

Before the
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-001

Complaint of Bulk Access (Batch
Processing) of Delivery Confirmation
Information for Certified Mail

Docket C2003-2

WALZ POSTAL SOLUTIONS, INC.
MOTION FOR LEAVE TO REPLY
TO POSTAL SERVICE ANSWER TO COMPLAINT
(June 19, 2003)

Introduction and Background

On May 29, 2003, the Postal Service filed its answer to our complaint, regarding the authority of the Postal Service to provide “Bulk electronic file transfer of Certified Mail delivery information”¹ based on the PRC approval of the Postal Service requested changes to include electronic confirmation of delivery status as part of the certified mail enhancements approved in Docket No. R2001-1.

In their response the Postal Service has set forth a number of arguments for three distinct issues that form the basis of the Walz complaint and why this Complaint should be summarily dismissed and disposed of without hearings. Pursuant to Rule 84 of the rules of Practice and Procedures of the Postal Rate Commission, the Postal Service answered each paragraph of the Complaint.

After reviewing the answer from the Postal Service including arguments, admissions and or explanations, Walz believes there should be a systematic approach to examining these arguments because, in each one, there are broad implications, not just to this case, but the extent the Postal Service can claim interpretive powers and how they suggest the PRC, the Public and Walz should respond in future rate cases. Walz asks that it be permitted to reply to several of the answers presented by the Postal Service on May 29 because many of the statements made were heard by Walz for the first time on that date. Walz was unable to anticipate fully the Postal Service’s position in drafting and filing our initial complaint.

¹ DMM § 918.1.4.b; Publication 91, pages 13-14 (May 29, 2003).

Therefore, Walz believes that it is necessary for the PRC to consider the additional arguments and facts incorporated into this motion to attain a full understanding of the nature of the harm that Walz has suffered by the Postal Service's exclusionary pilot test and unlawful expansion of the PRC-approved change to the DMCS to bulk, third-party vendor-provided electronic access to Certified Mail delivery information.

Walz will present to the PRC a clear and logical analysis of each Postal Service position with the intent of persuading the PRC to hold hearings on this Complaint because Walz will show its Complaint has merit and that the Postal Service has failed to present sufficient arguments for this Complaint to be summarily dismissed.

First, a point of clarification, the Postal Service, in paragraphs 12 and 31 of the May 29, 2003 answer, can not authenticate Attachment A to the Complaint as an advisory letter sent by the Postal Rate Commission's Secretary. Apparently they have not asked the PRC. Walz would request that the PRC authenticate the letter from Mr. Williams in Attachment A of the Complaint. It would appear that the Postal Service is implying Walz has presented a fictitious letter.

Walz also requests that when the PRC considers our Complaint and the corresponding Postal Service arguments, admissions and denials that the PRC bear in mind the intent of the Postal Service to implement "Bulk electronic file transfer of Certified Mail delivery information" and the decisions and actions the Postal Service made during the course of fulfilling the intent of Rule 64. Each formal request filed under this subpart (39 C.F.R. §3001.64(a)) shall include such information and data and such statements of reasons and bases as are necessary and appropriate fully to inform the Commission and all parties of the nature, scope, significance, and impact of the proposed new mail classification schedule or the proposed changes therein and to show that the mail classification schedule as proposed to be established or changed is in accordance with the policies and the applicable criteria of the act.

Walz believes the Postal Service has failed to meet the intent of Rule 64 because the Postal Service knew the proposed mail classification changes would be used by interpretation to include "Bulk electronic file transfer of Certified Mail delivery information" as a future method of electronic confirmation but did not disclose "such information and data and such statements of reasons and bases as are necessary and appropriate fully to inform the Commission and all parties of the nature, scope, significance, and impact of the ... proposed changes therein."

The Postal Service planned to initiate "Bulk electronic file transfer of Certified Mail delivery information" as a value added service long before the Market Study was started but chose specifically not to mention this concept or the USPS postal description of the service for at least two possible reasons. First, if they had included this concept in the Market Study then the public and the PRC would have been able to comment in the R2002-1 Rate Case filing. This action would then have limited the ability of the Postal Service to develop a value added business under the Netpost Certified brand and market this service in advance of potentially competing outsource companies. The Postal Service

has a direct economic interest in the success of this business because it has a revenue sharing agreement with USCL². The decision not to include the “Bulk electronic file transfer of Certified Mail delivery information” concept, as well as a string of subsequent decisions related to the disclosure and marketing of this service, was all under the control of the Postal Service. If any disclosure was made or implied that the introduction of this service was a “Pilot Test” service or the “Bulk electronic file transfer of Certified Mail delivery information” concept was not approved by the PRC the Postal Service, USCL and Pitney Bowes would face difficult hurdles in marketing their respective hybrid mail services or new digital certified mail postage meter.

The Postal Service has admitted in their Answer, paragraph 9, they “did not prepare written guidelines restricting marketing during the pilot test”. In Paragraph 8 they admit, “that Postal Service communications did not refer to a “pilot test”. Since the Postal Service had no direct relationship with the pilot test participants’ customers, it was in no position to communicate with them. Communications with customers were left to the three participants themselves.

Let’s examine each of these admissions. In the Answer to paragraph 9, the lack of written restriction was clearly a Postal Service decision. They had the authority to make the rules and chose not to disclose that was a pilot test, because it impacted their NetPost Certified Mail business. The more troubling admission is in paragraph 8, whereas even though USPS Marketing Account representatives were taught (attachment I, Power Point file date 9-28-01) to promote NetPost Certified and find their customers’ decision makers, there was no expressed concern by the Postal Service or Marketing management to inform their customers that this was a pilot test and subject to PRC approval. Walz lost customers and forms prospects because Walz was not allowed to participate in the pilot test and we were financially harmed by the actions of the Postal Service.

The facts of this pilot test are very similar to the UPS, Inc. vs. United States Postal Service case no. 78-2930, United States Court of Appeals, Third Circuit, 604 F. 2d 1370, Decided August 7, 1979. In that case the USPS was found to have instituted a new rate and mail classification when conducting an experiment with a limited number of participants.

The Court of Appeals, Garth, Circuit Judge, held that: (1) the Postal Reorganization Act is completely unequivocal in requiring all changes in any rates and any mail classification to be processed through and by Postal Rate Commission, and (2) the power of Postal Service under the Postal Reorganization Act to engage in marketplace experiments may not be exercised so as to permit the Service to impose rates or establish mail classifications absent compliance with requirements of statute conferring upon Rate Commission jurisdiction over changes in rates and classifications.

It appears the Postal Service has again created a new mail classification and held a marketplace test with a restricted number of participants in advance of the specific Rate and Mail Classification approvals that are required to be processed by the PRC.

² Attachment B to this letter, USPS & USCL cost worksheet self mailer revision 1

So when did the “Bulk electronic file transfer of Certified Mail delivery information” concept begin? Mr. John Dorsey, then the Special Service Marketing Manager and now retired from the Postal Service, gave a speech at the Postal Forum in March 2001³. The same month the Postal Service offered USCL a letter agreement to be a service provider for NetPost Certified⁴. In his speech, Mr. Dorsey fully describes the Bulk concept of a digital postage meter. Here are some excerpts:

“Now if you take a look at what the digital meter/PC postage arena provides in terms of opportunity, basically they have an electronic environment where they capture data. We have a web site and an Internet connection from our product tracking system that I shared with you earlier. If you put these two capabilities together, then what you end up with is a totally interactive flow of data that says I am using (I won’t use any real brand). I’m using the Acme digital meter in my mail room or in my mail center and I’m running all my certified mail through that today, and I paid my postage and fees and have gotten it labeled up. That data went right to my...automatically to my PC postage or my digital network provider. They batched that data to the Postal Service at the end of the day, and then the Postal Service automatically batched back matching delivery date and time records against that and gave it back to your network provider, and they automatically gave you e-mail back every day through your digital meter connection or our PC postage connection, the equivalent of delivery time and date, like an e-mail. It just comes back to you all automatically. So we are creating the opportunity for the digital meter and PC postage provider to get in the game of adding more value, customized around their set of users.”

John also talked about the relationship with USCL and introduced Tom Carter, here are some excerpts from that speech:

“Good morning, my name is Tom Carter. I’m President and CEO of US Certified Letters.”...

“There are basically two systems or two versions US Certified Letters offers. One is a web site. The web site was designed originally for any person, homeowner, at home or even a business that wanted to do one or two pieces of certified mail at a time”...

“We have the second version, which we call Certified Mail Management system. This system was designed for an off-line version of the web site, allowing the customer to download from our web site, even from Net Post on line, our off-line version which allows you to put it on the desktop, or single user, for multi- or single pieces of certified mail, or load it into a network within the corporation, allowing the company to send certified mail from any desktop that's within that company. You also have the ability to upload or download database files with thousands of names and addresses into CMMS and bring that down to our site for

³ Transcript of Tape provide by USPS through Audio Print international, copy of tape filed with the PRC

⁴ Attachment B to this letter, agreement from Postal Service dated March 19, 2001.

processing”...

“Delivery confirmation is available electronically, giving you a manifest of what you sent that day. In the near future you can also get the back end, tracking that will allow you to find out electronically where the mail was.”...

From these comments, it is clear that the USPS initially intended to offer the concept of “Bulk electronic file transfer of Certified Mail delivery information” through USCL, a then-unnamed digital postal meter company and subsequently Outsource Solutions on behalf of Wal-Mart. At the next National Postal Forum, in September 2001, both USCL and Pitney Bowes were demonstrating and offering for sale their respective services and/or Digital Certified Mail postage meter that provided “Bulk electronic file transfer of Certified Mail delivery information”

When the Marketing study questionnaires were finalized in April 2001 the definition for New Certified mail was “customers...will be able to call a toll-free number or go onto the internet and obtain the date and time of the delivery for each piece of certified First-Class Mail or Priority Mail by entering the barcode number from the certified sticker”⁵.

So why not include a separate definition in the Marketing Study for the concept of “Bulk electronic file transfer of Certified Mail delivery information”? Walz has presented some possible scenarios and really only the Postal Service can answer this question. The fact is this concept was not independently studied for its impact on Certified Mail Revenues or the related explicit costs and therefore was not specifically considered in the pricing matrix or testimony given by Susan Mayo.

In her Testimony, which was based in part, on the Market Research study, Susan Mayo presented a singular method of accessing delivery information electronically. The Advisory letter for Mr. Williams dated March 5, 2003 (Attachment A, Walz Complaint) quotes Susan Mayo’s testimony:

“By adding internet access to delivery data for certified mail, customers will be able to apply one certified label to a mail piece and access delivery data via USPS.com website shortly after delivery”.

The PRC then recommended the following language:

“Certified Mail service provides a mailer with evidence of mailing and, upon request, electronic confirmation that an article was delivered or delivery attempt was made”...

The Postal Service implemented the above-recommended language 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

⁵ USPS-LR-J-121- attachments A, B, C

www.usps.com by entering the article number shown on the mailing receipt.”

On May 29, 2003, the same date of their answer to the Walz Complaint the Postal Service added a second method of “electronic confirmation”, “Bulk electronic file transfer of Certified Mail delivery information” See DMM § 918.1.4.b; Publication 91, pages13-14 (May 29,2003).

Walz accepts the characterization and name of this service as a substitute for the phrase **Batch Delivery Confirmation CM** as used by Walz in its Complaint. As shown in previous correspondence with the Postal Service, Walz has been striving to obtain this definition for this service from the Postal Service since July 7, 2002 (Attachment G page at page 2), where Walz posed the question; what do you call the “batch” processing of electronic delivery confirmation that you now offer through PB, USCL and Outsource Solutions? Walz has never received an answer to this question. Rather we have been chastised for using what is the apparent nomenclature by the Postal Service as described in USPS marketing material such ETC (Electronic Tracking Confirmation). To the best of our knowledge May 29th 2003 is the first time the Postal Service specifically mentioned, “Bulk electronic file transfer of Certified Mail delivery information” in the DMM or in any writing to the PRC to describe this type of Certified Mail service.

Based on the foregoing Walz will now review each of its claims and the corresponding arguments presented by the by the Postal service.

First Claim

Walz’ first Claim is that the Postal Service failed to request the Commission to submit a recommended decision on “Bulk electronic file transfer of Certified Mail delivery information”.

The Postal Service’s first rebuttal is that this method of electronic confirmation was included and implemented in a classification for this offering. In order to make this statement, the Postal Service has seized upon the wording recommended by the Postal Rate Commission “and upon request, electronic confirmation” and then applied their interpretation as to the meaning of that phrase.

While the Postal Service will argue “electronic confirmation” can be any method or multiple methods of electronic confirmation, however only one method was specifically mentioned in Susan Mayo’s Testimony and no other methods were explicitly implied.

Susan Mayo of course also stated: “By adding internet access to delivery data for certified mail, customers will be able to apply one certified label to a mail piece and access delivery data via USPS.com website shortly after delivery”⁶.

What is abundantly clear is the language presented to the Postal Rate Commission in testimony, then recommended by the Postal Service, then reworded and recommended by

⁶ Mayo Testimony, page 26

the Postal Rate Commission and finally re-interpreted by the Postal Service, has evolved into a momentous issue of form over substance. The only way the Postal Service can even attempt to justify any comparability between vastly different electronic confirmation methods is to apply logic based on their extraordinarily broad interruptive powers.

As a starting point in comparing the two electronic methods now identified in the DMM § 918.1.4.b; Publication 91, pages13-14 (May 29, 2003) Walz makes the following comparisons for the Postal customer who buys Certified Mail:

- 1) The customer cannot obtain “Bulk electronic file transfer of Certified Mail delivery information” directly from the Postal service or in Bulk from www.usps.com; but can only obtain the information from third party service providers.
- 2) The \$2.30 Certified Mail fee does not include the right to receive a service called “Bulk electronic file transfer of Certified Mail delivery information” (without additional cost to the customer via a third party service provider)
- 3) In order to receive this form of electronic confirmation the postal Customer must either;
 - a) Lease or acquire access to a digital postage meter from a third party vendor, like Pitney Bowes, that has the capability for bulk electronic file transfer and is approved by the Postal Service, or;
 - b) Send their Certified letter or letters through an outsource company, like USCL, that has the capability for bulk electronic file transfer and is approved by the Postal Service,
- 4) The Third Party vendor accumulates the individual customer files and then sends a master file to the USPS package tracking system, not to www.usps.com, and as admitted by the Postal Service, paragraph 27 of their answer, the “Postal Service provides the delivery information to Pitney Bowes and USCL. They, in turn, pass the information to their customers”.

As the primary argument to the First Claim the Postal Service claims they have been given sufficient language flexibility and considerable (definitional) latitude in interpreting and administering mail classification provisions. Therefore, the Postal Service believes adding “Bulk electronic file transfer of Certified Mail delivery information” as another method of electronic confirmation for Certified mail certainly falls within this latitude.

Walz could not agree more that this belief held by the Postal Service is one of the fundamental points of contention before the PRC.

Therefore, Walz is requesting that the PRC hold hearings to determine whether the Postal Service did request a recommendation on “Bulk electronic file transfer of Certified Mail delivery information” and then determine whether the Postal Service has exceeded its interpretive powers based on a reading and evaluation of the following facts:

- 1) Their expressed intentions in Mr. Dorsey's speech,
- 2) The quantitative information presented in the Marketing Study
- 3) The related testimony by Susan Mayo
- 4) Whether the combinations of 1, 2 and 3 meet the disclosure requirement and intentions of Section 64
- 5) As stated in paragraph 21 of the Postal Service response, "The Postal Service admits that it has not completed market research that specifically quantifies potential cost and revenue impacts of the bulk electronic file transfer method of providing delivery information for Certified Mail"
- 6) As stated in paragraph 22, "Admitted that Docket No. R2001-1 market research did not specifically mention the bulk electronic file transfer method of electronic confirmation".

The Postal Service also attempts to introduce the concept that since Delivery Confirmation can be transferred in bulk files and this is a form of "electronic confirmation" Walz and other interested parties should have known this would be a method of "electronic confirmation" to be added to the DMM at some future date. Walz therefore should have presented this concept as an exclusion for Certified Mail enhancements.

If one where a Postal Service attorney in Special Services, knew the plan and is responding to a Complaint only then will this argument be made. However, if one was just an interested party and looked at the differences between the services, a large leap in consciousness is required to guess what the Postal Service was really plotting.

According to DMSC 848.21 "Delivery Confirmation is available for First-Class letters and Sealed Parcels subclass mail **that is parcel-shaped**, as specified by the Postal Service; Priority Mail, in the Regular and Nonprofit subclasses, that is subject to the residual shape Surcharge; and Package Services that is **parcel-shaped**, as specified by the Postal Service." In Walz experience the vast majority of certified mail is letter size and flats and very rarely parcel shaped.

Parcel shaped mail uses a different mail stream than first class mail; the Delivery Confirmation bar-code is different than the Certified Mail bar-code; there is a separate rate class for Retail and Electronic Delivery Confirmation by description of mail type (fee schedule 948) and Certified Mail requires a signature when Delivery Confirmation does not.

None of these differences are discussed or analyzed in the Testimony. An interested party should not have to deduce that "electronic confirmation" based on the delivery information look up process located at www.usps.com is the same as fee based Electronic Delivery Confirmation for parcel shaped packages and that of course must lead to the conclusion that "Bulk electronic file transfer of Certified Mail delivery information" as defined by the Postal Service on May 29, 2003, was approved by the PRC.

The Postal Service argues in the First Claim, that it is the obligation of an interested individual or party to present proposals to the PRC for exclusions to a mail classification change if they want to limit the scope to wording suggested by the Postal Service or future interpretation of that wording by the Postal Service. Additionally they suggest that a party has no right to section 3662 complaint procedures, if they don't raise an issue in the first case.

These arguments are quite extraordinary given the years that it took to create the Postal Reorganization Act; the responsibilities of the Postal Rate Commission and the trust placed in the disclosure requirements for the Postal Service in the Rate Case litigation process. What the Postal Service is actually implying here is that it is not the obligation of the Postal Service to fully disclose their intention for a change in mail classification rather it is the responsibility of an interested party to raise for debate in the litigation process any and all requested scope limitations they may have. If the scope limitations, raised by an interested party and ultimately accepted in the litigation process, are not specific, then the Postal Service, using its broad definitional powers, as more fully described and quoted on pages 10 and 11 of their Answer, is allowed to make virtually any interpretation they so choose to conduct operations. In support of this position they attempt to claim that since Bulk electronic file transfer for Delivery Confirmation has been around since 1999⁷, Walz should have raised this form of electronic confirmation as an exclusion from the scope of their proposed mail classification changes. And since Walz did not raise this issue in the Rate Case, it cannot raise it now.

In the Postal Service position there is no apparent requirement to disclose material facts about products or services they are currently implementing or plan to implement. Interested parties are allowed to review what is presented in marketing reports and testimony. If interested parties cannot define Postal Service intentions, present the correct terminology, if one exists, and have that exact concept excluded in a Rate Case, the interested party loses all implicit rights. Any scope limitation, not specifically excluded, then falls under the interpretive rights of the Postal Service. To allow this logic to prevail is to undo all that Congress and the Postal Rate Commission has accomplished to date.

In relationship to Bulk file transfer of Delivery Confirmation, this type of file can be sent directly to the Postal Service and the reply is received directly by the mailer. In the "Bulk electronic file transfer of Certified Mail delivery information" transaction, a postal customer does not communicate directly with Postal Service; rather, in order to utilize this service, they must make a significant capital investment in a digital certified mail postage meter with bulk electronic file transfer capability, approved by the Postal Service, or pay an outsource company to prepare their mail. The third party vendor sends an electronic file to the Postal Service then "the Postal Service provides the delivery information to Pitney Bowes and USCL. They, in turn, pass the information to their customers." Postal Service Answer, paragraph 27. Clearly, these value added services are not available in the price of certified mail.

Second Claim

⁷ See Docket R97-1, USPS-T-22, at 10

Walz' second claim is that the Postal Service fails to charge for "Bulk electronic file transfer of Certified Mail delivery information" as a second method of obtaining time and date delivery information.

The only cost referenced in worksheet computations for Certified Mail enhancements by Ms. Nieto is the 70 cents cost per telephone call to the call center x 10.1% usage = .0707 cents, USPS –LR-J-135/R2001-1 Section worksheet D-1. Ms. Nieto's worksheets for R2001-1 supporting special service costs do not identify any other method of electronic confirmation costs for Certified Mail. Again the USPS has already admitted, in paragraph 21 of their Answer, "it has not completed market research that specifically quantifies the potential cost and revenue impacts of the bulk electronic file transfer method of providing Delivery information for Certified Mail".

Mr. Dorsey, in his letter for July 3, 2002 (Attachment E, page 2, Walz Complaint), identifies potential Internet cost savings as pilot test goals. However, in the Walz meeting with the USPS on March 13, 2003 (Attachment H, page 6, Walz Complaint) the USPS informed Walz they do not have quantitative studies of Mr. Dorsey's efforts. If there are no cost studies for "Bulk electronic file transfer of Certified Mail delivery information" how did the USPS get the PRC to approve the related fee structure?

The USPS claims that the costs for electronic Delivery Confirmation are approximately 8 cents per file and since this cost was mentioned elsewhere in R2002-1, this cost is the same as "Bulk electronic file transfer of Certified Mail delivery information" and of course included in the Certified Mail fee. Again, there are no studies that compare the costs and estimated transaction volumes of a file transfer direct from a postal customer for Delivery Confirmation to the costs of a bulk file transfer from a third party service provider including overhead etc.

In fact it seems that many Certified Mail customers may never use "Bulk electronic file transfer of Certified Mail delivery information", even though this method is available to them, because they would rather look up the article number instead of paying for a third party vendor service. Walz would also note the USPS charges 13 cents fee per file for Internet Delivery Confirmation, for many types of parcels.

Walz feels an appropriate future solution would be for the USPS to charge third party vendors a fee of at least 13 cents per file and reduce the cost of Certified Mail because many small purchasers may not chose the "Bulk electronic file transfer of Certified Mail delivery information".

Third Claim

Walz claims the Postal failed to request an advisory opinion on "Bulk electronic file transfer of Certified Mail delivery information" as that phrase is used to replace Batch Electronic Delivery Confirmation CM.

In response to the Walz statement in paragraph 32 of the Complaint the Postal Service “Admitted that the Postal Service has not requested an advisory opinion from the Postal Rate Commission, under 39 U.S.C. § 3661, on its offering of bulk electronic file transfer.” The Postal Service response is clear. Whether or not the USPS can offer multiple methods of “electronic confirmation” for certified mail or significantly different methods without disclosure under Rule 64 is left to the PRC for interpretation.

In paragraph 26 Walz stated that “Bulk electronic file transfer of Certified Mail delivery information” method is a postal service. The Postal Service responded, in paragraph 26 of their answer, “To the extent an answer is required, it is denied”. So either “Bulk electronic file transfer of Certified Mail delivery information” is now a non postal service or there is a contradiction within the meaning of what is a “postal service”. The Postal Service has just written a 16 page answer to explain why “electronic confirmation” to include “Bulk electronic file transfer of Certified Mail delivery information” was approved by the PRC as an enhancement to Certified Mail. One must wonder why the Postal Service requested a change to the DMCS to add an electronic confirmation option for Certified Mail if no postal service is involved.

In paragraph 27 Walz stated “Bulk electronic file transfer of Certified Mail delivery information” is being used by a substantial number of companies and the Postal Service responded, they “do not know how substantial the customer base is that is receiving Certified mail delivery information”, paragraph 27 of their Answerer. The number of files (article numbers) sent by third party vendors is readily available. In the Piney Bowes system each article number contains the DUN’s number of the company sending certified mail so the Postal Service could, if it wanted, make projections on anticipated volume of Certified Mail and number of users. This is what the Market study did in analyzing the impacts of the enhancements. Additionally, they could ask, Outsource Solutions, Walz or USCL how much they were processing. The Postal Service could also look at the reporting that comes with each payment from USCL because the Postal Service has a revenue sharing agreement with USCL that is based on volume (Attachment B, of this letter). If the Postal Service does not know the volume of files processed by third party service providers, it is only because they have not asked or looked at the information available.

The Postal Service also states, on page 12 of their Answer that "Walz fails to distinguish bulk file transfer from the general enhancement of Certified Mail". In the analysis presented for the First Claim, Walz Clearly illustrates the differences between the two methods of “electronic confirmation”. If one method of obtaining delivery information requires the customer to enter an Article Number at www.usps.com and the only way to obtain the same delivery information via bulk electronic file, the second method, is a payment for value added services to third party service provider, there is a change in the nature of the postal service.

In paragraph 28 and 29 of the Complaint, Walz states “Bulk electronic file transfer of Certified Mail delivery information” can have an impact on other mail services, especially Return Receipt service, and represents a change in the nature of postal services on a national basis. The Postal Service, in paragraph 28 and 29 of their Answer, claims any

impact on other services or Return Receipts is “speculation” and also deny “Bulk electronic file transfer of Certified Mail delivery information” is a change in the nature of postal service on a national basis.

Again we have to reconcile what the exact position of the Postal Service is here because they flip flop, at will. If “Bulk electronic file transfer of Certified Mail delivery information” is a method of “electronic confirmation” and this is the enhancement approved by the PRC then there is an impact on Return Receipts and other mail services. Susan Mayo states, on page 26 of her Testimony, “On the other hand the availability of delivery data will obviate the need for an ancillary return receipt normally purchased with certified mail”. Additionally in forecasting the volume of Certified Mail because of the enhancements Ms. Nieto presents an analysis of her adjustment “Total Estimated Volume migrating to Delivery/Signature Confirmation from Certified Mail, 4,929,000 units⁹. However, since we know from USPS statements they have not completed the related studies, paragraph 21 of their Answer, we know there are impacts on postal services that have not been identified by Ms. Nieto and Ms. Mayo. One impact is the effect of the Pitney Bowes Digital Postage meter for certified mail and related advertising (Attachment J). Pitney Bowes advises to eliminate Return Receipts and save \$1.75 per transaction. In our meeting March 13, 2003 with the Postal Service (Attachment H, page 7) Walz informed the Postal Service that the Pitney Bowes machine only used the 3800 labels and was incapable of processing Return Receipts. Walz also indicated it had been informed by USCL that their production of Return Receipts was significantly below the national average (Attachment H, page 9). When you consider the marketing strategies employed by the Postal Service and Pitney Bowes and with bulk file volumes per customer ranging from 2 certified mail letters per day per day to 50,000 or more per month there can be a significant impact that has not been studied.

The final point on the Third Claim is that postal customers are affected on a nationwide basis and “all” postal customers are affected. The third party vendors for “Bulk electronic file transfer of Certified Mail delivery information”, Pitney Bowes, Outsource Solutions, NetPost Certified and Walz do not discriminate on a regional basis for customers. They can service all customers nationally. According to the Market research study, there are two types of postal customers for First Class mail services, households and non-households. According to the remarks made by Tom Carter, as the service provider for Netpost Certified, USCL provides the ability to do certified letters for one person, households or businesses. Therefore by definition “all” postal customers are affected. If the Postal Service has not properly allocated costs to the “Bulk electronic file transfer of Certified Mail delivery information” method because there have been no studies, then rates paid by all postal customers are cross-subsidizing the Postal Service’s provision of that service.

Recommended action for this Complaint

Walz has clearly demonstrated in a logical and systematic approach that the Postal Service is providing a service that it did not fully disclose to the public or the PRC according to Rule 64. They have continually admitted they did not include any specific references to

⁹ USPS –LR- J-136 page 11, table 9

the concept of or intent to implement “Bulk electronic file transfer of Certified Mail delivery information” as a value added service to be provided by third party vendors in the Market study or Testimony before the PRC.

The entire argument of the Postal Service is based on the thin thread that access to delivery confirmation information at www.usps.com, one article number at a time, equates to “electronic confirmation” because those words were approved by the PRC and therefore the Postal Service has the power of interpretive right to declare the PRC approved “Bulk electronic file transfer of Certified Mail delivery information” as an additional enhancement to Certified Mail in the R2002-1 Rate Case.

Walz requests that the PRC find, in its discretion, that sufficient basis in facts and arguments are presented to hold hearings and allow discovery on the Walz Complaint. There are a number of legal issues presented by the Postal Service positions where discovery and a recommended decision to the Board of Governors rejecting as unsupported the Postal Service’s provision of “Bulk electronic file transfer of Certified Mail delivery information” will in fact encourage a resolution of the legal issues presented by the Complaint. Expenditure of resources will be required to quell the interpretive positions expressed by the Postal Service and the rampant use of undisclosed pilot tests to further the cause of Non Postal Services at the expense of the rate case litigation process, and disclosure of Postal Service intentions to the public and the PRC.

In light of the arguments presented above, Walz asks the PRC to accept this additional factual material in reply to the Postal Service’s May 29 Answer.

Respectfully Submitted,

Walz Postal Solutions, Inc.

By it’s President:

Peter Casserly

ATTACHMENT A

SPRING NPF 2001 - JOHN DORSEY/TOM CARTER

Good morning, I'm John Dorsey. I am the Manager of Special Services at Postal Service Headquarters. There's a few little housekeeping things that we're always reminded to share with you which you probably have heard and can quote by memory yourself by the third day of the forum. But we try to remind people that these sessions are recorded. Sometimes they do it randomly, so your voice may be heard loud and clear. The presentation part is mostly what they're recording. Handouts...we apologize we don't have a copy of what we're showing you here because we now have these materials available on National Postal Forum.com distribution. You've probably heard something about that. Everybody will be able to log on and get all the forum materials they would like. We have evaluation forms.

What we're going to do today is talk to the special services business. But unlike previous forums where you may have come to a session that had the label "special services something or other" on it, this one is far less technical. This is not going to have any bits and bytes talk about how wide and tall a bar code needs to be on a label. It's not going to talk about size, shape, dimension labels, it's not going to talk about tagants.

What we're going to talk about instead, as hopefully the title of the session suggested to you, is what are we about to do to change and ramp up the electronic capabilities around special services. So in order to do that, we're going to run through a part of the description and talk about special services. Come on up, Tom. I'm going to take a moment of interruption...one of the co-speakers I have with me today is Tom Carter, who is the President/CEO of U.S. Certified Letters.com, also known as USCL.com, I believe, and he's going to speak after I do to give you a little preview of something that the Postal Service is now offering as a part of our net post mailing on line option to click, so as we follow through the agenda, you'll see where Tom's piece will come in.

Basically I'm going to run through a quick inventory just for those who don't know what the total span of what we manage at special services are is. We're going to talk about expanding the value add that special services are intended to do, by embracing the internet. We're going to talk about how to expand new ways to electronically confirm things about mail with special services. We're going to talk a little bit about not so long out there in the future sending electronically, like today. That's pretty exciting. And of course, hybrid certified mail solution is one of those. Then following that I'm going to give you a little quick introduction of several of the other supplies and vendors in this whole special services market that help create customized solutions and things.

So let's move on with the agenda and talk a little bit about what are the Special Services and what does it really mean in terms of the amount of business. Postal Service

collects about \$2 billion a year in fees paid to do various things for your mail. Basically the value add might be and the form of confirming delivery with signatures. We did about \$340 million of those last year. We've confirmed \$350 million deliveries in the past year using the combination of the confirming services, including the newest delivery confirmation. We've protected or insured over \$65 million parcels in the past year. Our money order business is part of special services as well. We've cashed more than \$29 billion in money orders, which means a lot of people have come to find the Postal Service money order brand an incredibly good quality, especially now when buying on the internet in increasing numbers. And of course we have about 17 million places where people choose to get their mail, called the post office box or caller service. So this is a pretty important area of business. Throughout COD service we collected about 4 million payments for merchandise delivered for parcel mail order shippers.

So with that, let's run through real quickly a preview of what the current array of special services are. Starting with those that are primarily used to either prove you mailed it or confirm that we delivered it. In the package services business, expedited, priority, and package parcel select, we have the traditional delivery confirmation that's now been out there for a couple years. We have the newest member, signature confirmation, and of course we have the old, reliable return receipt with merchandise which is still the preference of a few. And of course we have the return receipt that you can also buy if you insure, register, or provide a COD service along with the package.

On the letter mail side, if you look at first class mail, the traditional special services array has been good old certified mail, one of the strongest, deepest brands in the history of the postal business, the return receipt along with that which provides the good old blue ink on green card peace of mind – yes, Joe Smith did sign it – or I can buy the return receipt after mailing if I only need to do that when needed.

Now if we look at the secure services, we like to call them, we basically have the insurance, which we've added a number of new things I'm going to talk about; registered mail, which is the ultimate – we send an armed guard along with the package to make sure it doesn't get lost. A lot of people probably know that the Hope Diamond got delivered to the Smithsonian Institute by registered mail. And of course COD is a service that's been out there, but it is increasing in its popularity for a number of reasons that I'll share and why we're going to try to do some new things with it. The post office box and the money order business gives you choices of where you can get your mail, whether you're a small business in Kansas and want to look like you operate in 20 markets, it's a good way to do it, caller service for capturing remittances. But the sending money, money order option obviously is about 220 items purchased a year which is something we can also do some value add improvements with.

So let's go through the current array of what, in terms of electronically accessible services, do we have and where are we going next. Well, in 1999 we introduced the delivery confirmation service which gives people the ability to get on the phone or get on the internet and get delivery time and date back. And just the first week in February, we

introduced the new signature confirmation service that can be purchased with the extradited priority package services, which provides the ability to get on the phone or internet and request whether you'd like to have faxed or mailed to you a hard copy of the signature, delivery time and date. We're not sending the signatures over cyberspace quite yet, but that's coming.

If you look at the current package services, the way they work, we've built a platform out. But if we look at good old Fred, the mail sender, and Fred gets the mail to the Postal Service by a number of ways, we accept the mail, put it into our system, and we have a delivery function now that looks a little different. Basically our delivery employees are carrying around in their holster this little mobile data collection device that you see here. And they're scanning bar codes, bar coded labels on right now all of the Special Services. Delivery confirmation, signature confirmation, certified, registered, insured, COD. All of those items that all of you have worked so hard to get bar codes on in the past year are now being captured electronically and basically that's giving us the ability for those services that have now been offered in the marketplace, delivery and signature confirmation, to enjoy the benefits of logging onto our USPS.com, click on Track and Confirm, punch in your delivery or signature confirmation number, and close the loop by getting the delivery information you want. And you never had to leave the office or the home.

Now if we step ahead, we have a couple other opportunities to take this information platform that I just described to you that's been built, the product tracking system that is out there for our package and priority and express services, and take that to the next step and say, why can't people who send regular old first class mail, #10 envelopes, business correspondence, personal correspondence and the like, why can't they enjoy some of this new infrastructure. So what I'm going to show you is we have very specific plans that we're working on right now, number one to put into a rate case filing with the Postal Rate Commission in the not too distant future, which is a requirement for us to go through in order to redefine how a service works and to adjust fees for these services. So here are three things that I'm going to show you that are going into this rate case filing to ramp up the end of the 10-month litigation period with the Rate Commission, our readiness to deploy these new services. Starting with building delivery time and date on the internet, just like you saw for package services, built into certified mail. I buy certified mail, I put the sticker on the piece, I give it to the Postal Service, and on day two or three, after it's delivered, voila—we have delivery time and date accessible.

Another step to make all of these things more friendly through embracing the internet is to take the return receipt after mailing, which you may choose to do instead of buying the green 3811 with the mailing, and you normally go into the post office and you give us \$3.50 and we give you the delivery date and time and signature. Now you'll be able to get on the internet, once we make these modifications, get through the rate filing, transact \$3.50 to the Postal Service, or if you had 10 pieces \$35, or whatever you had, and actually access the ability, just like you would have walked into the post office, to have that delivery time, date, and signature faxed to your fax location or mail location of

preference.

And then the real crescendo is to go to a truly electronic return receipt, which means just like with the green card, once you've given us the mail and you've paid the fees, all you do is just sit back and receive the information – delivery time, date, and signature back, right to your e-mail address, automatically. You don't have to log onto the web site and ask for five items. So these are the key things we're working on, to take this information technology platform and take it to the next step. So much like I described, good old Fred is now sending a batch of certified, first class letters. He gets it to the Postal Services, we put it through either over-the-counter acceptance, somebody picks it up, the carrier takes it away. The certified labels get scanned today, just as I described. That data is now being stored in our product tracking system and as I described, you'll be able to log onto the web site, punch in a certified mail number and get delivery time and date. Or, purchase a return receipt after mailing, or take the internet opportunity a step further and create the electronic return receipt automatically back. So there's a multitude of options, all of which will provide the ability for people to get delivery time and date and signature, if that's what they've chosen, within a matter of two to three days. Because that's about how long it takes to deliver a first class letter. If you still want the return receipt with mailing, the green card, nobody's taken that away. All we're doing is adding new features or options. You'll have the ability to buy an e-return receipt, just like you would buy a hard copy, stick it on the envelope, a hard copy receipt.

So if we look at the next category, which is the secure services, insured mail, we're also building off of several other technology platforms that are now being put into place, the ability for the parcel shippers that give us substantial volumes every day, to be able to create an electronic manifest, provide electronic proof that their mail has been accepted, transmit this manifest to us electronically, along with their insured numbers. And then process all of their claims, filings, and receive settlement, totally on line, electronically. No paper, no fuss, no muss. I might add that the first part of this system has already been built, which is re-engineering our claims and settlement process which is going into actual operational test in about a month or two. It's going to take—and I'm ashamed to say this but I might as well be honest—you know it better than I do if you're a parcel shipper, the average time for claim settlement is 90 days. That's average. This new system, by embracing some of the technology, has proven to be able to file and settle, accept claims filings, settle them in less than 10 days. So creating the electronic interface, putting the technology to work process, move all the information around between the local post office up to our St. Louis accounting services center, processing the claim, getting the settlement back, will be, I think, within industry standard and fairly competitive.

The COD service which I mentioned before, is kind of coming back to life. There's a lot of parcel shippers that now want to target various culturally diverse audiences who tend to be under-banked, that prefer to pay in cash or check for merchandise when it's delivered. We need to do some clean-up on this too. So we're going to create an integrated bar code that will allow with one bar code on the mail piece to combine COD

and the insurance or without insurance is one of the options. Several have asked can I get COD without insurance because I use a commercial insurer. And then of course the single biggest thing is an automatic cash roll-up to a central account. Instead of sending 10,000 money orders back to, for example, Fingerhut, every day for COD shipments, we'll amass and consolidate to central account all that cash roll-up. Now that's not rocket science but it's a step we haven't taken yet which we think will make us a much friendlier parcel shipper in addition to all the confirming information we've developed.

The PO boxes and money orders, while it may not relate directly to a lot of the mailing activity that you folks are involved with, it may because we now have the ability to do a couple of interesting things. We now have all our PO boxes databased. We're going to create an on-line relationship for somebody from any location to get on line and rent a PO box anywhere. If I'm that businessperson in Kansas City and I want to offer my little brokerage service out to 20 markets, I can arrange to have those boxes set up to give me a local address in those 20 markets. Automatic renewal, what a pain in the butt to get your notice to pay your PO box renewal fee every six months. It ought to be just like your AOL account at home. It just automatically gets debited and paid every month. We have the ability to do the same thing.

You've got "real mail," right back to your e-mail every morning – tell you whether you've got mail in your post office box or not – yep, that's real. We're developing it, we'll be testing it in three months. Within the next following nine months we expect to give you the option to pay a little extra fee every six months to get "you've got real mail," a post office box or right back to your PO box. Particularly useful for people who have couriers who take care of their box collections and want to know when they need to sweep buy a certain post office to pick up the mail or not.

The internet purchase of money orders is a no-brainer, but we haven't done it yet. Everybody that does business on E-Bay tells us I'd love to use postal money orders because that's what all my payees want. But they're too hard to get by having to go to the post office. So we're creating new ways to actually buy a postal money order on line and print it out on your computer or send electronically the money order to the payee and have them be able to print it out on their printer and take it to the post office or bank and cash it.

So this is really a pretty broad category of opportunity. Thinking about the PO box initiative of "you've got real mail," within an hour of the time the mail is put in your box sent anywhere to your home or business, and/or business, so you can determine whether you need to go back to your PO box and pick up that day or not.

Shifting the focus over to now a lot of things we talked about, collecting information about delivery, or confirming, or securing. Let's shift for a minute about making the process more user-friendly on the initiating the mail side, sending it, creating it, and a whole range of activities that go with that. Net Post mailing on line...has anybody heard

of that here before? We have an exhibit down in the Postal Service section of the exhibit hall where they're demonstrating Net Post mailing on line. And it's our way of saying we're going to provide some services so that people can get on the computer, on the internet and generate whatever they want to send. You want to send a green card? The Postal Service has a way to do that on Net Post. You want to generate an advertising mailing? The Postal Service has created a link to a provider that can do that. And of course, what we're going to talk about shortly in Tom's business, which is you want to send certified mail? Net Post provides you that opportunity. So hybrid mail services are what the Postal Service is trying to get seeded out there into the marketplace by our own offering of these. And we're not doing any of this business ourself, we're doing it through business partners who have been blessed to be able to live up to the standards of our lawyers, which is pretty tough, and be able to provide the service and kind of put something in one place where can get it. And this is only the beginning. Postal Service will be able to provide connections to a wider host of providers in this whole marketplace as we move through time.

The digital meter network is a new thing out there. Digit meters communicate with your meter provider, do all kinds of data collection. There's some opportunities here that are going to add value to creating the special services along with mail. PC postage? The same thing. A network provider that has a whole host of small businesses or private citizens, or larger businesses, parts of larger businesses networked through a process that collects and captures data. The way we see this opportunity shaping up is that net post mailing ones-y/twos-y, whichever you choose. So the Net Post demo is available down in the exhibit hall in the Postal Service exhibit.

The hybrid certified mail piece, which is probably the piece of Net Post mailing on line that is most relevant to our subject, sending electronically, again brings us our friendly mail sender. If you look at a simple ability to electronically send the correspondence to the provider, sending mailing lists to the provider, basically having it click through our Net Post connection to US Certified Letters.com or USCL, they in turn, of course using much more commercial looking printers than this example, actually create your bits and bytes into hard copy mail. They give it to us and we provide the delivery to multiple players. This is really a time that has come, to create a new kind of out-source solution.

Now if you take a look at what the digital meter/PC postage arena provides in terms of opportunity, basically they have an electronic environment where they capture data. We have a web site and an internet connection from our product tracking system that I shared with you earlier. If you put these two capabilities together, then what you end up with is a totally interactive flow of data that says I am using (I won't use any real brand)..I'm using the Acme digital meter in my mail room or in my mail center and I'm running all my certified mail through that today, and I paid my postage and fees and have gotten it labeled up. That data went right to my...automatically to my PC postage or my digital network provider. They batched that data to the Postal Service at the end of the day, and then the Postal Service automatically batched back matching delivery date and time records against that and gave it back to your network provider, and they

automatically gave you e-mail back every day through your digital meter connection or our PC postage connection, the equivalent of delivery time and date, like an e-mail. It just comes back to you all automatically. So we are creating the opportunity for the digital meter and PC postage provider to get in the game of adding more value, customized around their set of users.

Now there's nothing more important in the whole business of special services than what goes on the mail to identify it. It's what goes on the mail to provide our electronic capture, when the carrier/delivery person scans that piece. It's what creates our product tracking system. This is where it all starts. We have some very important players in this arena that really make this all happen, through either combinations of software particularly customized or off the shelf. There's over 40,000 law firms using particular types of software designed specifically for certified mail provided by people that are here at the forum or not at the forum, that are in the business of providing forms, labels, supplies and everything around certified mail, insured mail, registered mail, COD mail. So a postal forum is an incredibly appropriate place to talk about these people and these players because most of what you're going to be trying to do in the next year to two to three years is all about what they offer to fit your particular need. Customized out-source solutions. So I'm going to always take my opportunity to give a commercial to all of these people and all of these companies that provide this support.

Here are the companies, minus one or two that chose to stay regional, not be nationally recognized. And of course US Certified Letters.com is not on here because John goofed up and didn't get them on here. I want to just run through this list briefly for you because several of these people are exhibiting here at the forum, and you need to talk to as many of them as you can about what they do and get up to date. Because what they offered last year and what they offer this year is dramatically different in terms of the capabilities, because it's a changing world in terms of creating product, labeling, marketing, preparing product, on desktop environment, on mainframe environment and the likes. So I'd like to ask anybody that's representing one of these companies here to raise your hand, stand up for a second, and tell us where you're exhibiting, if you are, or at least acknowledge that you're here...people want to talk to you.

(Audience member speaking – inaudible)

...and Glen's group has some handouts in the back of the room too. I apologize we didn't get turnaround time working well enough to get handouts from all of the suppliers and providers but I can guarantee you that you can get to us and let us know what you need, because we have a list of certified vendors that have all the phone contacts.

(Audience members speaking – inaudible).

I think one of the important things is that people that are in your area of business sort of have a responsibility to stay up on what's new and what's not for your organizations. That's why you come to postal forums, to scout, and these people right here are the

people where you will find every innovation happening over time. They have in the past many years, they will in the next year or two. So if you're not scanning, not just at postal forum time but throughout the year, getting on the internet, checking out what they offer, talking to people and kind of seeing how they do it, then the accountable mail area, as we call it, in your mail room or mail center or general office, probably won't be all it can be. Considering the fact that budgets are getting tight and the likes, it's important to stay up with that. But I personally would like to thank these folks and everybody here for the grand effort that everybody made to get all of this universe of certified mail and other labels bar coded in the past year. It was a valiant challenge and we have...

END OF SIDE 1

...made remarkable success, so we now have over 90% of the labeled mail volume, which is about 800 million pieces a year, with bar codes. We have a few laggards that are working with us closely, and they're coming across the finish line soon. So we appreciate the help. So basically, if I were to capsule all this stuff that I described to you and say what's next, we're working hard to do costing data, pricing, costing, how's it going to work, get the systems mapped out to get a rate case ride, in the next rate case, to add all these new electronic enhancements and features in that I described to you. A lot for first class mail will be in there. It will be the first time that certified mail will have all the same electronic access delivery data information and so we've got to go through a Rate Commission process. If you say why do you have to wait 10 months to do this, John, then I say you're a good candidate to go talk to your congressman about postal reform. Because it is the way we set rates. We're required to go to the Rate Commission, and they have the right to take up to 10 months to conduct massive litigation processes around new products and features. Things that we could turn on with the flip of switch today, we're not allowed to do until we go through that Rate Commission process. It's just something we have to do under the existing system.

We've got a lot of systems development work finished around these information platforms I talked about, product tracking system, adding web site interfaces, electronic return receipt, is going to be going through a vehicle. You may have seen in Pete Jacobson's technology session authenticated, encrypted e-mail service vehicles is how we're going to run electronic signature, time, and date back to your e-mail address. So these chunks and parts and pieces are being put in place. We'll be tying them altogether which basically will provide that whole integrated look of services. So this is what we really call sort of our electronic suite of special services. By a year from this summer, what you will be doing and seeing and how you will interact with delivery information about the mail, the things you paid extra for, will not look anything...let's put it this way, the stuff we're talking about is not your father's certified mail, to borrow a phrase from Oldsmobile. This will be very new, improved stuff. So we're trying to step out and break the mold of the old traditional, hard copy, add more value through embracing the internet, and creating and expanding the services it provides faster, better, more accessible, and even new solutions to add value for you. So that's really my piece...and now I'd like to switch over and let Tom give you a little peek of what the

interface looks like through the Net Post hybrid certified mail service. So be patient for a moment, let me click out of this, get him ramped up here, and we'll then turn it over to Tom.

New Speaker:

Good morning, my name is Tom Carter. I'm President and CEO of US Certified Letters. We're based in Birmingham, Alabama. It's a pleasure for me to be here today to talk with US Postal Service and discuss what our company can provide to you, or to your customers and show how this service can benefit not only US Postal Service, but all your customers or yourself alone. Your certified letters provide business-to-business and business-to-consumer mail service. Based on a solid reputation and a long-standing relationship that I've had with the US Postal Service over the years, I recognized a need for faster, simpler, and more cost efficient and time efficient systems for handling certified mail. And instead of competing with the US Postal Service over the last few years...instead of competing with them, I saw that both parties could work together in an effort to offer customers automation options of sending certified mail.

There are basically two systems or two versions US Certified Letters offers. One is a web site. The web site was designed originally for any person, homeowner, at home or even a business that wanted to do one or two pieces of certified mail at a time. Over the updates we've come over the last few days, the web site will allow you to do more than one piece of mail, definitely, but we have the second version, which we call certified mail management system. This system was designed for an off-line version of the web site, allowing the customer to download from our web site, even from Net Post on line, our off-line version which allows you to put it on the desktop, or single user, for multi- or single pieces of certified mail, or load it into a network within the corporation, allowing the company to send certified mail from any desktop that's within that company.

You also have the ability to upload or download database files with thousands of names and addresses into CMMS and bring that down to our site for processing. Both systems allow mail merge capabilities, the way you can populate the letter or a document with other information, so each recipient that gets a letter, each one has different information that you want to put to that recipient, you can, and it's identical to a mail merge that you would see in a word processing system. Both systems are word process rich text, so that allows you to upload a letter template from any word processing system, even from mainframes and mid-ranges that use office management systems within the company. So both versions give you the ability...from mail merge, gives you the ability to do one piece of mail or multiple, hundreds of pieces of mail.

CMMS works very simply. A customer can go onto the web site, download the software on the desktop or within the network. They type it directly into our system or they drag, paste, or pull templates in from a system they already have. So basically what you're doing with both systems, the web and the CMMS side of the world, is you create a letter. The letter has been created on some word processing system within your

company. At that point in time, that's where it ends for the customer. There's no more processing, handling, insertions or anything. That data that's coming from your company comes into us and we process. We not only process it and print it the way you would normally do it, but we're sorting it, we're correcting the addresses for you're, because we're turning this mail into automation mail, so that we can deliver it through the bulk mail center, and it even gives you discounts on postage rates.

So the ability to take the labor away, or take the problems away from what you're doing...traditionally the old way is to hand stuff. There are other ways of doing it. There are software packages out there that do this. But we're trying to take the labor totally away from the customer itself. The mail is sent to us. The document with the addresses, the processes, are sent to us. We process the mail, insert the mail, or fold the mail, print the mail and get it to the US Postal Service and get it into the stream for you. The letters are delivered by the employees of Postal Service, just like normal certified mail. Receipts are sent back to the sender, the traditional green cards can be used if you like, and they are sent back to the sender just like you had sent the mail out yourself.

Delivery confirmation is available electronically, giving you a manifest of what you sent that day. In the near future you can also get the back end, tracking that will allow you to find out electronically where the mail was.

Benefits – there's a lot of benefits. I've got three basic benefits that I think point out what we have to offer. Time and cost efficiency. Now, again, business spends a lot on large volume, spends a lot of time handling certified mail, including batching, sorting, inserting, taking to the post office. A lot of handling, a lot of record-keeping. US Certified Letters program automates the entire process and, as I said before, once you've created your letter and put your recipients with that letter and put the data to each recipient that you want, whether you download that data to us or key it into the system, the customer is done. The efficiency and reliability of that system tells the user that not only are they getting rid of labor, getting rid of the time-consuming process it takes to do mail within your own company, the reliability of it is that it's all computerized. The manpower that you used before to process this mail has gone away, so it's a more efficient use of the people that's in the shop, and you can do more mail at the same time.

All the bar coding and codes, the tracking front end and back end is handled computerized and automatically through the system. Today's traditional method is for employees to handle mail. We're trying to take that away from the customer. We've sent our mail through, testing for bar coded testing, over 100,000 pieces of paper or mail have been tested, and we have zero errors on either side. You don't lose tracking numbers, you don't transpose numbers, you don't have to fill out reports.

Organization is the third one that I look at. CMMS, certified mail management system, offers the customer a full service solution...

END OF SIDE 2, END OF TAPE

06/20/02

PRINTING PURCHASING



September 18, 2002

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


Dear Mr. Casserly,

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

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

Thank you for your patience.

Sincerely,


Stanley A. Lipinski
Contracting Officer
Professional, Printing and Creative Services CMC

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-6255
202-268-4900
FAX: 202-268-4363
WWW.USPS.COM

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March 19, 2001

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

SUBJECT: Letter Contract 102595-01-U-1602
NetPost Certified Letter Program Launch

Dear Mr. Carter,

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

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

Limitation of Postal Service Liability

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

Contract Definitization

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

- c. As a condition of this letter contract, you agree to negotiate in good faith a Success Rights Agreement, providing for USPS participation in equity appreciation due to services under this award, *within the 90-day definitization period for this award.*
- d. The schedule for definitizing this contract is as follows:
1. Submission of proposal: April 16, 2001
 2. Beginning of Negotiations: May 1, 2001
 3. Definitization Target Date: June 15, 2001
- e. If you and the USPS contracting officer cannot agree on a definitive contract to supersede this letter contract by the target date in paragraph b., or any extension of that date granted by the contracting officer, the USPS may determine a reasonable price or fee in accordance in Chapter 5 of the USPS Procurement Manual. You may appeal this price or fee as provided in the Claims and Disputes clause. In any event, you must proceed with completion of the contract, subject only to the Limitations of Postal Service Liability paragraph above. After the date of the contracting officer determination of price or fee, the contract will be governed by:
1. All clauses required by the USPS Procurement Manual on the date of execution of this letter contract for either requirements, fixed-price or cost-reimbursement contracts, as the contracting officer may determine under paragraph e;
 2. All clauses required by law as of the date of the contracting officer's determination;
 3. ~~Other clauses, terms and conditions mutually agreed upon; and~~
 4. To the extent consistent with subparagraphs 1., 2., and 3., all other clauses, terms and conditions included in this letter contract, except those that by their nature are applicable only to a letter contract.

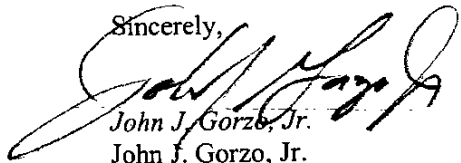
The attachment lists all provisions and clauses applicable to this letter contract and incorporates them by reference. Note that Sections J, K, and L of the attachment are included for informational purposes only. These sections are only for your reference in submission of your actual proposal and are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

Execution and Commencement of Work

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

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

Sincerely,



John J. Gorzo, Jr.

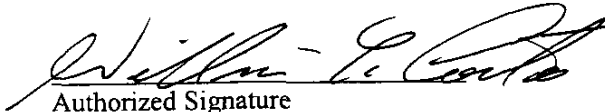
John J. Gorzo, Jr.

Contracting Officer

Printing Purchasing

ACCEPTANCE

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



Authorized Signature

4/2/07
Date

William T. Carter, President and CEO

Typed Name and Title

Attachment

USPS & USCL COST WORKSHEET - SELF MAILER REVISION 1

		<u>Cert. Mail</u>	<u>Cert. Mail</u>	<u>Cert. Mail</u>
		<u>Non-RR</u>	<u>Ret. Rec.</u>	<u>RR & RD</u>
Proposed Web Prices		<u>\$ 3.74</u>	<u>\$ 5.20</u>	<u>\$ 8.40</u>
Cost of Postage & Special Services	Postage	\$ 0.275	\$ 0.275	\$ 0.275
	Cert. Mail	\$ 1.90	\$ 1.90	\$ 1.90
	Ret. Receipt	\$ -	\$ 1.50	\$ 1.50
	Rest. Delivery	\$ -	\$ -	\$ 3.20
	Total Postage	<u>\$ 2.18</u>	<u>\$ 3.68</u>	<u>\$ 6.88</u>
Production Costs	Total Materials Cost	\$ 0.25	\$ 0.22	\$ 0.22
	Total SG&A Costs	\$ 0.32	\$ 0.32	\$ 0.32
	Total Production Costs	<u>\$ 0.57</u>	<u>\$ 0.54</u>	<u>\$ 0.54</u>
USCL Revenue	USCL Profit	\$ 0.45	\$ 0.45	\$ 0.45
Total Production & Profit		<u>\$ 1.02</u>	<u>\$ 0.99</u>	<u>\$ 0.99</u>
<u>USPS Revenue Formula</u>				
	Impression Income (1/2 cent per imp)	\$ 0.01	\$ 0.01	\$ 0.01
	Total Costs	\$ 1.03	\$ 1.00	\$ 1.00
	Revenue Multiple	1.52	1.52	1.52
	USPS Revenue	\$ 0.55	\$ 0.53	\$ 0.53
Proposed Service Fee		<u>\$ 1.57</u>	<u>\$ 1.52</u>	<u>\$ 1.52</u>