

709 Experimental Classifications and Prices

Overview

- [1.0 General Requirements for Negotiated Service Agreements \(NSAs\)](#)
- [2.0 Capital One Services, Inc. NSA](#)

1.0 General Requirements for Negotiated Service Agreements (NSAs)

1.1 Basic Information

1.1.1 Definition and Purpose

A negotiated service agreement (NSA) is a customized and mutually beneficial contractual agreement between the USPS and a specific mailer (customer or organization). An NSA provides for customized pricing, prices, and classifications under the terms and conditions established in the NSA and may include modifications to current mailing standards and other postal requirements. Any mailer may submit an application for an NSA if the mailer meets the requirements in [1.2](#) and follows the process in [1.3](#).

1.1.2 Legal Framework

Terms and conditions of an NSA affecting prices or classifications require that the USPS request a recommended decision from the Postal Regulatory Commission before the USPS may approve and implement the NSA. NSAs must be recommended and approved under 39 U.S.C. 36 and the Postal Regulatory Commission's rules of practice and procedure.

1.2 Candidate Factors and Requirements

1.2.1 Factors

The USPS considers the following factors in evaluating any candidate's NSA proposal:

- a. Candidate's presentation of information as requested by the USPS to document the following:
 1. Current mailing systems, postage payment systems, and quality control procedures and programs.
 2. Historical data showing mail volumes and use of specific mail services or mailpiece characteristics, as applicable. The candidate, as necessary, must also provide the effect on mail volumes of any corporate mergers, acquisitions, divestitures, and similar events.
- b. Candidate's ability to make and present in an acceptable format accurate forecasts of future mail volumes for USPS products and services proposed for an NSA.
- c. Candidate's ability to collect necessary data in an acceptable format to support an NSA.

709.1.2.2

- d. Candidate's willingness to establish and maintain electronic systems and quality control programs as specified by the USPS for paying postage and generating records to facilitate monitoring and reconciling mail volumes, prices, and fees, including volumes and postage paid by a mail preparation agent on behalf of the candidate.
- e. Candidate's production of mail using a formal system to ensure proper mail preparation and accurate postage calculations.
- f. Candidate's use or planned implementation of a Certified Mail preparation total quality program to ensure proper mail preparation and to provide accurate documentation of mailings and postage payment.

1.2.2 General Requirements

No proposed NSA may have an overall negative financial impact on the USPS. Any proposed NSA must also contain, at a minimum, the following general candidate requirements and conditions:

- a. The candidate must permit USPS inspection of mail content to determine price eligibility.
- b. The candidate must prepare mail under current applicable mailing standards, unless they are to be modified under a proposed NSA.
- c. The candidate must meet and adhere to quality management standards for the classes of mail and prices claimed.
- d. The candidate must make available to the USPS necessary records and data related to the NSA in a form that facilitates monitoring of compliance with the terms and conditions of the NSA.
- e. The candidate must provide proper specified notice to cancel the NSA.
- f. The USPS has the right to cancel the NSA at any time with specified proper notice for any failure or, where appropriate, material failure of the mailer to:
 - 1. Use the NSA within the time period specified in the NSA.
 - 2. Provide accurate data, present properly prepared and paid mailings, or comply with any other material term or condition in the NSA.
- g. The candidate must engage counsel and file testimony as necessary in support of the NSA before the Postal Regulatory Commission.

1.3 Application Process**1.3.1 Initial Proposal**

A mailer seeking to enter into an NSA with the USPS must submit a written proposal, with appropriate supporting documentation, to the USPS manager of Pricing Strategy (see [608.8.0](#) for address). The proposal must contain the reasons for requesting the NSA along with a summary of the information responding to the applicable candidate features and general requirements described in [1.2](#). A nondisclosure agreement must be signed before any substantive discussion of the proposal.

1.3.2 Negotiations and Contractual Agreement

As a result of the proposal, the candidate and the USPS may enter into negotiations to establish an NSA, with terms and conditions specific to the candidate, that is either a functionally equivalent NSA (i.e., comparable to an existing baseline NSA) or a new baseline NSA (i.e., not comparable to an existing NSA). A candidate in the negotiation process may withdraw a proposal for an NSA at any time prior to the execution of the NSA. Once the NSA is executed, the NSA is controlled by its terms and conditions.

1.3.3 Additional Consideration

If the USPS decides to end negotiations with the candidate before reaching an agreement to enter into an NSA under 1.1, the manager of Pricing Strategy notifies the candidate in writing and gives the reasons for the decision. Within 15 days from the receipt of the written explanation, the candidate may ask for reconsideration of the manager's decision. The candidate's request for reconsideration must include additional information and reasons why negotiations for an NSA should be resumed. The candidate submits the request for reconsideration through the manager of Pricing Strategy to the vice president of Pricing and Classification (see 608.8.0 for address).

2.0 Capital One Services, Inc. NSA

2.1 Agreement

The negotiated service agreement (NSA) that was the subject of Docket MC2002-2 requires Capital One Services, Inc. (Capital One) to receive electronic notification for undeliverable First-Class Mail solicitations instead of physical return of the pieces. The notices are to be provided through the Address Change Service (ACS) program (see 507.4.2) and the usual electronic address correction fee is to be waived. Capital One also agrees to maintain and enhance address and mail preparation quality. In exchange for Capital One's receipt of the electronic notice for its First-Class Mail solicitations and its compliance with the terms of the NSA, Capital One would have available declining block prices of postage for volumes above stated thresholds. A copy of the NSA is filed with the Postal Regulatory Commission in Docket No. MC2002-2 as Attachment G to the USPS's Request for a Recommended Decision and can be found at www.prc.gov.

2.2 Features

2.2.1 Requirements

To be considered comparable to the NSA in 2.1, a proposed NSA must have the following features:

- a. Use of First-Class Mail for matter that qualifies for Standard Mail prices.
- b. Waiver of seal against postal inspection of mail as agreed to by the mailer.
- c. Computation of First-Class Mail postage by the use of declining block prices specified in the NSA and based on particular volume requirements that define incremental discount thresholds. The mail subject to the NSA must relate only to the mailer's products and services.

709.2.2.2

- d. Preparation of mail under applicable standards unless otherwise specified in the NSA.
- e. Adherence to the following address quality standards for the prices claimed:
 - 1. Participation in Address Change Service (ACS) under [507.4.2](#) using the endorsement “Change Service Requested” as described in [507.1.5.1](#) for undeliverable-as-addressed (UAA) mail.
 - 2. Use of National Change of Address Linkage System (NCOA^{Link}), *FASTforward*, or other USPS-approved method for meeting the Move Update standard. See [233.3.5](#) for First-Class Mail Presorted letters, [333.3.5](#) for First-Class Mail Presorted flats, and [433.3.5](#) for First-Class Mail Presorted parcels. See [233.5.1](#) for First-Class Mail automation letters and [333.5.1](#) for First-Class Mail automation flats. In addition to those standards, addresses used on mailings must be updated more frequently than 185 days or as required by the NSA.
- f. Overall positive financial impact on the USPS. A minimum payment or transactional penalty is required to ensure a positive contribution.
- g. Agreement to make necessary records and data available to the USPS to facilitate and monitor compliance.
- h. Ability of the USPS to cancel the NSA for any failure or, where appropriate, material failure of the mailer:
 - 1. To provide accurate data.
 - 2. To present properly prepared and paid mailings.
 - 3. To comply with a material term of the NSA.
 - 4. To use the NSA.

2.2.2 Candidate Factors

The following factors are considered by the USPS in evaluating a proposal for a comparable NSA under [1.0](#):

- a. Presentation by the mailer of at least 3 years of historical data to document mail volumes (including UAA mail), mailing systems and postage payment systems in use, and quality control procedures. The effect on mail volumes of any corporate mergers, acquisitions, divestitures, and similar events must also be provided.
- b. Ability to make and present in an acceptable format accurate forecasts of future mail volumes for USPS products and services proposed for the NSA.
- c. Ability to collect necessary data in an acceptable format to support the NSA.
- d. Willingness to establish and maintain an active Centralized Automated Payment System (CAPS) for postage payment and to generate records monitoring mail volumes and discounts.
- e. Production of mail using an automated system to ensure proper mail preparation and accurate postage calculations.

- f. Implementation of a quality control program to ensure proper mail preparation and to provide accurate documentation of mailings and postage payment.

2.3 Application

2.3.1 Initial Request

A mailer seeking to enter into an NSA with the USPS comparable to the NSA under [1.0](#) must submit a written proposal, together with appropriate supporting documentation, to the USPS manager of Pricing Strategy (see [608.8.0](#) for address). The proposal must contain a general statement of the reasons for requesting the NSA, and a summary of the information addressing the elements of comparability described in [2.2.1](#) and [2.2.2](#).

2.3.2 Negotiation

As a result of the proposal, the mailer and the USPS may negotiate a service agreement comparable to the NSA under [1.0](#), but with terms and conditions specific to the mailer. To take effect as an experimental mail classification, the comparable NSA must be recommended and approved pursuant to Chapter 36 of Title 39 of the United States Code, and the Postal Regulatory Commission's rules of practice and procedure. A mailer may withdraw its proposal for a comparable NSA at any time prior to agreement. Once concluded, a comparable NSA is controlled by its terms and conditions. Nothing in these regulations prohibits a mailer from seeking an NSA not comparable to the NSA under [2.1](#).

2.3.3 Determination Not to Conclude a Comparable NSA

If negotiations between the mailer and the USPS end without the parties reaching an agreement comparable to the NSA under [2.1](#), the mailer may request that the manager of Pricing Strategy (see [608.8.0](#) for address) explain the determination in writing. The mailer may ask for reconsideration of the decision to end negotiations within 15 days from the receipt of the written explanation. The request for reconsideration may include additional information and reasons why negotiations for a comparable NSA should be resumed, and should be submitted through the manager of Pricing Strategy to the Vice President, Pricing and Classification (see [608.8.0](#) for address).

