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First Class Mail
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PRC Approves First-Class Mail Price Adjustments

New Prices are Scheduled to Take Effect April 26, 2015

On February 24, 2015, the Postal Regulatory Commission (PRC) issued Order No. [2365](#) on Price Adjustments for First-Class Mail, finding the Postal Service pricing proposals to be consistent with the Consumer Price Index based price cap under the Postal Accountability and Enhancement Act of 2006.

The following actions affect **domestic** mail:

- The Postal Service will maintain the price of the First-Class Mail stamp, which includes the Forever stamp, at \$0.49.
- The single-piece additional ounce for letters will increase to \$0.22.
- The price of postcards will increase to \$0.35.

Changes to prices for **international** mail include:

- Outbound Single-Piece First-Class Mail International Letters (first ounce) will increase to \$1.20.
- Non-machinable Outbound Single-Piece First-Class Mail International Letters (first ounce) will increase to \$1.42.
- Outbound Single-Piece First-Class Mail International Postcards will increase to \$1.20.
- Outbound Single-Piece First-Class Mail International Large Envelopes (Flats) (first ounce) will increase to \$2.38.

All PRC documents pertaining to price changes for 2015 are located at www.prc.gov, under Docket No. [R2015-4](#).

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What Postal Services Do People Value Most?

The OIG has conducted a nationally representative quantitative survey on the relative value of some key services provided as part of the universal service obligation (USO). This study is the first of its kind in the United States and was done in conjunction with the market research firm Gallup and Professor Michael Bradley of George Washington University's Department of Economics. The study, *What Postal Services Do People Value the Most?*, focused on four attributes of the USO: mode of delivery, access to postal services, frequency of delivery, and price. This study is a follow-up to our white paper *Guiding Principles for a New Universal Service Obligation* in which we discuss the need for such a study.

The survey found that both consumers and businesses still value postal services, especially door and/or curb delivery instead of delivery to a cluster box or parcel locker. Respondents also value the ability to access postal services through post offices, rather than using other alternatives such as postal counters in non-postal retail stores and self-service kiosks. In addition, while consumers and businesses are indifferent when it comes to the Saturday delivery of letters, consumers still place value on the Saturday delivery of parcels. Furthermore, consumers and businesses also value lower prices and may be willing to accept lower levels of service to keep prices from rising sharply.

<https://www.uspsog.gov/story/white-papers/what-postal-services-do-people-value-most#.VOuHMCxLXpd>

Will the Check Be in the Mail? An Examination of Transactional Mail

Report - Office of the Inspector General United States Postal Service

RARC-WP-15-006 - 02/09/2015

By now, it's fairly common knowledge that digital communications has cut into First-Class Mail volumes. But does this necessarily mean people always prefer to communicate digitally? To find out, we looked at the trends and customer preferences for one particular mail segment – transactional mail, which consists primarily of household bills and payments.

We collaborated with the consulting firm InfoTrends to analyze 3 months' worth of customer billing data from a major U.S. utility. We also jointly interviewed executives who manage bill delivery and payment processing to help determine how the utility's delivery-and-payment costs and customer preferences compare with those at other utilities and even in other industries.

Our new white paper, [Will the Check Be in the Mail? An Examination of Paper and Electronic Transactional Mail](#), details how we found that despite a clear preference to pay bills online, 91 percent of customers prefer receiving their bills by mail. Even among the utility's newest customers — those expected to be more digitally savvy — an average of 89 percent opted to have their bills mailed to them, though, like the others, most preferred paying online.

People like having a physical mailpiece as a reminder to pay and as a record-keeping tool. The executives interviewed said this is consistent with what they've been seeing and hearing. It's also consistent with one thing consumers almost everywhere have made clear: they want choices in just about everything, including bill delivery and payment. In addition to being good news for the near-future of transactional mail, our findings suggest that a company offering a variety of bill delivery and payment options can help keep customers happy. And as the executives noted, while costs are always a concern, including billing and payment costs, customer satisfaction is often equally important, if not more.

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- April - USPS Promotion Presentation.
 - TBD
- May - National Postal Forum
 - May 17-20, 2015 Anaheim, California
- June— Red Sox Networking Event
 - TBD

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ANNE STEELE—Reprinted from www.wsj.com
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Mail trucks are in line for a makeover.

The boxy white vehicles first appeared 27 years ago, and consumer trends and age have now rendered them too small, inefficient and unsafe.

The U.S. Postal Service issued a request for information as the first step in replacing the aging delivery-vehicle fleet, which is suffering from wear and tear and burdening an organization already strapped for resources. General Motors Co., which supplied the chassis for the current truck, is interested in winning the contract, which could be worth more than \$5 billion in revenue.

"Though the existing fleet has served the Postal Service well, it has become expensive to continue to maintain the aging vehicles. More importantly though," said USPS spokeswoman Sarah Ninivaggi, "shifts in consumer trends are driving a lot of factors being considered in a next-generation vehicle."

A change to the familiar trucks emblazoned with red and blue stripes and the eagle logo means a major contract for an auto maker, likely an American one. It also means big fuel savings and logistics improvements for a service that had a \$5.51 billion deficit in 2014.

The proposal is for some 180,000 "next-generation delivery vehicles," which would over time replace the 163,000 right-hand-drive, light-duty mail-delivery trucks now in use. The service says the trucks would ideally cost between \$25,000 and \$35,000.

The current fleet, which consists mostly of a custom aluminum Grumman body on a modified Chevrolet S-10 pickup-truck chassis, was purchased between 1987 and 1994. GM stopped making the truck more than a decade ago. Most of the trucks are more than 21 years old, and everything from windshield-wiper blades to failing engines are draining resources.

The Grumman LLVs are getting nine or 10 miles per gallon of gas due to the stop-and-go nature of most delivery routes, making their fuel efficiency closer to dump trucks than modern commercial vans. In fiscal 2014 the postal service spent about \$539.7 million on fuel.

The aging fleet's costs are so high that a report from the Office of the Inspector General of the U.S. Postal Service showed the service could sustain delivery operations nationwide only until fiscal 2017—and that was without any unexpected decreases in vehicle inventory or increases in motorized routes. The same report said repair costs were too high and recommended a long-term vehicle-replacement plan.

The old trucks were designed to deliver letters. Today, in the era of e-commerce, the service delivers more packages, and its parcel business has increased more than 20% over the past five years. The new vehicles will likely need to be larger, but they will also be more comfortable and have better engines and safety equipment, according to the request. The current trucks don't have anti-lock brakes, air bags, electronic-stability control and a host of other safety systems that are now standard.

But like the rest of the car-buying world, letter carriers want better cupholders, too. Not only that, but they also want driver compartments without crevices that mail might slip through and sturdy sun visors than can handle having letters stuffed under them.

"The postal service is experiencing record growth in package delivery, and obtaining vehicles that are designed with the changing mail mix in mind will help improve efficiency of delivery operations," Ms. Ninivaggi said.

She added that the postal service doesn't have a set vision of what the truck will look like, but it could include alternative-energy options. "We're open to any proposal we receive," she said.

The postal service currently operates a fleet of more than 42,000 alternative fuel-capable vehicles, most of which are equipped to use E-85 fuel. In addition, USPS tests and operates electric, compressed natural gas, liquid propane gas, fuel cell and bio-diesel vehicles.

Ms. Ninivaggi said the postal service will hold a conference on Feb. 18 to field questions from potential suppliers about the technical requirements, acquisition process and program schedule.

"It's the right time not only because of maintenance challenges but because it's a good opportunity to improve efficiency," she said.

It's unclear where the funds for the new order will come from. The USPS loses money each year because of prepayments for retiree health benefits. In addition, it has tapped out its \$15 billion credit line from the Treasury.

Still, it has committed \$500 million to vehicle maintenance and replacement this year, up from \$100 million last year.

Ford Motor Co., Nissan Motor Co. and Fiat Chrysler Automobiles NV have recently put out commercial delivery vans in the U.S. that have higher fuel economy than outgoing models.

Ford spokesman Mike Levine wouldn't speculate on "potential customer orders" but noted that Ford has "commercial-grade solutions that can be tailored to meet a wide variety of business or fleet needs." Nissan said it isn't involved yet.

GM spokesman Bob Wheeler said the postal service is an "important customer" and "we are early in the process of exploring potential solutions that would work for their needs."

Chrysler spokesman Nick Cappa confirmed FCA US has received a request for information and said "we are reviewing it."

