Total SG&A Costs	\$	0.32	\$	0.32	\$	0.32
Total Production Costs	\$	0.57	\$	0.54	\$	0.54
USCL Profit	\$	0.45	\$	0.45	\$	0.45
5552 1.5	\$_	1.02	\$	0.99	\$	0.99
it per imp)	\$	0.01	\$	0.01	s	0.01
pop)	\$		S	1.00	\$	1.00
	•					1.52
	\$	0.55	\$	0.53	\$	0.53
•	\$	1.57	\$	1.52	\$	1.52
	Cert. Mail Ret. Receipt Rest. Delivery Total Postage Total Materials Cost Total SG&A Costs	Postage \$ Cert. Mail \$ Ret. Receipt \$ Rest. Delivery \$ Total Postage \$ Total Materials Cost \$ Total SG&A Costs \$ Total Production Costs \$ USCL Profit \$ \$	Non-RR	Non-RR Ret. \$ 3.74 \$	Non-RR Ret. Rec. \$ 3.74 \$ 5.20	Non-RR Ret. Rec. RR \$ 3.74 \$ 5.20 \$



Automation Simplifies NetPost Certified Mail





The Products & Prices

∠ Certified Mail with ETC

\$3.94

∠ Certified Mail, Return Receipt

\$5.44

∠ Additional Special Services will soon include Express and Priority Mail.



Primary Clients

- Mortgage lending & financial services
- **∠**Banking collection departments
- **∠Insurance companies**
- **∠**Utility companies
- **∠Legal services**

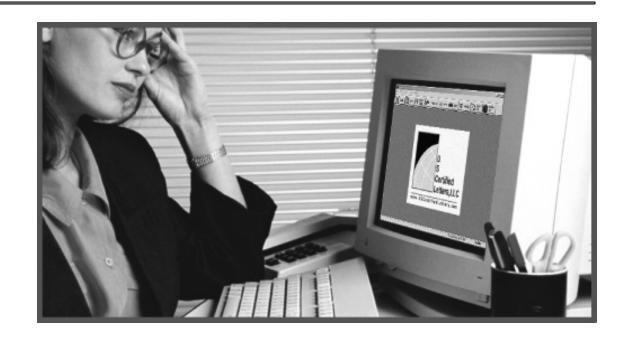


Interfacing With Your Customers

∠On-Line www.usps.com

∠Off-Line CMMS

Enterprise
Solution





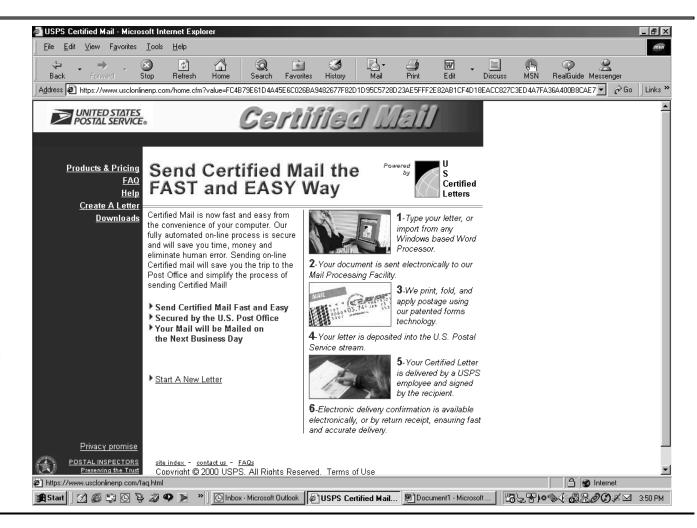
On-Line www.usps.com

∠On-Line

∠Fast

∠Easy

∠ Convenient





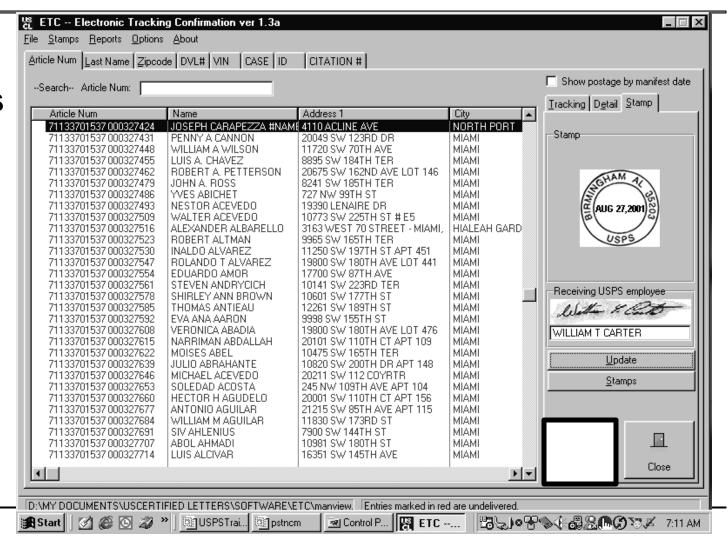
Off-Line CMMS Software

- **∠**Advanced Features
- **∠**Powerful
- **∠Off-Line**
- **∠Windows**



Enterprise Solution

- We fit the customer needs
- Data updated daily
- **∠** Reports





FAQ's

- ∠ Can we outsource? USPS
- ∠ What security do we use? 128 bit
- How do we pay for this? ACH, Visa/MC Government P.O.
- What is the cost benefit? Labor savings
- Will this project take lots of time? No, we do most all the set-up.



Next Steps:

- What is the Certified mail volume?
- Who makes the Certified buying decision?
- How is the letter created? Database or hand typed?
- Who needs to be included in this decision?



Getting Started

- Review the sales materials
- Create a targeted Certified Mail prospect list
- Pre-qualify each prospect
- Schedule presentations with your prospects
- Co-ordinate your presentations with us for on-line help and support
- **∠** Follow-up with your clients.



Electronic Media Kit

- PowerPoint Presentation
- Sales sheets: one-pagers
- Rate cards & letter of agreement
- CMMS Software
- ETC Electronic Tracking Confirmation Software



- ∠ Do you want to start saving money?
- Z Can I follow-up with a written proposals?
- **∠** Do you want to install the software?
- ∠ Can I set up a training and installation time?



-----Original Message-----From: Peter Casserly

Sent: Friday, April 25, 2003 4:01 PM

To: Laura Luedtka

Subject: FW: Walz response 7-3-02 letter

Please put this letter in if PDF format along with the Email cover. Make sure the date of the letter is 7/8/02 it has an auto date from word.

----Original Message-----

From: Peter Casserly

Sent: Monday, July 08, 2002 5:28 PM
To: 'jdorsey@email.usps.gov'

Cc: 'rstrasser@email.usps.gov'; 'btayman@email.usps.gov'; 'nbarranca@email.usps.gov';

'jgillia2@email.usps.gov'; Rod G. Walz

Subject: Walz response 7-3-02 letter



P Casserly to J dorsey 7-8-02....

ohn,

We are accepting your proposal to become part of the delivery conformation system. Unfortunately, we had to address some issues in your last letter. Other then a concern about the Electronic Return Receipt at USCL, if any other issues arise they will probably come from our communications with Finance or other involved departments.



July 8, 2002

John Dorsey United States Postal Service 475 L' Enfant Plaza, SW Washington, DC 20260-2620

Re: Certified Mail Issues Response Dated July 3, 2002

Dear John,

For your convenience, I have underlined any questions we would like a direct response to.

We appreciate receiving your letter. Regarding getting Walz connected; please give us the name and phone number of a person in Technology. Our technicians will contact them to review the FTP process with USPS. Beyond Publication 91, is there any other policy and procedure type documentation available that we will need? What the marketplace may desire in software for the electronic data transfer may be different from the other service providers, therefore, we need a clear understanding of the limits of this program.

In your letter, you clarify that the "USPS does not offer any service known as ETC...". In defining ETC (Electronic Tracking Confirmation) as "batch" processing of electronic delivery confirmation, we did so because that was the term the USPS used to train USPS Marketing reps for the NetPost Online Certified mail services in the September 28, 2001 PowerPoint. It's confusing. What do you call the "batch" processing of electronic delivery confirmation that you now offer through PB, USCL and Outsource Solutions?

We do understand that the USPS has the authority to provide electronic access to information in the most efficient method. However that is not the point of our past letters. WALZ objected to the economic advantages that appear to be intentionally given to PB and USCL by the Product Development Department or it predecessor long before the PRC approved the proposed Certified Mail rates changes. WALZ objected to the logic and methodology for the actions that allowed the transfer of economic advantages. We understand there are rules and procedures established by the PRC for a live Pilot test such as the "Confirm Test" now being conducted. However the rules and procedures are only applicable if the USPS submits an application to the PRC. According to the PRC, there was no application made for this particular live Pilot test! Therefore the PRC and Finance were not involved in oversight of a live undocumented operational Pilot test. Of course this raises the questions; what are the USPS rules for conducting a live Pilot test? Are they discretionary? There is still some question about whether Marketing was included or precluded from this test because of the training materials provided to USPS Marketing reps as mentioned above. You do not indicate if those marketing materials were prepared by E Commerce or approved by a higher level of Marketing.



Certified Mail Pilot Test

The issues you wanted to assess in the test goals did not need a "live" operational test. As we have mentioned in our June 7th letter, each and every one of the goals you now list could have been determined without PB having to sell postage meters or USCL and the USPS marketing this service to new customers. Postage meters could have been tested in labs, given to any number of existing customers in PB's management services division or existing customer to achieve the data volumes required, the same for USCL existing customers. We have unfair competition on one hand and on the other hand the financial issue of **how much revenue did the USPS lose in this test** versus how much revenue did the USPS gain from growth caused by the enhanced service? We do not need an independent econometric study to prove our point. Your own data collected from PB (who promoted Certified Mail without Return Receipt) and Outsource Solutions (whose major client stopped sending Return Receipt) will teach you that all you have to do is take the number of transactions processed during the test and multiply by \$1.50. You lost almost that much revenue say \$2.0 million. Now can you prove there was any growth because of this test? No! Yet the USPS stands by the growth estimates even when the surveyor, Ruth Rothschild, says she really does not know what is going to happen until a product/service is really offered. This is an issue which the USPS must immediately address not WALZ. We know that Product Development did not invite Finance to share in the opportunity to obtain economic information. Why would someone do this? No information means there can be no **adverse information.** Adverse information can stop the program.

As for the selection of the participants, let me make this perfectly clear, WALZ does not and has never objected to PB or USCL being selected. Our issue is solely that they received economic benefit and used to this gain market advantage. In response to our point about Walz not being considered for the test, you responded by saying that you selected mailers/service providers that were certified to do FTP electronic filing. To the best of our knowledge, Outsource Solutions did not have ability when they were selected. They had to specifically program the necessary routines.

The opportunity to participate in a Pilot test should be a privilege and should include control over the participants. This is exactly the opposite of what happened. Excuse me for being skeptical here but who is making the rules? Why were you not able to set the ground rules? Was PB or USCL objecting? Did John Ward have an influence on the lack of written rules and objectives? Did Mr. Potter's statement about a freeze on capital spending set back the timetable for implementation or create a need for a test? In March 2001 or earlier the free transfer of delivery data had been established in concept, if not already set in stone. In April 2001, the survey questionnaires were completed for use. By July/August 2001 the market survey was done and the pricing known. Lets start a live Pilot test because we have issues to assess and we need to make a business case but let's not put anything in writing, and don't ask Finance if they need might need any information. Why weren't we told on our June 3rd teleconference with you that the test was terminating on June 30th. There was no indication of that. What happened between June 3rd and June 30th that



changed the landscape on the issues we raised? The coincidental nature of this program and the actions taken between June 3^{rd} and June 30th don't pass the proverbial stink test.

As we stated earlier, PB knows we do not have this service and they have admitted they are targeting our customers. This is why we wanted the test to stop. It was unfair. We also wanted new management in Product Development to take a closer look at where the program had originated, what had occurred and did this all seem fair?

You mention that some risks were taken into account before the PRC approved the rate changes. Why would USPS managers take such aggressive entrepreneurial risks? This is highly unusual by USPS standards. Is there that much pressure to make every program profitable? Maybe there is in E Commerce given the GAO reports and Mr. Potter's comments that these enterprises must stand on there own. Lets take USCL, as an example. Did this concept start with a marketing study to find a sole source vendor or earlier when Mr. Carter has told us that he was roaming the USPS halls trying to find someone to listen to his vision? How profitable is such a venture today to take so much risk? Then again, risk is often a personal perception. One may believe that there is nominal risk associated with starting a USPS marketing program if USPS reps receive a PowerPoint presentation created on September 28th teaching them how to sell Net Post Online ETC when PRC testimony started September 24th. We also have the matter of the USCL Electronic Return Receipt. Is this just aggressive marketing with possibly a small nod of approval by E Commerce, a great revenue source or deception? Even today on the **USPS web site** it declares in FAQ: "It allows you to store every piece of mail, as well as information regarding proof of entry, recipient information, an online mailing manifest and Certified Electronic Return Receipt". Is it appropriate for a USPS business partner to take (as you said in your letter) "additional liberties" and deceive the USPS customers through a USPS website that this service is available?

Revenue Issue

WALZ has brought several issues to the attention of the USPS because we believe there was a critical lack of oversight of this particular program during USPS reorganizations. The fact that the largest mailers of Certified Mail would reap a billion dollar reward at the expense of the USPS and taxpayers is a concern to us. Also, the decision to give monopolistic economic advantages to PB and USCL was developed long ago and the power to do so was limited to you and John Ward. The USPS does not have a method established to measure the growth in certified mail from the enhancements. There is a strong logical case to be made, that the future of Electronic Return Receipt service will not succeed economically. Again we think your estimates are overly optimistic because common sense and the specific actions of your own customers, in your Pilot test. Wal Mart stopped using Return Receipt when batched delivery information became available. What makes you think that they will pay for Electronic Return Receipt on each transaction when it is available on the internet after mailing, when needed? Then again, as you point out Certified Mail volume is up and so are revenues. A large increase in revenues can mask many problems for a time but if there is an underlying



problem, it will surface. We see this happening every day in the financial world. From our seventeen years of direct Certified Mail experience, we know that in a bad economy there are more layoffs which results in more loan delinquency rates, more insurance cancellations for non-payment, less child support payments and more bad checks. In our view, providing free delivery information, in batch to corporate America, is not only a poor business decision, but also will result in hundreds of millions of dollars of revenue loss in the next few years. Providing this data for free, overall, will not induce more use of Certified Mail in the corporate sector.

Monopolistic Overtones

From our limited perspective, we do not know what more the Product Development Department could have done if they were actually trying to transfer the economic advantages to the chosen two (PB and USCL). From the perspective of any third party, there does not seen to be any action steps taken by Product Development, Special Services or E Commerce to even attempt or hint that economic advantages were not intended to be given to PB and USCL long before official approvals. As of today, if the IRS, for example, wants the benefit of this new certified mail service, they must choose to have USCL or Outsource Solutions send their certified mail **or use a PB postage meter.** To WALZ that was the objective and the result.

In Conclusion

John, letter writing is really not conducive to a debate on the issues we have raised. And while your letter tried to formulate a reasonable USPS response, you can see it raised far more questions than answers. It is highly probable WALZ will never receive satisfactory answers by this form of communication. We may never know what actually happened or why. We hope that Marketing, Finance or other oversight groups want to delve into the what happened and why. WALZ will leave further questions to those who seek answers.

I am sure there will be critics of the USPS who will say this is just business as normal. I do not believe that. The USPS has many great programs that a run without incident. When the USPS is struggling to balance its books, Congress and the press will want to know why the USPS intentionally gave corporate America a billion dollars in future savings through batch processing of free delivery confirmation, when there is a very good chance that they would be willing to pay something for this service. As we pointed out in our previous communication, companies like **Wal Mart will be able to save \$1.2** million dollars per year in fees plus labor to physically update customer records. Why wouldn't they be willing to pay for batched data at some price? I am not sure that the press and Congress will be satisfied by the fact that your market research was statistically weighted. At the year one projected rate of 14,000,000 Return Receipts lost, it will only take a little over three years before the USPS is losing \$100,000,000 per year that will never be recovered from Large Certified Mail users. Even if you increase the price of Certified Mail above \$2.30 in the future, large mailers who stopped using Return Receipts because they receive the batch processing benefits for free, will never pay their fair share. Then again this is not a Product Development problem.



My final issue is the Electronic Return Receipt Service provided by USCL. They are emailing a USPS 3811 form with USPS Certification and a USPS round date marking to Customers. Since this is not a USPS authorized service, doesn't this seem a bit deceptive to you? You and legal have had this information for over a month now. <u>Has action been taken to notify USCL this is not authorized by the USPS</u>? <u>Have they been told to stop using it</u>? <u>Did anyone in E Commerce approve this form and concept then forgot to tell you</u>?

<u>I</u> would appreciate an answer to my underlined questions. <u>If you have any additional information to share, please send it to me before I move forward.</u>

Again, thanks for your consideration in allowing WALZ to participate in offering a new certified mail service. We will pursue it diligently.

Sincerely,

Peter Casserly

Peter f Consuly





June 7, 2002

John Dorsey United States Postal Service 475 L' Enfant Plaza, SW Washington, DC 20260-2620

Re: Issue of fairness related to the pilot test of Electronic Tracking Confirmation ("ETC") for Certified Mail

Dear John,

At your request and based upon our teleconference last Monday, I have prepared this letter that sets forth our concerns about the negative impact your ETC for Certified Mail pilot test is having on Walz Postal Solutions and I have suggested possible solutions. A fundamental fact, based upon what we have been told by you, is that ETC for Certified Mail is a **test** regardless of whether it is offered through any of the three participants listed below. If I have not accurately stated the conversation or the facts, please feel free to advise me of any discrepancies.

(Overview)

Pitney Bowes ("PB"), US Certified Letters ("USCL") and Outsource Solutions, Inc. ("Outsource" dba: High Cotton Direct) were selected for the test. I expressed our deep concern over the fact that Walz, as the largest provider of privately printed Certified Mail forms and software technology, was never considered for the test, which is puzzling. A side issue was your perception of Moore's cooperation in barcode compliance. I've attached separate documentation which will illustrate their effort.

A big issue you didn't address in the test is how desktop software and forms providers, like Walz, are to integrate this technology without the use of a postage meter. Per your speech in March of 2000 at NPF, vendors like us were to be ultimately included in this program yet your test was limited to vendors who will bring the mail to the USPS or who use a special postage meter. We provide the service at the desktop level for thousands of customers who send volumes of Certified Mail. These customers want a product that will interface with USPS, pull down the delivery data en masse, not one at a time. Our customers may **not** want to go to the post office nor be forced to use a PB meter to take advantage of ETC.

In your conversation with Rod Walz and myself on Monday, you stated that the purpose of the test was to collect the data necessary to make a business case for this new service offering, as well as for the upcoming "Electronic Return Receipt" scheduled in March 2003. However, you also indicated that, until the business case is approved, there isn't any money available for this initiative. You stated that there were no written agreements with any of the participants and no guidelines as to test limitations such as volume and test expiration. You also stated that each participant's senior management is completely aware that this test could be turned off at any time. What was alarming to me was the fact that you said you have no control over



the participants' marketing efforts. In response, you stated that if PB or USCL were taking competitive advantage, as we stated, that you would stop the test.

To our recollection and experience, when the USPS gets into a test, it is typically governed by guidelines that are carefully structured in such a way as to not in any way, shape, form or appearance provide the participant with any undue advantage. Walz has been negatively affected by the marketing practices of PB and USCL who took economic advantage of the <u>privilege</u> of being involved in a test.

(Issues)

Pitney Bowes: PB used the test for profit. PB made the customers commit to a multi-year lease on the meters while not informing them that they were part of a test and could be cut off at any time. A strong point can be made that customers were not even needed for this test because, to our knowledge (based upon our contacts with clients who have the DM200 meters), customer feedback was not solicited as part of the test. PB could have run all kinds of volume tests in their labs providing you with ample transactional data. At the very least, PB could have gone to some of their existing customers, installed the DM200 meters at no charge, and provide you with the same data. Another opportunity would have been to install, at no charge, some DM200 meters through their Pitney Bowes Management Services division ("PBMS"), which run mail centers to provide ample data for the test without opening ETC to their customers. However it is unusual to have no written guidelines on the test. We do not know if you inherited the overall structure for this test from John Ward before he left to take a VP position at Pitney Bowes last fall and therefore may not have been able to prevail over having more control over PB.

<u>US Certified Letters</u>: USCL also used the test <u>for profit</u>. They and the USPS marketing reps promote the Netpost Certified product <u>with ETC</u>. Again, as in the case of PB, a strong point can be made that customers were not needed for this test. USCL could have used existing customer transactions to provide you with the data needed for the test. By not informing customers that this was a <u>test</u>, USCL has been the beneficiary of a significant competitive advantage, which they have exploited.

Outsource Solutions: Outsource appears to be the only participant who understood the spirit and intention of the test. According to a conversation with Dave Crockett at Outsource, he has not leveraged his competitive advantage because he clearly understood it is a test. As we have been informed, Outsource Solutions was initially led to believe that they would be a participant; subsequently, they were informed they were rejected. Wal-Mart is their major customer and it was pressure from Wal-Mart that created the impetus to have Outsource Solutions to be ultimately accepted. Outsource limited the scope of this offering to Wal-Mart and a few, then current, customers. If Wal-Mart had not intervened, you would have only had two participants. Outsource has provided very large files since the beginning of their involvement and has had no requests for feedback on this test, since day one.



(Supporting Information)

To support our claims, I've assembled supporting information.

(Pitney Bowes)

At the NPF last October, I observed PB demonstrating their DM200 meter with Certified Mail and tracking capability and there was no mention that this was a test. This year, at both NPF in San Diego and Mailcom in Atlantic City, PB made full-scale presentations, including large plasma screens, about their ability to offer this service. Never in any presentation, or literature, was it announced that this is a test, but rather that it is their latest product offering for Certified Mail. Certain PB representatives specifically mentioned that Walz is not able to offer this service. A paramount concern is the fact that they admitted that Walz clients were targets for their sales. John, I bring this to your attention because you were not at these conferences and may be unaware of the scope of the issue. Additionally, Walz has lost customers who told us that they selected PB because Walz is not able to provide ETC.

The attached copy of their marketing flier not only mentions "track it on-line" but even encourages not using Return Receipt ("even save the cost of Return Receipt") which I might point out could cut the USPS out of the \$1.50 in revenue. If this happens ten million or hundred million times, this adds up to millions in lost revenue.

US Certified Letters

USCL was selected as a sole source vendor for the USPS Netpost Certified On-Line with a revenue sharing agreement. As a sole source vendor, they have an unusual advantage because anything they do appears to be coming directly from the USPS. USPS marketing reps have been trained that ETC is available today. It appears no one told them it is a test and could be shut off. By having no written guidelines regarding this test, you can see that even within the USPS there appears to be a lack of understanding that this is a test. Here are some examples:

The attached copy of a USPS web page include direct references to the fact that the customer is provided with ETC as a **new** service: "ETC is our **new** Electronic Tracking and Confirmation service. This service will save you both time and money. This information includes important date, time and NetPost tracking information for each of your letters. The data is updated daily from the USPS and sent to you electronically to view in our ETC software." The web site even goes on to say that Electronic Return Receipt already exists: "Return Receipt is available electronically or by traditional printed copy." We were unaware that Electronic Return Receipt is part of the test or even more important, even available at this time. However, attached is a sample of an Electronic Return Receipt offered by USCL. Is this an approved USPS offering or is this a USCL created product posing as an official USPS product? We hope that USCL is not charging the fee for an Electronic Return Receipt as an unapproved USPS service. Would you please respond to this issue? We also noticed that there was a copyright symbol on the form by USCL, which further makes us wonder if this is an approved form and to be the form of the future.



Part of the training of USPS reps regarding Netpost Certified involves the use of a PowerPoint presentation. I've attached one of the slides that promotes ETC. There is no mention in the entire PowerPoint that this is a test. I have personally met with numerous USPS marketing reps and not one understands that ETC for Certified Mail is a test.

(Summary)

The facts support our contention that PB and USCL are not acting like this is a test and, for all intents and purposes, have a monopoly on this service offering. We are at a loss to understand why this test has taken almost a year to gather the data necessary to make a business case when your technical people can calculate, in minutes, the size of each record and extrapolate, using volume projections, the file space and hardware capacity needed to go live. Whether the system works was never at issue since you are using your existing Package Tracking System, which automatically receives and transmits data with little human interaction. Therefore, in our mind, the test was a success on day one and since you won't share with us the test parameters (goals of the test, measurement standards, etc.), we have nothing else to go by in answer to our investor (Walz) concerns about, what they perceive, is a monopoly and categorically unfair. PB and USCL have had over nine months of competitive advantage and "enough is enough".

(Recommendations)

- 1. Stop the test and disconnect the participants and;
- 2. Allow WALZ Postal Solutions the opportunity to test its ETC software to individual users and as a consolidator in place of PB and USCL until sufficient capacity is in place to make the entire system operational (a new and separate test). Your test does not include this type of ultimate software provider, but in your March 2000 NPF presentation you said we (other forms and software providers) would be directly involved. WALZ does not have a postage meter system and we will not make customers sign a multi year equipment leases to test our software system. WALZ will not require customers to outsource their Certified letter preparation. WALZ will agree to put controls on marketing and certain other limitations you felt were unreasonable to ask PB or USCL.

(In Conclusion)

John, we know how hard you have worked over the past years to implement the new bar-coded Certified Mail programs. The magnitude of the project and cooperation required is huge. Moore reduced its Certified Mail form sales by 50%, for a five month period, to assist with compliance. As you know, since February 2001, Walz is not affiliated with Moore by written agreement. However, there is still a close relationship. Walz now makes all business decisions regarding its products.

Walz would like to continue working with USPS in a productive manner as a principal vendor of Certified Mail solutions for USPS customers and offers its assistance, experience and resources to better serve our mutual customers. We hope the fairness issues we have set forth can be resolved quickly and equitably



within the Product Development department or in cooperation with any other department involved. How and why actions occurred as they have can be put in the past if we can resolve our concerns about the marketing activities of PB and USCL and be closely involved in testing ETC and future product offerings. John please call me when you have discussed our issues at the appropriate level with how you want to proceed. As things stand each and every day that goes by WALZ is being harmed in the market place and others are benefiting. Therefore time is of the essence. I would like to move forward in a positive manner and would like to develop a resolution by the end of next week.

Sincerely,

Peter Casserly

President/CEO

cc: Nick Barranca

Attachments

Maximize Your Savings... Mail With Confidence!

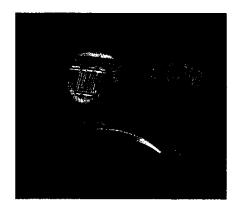
Confidence Without The Cost
Take advantage of the money-saving
opportunities and improved tracking
and tracing control that our DM Mailing
System and your Internet connection can
give you. Connect to our Confirmation
Services Network and get electronic
access to three valuable Postal Services—
Certified Mail, Delivery Confirmation and
Signature Confirmation. The savings
can be tremendous!

\$1.50 Saved \$.40 Saved \$.50 Saved



A DM Series Exclusive
Our DM Series Mail Processing Systems
give you tracking, tracing, and moneysaving capability along with a new level
of mail processing efficiency. This new,
advanced technology enables you to
open an electronic window to the Post
Office to electronically process Special
Services without ever leaving your office.

Information On-Line All The Time Use the delivery system that's designed exclusively for our DM Series users to track your mail on the Pitney Bowes website ... on-line, anytime! And, it's easy – just enter your Postage By Phone® account number for immediate access to your delivery information. Plus, your customers can also track delivery on the USPS website.





Certified Mail

Take control of Certified Mail with on-line access. No more trips to the post office to purchase or deposit Certified Mail. Get the assurance of Certified Mail plus the ability to conveniently track it on-line by electronically filing from your office ... even save the cost of Return Receipt!



World Headquarters Stamford, CT 06926-0700

For more information call toll-free: 1-800 MR BOWES (800-672-6937), and ask for program number 8500. www.pitneybowes.com



Delivery Confirmation

Track Priority Mail on the Internet at no additional expense. Save \$.40 in postage fees, get the most cost-effective service available for important mail targeted for two to three day delivery. Eliminate overnight carrier expenses, airbills, and unnecessary trips to the post office. You can drop mail anywhere the post office accepts it, or have the carrier pick it up with all your other mail.



Signature Confirmation

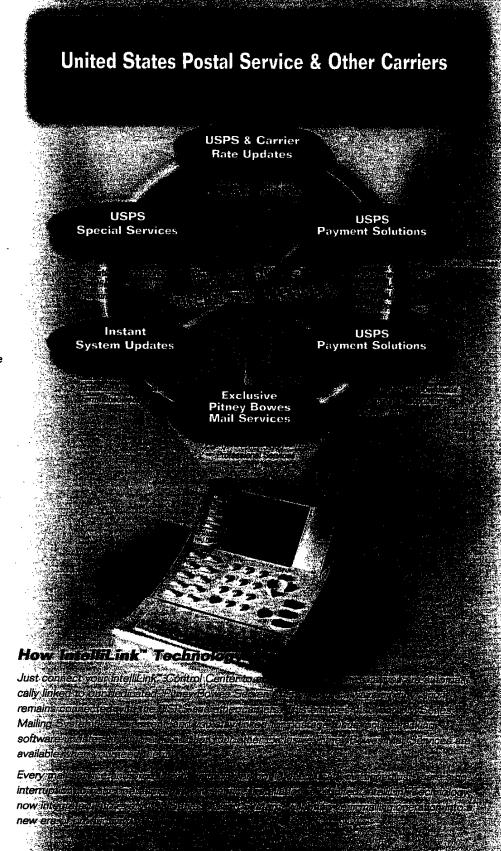
Take your Delivery Confirmation one step further. Track your mail to a specific address and the delivery date. Now, get the name of the person who signed for it. The information is available on-line, 24/7. Save \$.50 per piece on the cost, eliminate trips to the post office and even better, eliminate the need for private carriers and save up to \$10 per mail piece.

-Introducing Intell Link Teamology

Your Digital Gateway To Exclusive Mail Services

Intelligent mailing with one-touch convenience – that's what IntelliLink™
Technology delivers. You'll gain access to a suite of services and management information that will improve the productivity of your mail center and the performance of your business. Imagine the benefits.

- USPS Payment Solutions Onetouch, online postage replenishment is easy and fast through our Postage By Phone® System. You can Pre-Pay for postage, you can get a Postage Advance, or you can earn interest on the balance maintained in our Reserve Account.
- Features On-Demand Are you starting a new ad campaign, postage chargeback policy, or a new USPS service? You can instantly download Envelope Ads, Departmental Accounting options, and Postal Inscriptions – all at a touch of a button.
- Exclusive Pitney Bowes Mail
 Services "My Account" at pb.com
 provides online access to your account
 information, enables you to order supplies, and even request service. And, our
 Professional Services ensure the peak
 performance of our equipment solutions.
- Instant System Updates IntelliLink maintains your operating system with the latest software downloads. This ensures maximum performance and protects you from near term obsolescence.
- USPS Special Services Enjoy and profit from online Delivery Confirmation and Signature Confirmation for First Class Parcels, Priority Mail and Package Services. Plus, IntelliLink even enables you to process and track Certified Mail – again online.
- USPS & Carrier Rate Updates No more rate PROMSI Just download the new rates when you need them.







Welcome



Products Pricing

Marketing

Press

Contact Us

FAQ

Netpost Certified Mail is a revolutionary new way to send Certified Mail. You can now send mail with fast delivery, no errors, and no trips to the Post Office.

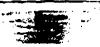
We are taking advantage of today's rapidly growing technology industry by offering a new, exclusive, cost-effective way to send mail. NetPost Certified Mail is the most reliable method in the world by which to send certified mail. You can create a letter, pay online, and send; the patent pending automated certified mail system verifies the address, adds the barcode, prints and folds the letter, and automatically completes the certification forms with just a few clicks of the mouse.

At NetPost Certified Mail you save time and money and can eliminate errors and cut delivery time in half over manual methods. Whether you have just one letter to send or 1,000, NetPost Certified Mail can process your letters flawlessly the same day. As you will discover by using our service, you have found the fastest, easiest and most reliable way to send your Certified Mail!

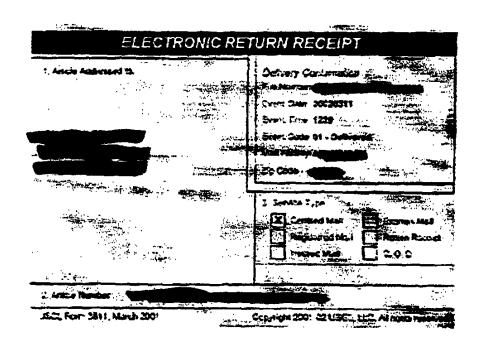
Here are seven easy steps to explain how the process works:

- 1. Download the CMMS Windows software to your local computer.
- 2. Type your letter or import it from any popular Windows based word processor program.
- Your document is sent electronically to NetPost's Mail Processing facility.
- 4. Our mail processing facility prints, folds, and applies postage using our patented forms and technology.
- 5. If your mail is received by 12:00 PM EST on the days the US Postal Service is open, the letter will be processed the same day. If mail is received after the stated time, the mail will be processed the following business day. Enterprise clients will have mailing terms set forth in their agreements.
- 6. Your certified letter is delivered by a USPS employee and signed by the recipient.
- 7. Return Receipt is available electronically or by traditional printed copy.

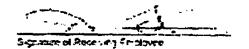
Electronic Return Receipt



The following Electronic Return Receipt information shown below was provided from the U.S. Postal Service. Additional information including Electronic Segnature information is available from the U.S. Postal Service online at www.usps.com



USPS CERTIFICATION





Bound Share

Report Copyright 2001-02 by USCertifiedLetters, LLC. All Rights Reserved. The U.S. Physic Survival 583 pro-ded fire defects, information shounded in report. Copyright this transcomment for an unit field the U.S. Physical Service and at USC... or serve. "I", each normal the tool event date above for additional source for additional from an operational services. USC-ordinal lateral at 1-866-638-8725.

Electronic Tracking Confirmation

Powered by



Welcome

Products

i decer e s

1494

Enterprise

ы

Pricing

Press

Marketing

Contact Us

FAQ

Electronic Tracking Confirmation will be available for Enterprise and CMMS clients.

ETC is our new Electronic Tracking and Confirmation service. This service will save you both time and money.

First, you receive the origin proof of mailing information. This data is authorized by the United States Postal Service and includes the Certified mail article number, date, and time of mailing your Certified letter enters the USPS mail stream.

Second, you receive Electronic Tracking Confirmation data to assist you to track each Certified letter to its final postal delivery destination. We provide free Windows software that will display each Certified letter and the associated electronic tracking data received from the USPS.

This information includes important date, time and NetPost tracking information for each of your letters. The data is updated daily from the USPS and sent to you electronically to view in our ETC software. You may print tracking and confirmation reports for each mailing.

With this service clients use the electronic tracking data in place of the green card. You may still request the green card anytime you need it. The USPS captures the signature showing proof of delivery and the information is electronically stored for 2 years from the date of mailing. You may order the green card only when needed.

This process saves time, money, and eliminates labor cost associated with filing the green card, and storing the information. You may order proof of delivery through the USPS.

Electronic Media Kit

POSTAL PERING

- PowerPoint Presentation
- Sample self-mailers and flats
- Sales sheets: one-pagers
- Rate cards & letter of agreement
- CMMS Software
- ETC Electronic Tracking Confirmation Software



Your remarks about our "massive dumping" of non compliant forms on the market

John, in our conversation, we felt you were under the impression that Moore did not take a strong role in its attempts to comply with the USPS schedule to introduce bar coded forms. I have reviewed this matter, including past correspondence, sales activities, pricing and am submitting confidential sales and notices to customers to help put Moore's efforts into perspective. I think it very important to get some real data into your hands because you may have formed a negative impression about Moore and now WALZ as a "partner'.

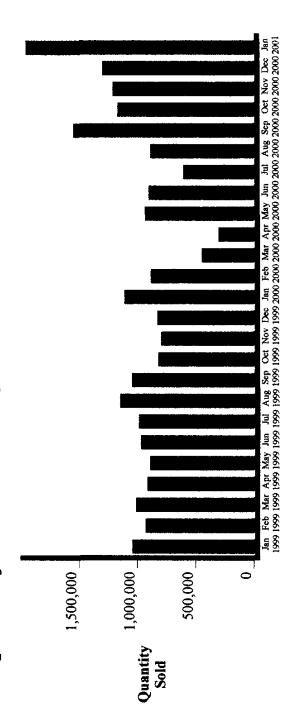
During the transition period, lets say January 2000 to the ultimate compliance date in February 2001, Rod did act as a liaison for Moore and Moore did have three main issues; find a new plant to produce bar-coded forms; notify customers, and schedule inventory purchases of nine digit forms and new bar-coded forms. Rod asked for some leniency on behalf of Moore and it customers and you may have heard this as a plea to let Moore sell is inventory, as a result you may have developed fears of "massive dumping" of old forms and "selling at discounted prices".

What I have discovered with the benefit of hindsight and real data is that Moore did too good of a job of notifying it customers of the change. The customers immediately changed there buying habits in huge numbers. This in turn caused a build up of unusable inventory (nine digit forms). Then it took Moore an extra month to six weeks get the new bar-coded forms in stock which caused an out of stock situation in certain product types. Before Rod and/or Moore could even detect what was happening they were asking for consideration. My review indicates that in the end there was absolutely no "dumping" of inventory and very little, if any, price discounts.

I've attached a sales graph by monthly sales quantity that illustrates what actually happened. The critical time frame here is February 2000 to July 2000. At one time you wanted full implementation by June 10, 2000 but eventually extended that to February 2001. So what does the graph illustrate? Beginning in February sales started to decrease then in March (when Rod approached you with Moore's concerns) and April sales go down by 70%. This is an absolutely extraordinary sales change. May and June were close to normal then July drops by almost 40% because Moore is out of stock of some items. In August Moore has all new complying forms. In September to January customers are repurchasing supplies and rushing to meet the February deadline.

Bottom line, Moore averaged sales of 541,000 forms per month in March –July 2000 compared to average sales of 1,077,000 in the other months. Because of notifications to customers Moore sales decreased an average of 50% in preparing to comply. I know you can appreciate the significance of this in your efforts. Yes, this did cause Moore to write off more than 2,500,000 outdated forms.

Quantity Sold from 01/01/1999 to 01/30/2001



Month / Year

Summary

Total Amount Shown: 24,795,930 Monthly Average: 991,837



During the period March-July 2000, Moore's average sales were 541,000 forms per month, compared to average sales of 1,077,000 in the other months. Because of notifications sent to customers, Moore's sales decreased an average of 50% in preparing to comply with the change to bar coded forms. This indicates that Moore made an extraordinary effort to comply, and that there is no indication of "massive dumping of forms on the market."

Certified Mail Forms Changes Important information you should know

United States Postal Service Forms Redesign

The USPS has redesigned a number of forms and labels, including Certified Mail, to incorporate a barcode. Once deployed, barcodes on Certified Mail and other special services labels will be scanned upon acceptance and delivery and an electronic record will be created for each mail piece.

Moore is working with the USPS to provide you with Certified Mail forms that will meet the new barcode requirements.

When are these changes taking place?

The USPS is currently transitioning to the new barcoded forms; however there are different compliance dates:

March, 2000 for using forms <u>provided by the USPS</u>, the manual forms available at the Post Office.

June 10, 2000 for privately produced forms, like Walz Certified Mailers.

Existing Walz forms CAN BE USED until June 10, 2000

As outlined in the Federal Register notice, Vol. 65 No. 15, 39 CFR Part 111, Summary section:

...Vendors [Walz Certified Mailers from Moore] and mailers preparing customer-generated labels will be required to comply with these [barcode] requirements for special service labels [certified mail] by June 10, 2000...

Having problems with your local Post Office accepting the existing Walz Certified Mailer?

We are working with USPS Headquarters in Washington, D.C. on our transition. If your Post Master is questioning the use of the existing, non-barcoded Walz Certified Mailer, your Post Master should contact:

John Dorsey Manager, Special Services United States Postal Service Phone: 202-268-2255 (Washington, D.C.)

Walz Certified Mailers from Moore 1 800 882-3811



July 3, 2002

Peter Casserly President/CEO Walz Postal Solutions Inc. 1588 Mission Rd., Suite 110 Fallbrook, CA 92028-4112

Re: Certified Mail Issues

Dear Peter:

Thank you for the opportunity to address the concerns of Walz Postal Solutions Inc. regarding the fairness of recent Certified Mail related events and activities. First, I would like to thank the Walz Group for all of the support they have provided to our Certified Mail customers over the years. I also appreciate your patience in allowing us the appropriate time to research these issues and respond with appropriate input from others within the organization. As I mentioned before, assembling the right subject matter experts on short notice immediately prior to a rate case implementation date is a challenge.

Before responding to each issue I would like to share that June 30, 2002 marked the end of the pilot tests you have requested that we terminate. Effective on this date, with the implementation of the new rates and classifications resulting from the recent R2001-1 rate filing, Certified Mail includes electronic access to delivery time and date or attempted delivery time and date for any Certified Mail purchase. Walz customers and any other customers can now log onto <a href="https://www.usps.com

The Postal Service has authority to provide electronic access to the information in the most efficient means possible. We have scaled the website to our expected activity level. By accepting bulk Certified Mail information via manifest, which permits us to provide electronic information in bulk, we avoid costs associated with mail acceptance and website capacity increases. The Postal Service stands ready to work with Walz Postal Solutions, Inc. and provide bulk access to electronic delivery information on the same terms we now do with three other customers. We are prepared to move forward now with setting up an electronic filing arrangement using FTP to provide your customers' Certified Mail records directly to the Postal Service. The Walz group would then receive delivery records in batch through extract files. Please call when your technicians are ready to discuss this setup.

I should emphasize that no signatures are provided with the new, approved electronic enhancement to Certified Mail, neither through the Internet nor through the bulk provision of information. Some may claim to provide electronic Return Receipts, but such a service would not be comparable to the electronic return receipt service that the Postal Service plans to offer next year.

I will now address each of your concerns as they appeared in your June 7, 2002 letter to me. I will, then, address the issues communicated in later email messages regarding the financial impact of these events.

Certified Mail Pilot Test:

You expressed concerns about the fairness of the operational pilot testing we have conducted with Pitney Bowes, USCL, our NetPost Certified Mail partner, and Outsource Solutions Inc., on behalf of Wal-Mart, their customer. The pilot tests were set up to allow the Postal Service to learn more about a number of operational possibilities. It is not unusual for the Postal Service to do operational testing where needed and the Postal Rate Commission has been fully apprised of a number of live pilot tests in the past. Our test goals have been to assess many issues, including the following:

- Use the electronic protocol transfer process with established Certified providers/users.
- Collect data for performance measurement of Certified Mail capture in preparation for June 30 public offer of Internet access. Clean mail design with electronic acceptance records are matched with delivery records to measure Certified Mail capture rate.
- Assess potential to reduce Internet transaction costs by batching delivery data to service providers and their customers. Reduce costs of Internet access.
- Test demands for additional server capacity to hold additional acceptance records for electronic filing.

If the pilot testers offered additional services to their customers in conjunction with the operational test, it was done at their own risk because this was a pilot test that could have been terminated at any time. Moreover, the Postal Rate Commission could have refused to recommend the Certified Mail changes.

The following provides our selection criteria leading to the testing with Pitney Bowes, USCL, and Outsource Solutions Inc., on behalf of Wal-Mart:

- We selected mailers/service providers who were already certified to do the FTP electronic filing with Delivery Confirmation.
- We selected mailers/services who already had electronic records of their customers' or their own Certified Mail records.

We were not aware of any forms vendors, including the Walz group, that met these criteria without further development work and time. As I offered before, we are willing to work with the Walz group to provide service on the same terms it is provided to others. I should apologize for any confusion stemming from discussions at the Postal Forum. Providing desktop forms/software providers like Walz with an arrangement to mesh their products with postage meter or other postage paying methods is something the Postal Service believes is best left to the commercial sector to develop.

By way of further clarifying potential misunderstandings, the Postal Service does not offer any service known as ETC (Electronic Tracking Confirmation) as you refer to it. The web pages using this terminology are apparently provided by USCL, our NetPost Certified Mail partner. As you may know, many of our business partners, including forms vendors, can take additional liberties in how they present our services. Further discussions on the USCL business arrangement and product offer can be arranged with the appropriate experts if you wish.

Rate Filing and Revenue:

You have expressed to me via email, and in a letter to Richard Strasser, concerns about the potential loss of postal revenue that will result from declines in Return Receipt sales as a result of offering electronic delivery time and date information for Certified Mail. As I described earlier, we made a few changes in the Certified Mail and Return Receipt services in the last rate case:

- 1. We added the electronic access to delivery information for Certified Mail and Registered Mail, to be included in the fee for those services. These were implemented on June 30th. We note that the costs of this access are included in the costs for the these services, and that the fee for Certified Mail was increased from \$2.10 to \$2.30, following earlier increases in 2001 from \$1.40 to \$2.10. So we believe we are properly charging customers for the value of the enhanced Certified Mail service.
- We also requested and received Postal Rate Commission recommendation and Board of Governors approval of a new electronic Return Receipt option that will automatically send the delivery time and date and the recipient's signature image to the sender's email address. This service will be available in 2003.

As you have already discovered, the request for these new service changes was accompanied by quantitative market research. The research was statistically representative of the Certified Mail user base (both business and consumers) and was conducted among current Certified Mail and Return Receipt users as well as new users. In both cases, respondents said they would use more Certified Mail as a result of the electronic access to delivery status, they would use more electronic Return Receipts sent to their email address and more Internet purchased Return Receipts after mailing to be sent by fax or mail. They also said they would send fewer traditional hard copy return receipts given these options. We were rather conservative in our use of this data by excluding any responses that were less than 80 percent "likely to use". We also substantially scaled down the customer response to reflect a gradual transition to these new options. Even with these adjustments, there remained an overall increase in unit sales volume and revenue as a result of the indicated use of all of these new services altogether.

In communications to USPS, you report your independent understanding and expectations regarding the impacts of the newly implemented changes, without identifying any independent, quantitative studies to support your opinions. You are certainly welcome to your opinions, but the USPS stands by its methods, including quantified econometric projections, inherent in requesting and obtaining approval from the independent federal agency, the Postal Rate Commission.

The increased use of Certified Mail and new Return Receipts more than offset the decline in volume and revenue associated with hardcopy Return Receipts. The research provided clear evidence that customers, current and new, want faster, easier, electronic access to delivery information. You even indicated in your letter that some large Certified Mail users are getting close to their limit for fee increases. We believe that the new electronic enhancements will increase the overall value of Certified Mail and allow us to stabilize fees. According to this research, Walz, and all other providers can look forward to a growth market in Certified Mail as a result of these service changes. In fact, our most recent third quarter report shows that Certified Mail unit sales have grown by 7.6 percent thus far year-to-date with a revenue increase of 33 percent over the past year.

USCL Partnership:

On several occasions you expressed concerns and posed questions about the business arrangement between the USPS and USCL. I would recommend turning this discussion over to others with more expertise than I have in this area of business. I will ask Jim Samaniego, Manager, E-Commerce, to get in touch with you.

I hope I have addressed all of your concerns. We look forward to working with you and Rod to make Walz Postal Solutions, Inc. one of our strongest partners in this new arena with a changing set of Certified Mail and Return Receipt services geared to our customers' changing needs.

Sincerely,

John W. Dorsey

cc: Anita Bizzotto
Nick Barranca
Richard Strasser
Bill Tayman
Robert Krause
Richard Arvonio
Andy German
Dan Foucheaux



Date 01/31/2003

Dear Mr. Seabrook,

Enclosed you will find information concerning one businessman's opinion of some ideas to help the US Postal Service in increasing revenue and quality of their products also use new product technology. There are samples of our product and actually you received this mail piece in the 9X12 product. These products are patent pending and approved by the USPS but they are products that will make using certified mail as a one-time user to a corporation that run thousands per day easy to use. They're also cheaper to the consumer because of the patent pending process that they go through in the mail stream. I am sending each one of the subcommittee members that analyze the private sector this document. I have spent over 24 years in the computer world and the last 15 years running my own companies. The last 11 years I have been writing software to work with the USPS and their customers. The last 5 of those 11 years I have worked even closer with Washington HQ showing new ideas and have even secured contracts and an alliance agreement.

I believe in what I am doing and I know I have helped the USPS with the ideas I have. I believe in this so much I have spent over \$6 million dollars of my own money to show the USPS the ability of the new technology that is out there. The USPS seems to believe in my ideas because over the past 4 years I have secured contracts and an alliance agreement with them, started a web site that is hosted by my company and used in the www.usps.com web site. But it seems that the USPS would rather spend money with people that say they have the answer. They have convinced the USPS to spend millions on software that they now own and this software is already out dated. (In my opinion the USPS should not be in the software business.) On the other hand the consumer seems to really like what I have to offer and wants to use what we have created.

We envisioned we would write the software and the USPS personnel would promote, sell and educate the consumer. That has not happened.

I stated above that I had invested over \$6 million in this project and I have. We are still not at break-even point in my company. The reason is not because of the products. It is because the USPS is not behind the product. They are still behind a product they own and have spent millions on. I am paying a revenue share to the USPS for the products the National Marketing reps. claim as their accounts. Remember we are still not at break-even point in my company.

This is not a complaint letter; it is a document to show concern for the USPS and to the American people. I am experienced in my field and others like myself need to have input

on these kinds of issues. Please no disrespect intended but I know more about mail and the USPS than all four of the committee members I am addressing this letter to. Everyone of you are the epitome of the American businessman in the highest and I think you can help bring the USPS into the 21st century but you do need the help from people like myself and others like me. Some of us know technology and some understand the user/customer/consumer and their needs and some of us know how to use and create the programming in computers for those users/customer/consumer. I have knowledge in all the above. I also hold Patent pending on several ideas that the USPS is starting to think might be important to the Postal service.

If you are interested please read what I have compiled here. This letter is a plea to the committee to just listen. I think you will find that I am a family man, American and a pretty good businessman. I know if you will take the time to read this I will be in front of the committee to help the USPS move into the 21st century. There are many more like me out here that can help. The USPS has been around for over 226 years and I would like to think it would be here another 200 years or more and using technology to stay competitive with the Fed-X's, UPS's and others that would like to put the USPS out of business altogether.

Thank You,

William T. Carter President/CEO USCertifiedLetters

Future Computer Systems, Inc.

Phone: 205.733.6741

800.946.3274

Fax: 205.733.6747

Email: tcarter@uscertifiedletters.com



January 24, 2003

To: Subcommittee for analyzing the current role of the private sector in the mail delivery system, Joseph Wright, Don Cogman and Norman Seabrook:

I would like to introduce myself to you by giving you a Bio of my business life. I hope you will take the time to read what I have done with the USPS and I want to offer myself and the services of my company to the committee and also to the well being of the USPS. I feel My Ideas, patents etc. have had a great impact on the USPS and in a very positive way. But I also feel that because of the bureaucracy of the USPS my ideas and others are not being heard. I have spent over 10 years working with the USPS. I have written software that makes it easier to work with the USPS mailing system. I have in the pass 4 years secured contracts with the USPS to produce web sites to produce US Certified Mail Online and you never have to go to the Post Office and/or fill out forms to send certified mail. I have created true Hybrid Mail, (Platinum First Class ™). This system will turn Special Services and First Class Letter services into one to two day deliveries with proof of delivery of the mail piece (track first class mail), by the end of the year, if the USPS would put their approval to this product and promote. Yes this will make my company money, but I haven't mention that I have put over \$6 million dollars and four (4) years into this project of my money and time. So far we have not broken even in production however we are paying revenue share to the USPS department that heads our contracts and projects. These new products also give the consumer that has used the USPS for 226 years a better product, And did I mention that it cost less than going to the US Post Office to purchase a first class or certified letter and these products give the consumer/customer a much better product than they have today.

Biography:

William Thomas Carter - Tom attended 1,1/2 years of college before joining the Air Force. Spent 7 years active with 4 years in Vietnam. Specialized in special weapons, explosives and nuclear weapons. Upon discharge Tom continued his degree in Computer Science. Also attended IBM schools in training for RPG II & RGP III. Tom attended several top management training schools given by IBM and also 3 other RGP Programming workshops with OCL. In 1987 Tom had the honor to attend the IBM Executive Institute in San Jose CA. Originally started as a computer operator with Ryder Truck Rentals, based in Miami FL. Moved to First National Bank in Birmingham AI as a JCL Specialist in Data Processing. Then Procedures Analysis/Programmer with Vulcan Materials for four years. Became manager of Data Processing with Alabama Oxygen Co. before moving to MIS Director with Daniel Realty Co. At Daniel Realty Tom developed Daniel's Property Management and Investment Relations system (K1 processing) and other software.

In 1988 formed Future Computer Systems, Inc. These positions give Tom bottom to top experience with over 24 years in the computer industry. Plus these experiences give Tom the advantage of totally understanding the customer's daily problems and needs. In 1991 he started specializing in the USPS mail process and has written software that has been tested and certified by the USPS, (CASS – Coding Accuracy Support System & PAVE – Presort Accuracy Validation Evaluation). In 1998 he submitted and is Patent Pending processes to produce Electronic/Hybrid mail and 4 other Patent Pending products that are in the mailing industry. In 1999 Tom created the company USCertifiedLetters (USCL), which whole the wed-sites also off-line versions of his software that produce Certified Mail via the Internet. USCL In 2000, after working with USPS Headquarters in Washington DC he has completed alliance contracts to partner with the USPS and IBM to introduce USCertifiedLetters not only to the USA but also Internationally via his websites and off-line versions of the software (USCertifiedLetters.COM now and GlobalCertifiedPost.COM to be seen soon.

Tom had the honor to be on the World Business Review hosted by Alexander Haig and is taped in Washington, DC. Robert Krause, VP E-Commerce, USPS and Dan Mirlovic, VP Collaborative Commerce, Gartner Gp. Organ, were also on the panel to discuss advanced communications solutions for the future. Now that Certified Mail can be done via the Internet and offline via USCL's CMMS (Corporate Mail Management Systems) and (EMMS Enterprise Mail Management Solutions) he feels that USCL and his team is ahead of anyone in bring technology and full Internet solutions to the user in not only certified and special services for the US Postal Service but many other products that will help the user communicate with the world.

Though people though Dot Com when they heard about USCertifiedLetters, Toms' creation of this software never intended it to be a Dot Com, but to give the user a complete software service solution that could be run through the Internet as the communication port just as we look at the net work within our offices from any computer system. In 2002 at the National Postal Forum in Boston, Ma. Tom was honored with a Special Achievement Award.

I am proud to be a business alliance partner with the USPS NetPost™ Certified Mail offering. I believe that the value-added products that we have produced for the customer and also offer some solutions to the USPS to help improve overall Certified Mail and First Class mail stream in processing and in saving the USPS time, effort and money. These include, but are not limited, to the following:

Electronic Signature Return Receipt (ETC™): USCL has the technology to conduct a transaction with NetPost Certified Mail customers to provide them with an electronic copy of the delivery record and signature. USPS Automated Certified Mail with Electronic Tracking & Confirmation (ETC™) It was designed to greatly automate the information collected by the USPS Certified Mail Tracking System which provides you with valuable information about each and every one of your Automated Certified Letters on a daily basis. Our patented automation process exclusively provides you the proper Certifying documentation necessary, through the Entry Mail Manifest (PS-3877) with official USPS Round Date Stamp and Signature of the USPS employee as well as the final Delivery Confirmation with its Electronic Return Receipt.

These services are available with all Enterprise and Enterprise-Lite Automated Certified Mail Solutions, but only limited service is available sending letters Online.

We also have the technology built to enable this transaction to be conducted for ALL certified mail customers after mailing under the approved Internet Return Receipt Postal Rate. Customers could request and pay for a return receipt after mailing online, avoiding a trip to the post office, and eliminating a potentially high cost retail transaction. This could happen very quickly!

Preprinted Form 3849 (brown Card): We currently have the capability to pre-print the signature capture card a carrier completes for certified mail for customers who are sending mail with no green card requested. We have one customer in Nevada we could pilot this with that does approximately 5000 pieces a day. These pre-populated forms would eliminate manual entry of information by carrier. It would also eliminate a costly form.

Electronic BMEU Acceptance: With our current technology and approval in Birmingham, we could enter mail into the BMEU electronically, eliminating the paper manifest. These documents are sometimes many pages long, requiring and The 3877 would be entered and approved electronically.

Platinum First Class: First Class mail to the consumer with 1 or 2 day delivery and be able to track the mail piece to its' Post Office of delivery.

Business Reply Envelopes - BRE's: Consumer can now track BRE's on the inbound. This means consumer can better plan Accounts Receivables coming back and what steps to take on BRE's that are not inbound.

PrePrinted Envelopes: Our Patented Certified Mail Envelope System simplifies and automates the preparation, mailing, tracking and delivery confirmation of your Certified & Registered Mail. Our bright white envelopes come with the distinguished USPS Certified Mail and Automation Markings already attached. Everything you need is included: mailing address inserts, return receipt or green cards, our quick start user guide, on-line help, plus you can use any ink jet, bubble jet or laser printer with our Windows® Certified Mail Envelope Software. Mail documents, product materials, tax returns, checks, tickets, CD's, videotapes, ID Cards, certificates, invitations or anything else that you can fit into our 9"x12" or 6"x9" Certified Mail envelopes.

These are just a few ideas. As you can probably imagine, I have many more....all designed at saving the US Postal Service time, effort and money, while improving service to the our mutual customers.

Please let me know when it would be convenient to accept your invitation and schedule a meeting I am available to come to Washington, DC to meet with you and your staff at your convenience.

Please visit our web site:

go to www.usps.com and look for certified mail online.

www.Uscertifiedletters.com

www.usclonline.com/usclonlinenp/home.cfm

Sincerely,

William T. Carter President/CEO USCertifiedLetters

Future Computer Systems, Inc.

205.733.6741

tcarter@uscertifiedletters.com