



September 14, 2014

## A Brief Reprieve USPS backs off new Move Update enforcement to April

Occasionally, common sense prevails. The Postal Service had announced their intent to tighten the error tolerance for meeting Move Update requirements from 30% to 0.8% in October. After the industry collectively held its breath until collectively turning blue, USPS officials decided they would delay implementation until April, 2015.

"We're hoping to ruin spring," commented one unidentified, and possibly fictional, senior Postal official.

This is very complicated stuff the Postal Service is attempting to do here. They are preparing to send out invoices to all of the bad mailers, billing them for their errors. Originally these invoices were to be sent to eDoc submitters, generally the mail houses that submit the mail, but the mail houses cried "Foul!" saying they couldn't always control their customers' lists, as well as other elements of a mailing. A lot of parties may be involved in a mailing – a mail owner, a mail tracker, the mail house, a presort bureau, the logistics company – and any of them can contribute a billable error. So there is a MTAC committee tasked with figuring out how to send an invoice to the appropriate party when a mailing exceeds acceptable thresholds. Of course penalties are not assessed on a job by job basis, but on a monthly running average, based on a mailers "scorecard", which best as we can tell, is not actually a card but a hellish collection of impenetrable online reports riddled with errors. Ironically, the Postal Service does not receive invoices for their errors. Taken together, all of these conflicting methodologies and measurements make for a system virtually impossible to administer.

But know this: There will be invoices. And you may get one.

The Postal Service has promised they won't actually take any money until January, 2015, but you would be wise to look for these invoices now. If you get one, please let us know, and we will review it with you. We want to be sure we get any erroneous charges cleared up before January.

All of this is very much in flux right now, with many difficult issues unresolved and many "known issues" with recent USPS software releases.

A few take-aways we urge you to keep in mind:

- Whatever may happen, address quality will matter, a lot. We can easily add ACS (Address Change Service) to your mail at a cost that is justified by identifying and removing bad addresses. It has little impact on how your mail looks, and has a nominal cost. We urge our clients to use it and use the data to correct your lists. We can help with this.
- If USPS starts sending these infamous invoices, they may go to you as well as us. Please be on the lookout for them. Your identifying information is part of the eDocs that accompany a mailing.
- As annoying as these developments may be, we think that "annoying" is the operational word – not "devastating". The Postal Service has thus far shown common sense when problems occurred. You are unlikely to get a million dollar invoice out of the blue. "Unlikely" being the operative word.

At times like these aren't you glad you work with ProList? You can count on us to steer you safely through these choppy waters. If you have questions, never hesitate to call on us. We'll get you answers.

## Postage Planning for 2015 Rates expected to rise, fall, or stay the same

We are regularly asked to prognosticate on what will happen with postage rates in the coming year so that our clients can budget appropriately. Trying to figure out 2015 is a much trickier game. Rates really could to anything. Allow us to 'splain:

Back in January of this year, the Postal Service implemented an exigent rate increase of 4.3% on top of its usual CPI-based increase of 1.4%, resulting in a total increase of 5.7%. The "exigency" (*synonyms from Merriam-Webster: boiling point, crunch time, Dunkirk, tinderbox*) that created this extra rate need was the recession of 2007 – 2009, which was, apparently, a special recession. A Dunkirk, we guess.

Anyhoo, to help compensate for this, um, conjuncture, the Postal Regulatory Commission, allowed the Postal Service a temporary surcharge of 4.3% to recapture the \$3.2 billion lost due to the tinderbox. So, once they have recaptured this extra money, the surcharge should be removed. Of course there is a lot of disagreement as to whether this amount really has been recaptured, and if that is even really the correct amount. Plus, the Postal Service just doesn't like lowering postage rates. I mean, they are sort of making money these days, depending on how one counts, but still...lower rates? Seriously? So, we are left with three possibilities for 2015:

- They raise their rates in January by the usual CPI capped amount, probably 1.5% – 2%, and risk being ordered to lower rates later in the year as their exigent loss is recaptured;
- They leave rates where they are, and hope that inflation is enough to allow them to catch up in 2016. This is risky in that they may not get enough rate cap room, and have to keep rates fixed for even longer, or even lower them in 2016;
- Congress passes a Postal Reform bill that allows them to keep the, uh, crunch time surcharge permanently in place. "Temporary" increases in government funding tend to become permanent, particularly where congress is involved. One never knows when another crunch, flash point, or clutch may occur.

Our best guess, coming in with about a 36% probability, is that rates will not be increased in 2015, but also will not be lowered. This leaves a 64% probability that we are wrong. We suggest using pencil on your postage budgets for 2015.

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