

A Practical Guide to the 2007 USPS® Proposed Rate Change



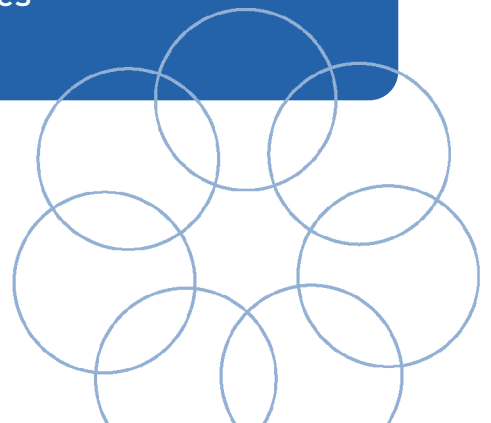
Ways to apply the new proposed
rules to your advantage.

OVERVIEW

What you can expect:
understanding the USPS® goals

High-level overview of
the key changes

DISCLAIMER: At this time, these proposed rate changes have not been approved and are subject to change. The USPS® filed a rate case in May 2006. It is expected that the Postal Rate Commission will make their recommendation in March 2007. After that, the USPS® Board of Governors will make a final decision. As such, all rates and examples shown are illustrative only and are subject to change.



A PRACTICAL GUIDE TO THE 2007 USPS® PROPOSED RATE CHANGE

Ways to apply the new proposed rules to your advantage.

The U.S. Postal Service has filed to adjust postage rates in spring 2007 to cover higher operational costs. If approved, the average consumer will merely see this as a three-cent increase in the price of a stamp.

As a business mailer, however, you will need to address significant changes in mail piece size, classification and rate structures. To assist you, we've taken the time to scrutinize these proposed changes and created this step-by-step guide on how to optimize these proposed changes to your advantage.

This guide focuses on opportunities where you can mitigate the effect of this proposed rate increase by making smart decisions. As every mailer is unique, we also encourage you to review your specific mailstream needs with your Pitney Bowes representative, who may be able to outline additional opportunities.

What is the USPS® trying to accomplish?

The common thread running through this rate case is simple: the USPS® is looking to better align postal rates with the actual costs to process and deliver mail on a piece-by-piece basis. In basic terms, if the USPS® proposal is approved, you will be given incentives to:

- **Create mailpieces that are compatible with the USPS® processing systems**
- **Improve address quality**
- **Deposit letters, flats and parcels closer to their destinations**

Through these proposed changes, both you and the USPS® will benefit from a more efficient approach to overall mail preparation and delivery – one that will provide stability, value and added economies well into the future.

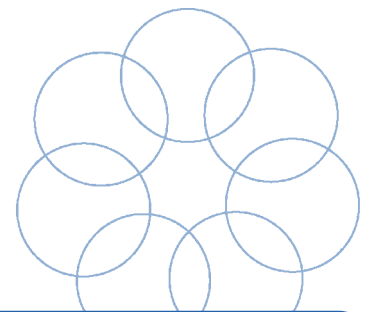
Pitney Bowes: your resource for innovation and savings.

As the world's leading provider of mailstream solutions, we understand the critical role mail plays in terms of your marketing, operations and financial well-being. Through this guide, we'll not only inform you of the key changes proposed – we'll show you how you can work the new rules to your advantage. With dozens of practical strategies, you can choose best practices that make the most sense for your business.

To make it easy, we have organized this tool into distinct sections, so you can explore the areas that are most pertinent to your needs without getting bogged down in unnecessary details. And, of course, your Pitney Bowes representative is always available to answer your questions, and help you customize an approach that's right-sized for you and your company.

Keeping it simple: What you can expect if the proposed rate changes are approved

- Previously, postage costs were based primarily on weight. The new rate structure will put a greater emphasis on **size, shape** and **weight**.
- Lower costs for an “**additional ounce**” will create new opportunities in many cases.
- The postal service is making a big push to decrease Undeliverable as Addressed (UAA) mail and will make it more affordable for you to **update addresses**.
- Worksharing / **presorting** remains the key to lowering your expenses.
- Permanent, **flat-rate** pricing for Priority Mail® envelopes and boxes provides greater value – anywhere and everywhere.
- The increasingly digital nature of the mailstream opens new doors of barcoding and low-cost **delivery confirmation** services.



For more information,
please [contact us](#).

SIMPLIFYING THE PROPOSED USPS® RATE CHANGE

A quick one-page overview to the most significant changes.

If approved, the current USPS® rate change proposal would impact all classes of mail.

First-Class Mail®

The shape of the mailpiece will play a larger role in the pricing of First-Class Mail.® Today, letters, flats (large envelopes) and parcels over 1-ounce have the same price at every weight increment. The proposed rate design recognizes that each of these shapes has substantially different processing costs and should have separate prices.

- **Letters:** A three-cent increase from 39 cents to 42 cents for a 1 ounce letter. However, the cost for each additional ounce will be only 20 cents (four cents less than today).
- **Flats:** A ten-cent increase from 52 cents to 62 cents for a 1 ounce flat, and 20 cents for each additional ounce.
- **Parcels:** A forty-eight cent increase from 52 cents to \$1.00 for a 1 ounce parcel, and 20 cents for each additional ounce.
- **Postcards:** A three-cent increase from 24 cents to 27 cents.
- **Workshare Discounts:** Significant discounts would continue to be available for those who presort their mail. Automation rates (which require a barcode) provide for even greater discounts. However, the best presort rates would be the 5-digit ZIP tier as the Carrier Route presort category would no longer be offered.
- **Nonmachinable Formats:** Instead of the current surcharge, nonmachinable letters would be charged the higher flat-mail rates. This includes any letter that weighs more than 3.5 ounces.
- **Address Correction:** A 25-cent decrease for Address Correction Service from 75 cents to 50 cents for paper-based notifications. The cost of electronic ACSTM notification would be lowered to six cents (down from 21 cents today for First-Class Mail®).

Standard Mail®

Under the USPS® rate proposal, the current rate and mail preparation structure for automation letters would not change. As in First-Class Mail®, the proposed Standard Mail pricing has a greater recognition of shape and a reduced reliance on weight. In general, Standard Mail® pieces that are not compatible with USPS® processing would be priced higher.

- **Letters:** An 8% to 10% increase in the automation rates for letter mail up to 3.3 ounces.
- **Flats:** With several new presort tiers added, the rate increase on flat-sized mail could be twice as much as letters. For mailpieces over 3.3 ounces, the rate will increase approximately 30%.
- **Parcels:** In one of the biggest changes in Standard Mail, the simple residual-shape surcharge would be replaced by a completely separate pricing table. Parcel rates would increase by as much as 83%.
- **Nonmachinable:** Mailpieces that are not compatible with USPS® technology would be assessed significantly higher rates. There is also a new category, Not Flat-Machinable, for mail that is too thick or too rigid to run on flat processing equipment.

Priority Mail®, Express Mail® and Package Services

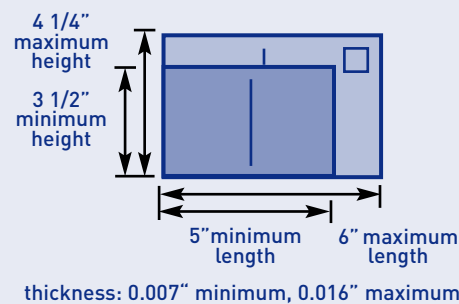
One of the major initiatives of the pricing proposal involves new ways to price light-weight pieces that are large in size. This includes the introduction of “dimensional-weight” (or dim-weight) pricing – where the price is based on the size – and “balloon” rates that would impose a minimum charge on oversized parcels. Dim-weight pricing would apply to Priority Mail®. Balloon rates would apply to both Priority Mail® and Package Services, such as Parcel Post.

Extra Services

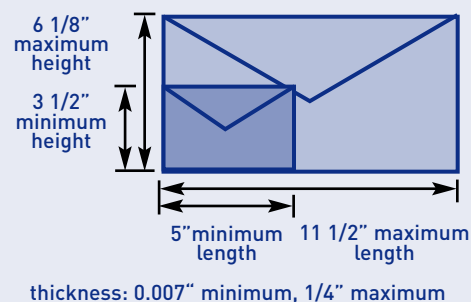
For the most part, the fees for USPS® Extra Services, such as Certified Mail™ and Signature Confirmation™, would increase. Charges for Electronic Return Receipt, however, would be reduced from \$1.35 to \$0.85.

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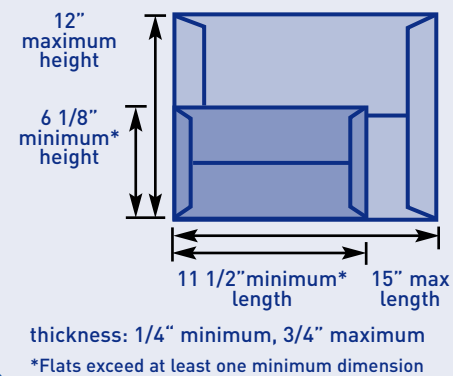
Postcard Dimensions



Letter Dimensions



Flat Dimensions



Priority Mail®:

Flat-Rate Box pricing (\$8.80) under the proposed changes would become a permanent offering. Along with the Flat-Rate envelope (\$4.65), these allow you to ship up to 70 lb. anywhere in the US for one low price.

Express Mail®:

A new proposed 1-lb. rate fills the gap between 1/2 lb. and 2 lb.

For more details, including proposed rate tables, please visit www.usps.com/ratecase.