

**BEFORE THE  
POSTAL RATE COMMISSION**

COMPLAINT ON BULK ACCESS (BATCH PROCESSING)  
OF DELIVERY CONFIRMATION INFORMATION FOR  
CERTIFIED MAIL.

DOCKET NO.

**COMPLAINT OF WALZ POSTAL SOLUTIONS  
(APRIL 29, 2003)**

Pursuant to 39 U.S.C. 3662 § and 39 C.F.R. § 3661 et seq., Walz Postal Solutions brings this complaint against the United States Postal Service under the reorganization Act, 39 U.S.C. § 101 et seq. ("the Act") on the following grounds:

**Name and address of Complainant**

1. Complainant is Walz Postal Solutions ("Walz"). Walz's address is 1588 S. Mission Road, Suite 110, Fallbrook, Ca. 92028

**Statement and grounds for Complaint**

2. On or about September 28, 2001 the Postal Service began providing selected vendors Bulk access (Batch processing) of Delivery Confirmation information for Certified Mail (**Batch Delivery Confirmation CM**) as a "pilot test"
3. USPS account representatives were used to promote Netpost Certified Mail and US Certified Letters LLC (USCL) a USPS strategic Partner and a selected vendor on a national basis during the "pilot test"
4. According to a USPS solicitation at USPS.com, if you send Certified Mail via Netpost Certified Mail, you "Get proof of delivery faster, easier and more affordably!"
5. The Postal Service's solicitation via NetPost Certified Mail also states that they are providing users of NetPost Certified Mail, free software...and Electronic Delivery Verification (EVD) is USPS's electronic version of the Traditional Return Receipt which is no longer necessary to confirm deliver
6. Pitney Bowes was initially selected as a Vendor for the "Pilot test". Out Source Solutions representing WalMart was allowed as a "Pilot test" Vendor after initial testing had begun.

7. Both Pitney Bowes and USCL were given months of advance notice to prepare software to do the FTP electronic filing with Delivery Confirmation. Out Source Solutions did not develop software until December 2001.
8. Neither the USPS, NetPost Certified Mail, USCL or Pitney Bowes informed their customers this was a "Pilot test"
9. The USPS did not prepare written guidelines restricting marketing for vendors or themselves during the "Pilot test" period.
10. According to the USPS "June 30, 2002 marked the end of the pilot test...Effective on this date, with the implementation of the new rate and classifications resulting from the recent R2001-1 rate filing Certified Mail includes electronic access to delivery time and date and or attempted delivery time and date for any Certified Mail purchase." And...The Postal Service has the authority to provide electronic access to the information in the most efficient means possible."
11. Walz was not given months of advance notice to meet USPS guidelines to be eligible as a "Pilot test" vendor. In fact, the USPS informed us there was no money in the budget to allow new companies in the "Pilot test".
12. The PRC has informed Walz in an advisory letter dated March 5, 2003 that "at no stage in the process of considering potential changes to Certified Mail in Docket No. R2001-1 was the concept of bulk access to delivery status information explicitly presented, considered, or recommended by the Commission".

**First Claim: The Postal Service's Failure  
To Request a Recommended Decision  
Under Sections 3622 and 3623**

13. **Batch Delivery Confirmation CM** is a class of mail or type of mail service which may be established by the Governors of the Postal Service "in accordance with the provisions of (Chapter 36)" of the Postal Reorganization Act. 39 U.S.C §3621, 3622 and 3623. Additionally, under the Act no distinction is made in favor of experiments or tests, which involve changes in rates or mail classification. Rather, the Act is completely unequivocal in requiring all changes in any rates and Any Mail classification to be processed through and by the Commission.
14. As a result, the Postal Service's provision of **Batch Delivery Confirmation CM** constitutes a change in the mail classification schedule.
15. Before the Postal Service may establish a new class of mail or mail service, or make a change in the mail classification, it must first request the Commission to submit a

recommended decision on **Batch Delivery Confirmation CM**, or on a rate or rates for that service including experiments or tests

16. Before the Postal Service charges a new rate or rates for a class of mail or type of service it must first request the Commission to submit a recommended decision on the new rate or rates, 39 U.S.C. § § 3622 and 3623
17. The Postal Service has not requested the Commission to submit a recommended decision on **Batch Delivery Confirmation CM** or on a rate or rates for that service or the “Pilot test” experiment.
18. As a result, there has been no showing that the Postal Service’s provision of **Batch Delivery Confirmation CM**, is in accordance with the Policies of the Postal Reorganization Act and the factors set forth in Sections 3622 and 3623 (c) of the Act U.S.C § § 3622, 3623 (b).
19. Accordingly, the Postal Service’s provision of **Batch Delivery Confirmation CM** violates the Postal reorganization Act.

**Second Claim: The Postal Service’s  
Failure to Charge a Rate that  
Complies with Section 3622 (b)**

20. Section 3622 (b) (3) of the Act establishes “ the requirement that each type of mail service bear the direct and indirect postal costs attributable to that class or type plus that portion of all costs of the Postal Service reasonably assignable to such type. “39 U.S.C. § 3622 (b) (3)
21. The USPS admitted in a meeting on March 13, 2003 that there we no studies that quantified the costs or revenue impacts of impacts of **Batch Delivery Confirmation**.
22. The market research studies conducted for Docket 2001-1 rate case filing do not include any questions or analysis of the impact of **Batch Delivery Confirmation**
23. Section 3622 (b) (3) prohibits the Postal Service from providing a class of mail at No charge, the users of that class or service are cross-subsidized by other postal Users.
24. When the Postal Service provides a class of mail or type of mail at no charge, the Users of that class or service are cross subsidized by other postal users.
25. As a result, the Postal Service’s provision of **Batch Delivery Confirmation CM** at no charge violates Section 3622 (b) of the Act, including (But not limited to) Sections 3622 (b) and 3622 (b) (4).

**Third Claim: The Postal Service's Failure  
To Request an Advisory Opinion on Batch  
Electronic Delivery Confirmation CM**

26. **Batch Delivery Confirmation CM** is a postal service
27. **Batch Delivery Confirmation CM** is being used by a substantial number of companies who are sending documents using Certified Mail via NetPost Certified Mail or with a Pitney Bowes Digital postage meter for Certified Mail.
28. **Batch Delivery Confirmation CM** could also have an impact on use by mailers on other mail services such as Return Receipts for Certified Mail.
29. As a result, the institution and rendition of **Batch Delivery Confirmation CM** represents a change in the nature of postal services, which generally affect service on a nationwide basis.
30. Section 3661 (b) of the Act provides:

“When the Postal Service determines that there should be a change in the nature of postal services which will generally affect service on a nationwide or substantially nationwide basis, it shall submit a proposal, within a reasonable time prior to the effective of such proposal to the Postal Rate commission request advisory opinion on the change”.
31. The PRC concludes in an advisory letter dated March 5, 2003 that “at no stage in the process of considering potential changes to Certified Mail in Docket No. R2001-1 was the concept of bulk access to delivery status information (**Batch Delivery Confirmation CM**) explicitly presented, considered, or recommended by the Commission”.
32. Before providing **Batch Delivery Confirmation CM**, the Postal Service did not “submit a proposal, within a reasonable time prior to the effective date of **Batch Delivery Confirmation CM** to the Commission requesting an advisory opinion on the change.
33. Accordingly, the Postal Services provision of **Batch Delivery Confirmation CM**, violates **Section 3661 of the Act, 39 U.S.C. § 3661**

### **Person or classes of Persons affected**

34. All postal customers are believed to be affected by the Postal Service's provision of **Batch Delivery Confirmation CM**, at no charge, since rates paid by all postal customers are cross-subsidizing the Postal Service's provision of **Batch Delivery Confirmation CM**. Likewise all persons who compete or who may wish to compete with the Postal Service or in rendering any service competitive with a service provided by the Postal service, are similarly affected by the Postal Service's failure to observe the requirements of the Act in launching a new competitive service. Moreover, users of the Postal Service's Return Receipt service with Certified Mail may be affected as the result of a diversion of volume and related revenues from that service.

### **Statement Regarding Relevant Correspondence**

Set out below is a list of Correspondence between Walz and the Postal Service or any officer, employee, or instrumentality thereof which relates to the subject matter of this complaint.

- A. Advisory letter from PRC dated March 5, 2003
- B. Letter to John Dorsey USPS Dated June 7, 2002
- C. Letter to Richard Strasser USPS dated June 28, 2002
- D. Reply from Richard Strasser dated July 1, 2002
- E. Reply from John Dorsey USPS dated July 3, 2002
- F. Letter to Bill Tayman July 3, 2002
- G. Walz Reply to John Dorsey letter Dated July 8, 2002
- H. Summary of March 13, 2003 meeting with USPS
- I. USPS power point presentation for NetPost Certified Mail dated 9/28/01
- J. Pitney Bowes advertising for Certified Mail postage meter

### **Relief Requested**

35. Under Section 3623 (b) of the Act, The Commission "may submit on its own initiative, a recommended decision on changes in the mail classification schedule." 39 U.S.C. § 3623(b)
36. By not requesting a recommended decision from the Commission, the Postal Service has failed to make any showing that the provision of **Batch Delivery Confirmation CM** on the terms required or provided by the Postal Service is in accordance with the policies and factors set forth in the Postal Reorganization Act.

WHEREFORE, Walz Postal Solutions respectfully requests the Commission to:

- (a) Submit to the Governors of the United States Postal Service a recommended decision rejecting as unsupported the Postal Service's provision for **Batch Delivery Confirmation CM** and
- (b) Grant Walz such other and further relief as the Commission deems appropriate.

Respectfully submitted,

Peter F. Casserly  
President  
Walz Postal Solutions

POSTAL RATE COMMISSION  
Washington, D.C. 20268-0001

Office of the Secretary

March 5, 2003

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

Dear Mr. Casserly:

I am responding to your letter of February 26, in which you ask the Commission to clarify any involvement it may have had with a "bulk access to delivery confirmation information for Certified Mail" service, which you state the United States Postal Service introduced in September, 2001.

The Postal Rate Commission most recently considered proposed changes in the Certified Mail special service in the last omnibus rate proceeding, Docket No. R2001-1. In that case, among other changes, the Postal Service proposed a new service enhancement that would allow users of Certified Mail to obtain internet access and telephone call center access to delivery time and date information at no additional charge. The Commission recommended this proposed change in its Opinion and Recommended Decision of March 22, 2002.

However, the Commission has not examined or explicitly recommended the electronic bulk-access to delivery information option you describe for the Certified Mail service. In Docket No. R2001-1, the Postal Service testimony that presented proposals for Certified Mail described the internet-based service enhancement as follows:

By adding Internet access to delivery data for certified mail, customers will be able to apply one certified mail label to a mailpiece and access delivery data via the USPS.com website shortly after delivery.

Direct Testimony of Susan W. Mayo on Behalf of United States Postal Service, USPS-T-36, p. 26.

In accordance with the terms of the Postal Service proposal, the Commission recommended inclusion of additional descriptive language in the relevant provision in the Domestic Mail Classification Schedule (DMCS), which now reads as follows:

Certified Mail service provides a mailer with evidence of mailing and, upon request, *electronic confirmation that an article was delivered or that a delivery attempt was made*, and guarantees retention of a record of delivery by the Postal Service for a period specified by the Postal Service.

DMCS § 941.11. (Emphasis added.)

The Postal Service implemented the above-recommended revision of the DMCS by adopting the following new language in the Domestic Mail Manual (DMM):

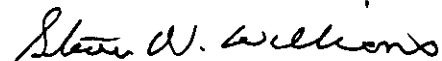
Delivery status information for a certified mail item can be found at [www.usps.com](http://www.usps.com) by entering the article number shown on the mailing receipt.

DMM § S912 1.1.

Thus, at no stage in the process of considering potential changes in Certified Mail in Docket No. R2001-1 was the concept of bulk access to delivery status information explicitly presented, considered, or recommended by the Commission.

I hope the above information clarifies the character of the Commission's recently recommended changes in Certified Mail service. If you have any additional questions concerning the Commission's functions or activities, please do not hesitate to contact my office again.

Sincerely,



Steven W. Williams  
Secretary





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 privilege 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.

US Certified Letters: USCL also used the test for profit. They and the USPS marketing reps promote the Netpost Certified product with ETC. 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 test, 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,

A handwritten signature in black ink, appearing to read 'Peter Casserly'. The signature is fluid and cursive, with the first name 'Peter' and last name 'Casserly' clearly distinguishable.

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 money-saving 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 web-site ... 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!



## 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.



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Stamford, CT 06926-0700

For more information call toll-free:  
**1-800 MR BOWES (800-672-6937)**,  
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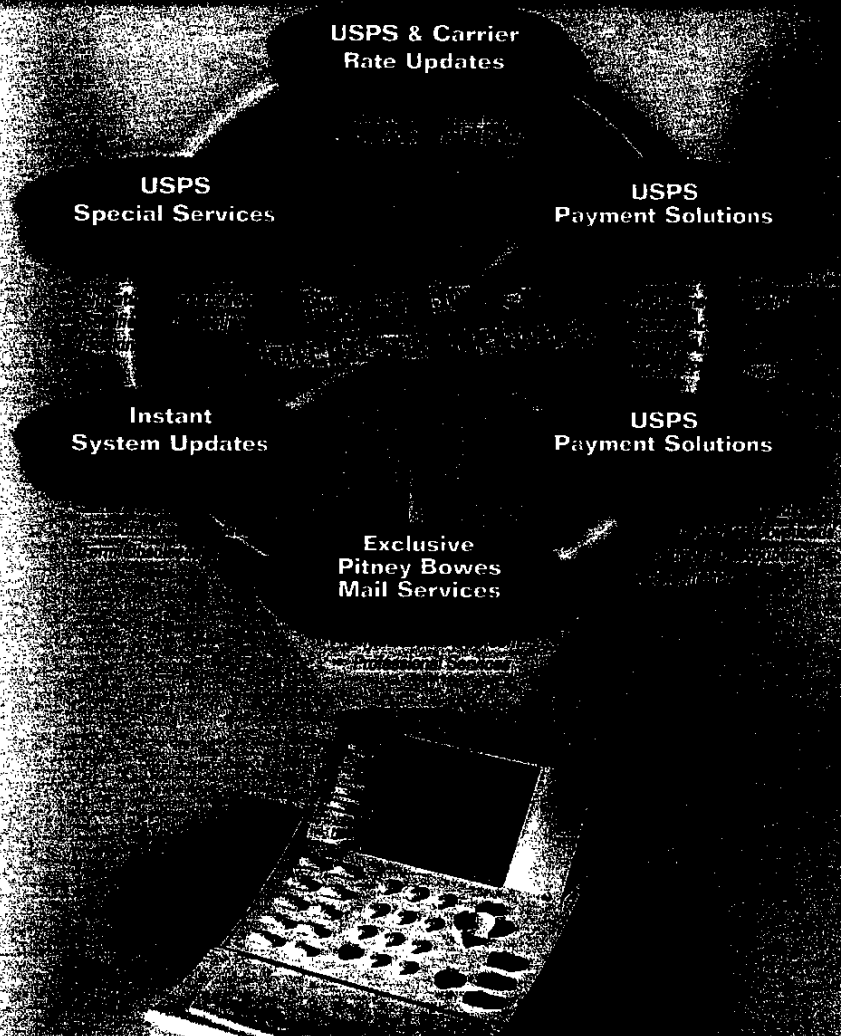
# -Introducing IntelliLink™ Technology

## 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** – One-touch, 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 PROMS! Just download the new rates when you need them.

## United States Postal Service & Other Carriers



## How IntelliLink™ Technology

Just connect your IntelliLink™ Control Center to the Internet. The Control Center is permanently linked to our dedicated Pitney Bowes Gateway. The Control Center is always online, and remains connected to the USPS and other carriers' networks. This enables you to access USPS Mailing System information and various Internet-based tools and services. Plus, software updates are available when you need them. And, Pitney Bowes Mail Services are available when you need them.

Every mail center, no matter how small, can benefit from the power of IntelliLink Technology. Now, IntelliLink Technology is available to all mail centers. And, IntelliLink Technology is now integrated into the Pitney Bowes Mail Services. So, you can get the most out of your mail center. And, you can get the most out of IntelliLink Technology.



# Certified Mail

## Welcome



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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.
3. 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 Signature information is available from the U.S. Postal Service online at [www.usps.com](http://www.usps.com)

ELECTRONIC RETURN RECEIPT	
1. Article Addressed To:	Delivery Confirmation
[REDACTED]	Event Date: 06030311
[REDACTED]	Event Time: 1229
[REDACTED]	Event Code: 01 - Delivery
[REDACTED]	ZIP Code: [REDACTED]
2. Article Number:	3. Service Type:
[REDACTED]	<input checked="" type="checkbox"/> Certified Mail
[REDACTED]	<input type="checkbox"/> Registered Mail
[REDACTED]	<input type="checkbox"/> Insured Mail
[REDACTED]	<input type="checkbox"/> Return Receipt
[REDACTED]	<input type="checkbox"/> G.O.D.
USPS Form 3811, March 2001	
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USPS CERTIFICATION

Signature of Receiving Employee

Return Stamp



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# *Electronic Tracking Confirmation*

Powered  
by



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

UNITED STATES  
POSTAL SERVICE

- 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”.

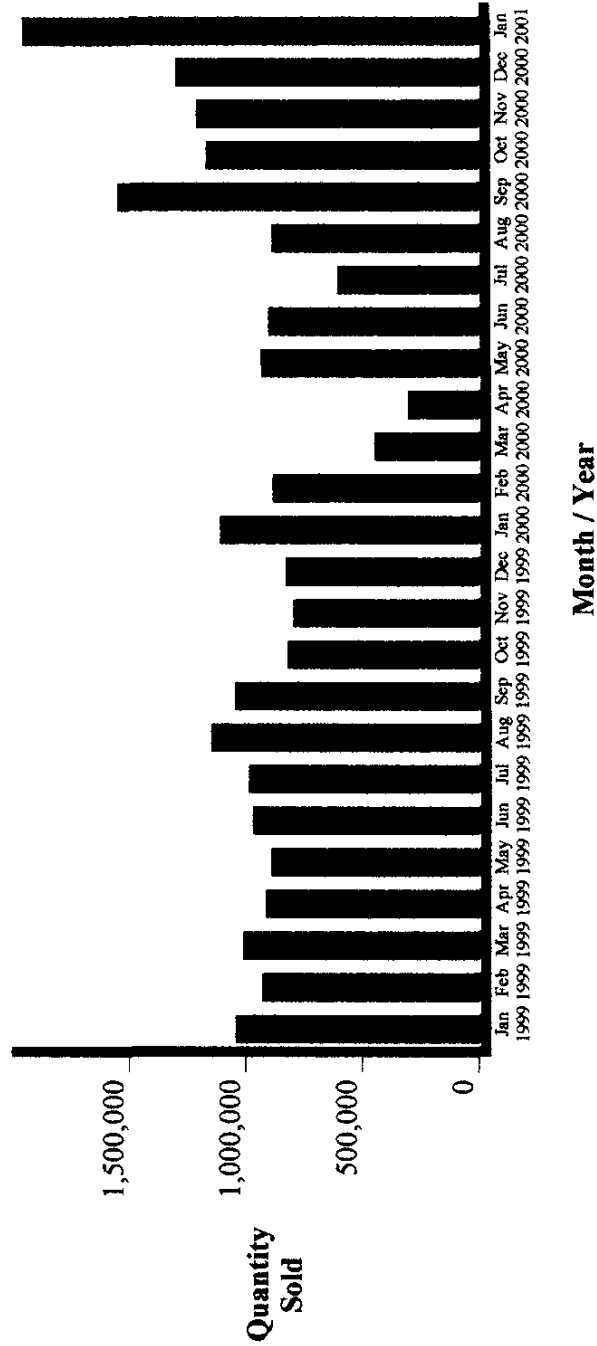
During the transition period, lets say January 2000 to the ultimate compliance date in February 2001, Rod did act as a liaison for Moore and Moore did have three main issues; find a new plant to produce bar-coded forms; notify customers, and schedule inventory purchases of nine digit forms and new bar-coded forms. Rod asked for some leniency on behalf of Moore and its customers and you may have heard this as a plea to let Moore sell its 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 its customers of the change. The customers immediately changed their 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



### Summary

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

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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**

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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?**

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

**March, 2000** for using forms provided by the USPS, 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?**

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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**

To Richard Strasser, CFO USPS

From: Peter Casserly, President Walz Postal Solutions

Subject:

Richard, the purpose of this letter is to ask you to take the opportunity to independently re-evaluate the inherent value and product pricing for Certified Mail Revenues. Then based on real time data make the appropriate adjustments. There is a tremendous opportunity here to improve and solidify a \$1,000,000,000 revenue stream. Both Rod Walz whom you have met at NPF conventions over the years and Mr. Potter's secretary, Lacreteria (Lucky), suggested you were "The go to Man".

**I believe the USPS has seriously over estimated the growth is Certified mail in the recent Rate case and has significantly under estimated both the value of the proposed Electronic Tracking Confirmation (ETC) enhancement to Certified Mail and the impact current pricing will have on Return Receipt revenue.**

The USPS estimates are in error because the analysts hired to make projections do not understand the nature and value of the Certified Mail Brand and the value of the Delivery Confirmation to USPS customers. Walz Postal Solutions delivers 14,000,000 Return Receipts per year to USPS non-household customers, representing 10% to 15% of all Return Receipts used by businesses in the United States according to USPS calculations. We have thousands of customers, 14 years direct experience and the knowledge to prove our point.

### **USPS Volume Estimates and Data Collection**

The USPS Final Incremental Volume TYAR estimates are: Increased growth in Certified Mail 23,470,000 @ \$2.30 = **\$53,981,00**; decrease in Return Receipts at time of mailing 14,886,000 @ \$1.50 = **\$22,329,000**; USPS pricing value of ETC confirmations **\$0.00**.

Susan Mayo, USPS Sr. pricing analysts has testified "the availability of delivery data will obviate the need for an ancillary return receipt...there are revenue losses associated with the volume loss of some return receipts". \$22,329,000 in the first year alone is more than "some" to me and I think this is significantly underestimated. (See Peter's Estimates)

The USPS Certified mail volume estimates started with a market response survey conducted by Ruth Rothschild a Vice President at National Analyst. Near the end of her study Mrs. Rothschild states "respondents in survey research are known to overstate their intentions, because it is difficult to gauge exactly what behavior will be taken until a

product/service is actually marketed". Therefore, she applied sophisticated cleansing and raking techniques, to the correct the data. This data was then manipulated and reconfigured by Mr. Tolley, a mathematician. Mr. Tolley gave the data to cost consultant Davis for analysis and adjustment. The data was next analyzed by Ms. Norma Nieto, a Price Waterhouse Coppers consultant, who states she made volume estimates, relying on the Davis methodologies and estimates, that represented the 8.4% volume increase and the incremental volume changes, that Ms. Mayo used to determine her recommended Certified Mail pricing.

Please forgive me if based on the proceeding I cannot determine what the actual non household versus household estimated growth rates were but I think we get to an 40%/60% split of all Certified mail growth. Unfortunately there was no analysis made of how the enhanced Certified Mail service would get to either market segment other than in the Post offices and the Internet. As Ms. Rothschild said at the beginning, "you don't really know what is going to happen until the service/market is actually the product".

This is why I think no one actually stopped to think if the end result was reasonable and could they really tell? In an answer to an interrogatory Ms. Mayo the principal USPS pricing analysts stated, "My only experience with Certified Mail is prior Rate Cases"

### **Peter's Method of Volume Estimates and Data Collection**

The USPS estimates for Certified mail growth may be based on mathematically correct statistical models but there was no real world reasonableness evaluation, comparison or sniff test. Maybe someone wanted or needed the growth estimate. If the USPS had asked WALZ or any other Certified forms or software vendor if the Delivery confirmation enhancement would increase Certified Mail volume 8.4% in one year as compared to 1% growth in the last five years, the answer is categorically NO. In fourteen years of developing forms and software for Certified Mail the only portion of our client base that increased Certified mail volumes because of enhancements were letter shops that took in business from others. No real increase in total volume. Our clients send Certified letters because they have to not because they choose too. The primary factors that effect volume are the economy, government regulation, mailing budgets and general population growth. Examples; a 1% change in mortgage delinquency rates will change the amount of certified mail in the United States by 500,000 per month plus effect on foreclosures plus all other financial related loan products; a state that implements a law that all property tax delinquencies must go Certified mail; California DMV and a Texas tax collection agency just made legislative budget decisions to cut certified mail, result 3,000,000 less annual mailings starting July 1, 2002. These events are statistically relevant on a national basis.

How to know what is really going to happen? Today the USPS is conducting a real market test. According to Mr. Dorsey, manager, in special services it is suppose to be a test to collect data to justify implementation of ETC and obtain the money to buy additional server capacity. In reality it is an open market for Pitney Bowes, US Certified letters and the worlds largest retailer to take advantage of a mistake in pricing and product management by the USPS. Under the guise of a test (we have no idea what data



is really being collected) Pitney Bowes is selling a new digital postage for certified mail meter with electronic delivery confirmation. The main selling feature that drives sales is the fact you can save \$1.50 on each and every letter you send with out a return receipt. Website link attached. US Certified letters, with the support of Net Post Online and every USPS marketing representative, is offering the same service and others not even approved by the USPS. Please ask about your fair share and an accounting of the profits from USCL. The last test participant Outsource solutions has a customer that has stopped sending Return Receipts and is now saving approximately \$100,000 per month in return receipt fees. They need the Delivery Confirmation information for debt collection. **That is \$1,200,000 per year that used to go to the USPS.** How do I know? I used to sell the forms. Please ask Mr. Dorsey to elicit customer data from the test participants and extrapolate your loss of Return Receipt revenue and how much “New Certified Mail” has been generated. Then compare this amount adjusted for a national market to the volume estimates generated by the five hired analysts in the Rate Case filing. If the participants balk at giving up the data, beware, and get rid of them. The net result is that Pitney Bowes and others are making money selling postage meters and letter preparation, the largest corporations are getting the benefit and the USPS is losing Revenue each and every day. The USPS analysis could not be more wrong.

I have been also been informed by Mr. Dorsey that there is no written agreement with any test participant on any substantive matter and the test began under the supervision of Mr. John Ward.

### **Value Proposition**

The USPS has made the commitment of offer a better service both for Delivery Confirmation and Electronic return receipt. The USPS needs to increase and protect its

The value of Return Receipts and Delivery Confirmations for the USPS has extraordinary value because it has been given a high legal status in the courts and is written into the law in many states and the Federal Government. This makes Certified Mail confirmations/signature confirmation a much different product than Express Mail, Priority Mail, Delivery or signature confirmations. The USPS has created a new valuable product but you are not optimizing and protecting revenue stream.

**The real value of ETC is \$40,000,000 (80,000,000 @\$.50) per year in five years with no growth and very little variable costs. To the extent you replace Return receipts assure yourself of replacing revenues.**

Given the current pricing and service structure it is my opinion you will see a rapidly diminishing revenue stream, notwithstanding continued price increases on the green card return receipts the USPS is trying to replace. How often have you seen unfulfilled revenue projections and cost savings?

**Conclusion:**

The Delivery confirmation and the future Electronic Return Receipt (signature capture) have not been fully funded and can still be adjusted.

If you want to preserve the value of the Certified Mail revenue stream, I suggest you stop the test because you have collected the data and are re-evaluating your pricing structure.

If this were my business I would charge at least \$.50 per ETC transaction and up to a \$1.00. The Electronic transfer of data in mass of this information is very valuable and customers will pay for it. If you lose \$1.50 on a return receipt to still get something. Do not get caught up in the variable cost saving for not delivering a return receipt you will never see it.

I would also consider increasing the future cost of the Electronic return receipt from \$1.30 to something above \$1.75. Again the USPS is missing the boat on this. You may even want to consider where and when this pricing structure originated.

Please call if you or any other person would like to review my recommendations.

Sincerely,

Peter Casserly

## Peter Casserly

---

**From:** RICHARD STRASSER [RSTRASSE@email.usps.gov]  
**Sent:** Monday, July 01, 2002 11:43 PM  
**To:** BILL TAYMAN; Rod G. Walz  
**Cc:** ANITA BIZZOTTO; Peter Casserly  
**Subject:** RE: Walz Analysis of Electronic Tracking Confirmation for Ce

Mr. Casserly, I am at our Board meeting in Anchorage. When I return I will discuss the situation with Bill Tayman and our marketing folks. We will get back with you. Dick Strasser

-----Original Message-----

**From:** rwalz@walzgroup.com at INTERNET [mailto:rwalz@walzgroup.com at INTERNET]  
**Sent:** Mon 7/1/2002 11:12 PM  
**To:** Strasser, Richard J - Washington, DC; Tayman, Bill P - Washington, DC  
**Cc:** pcasserly@walzgroup.com at INTERNET  
**Subject:** Walz Analysis of Electronic Tracking Confirmation for Certif

Emailed 7-3-02 Finance and Planning

Bill you asked when all this started.

We know of the March 2001 statement by John Dorsey at NPF.

According to the Market Research study the final questionnaire was dated April 1, 2001 (See Ruth Rothschild testimony). The questionnaire doesn't address ETC for Certified Mail at all. It does address a **singular** ability to get on the internet and see the results from **one** entry.

ETC, as we now know it, is relative to **batched** data, not singular. Somehow, without any formability, a new product (ETC) was created and given away in a test, without any consideration of the potential harm to Return Receipt revenue. How much further back in time did the Free ETC concept originate, where and by whom? How was someone able to pull this off? As mentioned in the documents sent yesterday, the data does teach us that ETC is a disaster financially for the USPS. Because it is free, it immediately incentivizes a business user to **not** use Return Receipt and to only request a Return Receipt After Mailing, when a signature is needed. **I cannot stress to you enough this fundamental fact.** Because these decisions were all made in a postal vacuum in the middle of internal reorganizations, without the correct design of a questionnaire and without input from Certified Mail professionals like Walz, the concept is severely flawed.

Product Management told us that the Electronic Return Receipt is being unveiled in March 2003. What makes them think that the volume results will be anything different, if not lower, than the current Return Receipt After Mailing volume?

PB's product is highly devalued if Return Receipt is in the equation or if the transmission of batched delivery data was going to cost the customer. PB would have more difficulty selling that product and they would have to figure out how to bill and pay for this service. No wonder that their marketing campaign promotes not sending Return Receipt. With the cushion of knowing they had an inside track on this test and that there were no guidelines, rules etc. they committed significant funding to create and sell for profit the technology for ETC for Certified Mail. The USPS handed them a relative exclusive monopoly over us and their other competitors and this was to a company who a few years ago was suing the USPS. **How was PB put into a position to blatantly decrease postal revenues?** I am not sure that the senior executives at PB will want to answer this question and it is going to be a more interesting question internally as you research this further.

I can be in your offices on July 12<sup>th</sup>. Knowing what Walz knows about this entire issue, it would be wise to consider our input and direction.

MANAGER, SPECIAL SERVICES  
PRODUCT MANAGEMENT



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 [WWW.USPS.COM](http://WWW.USPS.COM) click on Track/Confirm, enter the number of their Certified Mail label and receive delivery time and date information.

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 set-up.

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.

1735 NORTH LYNN ST., SUITE 4011  
ARLINGTON, VA 22209-6332  
(703) 292-3683  
FAX: (703) 292-4057

**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 30<sup>th</sup>. We note that the costs of this access are included in the costs for 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.
2. 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.

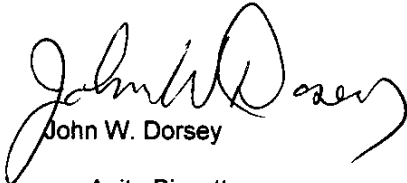
#### **USCL Partnership:**

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.

- 4 -

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





-----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 its 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 7<sup>th</sup> 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 3<sup>rd</sup> 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<sup>rd</sup> and June 30<sup>th</sup> 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 their own. Let's 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 28<sup>th</sup> teaching them how to sell Net Post Online ETC when PRC testimony started September 24<sup>th</sup>. 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 seem 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 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. Has action been taken to notify USCL this is not authorized by the USPS? Have they been told to stop using it? Did anyone in E Commerce approve this form and concept then forgot to tell you?

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

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

Sincerely,

A handwritten signature in black ink that reads 'Peter Casserly'. The signature is fluid and cursive, with a large loop at the end of the last name.

Peter Casserly



March 27, 2003

Pritha Metha  
United States Postal Service  
Manager of Special Services  
475 L'Enfant Plaza, SW  
Washington, DC 20260-2620



Confidential

Subject: Meeting summary

Dear Pritha,

I would first like to thank for you for the opportunity to meet with the USPS staff specifically involved in the research and pricing of Certified Mail enhancements, as well as the persons (you and Tangie Samuels) directly responsible for Certified Mail. We felt that it would be appropriate to memorialize our recollections of the topical content and context of what we discussed in the March 13, 2003 meeting in your Arlington office. We have been asked by Mr. Frank Brennan, in Mr. Potter's office, to copy him on this correspondence.

Both Peter and I were pleased to hear about the current logic and direction of the enhancements to USPS Certified Mail. We greatly appreciate that you provided a venue for Walz to express its concerns and its insights about the direction and assumptions driving the Certified Mail and Electronic Return Receipt enhancements. I trust that you and your team now recognize the unique value of including Walz (the largest vendor of privately printed Certified Mail forms and software with its broad market expertise and comprehensive sales data) as a key player in strategizing for the most effective way to maintain and grow Certified Mail revenues. We were also pleased to hear that you are interested in Walz's input regarding your approach to providing Electronic Return Receipt services, as well as looking into a better method for the approval of large privately printed forms providers, to ensure equal treatment and less work on behalf of the Mail Piece Design Analysts.



Because there was no recording made of all comments, this summary reflects Walz's recollection of the main points made by both sides. We have summarized the meeting in five sections:

- A. Electronic Return Receipt plans and price limitations.
- B. Volume estimates for certified mail and the related statistical analysis
- C. PRC testimony by the USPS and the advisory letter issued by the PRC
- D. Batch delivery access for Certified Mail and related revenue consequences
- E. NetPost Certified / US Certified Letter partnership.

It was evident that the dialogue between your staff and Walz involving the research and assumptions behind certain enhancement decisions evoked a spirited debate that we trust is useful going forward as new assumptions are formulated.

Attendees:

- A. Rod Walz (CEO: Walz Postal Solutions, Inc.)
- B. Peter Casserly (President/CFO: Walz Postal Solutions, Inc.)
- C. Pritha Metra (Special Services: USPS)
- D. Tangie Samuels (Special Services: USPS)
- E. Ashley Lyon (Pricing: USPS)
- F. Susan Mayo (Pricing: USPS)
- G. David Rubin (Legal: USPS)
- H. Greg Whitman (Market Research: USPS)
- I. Naomi Nieto (Market Research: IBM)
- J. Grady Foster (Finance: USPS)
- K. Jeff Freeman (Intelligent Mail: USPS)

### **Electronic Return Receipt ("ERR") plans and price limitations**

Walz learned that the USPS had decided to:

1. Adjust the financial model for ERR to reduce the potential for an adverse effect on revenues caused by a cannibalization of Return Receipt revenues.
2. Hold off on the introduction of ERR until a reasonable and economic method to maintain and deliver ERR was determined.

Walz also learned that the USPS now realized that the methods and pricing approved by the PRC, for ERR, would not lead to a positive fiscal position for the USPS, which was Walz's expressed view prior to this meeting.

Because of the pricing limitations placed on the USPS by your charter, as expressed by Ashley Lyon, Peter Casserly mentioned you might review the underlying cost allocations. While the initial response from Finance was that certain formulas were fixed, Norma Nieto indicated to Peter that there had been some infrastructure overruns and that costs estimates for IT could be re-visited. Ashley mentioned that some migration costs and other areas could be reviewed. Norma asked Peter if he was available or could assist. If the USPS feels this is appropriate and would like to explore the opportunity of mutual co-operation in this area, Walz can make itself available.

### **Volume estimates for Certified Mail and the related statistical analysis**

Walz raised the point that according to testimony by Susan Mayo, in the last rate case, the USPS had never conducted a customer satisfaction survey on Certified Mail or Return Receipts. Susan confirmed that in our meeting, Walz recommended the USPS conduct a market study on customer satisfaction and review the strengths and weaknesses of Certified Mail. Walz submitted a list of strengths and weaknesses in its written recommendations and recommended further that Marketing consider focusing on the identifiable strengths of the Certified Mail brand.

Track and Confirm enhancements and its related impact on projected volume was a major topic of debate. Walz recommended the USPS conduct a study to verify the earlier assumptions that the introduction of Track and Confirm would positively affect Certified Mail volume. Walz was told that a study was already being planned, as well as other new product studies related to Certified Mail.

On the issue of projected volume increases due to enhancements, there was some debate. Walz had previously written to the USPS that it did not believe the Track and Confirm enhancement would create the volume projections presented to the PRC. The USPS response to Walz in a July 3, 2002 letter was that Walz's "independent understanding" of the issue lacked "qualitative studies to support our opinion" and "the USPS stands by its methods, including quantified econometric projections". In response and contradiction to this position, Walz presented the attendees with quantified data from its sales database (attached), which supported Walz's opinion that the primary driver of Certified Mail volume, in the non-household portion (business, government, etc.) of Certified Mail use, was governed by statutory regulation and or business policy representing approximately (deleted) of the Walz base of (deleted) customers.

Since Walz's annual sales volume (Certified Mail with Return Receipt) accounts for (deleted) units ((deleted) since 1985), with an estimated market share of (deleted) of all non-household volume, its data represents a very large statistical sample to extrapolate from. Walz also pointed out, from its data analysis, that its top (deleted) customers represent (deleted) of the volume. If one extrapolates to the total non-house population then only (deleted) to (deleted) businesses represent (deleted) to (deleted) of all non-household volume. Walz pointed out that it does not sell Walz Certified Mailers® to the larger volume users such as the IRS and WalMart who regularly produce in quantities surpassing 1,000,000 annually. Walz raised questions about the SIC code density or volume stratifications prepared by the USPS that were given to the researcher, and used in the marketing study. The base data did not agree with Walz's actual customer profile.

Walz did not question the statistical methodology or the integrity of Ruth Rothschild rather it illustrated the potential that differences in base information about the population being studied could impact the outcome. If the USPS had access to the Walz database, it might have approached the market survey differently.

In the meeting, the USPS team expressed a firm belief that because of stagnant certified mail volume, price ceilings at the customer level, and customer requests for electronic information. The USPS had to make electronic service offering changes to remain competitive or to have a chance to increase volume. Again prior to this meeting Walz had never really understood the USPS logic. We now better understand the difficult question facing the USPS. How do you give better service, attempt to increase volume, charge a price that is restricted by cost, and yet not

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lose revenues. Walz pointed out that there was no direct competition for Certified Mail by other carriers because of its unique position as being the primary legal method for “proof of delivery”. The USPS seemed to agree on these points yet still felt that the USPS was obligated to offer a more state of the art product. To some extent Walz feels that the USPS might have been better off fiscally by doing nothing, until it knew, with more certainty, that there was an answer to this dilemma.

We discussed the fact that the quantitative studies presented to the PRC indicated the USPS anticipated a Certified Mail volume increase of 23,000,000 pieces in year one, moving to 125,000,000 pieces in year five or the equivalent of \$287,500,000 in increased revenue due to volume increases in five years and that the increased volume would more than offset losses in Return Receipt revenue. It was Walz’s position, in July 2002 that this would never be achieved by the Track and Confirm enhancement. The USPS explained you should not compare the first two quarters volume of Certified Mail to the projection presented to the PRC because of changes in the economy, lack of advertising, 9/11, and that the marketing study was done at a point in time, two and one half years ago or that respondents may not have acted as they said they would. The USPS communicated in the meeting that it was trying stop the trend of decreased use of Certified Mail by individuals doing electronic tax filings by attempting to reach new customer groups, both individual and small businesses. that had been shut out of Certified Mail services because of price and inability to easily confirm the delivery of the Certified item through the Web.

In contradiction to the above, Walz suggests that customer’s perceptions, if they responded truthfully, should not really have changed in 2 ½ years, and that certain individuals or businesses are not going to change their habits or internal policies because of the Track and Confirm enhancements. The USPS might consider that Certified Mail is a mature product and according to testimony by George Tolley head of RCF, usage of Certified Mail tracks the adult population.

At the close of the meeting, it was unclear to Walz if the USPS still held their belief in the anticipated volume increases. Walz is firm in its position that volume increase will not occur because of enhancements.

### **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 provides 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](http://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, Net Post Certified or US Certified letters.

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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.

Based upon the PRC letter, we presented in the meeting, and the fact that there was no direct testimony regarding batch processing, Walz requests a letter that presents the official USPS position on where the PRC approved the batch processing concept. To clarify this once and for all, Walz recommends that there be an official USPS stated position on this issue. The position should be one that the Postmaster General or the Board of Directors supports.

### **Batch delivery access for Certified Mail and related revenue consequences**

Because the meeting was limited in time (2 hours) to allow discussion on both sides, Walz was unable to present some critical concepts relating to batch Delivery Confirmation for Certified Mail. Walz strongly recommends that you consider the following:

Walz had previously written the USPS that allowing batch processing and Delivery Confirmation data exchange with Pitney Bowes (PB) and US Certified Letters (USCL) was detrimental to the income stream for Return Receipt because both companies promoted their services at the expense of Return Receipt revenues. Neither company promotes the use of Return Receipt nor has there been any analysis to support the concept that their customers send more Certified Mail because of their marketing efforts. In the meeting, Tangie Samuels indicated both companies promoted Certified Mail and promotional information supplied by PB showed they promote Return Receipts. In response, Walz pointed out that the new digital postage meter for Certified Mail marketed by PB only uses the 3800 labels and is physically incapable of producing Return Receipts. Walz provided a PB Certified Mail promotional package showing the saving for not using Return Receipts. The adverse impacts on Return Receipt revenues of batch processing can

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be easily quantified for PB and NetPost Certified (US Certified Letters) because the data is readily available in the USPS Delivery Confirmation database. The data associated with Certified Mail transactions submitted by PB and NetPost Certified (US Certified Letters) and related trends is just a phone call away. Please contact Jean Chen.

By having Jean extract the data, the negative impact on Return Receipt revenues is easily computed by the following formula; multiply the number of Certified Mail transactions manifested by PB x 84% (percent of CM with Return Receipt to Certified Mail without RR usage) x \$1.75 Return Receipt fee = lost Return Receipt revenues. **For every 1 million transactions processed by PB, the USPS loses \$1,470,000.**

**In order for the USPS to break even in revenues earned, Pitney Bowes would have to convince their meter customers to increase the use of Certified mail by 64 %** (derived by dividing the dollar value lost per transaction \$1.47 by \$2.30 value per piece of Certified mail). The disturbing part for Walz, and one would think for the USPS and its oversight, is that Walz explicitly pointed out the problem, and was rebuked, while this feature was still in a “test” mode.

The USPS has stated it anticipates using batch processing as a delivery method for future services such as Electronic Return Receipt. Therefore, if you take the estimated number of transactions PB processes from the start of the “production test” until Electronic Return Receipt is available x value lost per transaction (\$1.47) the result will be the cost to the USPS in lost revenues just for the allowing the “fox in the hen house”. If PB processed 4 million transactions the USPS would lose \$5,880,000.

Walz recommends suspending the batch delivery service to all vendors for several reasons: the USPS did not intend to specifically request approval for the service from the PRC; the PRC did not approve or intend to approve any language that supported this concept; USPS management had no qualitative analysis to base any decision to implement this concept or service, and the cost to maintain this service exceeds any quantified or known benefits.

## **NetPost Certified / US Certified Letter partnership.**

Walz provided the USPS with a copy USPS / USCL agreement and a copy of a Power Point presentation (attached) distributed to USPS account representatives nationally in September/October 2001 to promote Netpost Certified. Curiously, several attendees wanted to know where Walz obtained this information because it contained numerous incorrect statements about USPS mail products. The real question is who in the Marketing Department approved this material for distribution and then authorized account representatives to promote NetPost Certified before there was any approval by the PRC for Certified Mail enhancements for Delivery date and time information?

John Dorsey wrote on July 3, 2002 that "If the pilot testers offered additional services to their customer in conjunction with the operational test, it was done at their own risk because...the PRC could have refused to recommend the Certified Mail changes" This comment is very important today because the PRC did not approve "Batch/Bulk processing". There should be consideration for suspending the access to the USPS Certified Mail delivery information until the USPS obtains the specific approval of the PRC.

Because the USPS competes against Walz, and other similar vendors, via NetPost Certified, one could make the case that the USPS acted in an unethical manner. It had knowledge that both PB and USPS account reps were conducting a national marketing campaign for their services, during a "production test". The effect of this action created a set of circumstances that restricted Walz's ability to compete fairly, while giving PB an USCL an unfair, competitive advantage. John Dorsey was surprised by Walz's information and told Peter and Rod that it was PB and USCL who was at risk because the test could be stopped at any time. For your information, during the test period, Walz lost one of its largest clients to USCL.

As in the case presented above about PB, a similar lost revenue computation can be made for the NetPost Certified partnership loss of Return Receipt revenue. The negative impact on Return Receipt revenues is computed by the following formula; multiply the number of Certified Mail transactions manifested by USCL x 60 % (84% normal less 25% actual Return Receipt percentage according to Tom Carter, president of USCL) percent of lost Return Receipts to all certified mail) x \$1.75 = lost CM revenues of \$1.05 per transaction, then add back \$.55 the USPS is to collect by contract or 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.

What occurs in this partnership is that the USPS account representatives refer Certified Mail customers to USCL who then promotes using their outsource service by not using Return Receipt (see USCL website) and save the \$1.75 (RR fee) to pay the \$1.30 for their service. The USPS customer can save \$.45 per transaction. This is great for the Certified Mail customer and bad for the USPS. The USPS is marketing against itself; the more Certified Mail USCL processes the more the USPS loses. There is another issue here because USCL, on their website (<http://usclonline.com/automated/>) is also trying to convince the mailer that they are getting the same benefit as they had with the Return Receipt by presenting them with an “Electronic Return Receipt” (how misleading is that?). Their ERR looks like a USPS Return Receipt while in reality, all it is, is a “smoke and mirror” format containing the delivery date printed on an unsigned Return Receipt. On the USPS website this same feature is called **The Electronic Delivery Verification (EDV) Report** (<https://www.usclonline.com/solutions-np.htm>). Walz suggests that this conflict in product identification, places the USPS in an embarrassing and questionable position, especially in light of the pending “Electronic Return Receipt” service to be offered by the USPS.

To compute the amount of loss for the USPS you will need to verify the amount of Return Receipts you are losing. Walz’s estimate of 60% was derived from statements made by Mr. Carter about his business profile. Walz suggests you ask USCL what their percentage is of Return Receipts to total Certified Mail and then verify this information. The USPS can also conduct a customer satisfaction survey, of NetPost customers, to determine the loss of Return Receipts.

Walz believes the long-term economic model for USCL under the current agreement is questionable. Walz, as well as other outsourcers, compete against the USPS / USCL partnership and vice versa. Walz and others are more than willing to charge \$.75 per transaction for volume customers compared to the \$1.30 that USCL must charge to pay the USPS its \$.55 fee for website promotion and referring customers via account reps. Eventually, USCL will lose customers because of price restrictions and then the USPS will lose the \$.55 fee it now earns. This does not represent a sound economic model for either the USPS or USCL.

This relationship can be reviewed with the evaluation of the Netpost Online Mailing experiment or as an independent service. Walz is hard pressed to see

where anyone thought this was a valuable service offering by the USPS. Helping small customers with a better service is fine but not economically viable to USCL for small volume mailers. USPS account representatives are continually approaching the large volume form customers of Walz, and other forms vendors, soliciting a lose-lose proposition. Needless to say there will be price competition.

The USPS has already experienced misrepresentations made by USCL in promoting their services. Mr. Samaniego the manager from Netpost Certified did not attend the meeting and was unavailable for comment on the expectations of the USPS/USCL partnership compared to actual results.

Walz recommends the USPS evaluate the merits of this line of business and the related partnership as a continuing USPS service.

## **Summary**

In summary, Walz did learn about the USPS' commitment to provide new electronic services to its Certified Mail customers. However, it does not appear that the true cost and potential for loss has been sufficiently evaluated. When you consider the shortfall in projected volume of Certified Mail, along with no increased revenue to offset the projected revenue losses anticipated with the introduction of Electronic Return Receipt, this service warrants significant research before implementation.

Because we were told that there was no research in consideration of batch processing, and there was no direct testimony to the PRC, other than information would be available at a USPS call center or at [www.USPS.com](http://www.USPS.com), Walz is seeking clarification by specifically requesting a letter that presents the official USPS position on the validity of the batch processing service. This letter should include any authoritative input and/or approval by the PRC.

Sincerely,



Rod Walz, CEO



# Automation Simplifies NetPost Certified Mail

U.S. Postal Service

## The Process of Certified Mail



Download the CMMS Windows software to your local computer.



Type your letter or import it from any popular Windows based word processor program.



Your document is sent electronically to USCL's Mail Processing facility.

Our Mail Processing facility prints, folds and applies postage using our patented forms and technology.



Your letter is deposited into the U.S. Postal Service Mail stream the same day of receipt.



Your certified letter is delivered by a USPS employee and signed by the recipient.



Electronic delivery confirmation is available electronically or by return receipt, ensuring fast and accurate delivery.



# The Products & Prices

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 <b>Certified Mail with ETC</b>	<b>\$3.94</b>
 <b>Certified Mail, Return Receipt</b>	<b>\$5.44</b>

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



# Primary Clients

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- ✍ **Mortgage lending & financial services**
  - ✍ **Banking - collection departments**
  - ✍ **Insurance companies**
  - ✍ **Utility companies**
  - ✍ **Federal state, county and city government**
  - ✍ **Legal services**
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# Interfacing With Your Customers

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✍ **On-Line**  
**www.usps.com**

✍ **Off-Line CMMS**

✍ **Enterprise  
Solution**





# On-Line [www.usps.com](http://www.usps.com)

✍ On-Line

✍ Fast

✍ Easy

✍ Convenient

**USPS Certified Mail - Microsoft Internet Explorer**

File Edit View Favorites Tools Help

Back Forward Stop Refresh Home Search Favorites History Mail Print Edit Discuss MSN RealGuide Messenger

Address <https://www.usclonlinerp.com/home.cfm?value=FC4B79E61D4A45E6C026BA9482677F82D1D95C5728D23AE5FF2E82AB1CF4D18EACC827C3ED4A7FA36A400B8CAE7> Go Links >>

**UNITED STATES POSTAL SERVICE** *Certified Mail*

**Send Certified Mail the FAST and EASY Way** Powered by U.S. Certified Letters

Certified Mail is now fast and easy from the convenience of your computer. Our fully automated on-line process is secure and will save you time, money and eliminate human error. Sending on-line Certified mail will save you the trip to the Post Office and simplify the process of sending Certified Mail

- ▶ Send Certified Mail Fast and Easy
- ▶ Secured by the U.S. Post Office
- ▶ Your Mail will be Mailed on the Next Business Day

▶ [Start A New Letter](#)

- 1- Type your letter, or import from any Windows based Word Processor.
- 2- Your document is sent electronically to our Mail Processing Facility.
- 3- We print, fold, and apply postage using our patented forms technology.
- 4- Your letter is deposited into the U.S. Postal Service stream.
- 5- Your Certified Letter is delivered by a USPS employee and signed by the recipient.
- 6- Electronic delivery confirmation is available electronically, or by return receipt, ensuring fast and accurate delivery.

Privacy promise

POSTAL INSPECTORS Preserving the Trust

site index - contact us - FAQs

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<https://www.usclonlinerp.com/faq.html>

Start | Inbox - Microsoft Outlook | USPS Certified Mail... | Document1 - Microsoft... | 3:50 PM

U.S. Postal Service



# Off-Line CMMS Software

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 **Advanced Features**

 **Powerful**

 **Off-Line**

 **Windows**





# Enterprise Solution

✍ We fit the customer needs

✍ Data updated daily

✍ ETC Software provides electronic tracking & confirmation

✍ Reports

US CL ETC -- Electronic Tracking Confirmation ver 1.3a

File Stamps Reports Options About

Article Num Last Name Zipcode DVL# VIN CASE ID CITATION #

--Search-- Article Num:

☐ Show postage by manifest date

Article Num	Name	Address 1	City
71133701537 000327424	JOSEPH CARAPEZZA #NAME	4110 ACLINE AVE	NORTH PORT
71133701537 000327431	PENNY A CANNON	20049 SW 123RD DR	MIAMI
71133701537 000327448	WILLIAM A WILSON	11720 SW 70TH AVE	MIAMI
71133701537 000327455	LUIS A. CHAVEZ	8895 SW 184TH TER	MIAMI
71133701537 000327462	ROBERT A. PETTERSON	20675 SW 162ND AVE LOT 146	MIAMI
71133701537 000327479	JOHN A. ROSS	8241 SW 185TH TER	MIAMI
71133701537 000327486	YVES ABICHET	727 NW 99TH ST	MIAMI
71133701537 000327493	NESTOR ACEVEDO	19390 LENAIRE DR	MIAMI
71133701537 000327509	WALTER ACEVEDO	10773 SW 225TH ST # E5	MIAMI
71133701537 000327516	ALEXANDER ALBARELLO	3163 WEST 70 STREET - MIAMI,	HIALEAH GARD
71133701537 000327523	ROBERT ALTMAN	9965 SW 165TH TER	MIAMI
71133701537 000327530	INALDO ALVAREZ	11250 SW 197TH ST APT 451	MIAMI
71133701537 000327547	ROLANDO T ALVAREZ	19800 SW 180TH AVE LOT 441	MIAMI
71133701537 000327554	EDUARDO AMOR	17700 SW 87TH AVE	MIAMI
71133701537 000327561	STEVEN ANDRYCICH	10141 SW 223RD TER	MIAMI
71133701537 000327578	SHIRLEY ANN BROWN	10601 SW 177TH ST	MIAMI
71133701537 000327585	THOMAS ANTIEAU	12261 SW 189TH ST	MIAMI
71133701537 000327592	EVA ANA AARON	9998 SW 155TH ST	MIAMI
71133701537 000327608	VERONICA ABADIA	19800 SW 180TH AVE LOT 476	MIAMI
71133701537 000327615	NARRIMAN ABDALLAH	20101 SW 110TH CT APT 109	MIAMI
71133701537 000327622	MOISES ABEL	10475 SW 165TH TER	MIAMI
71133701537 000327639	JULIO ABRAHANTE	10820 SW 200TH DR APT 148	MIAMI
71133701537 000327646	MICHAEL ACEVEDO	20211 SW 112 COYRTR	MIAMI
71133701537 000327653	SOLEDAD ACOSTA	245 NW 109TH AVE APT 104	MIAMI
71133701537 000327660	HECTOR H AGUDELO	20001 SW 110TH CT APT 156	MIAMI
71133701537 000327677	ANTONIO AGUILAR	21215 SW 85TH AVE APT 115	MIAMI
71133701537 000327684	WILLIAM M AGUILAR	11830 SW 173RD ST	MIAMI
71133701537 000327691	SIV AHLENIUS	7900 SW 144TH ST	MIAMI
71133701537 000327707	ABOL AHMADI	10981 SW 180TH ST	MIAMI
71133701537 000327714	LUIS ALCIVAR	16351 SW 145TH AVE	MIAMI

Tracking Detail Stamp

Stamp

BIRMINGHAM AL 35203  
AUG 27, 2001  
USPS

Receiving USPS employee

*William T. Carter*  
WILLIAM T CARTER

Update

Stamps

Close

D:\MY DOCUMENTS\USCERTIFIED LETTERS\SOFTWARE\ETC\manview. Entries marked in red are undelivered.

Start USPSTrai... pstncom Control P... ETC ... 7:11 AM



# FAQ's

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- ✍ **Can we outsource? USPS**
  - ✍ **What security do we use? 128 bit**
  - ✍ **What is the set-up cost? None**
  - ✍ **How do we pay for this? ACH, Visa/MC Government P.O.**
  - ✍ **What is the cost benefit? Labor savings**
  - ✍ **What is the cost Savings? \$18.00 to \$20 per letter**
  - ✍ **Will this project take lots of time? No, we do most all the set-up.**
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# Next Steps:

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- ✍ **What is the Certified mail volume?**
  - ✍ **Who makes the Certified buying decision?**
  - ✍ **What is the format? Self-mailer, flat?**
  - ✍ **How is the letter created? Database or hand typed?**
  - ✍ **Who needs to be included in this decision?**
-



# Getting Started







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- ✍ **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.**
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# **Electronic Media Kit**

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-  **PowerPoint Presentation**
  -  **Sample self-mailers and flats**
  -  **Sales sheets: one-pagers**
  -  **Rate cards & letter of agreement**
  -  **CMMS Software**
  -  **ETC – Electronic Tracking Confirmation Software**
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- ✍ **Do you want to start saving money?**
  - ✍ **May I get sample letters and data?**
  - ✍ **Can I follow-up with a written proposals?**
  - ✍ **Can you estimate your labor and cost savings?**
  - ✍ **Do you want to install the software?**
  - ✍ **Can I set up a training and installation time?**
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## **E-Certified Savings!**

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- ☐ **Process Electronically on Pitney Bowes DM Series™ to Eliminate Return Receipt.**
- ☐ **Savings can easily pay for your new System**

<b>Average</b>	<b>Costs Each</b>	<b>Monthly Savings</b>
5 Per Week	\$1.75 ea	<b>\$35.00</b>
10 Per Week	\$1.75 ea	<b>\$70.00</b>
20 Per Week	\$1.75 ea	<b>\$140.00</b>

- ☐ **Pitney Bowes has the Only USPS approved meter for processing and tracking e-certified.**