

# 709 Experimental and Temporary Classifications

## Overview

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## 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.

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- c. Candidate's ability to collect necessary data in an acceptable format to support an NSA.
- 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 Standard Mail Volume Incentive Program

### 2.1 Program Description

[7-1-09] The Standard Mail Volume Incentive Program provides volume pricing for qualified mailers of commercial and Nonprofit Standard Mail letters and flats that are able to document mail volume exceeding their individual USPS-determined threshold level during the July 1, 2009 through September 30, 2009 program period. Participating mailers documenting Standard Mail letter or flat volume above their established threshold level will receive a credit to a designated permit imprint advance deposit account, or Centralized Account Payment System (CAPS) account, following the close of the program period. Program participants must review and certify the accuracy of the data used by the USPS to calculate their individual volume trend, threshold level and October 2009 expected volume.

### 2.2 Eligibility Standards

Mailers are considered eligible for the program as follows:

- a. Applicants must be the permit holder (i.e. owner) of one or more permit imprint advance deposit account(s) or the owner of qualifying mail volume entered through the permit imprint advance deposit account of a mail service provider.
- b. Applicants must be able to document, in aggregate, volume of at least one million pieces of Standard Mail letters and/or flats, within the program qualification period of October 1, 2007 to March 31, 2008, as follows:
  1. Volume through one or more permit imprint advance deposit accounts, precanceled stamp permits, or postage meter permits owned by the applicant, or
  2. Volume prepared by a mail service provider when entered through a permit owned by the applicant, or

3. Volume within a mail service provider's permit, which can be identified as being prepared on behalf of the applicant.
- c. Mail service providers are not eligible to participate in this program.

### **2.3 Program Threshold Level**

Threshold level figures will be calculated independently for each applicant as follows:

- a. Total documented volume of Standard Mail letters and flats recorded within the period from October 1, 2007 to March 31, 2008 will be compared to that recorded within the period of October 1, 2008 to March 31, 2009.
- b. The change in recorded mailing volume between these two periods will represent the applicant's volume trend. Trends that show growth for the period of October 1, 2008 to March 31, 2009, versus that shown in the same period of the prior year, will appear as a ratio above 1.0 (expressed here in a decimal format). A volume decline from October 1, 2008 to March 31, 2009 will appear as a ratio below 1.0.
- c. The applicable ratio will then be applied to the volume of Standard Mail letters and flats, for all of the applicant's mailings, or other qualifying volume recorded through the permit of a mail service provider, demonstrated during the period from July 1, 2008 through September 30, 2008.
- d. The product of the calculation in [2.3c](#) will represent the USPS-determined threshold level for the selected applicant.

### **2.4 Application**

Mailers meeting the eligibility criteria will be contacted by letter, describing the application process and requirements. Mailers interested in applying will be provided with a registration website and their USPS-determined threshold level. Mailers meeting the eligibility standards under [2.2](#) and not notified by letter, may request a review of their eligibility by contacting the USPS at [summersale@usps.gov](mailto:summersale@usps.gov). Mailers requesting review of their program eligibility must submit their request to the USPS no later than August 1, 2009. Mailers wishing to dispute their threshold level calculations will be provided with instructions on that process. Following registration, mailers will be notified of their approval for participation in the program and their approved threshold level. Eligible mailers may apply for the program no later than August 1, 2009.

### **2.5 Program Participation**

Mailers may participate in the program with qualifying mail volume as follows:

- a. Standard Mail letters and flats volume mailed by the participant through the participant's own permit imprint advance account, precanceled stamp permit(s), or postage meter permit(s);
- b. Standard Mail letters and flats volume prepared by a mail service provider, when entered through a permit owned by the participant;

- c. Standard Mail letters and flats volume mailed through a mail service provider's permit, only when the pieces can be identified as being prepared for the participant and when the applicant's prior mailing activity through the mail service provider's permit can be validated by the USPS.

## **2.6 Incentive Program Credits**

Approved participants demonstrating an increase in Standard Mail letters and/or flats volume above their approved threshold level qualify for a credit to their applicable permit imprint advance account or, if approved, the permit imprint advance account of a designated mail service provider as follows:

- a. The total postage paid for commercial and Nonprofit Standard Mail letters and flats recorded during the program will be identified for each participant.
- b. The total postage paid during the program period will be divided by the total number of recorded pieces to generate the average price per piece for the program period.
- c. Participants will receive a credit in the amount of 30 percent of the average price per piece applied to the total number of mailpieces, for the incremental volume above their approved threshold level, recorded during the program period.

## **2.7 Mailing Activity Review**

Mailing activity by participants will be reviewed in the calendar month following the end of the program. The volume recorded for participants may be adjusted in accordance with the following:

- a. The participant's previously determined volume trend will be applied to the volume of Standard Mail letters and flats mailed by the participant within the month of October 2008, to determine the program participant's October 2009 expected volume.
- b. The participant's actual October 2009 volume will then be compared to their October 2009 expected volume.
- c. Participants failing to meet their October 2009 expected volume will have any shortfall in volume deducted from the number of mailpieces eligible for an incentive credit within the program.

## **3.0 First-Class Mail Incentive Program**

### **3.1 Program Description**

[10-5-09] The First-Class Mail Incentive program provides volume pricing for qualified mail owners of commercial (automation and/or Presort) First-Class Mail cards, letters and/or flats who are able to document mail volume exceeding their individual USPS-determined threshold level during the October 1, 2009 through December 31, 2009 program period. Participating mail owners documenting volumes above their established threshold level will receive a 20% credit, for each piece exceeding their individual USPS-determined threshold level, to a designated permit imprint advance deposit account, Centralized Account Payment System (CAPS) account, or provided through another approved method at the conclusion of

the program period. Program participants must review and certify the accuracy of the data used by the USPS to calculate their individual volume trend, threshold level and their September 2009 and January 2010 expected volumes.

### 3.2 Eligibility Standards

Mail owners are considered eligible for the program as follows:

- a. Applicants must be able to document, in aggregate, volume of at least five-hundred thousand (500,000) pieces of commercial First-Class Mail cards, letters and/or flats for each of the October 1, 2007 to December 31, 2007 and October 1, 2008 to December 31, 2008 time periods as follows:
  1. Volume through one or more permit imprint advance deposit accounts, precanceled stamp permits, or postage meter permits owned by the applicant, or
  2. Volume prepared by a mail service provider when entered through a permit owned by the applicant, or
  3. Volume within a mail service provider's permit, which can be identified as being prepared on behalf of the applicant.
- b. Mail service providers are not eligible to participate in this program.

### 3.3 Program Threshold Level

Threshold level figures will be calculated independently for each applicant as follows:

- a. Total documented volume of commercial First-Class Mail cards, letters and/or flats recorded within the period from October 1, 2007 to December 31, 2007 will be compared to that recorded within the period of October 1, 2008 to December 31, 2008.
- b. The change in recorded mailing volume between these two periods will represent the applicant's volume trend. Trends that show growth for the period of October 1, 2008 to December 31, 2008, versus that shown in the same period of the prior year, will appear as a ratio above 1.0 (expressed here in a decimal format). A volume decline from October 1, 2008 to December 31, 2008 will appear as a ratio below 1.0.
- c. The applicable ratio will then be applied to the volume of commercial First-Class Mail cards, letters and flats, for all of the applicant's mailings, or other qualifying volume recorded through the permit of a mail service provider (MSP), mailed during the period from October 1, 2008 through December 31, 2008.
- d. The product of the calculation in 3.2c will represent the USPS-determined threshold level for the selected applicant.

### 3.4 Application

Mail owners meeting the eligibility criteria will be notified of their eligibility for the program and advised of the application process and requirements. Mail owners interested in participating may apply at <http://usps.com/firstclassmailincentive>. Eligible applicants must apply for the program no later than November 1, 2009. Mailers meeting the eligibility standards under 3.2, and not notified by letter, may request a review of their eligibility by contacting the USPS via email at

[firstclassmailincentive@usps.gov](mailto:firstclassmailincentive@usps.gov). Mail owners requesting review of their program eligibility must submit their request to the USPS no later than November 1, 2009. Following registration, mailers will be required to provide historical data demonstrating their commercial First-Class Mail cards, letters and/or flats volumes mailed within each of the periods of October 1, 2007 to December 31, 2007, October 1, 2008 to December 31, 2008, September 2008 and January 2009. The USPS will review the data provided and applicants will be notified of their approval for participation in the program, their approved threshold level, and their revised threshold level (when applicable). Mailers wishing to dispute their threshold level will be provided with instructions on the process.

### 3.5 Program Participation

Mail owners may participate in the program with qualifying volume as follows:

- a. Commercial First-Class Mail cards, letters and/or flats volume mailed by the participant through the participant's own permit imprint advance account, precanceled stamp permit(s), or postage meter permit(s);
- b. Commercial First-Class Mail cards, letters and/or flats volume prepared by a mail service provider, when entered through a permit owned by the participant;
- c. Commercial First-Class Mail cards, letters and/or flats pieces mailed through a mail service provider's permit, only when the pieces can be identified as being prepared for the participant and when the applicant's prior mailing activity through the mail service provider's permit can be validated.
- d. The use of electronically submitted postage statements is recommended during the program and review periods.


### 3.6 Incentive Program Credits

Approved participants demonstrating an increase in commercial First-Class Mail cards, letters and flats volume above their approved threshold level qualify for a credit to their designated permit imprint advance deposit account, Centralized Account Payment System (CAPS) account, or provided through another approved method as follows:

- a. The total postage paid for commercial First-Class Mail cards, letters and flats recorded during the program will be identified for each participant.
- b. The total postage paid during the program period will be divided by the total number of recorded pieces to generate the average price per piece for the program period.
- c. Participants will receive a credit in the amount of 20 percent of the average price per piece applied to the total number of mailpieces, for the incremental volume above their approved threshold level, recorded during the program period.

### 3.7 Mailing Activity Review

Mailing activity by participants will be reviewed in the calendar months preceding and following the end of the program. The qualifying volume recorded for participants may be adjusted in accordance with the following:

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- a. The participant's previously determined volume trend will be applied to the volume of commercial First-Class Mail cards, letters and flats mailed by the participant within the month of September 2008 and January 2009, to determine the program participant's September, 2009 and January 2010 expected volumes.
  - b. The participant's actual September 2009 and January 2010 volumes will then be compared to their September 2009 and January 2010 expected volumes.
  - c. Participants failing to meet their September 2009 and/or January 2010 expected volume will have any shortfall in volume deducted from the number of mailpieces eligible for an incentive credit within the program.
  - d. Participants demonstrating a shortfall in volume to either their September 2009 or January 2010 expected volumes will have that shortfall deducted from the number of mailpieces eligible for an incentive credit within the program regardless of any surplus demonstrated in the expected volume threshold of the other month.