



Negotiated Service Agreements

Handbook DM-709-A

June 2005
Transmittal Letter

1. **Explanation.** This handbook contains the principal procedures and process tools used within the Postal Service™ to establish and implement Negotiated Service Agreements (NSAs) with Postal Service customers. One of the goals of the Postal Service's *Transformation Plan* is to foster growth through customer value, and the creation of NSAs is part of the strategy to support this goal. NSAs help the Postal Service to support the continuing and viable role played by mail in commercial and personal communication. NSAs also promote efficiency and product innovation by providing customer-specific pricing flexibility that can allow the Postal Service to respond to rapid changes in the marketplace.
2. **Distribution.**
 - **Initial.** We are distributing this handbook to Postal Service officers and to Headquarters PCES managers in Law, Finance, Sales, Operations, Product Development, and Pricing and Classification.
 - **Additional copies.** Request additional copies directly from Pricing Strategy, Postal Service Headquarters.
3. **Comments on Content.** Send comments and suggestions about the content of this handbook to:

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4. **Effective Date.** This handbook is effective June 2005.

A handwritten signature in black ink that reads "Stephen M. Kearney". The signature is written in a cursive, flowing style.

Stephen M. Kearney
Vice President
Pricing and Classification

Contents

1	Overview	1
1-1	Procedures and Rules	1
1-2	NSA Definition	1
1-3	NSA Types	2
1-4	Purpose	2
1-5	NSA Case Filing	3
1-6	Formal Requests	3
1-6.1	Type of Review	3
1-6.2	General Contents	3
1-6.3	Additional Contents	4
1-6.3.1	Baseline NSAs	4
1-6.3.2	Functionally Equivalent NSAs	4
1-7	NSA Contact Points	5
2	Standard Process Approach	7
2-1	Purpose	7
2-2	Focus and Benefits	7
2-2.1	Focus	7
2-2.2	Benefits	7
2-3	Key Elements	8
2-3.1	Critical Role	8
2-3.2	Element 1: Process Steps	8
2-3.3	Element 2: People	9
2-3.4	Element 3: Tools	9
3	Element 1: Process Steps	11
3-1	Overview	11
3-1.1	Distinct Process Steps	11
3-1.2	Time Periods	12
3-2	Process Step 1: Identify Candidates	12
3-3	Process Step 2: Develop Proposal	17
3-4	Process Step 3: Negotiate	18
3-5	Process Step 4: Litigate	18
3-6	General Process Participants and Steps	19

4	Element 2: People	23
4-1	Overview	23
4-1.1	Principal Functional Groups	23
4-1.2	Other Organizations	23
4-1.3	Participation	23
4-2	Integrated Development Team	24
4-2.1	Team Structure	24
4-2.2	Team Responsibilities	25
4-2.3	Team Ground Rules	25
4-3	Negotiation Team	26
4-3.1	Team Structure	26
4-3.2	Team Responsibilities	27
4-3.3	Team Ground Rules	27
4-4	Postal Service Committees and Organizations	28
4-5	Individual Job Descriptions	29
4-5.1	Pricing Strategy Project Lead	29
4-5.2	Attorney	30
4-5.3	Finance Liaison	30
4-5.4	Operations Liaison	31
4-5.5	Sales Liaison	32
5	Element 3: Tools	33
5-1	Purpose and Revision	33
5-2	Tool 1: Company Filter	34
5-3	Tool 2: Company Diagnostic	36
5-3.1	Overview	36
5-3.2	Element 1: Increasing Mail Volumes	36
5-3.3	Element 2: Operational Cost Savings	37
5-3.4	Element 3: Introductory Rate	37
5-3.5	Element 4: Premium Services	37
5-3.6	Element 5: Negotiation Ability	38
5-3.7	Summary	38
5-4	Tool 3: Strategy Matrix	38
5-5	Tool 4: Sales Pack	39
5-6	Tool 5: Negotiation Pack	42
5-7	Tool 6: Model Checklist	49
5-7.1	Objectives	49
5-7.2	Summary Sheet	49
5-7.3	Variables	50
5-7.4	Discount or Premium Service	51

Contents

5-8	Tool 7: Business Case for NSA Candidate	52
5-8.1	Purpose and Uses	52
5-8.2	Main Document	52
5-8.3	Appendix Pages	53
5-9	Tool 8: NSA Dashboard	62
6	Implementation	65
6-1	Purpose	65
6-2	Principal Participants	65
6-3	Processes	66
6-3.1	Overview	66
6-3.2	T010, Identification of NSA Permit Numbers	66
6-3.3	T020, Verification and Reconciliation of NSA Data Components	70
6-3.4	T030, Certification of NSA Customer Payment or Refund	74
6-3.5	T040, NSA Customer Appeal Process	76
	Index	81

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Exhibits

Exhibit 3-1.1
NSA Process Steps and Principal Actions and Activities 11

Exhibit 3-1.2
Process Step Time Periods 12

Exhibit 3-2
NSA Candidate Profile 14

Exhibit 3-6
Negotiated Service Agreement Participants and General Process 19

Exhibit 4-1.3
Participation by NSA Type and Process Step 24

Exhibit 4-2.2
IDT Responsibilities 25

Exhibit 4-3.1
Negotiation Team Structure 26

Exhibit 4-3.2
Negotiation Team Responsibilities 27

Exhibit 4-4
Postal Service Committees and Organizations 29

Exhibit 5-1
NSA Toolkit 33

Exhibit 5-2a
Financial Value Segment: Weighting 34

Exhibit 5-2b
Precedential Value Segment: Weighting 34

Exhibit 5-2c
Ease of Implementation Segment: Weighting 35

Exhibit 5-2d
Financial Value Segment: Scoring Key 35

Exhibit 5-2e
Precedential Value Segment: Scoring Key 35

Exhibit 5-2f
Ease of Implementation: Scoring Key 36

Exhibit 5-4a
Sample Strategy Matrix: First-Class Mail 39

Exhibit 5-4b
Sample Strategy Matrix: Standard Mail 39

Exhibit 5-5
Sales Pack Slides 40

Exhibit 5-6	
Negotiation Pack Template Slides	43
Exhibit 5-7.3	
Model Variables	50
Exhibit 5-7.4a	
NSA Value Estimation: Discount or Premium Service for Additional Volume	51
Exhibit 5-7.4b	
NSA Risk Estimation: Price Discounts for Additional Volume	51
Exhibit 5-7.4c	
NSA Risk Estimation: Premium Service for Additional Volume	52
Exhibit 5-7.4d	
NSA Risk Estimation: Premium Service for Cost Savings or Premium Price	52
Exhibit 5-8.1	
Business Case Presentation Template	54
Exhibit 5-9	
NSA Dashboard	63
Exhibit 6-3.2a	
Process T010 — Flow Chart	67
Exhibit 6-3.2b	
Process T010 — Narrative	69
Exhibit 6-3.3a	
Process T020 — Flow Chart	71
Exhibit 6-3.3b	
Process T020 — Narrative	73
Exhibit 6-3.4a	
Process T030 — Flow Chart	75
Exhibit 6-3.4b	
Process T040 — Narrative	76
Exhibit 6-3.5a	
Process T040 — Flow Chart	77
Exhibit 6-3.5b	
Process T040 — Narrative	79

1 Overview

1-1 Procedures and Rules

Internal procedures and processes used by the Postal Service™ in developing and establishing Negotiated Service Agreements (NSAs) are contained in this handbook and the *Mailing Standards of the United States Postal Service, Domestic Mail Manual (DMM®)*. Specific rules that apply to all NSAs are codified under Title 39, *Code of Federal Regulations*, Part 3001, Rules of Practice and Procedure.

1-2 NSA Definition

An NSA — a contract between a mailer and the Postal Service — provides the mailer with rates or service arrangements that differ from standard Postal Service offerings. By its very design, each NSA is unique to the mailer's business requirements.

For example, an NSA could do the following:

- a. Customize particular rates, classifications, and service conditions.
 - b. Modify existing Postal Service standards or create new standards for the preparation, presentation, acceptance, processing, transportation, or delivery of mailings.
- ▶ **Negotiated Service Agreement (NSA).** A *Negotiated Service Agreement (NSA)* means a written contract, to be in effect for a defined period of time, between the Postal Service and a mailer, that provides for customer-specific rates or fees and/or terms of service in accordance with the terms and conditions of the contract. See 39 C.F.R. § 3001.5.

1-3 NSA Types

Although each NSA is unique, some NSAs are considered “baseline NSAs,” and others are considered “functionally equivalent to” (i.e., similar to) other existing NSAs. Title 39, *Code of Federal Regulations*, contains formal definitions for each NSA type.

- ▶ **Baseline NSA.** A *baseline Negotiated Service Agreement* is a Negotiated Service Agreement that is not predicated on a functionally equivalent Negotiated Service Agreement currently in effect. See 39 C.F.R. § 3001.195(a).
- ▶ **Functionally Equivalent NSA.** A *functionally equivalent Negotiated Service Agreement* is a Negotiated Service Agreement that is predicated on a Negotiated Service Agreement previously recommended by the Postal Rate Commission and currently in effect (the baseline). See 39 C.F.R. § 3001.196(a). A functionally equivalent NSA must primarily rest on the same substantive functional elements as the baseline and confer a comparable benefit on the Postal Service.

1-4 Purpose

Product and service innovations that focus on customized pricing such as NSAs contribute to the ability of the Postal Service both to maintain universal mail service at reasonable rates and to support the continuing and viable role played by mail in commercial and personal communication. Customized pricing can help achieve these two objectives by strengthening and increasing mail volume and by enhancing the value of mail to both the sender and the recipient.

NSAs in particular allow the Postal Service to meet the evolving needs of its wide range of customers. NSAs also provide new sources of financial contribution that can help maintain the nation’s postal infrastructure. As a consequence, the establishment of NSAs represents one of the important corporate goals articulated in the Postal Service *Transformation Plan*.

- ▶ **NSA Role.** “Many customers have unique relationships with the Postal Service based on their business models and mailing requirements. While they exist within the current pricing and preparation requirements, unique service agreements could provide efficiencies for the customer, the Postal Service, and the mailing community at large. The Postal Service will pursue customized pricing arrangements which might include negotiated service agreements (NSAs).” See *Transformation Plan*, April 2002, page 21.

Not only do mailers entering into NSAs benefit from these customized arrangements, but so do all other Postal Service customers. NSAs can increase the financial contribution to the Postal Service by attracting new mail volumes and improving operational efficiencies that lead to reduced costs.

1-5 NSA Case Filing

Once an NSA with a mailer has been reached through negotiation, the Postal Service Board of Governors decides whether to approve filing a case with the Postal Rate Commission to request the Commission's recommended decision on the proposed rates and classifications.

In general, the Postal Service expects that a mailer entering into an NSA would participate in the Postal Rate Commission administrative and regulatory process in support of the NSA filing by assisting in presenting the case before the Commission. This assistance includes preparing and presenting documentation, testimony, and other evidence in support of the proposed NSA rates and classifications. This process — which can take up to 10 months — must be completed before the NSA can be implemented.

- ▶ **Postal Service Decision.** If the Commission recommends rates and classifications associated with the NSA, the Governors of the Postal Service (the nine presidentially appointed members) then decide whether to approve, accept under protest, or reject the Commission's recommended rates and classifications. The full Board of Governors (composed of the nine presidentially appointed members and the postmaster general and the deputy postmaster general) authorizes any implementation, as necessary.

1-6 Formal Requests

1-6.1 Type of Review

When the Postal Service proposes establishing or changing rates or fees and/or the Domestic Mail Classification Schedule based on an NSA, the formal request filed with the Postal Rate Commission must state whether the request is for a recommended decision on one of the following:

- a. A review of a baseline NSA.
- b. A review of a functionally equivalent NSA.
- c. A renewal of the terms and conditions of a previously recommended NSA.
- d. A modification of the terms and conditions of a previously recommended NSA.

1-6.2 General Contents

The formal request for all NSAs must include the following specific parts and contents that support the filing:

- a. General requirements that include information, data, statements of reasons, and bases to inform the Commission and the parties of the nature, scope, significance, and impact of the proposed NSA.
- b. The signed NSA presenting the terms and conditions of the agreement.

- c. Rates and standards information describing the proposed rates, fees, and/or classification changes, including proposed changes to the Domestic Mail Classification Schedule.
- d. An explanation of the operative components.
- e. A financial analysis showing Postal Service volumes, costs, and revenues in a 1-year period to represent the first year of the proposed agreement. If the agreement is proposed to extend beyond 1 year, the request must include an analysis of the effects of the agreement on Postal Service volumes, costs, and revenues in each subsequent year of the proposed agreement.
- f. An impact analysis showing the effects of the NSA on competitors of the NSA party, competitors of the Postal Service, and other mail users.
- g. A data collection plan detailing how the Postal Service intends to capture and report the results of the NSA after implementation.
- h. Workpapers supporting the various required elements in the filing, testimony, and data and data collection methods, including any special studies.

1-6.3 **Additional Contents**

1-6.3.1 **Baseline NSAs**

In addition to the elements required in filing any NSA request, the Postal Service must include the following in a request for a baseline NSA:

- a. A written justification for an NSA classification rather than a generally more applicable form of classification.
- b. A description of the operational basis of the NSA such as activities performed and facilities used.

1-6.3.2 **Functionally Equivalent NSAs**

In addition to the elements required in filing any NSA request, the Postal Service must include the following in a request for a functionally equivalent NSA:

- a. A detailed description explaining how the proposed NSA is functionally equivalent to the baseline NSA.
- b. A detailed description showing how the proposed NSA is different from the baseline agreement.
- c. An identification of the record testimony used in the baseline NSA.
- d. An identification of circumstances unique to the request.
- e. If applicable, a proposal for limiting issues in the proceeding to the financial impact on the Postal Service and the fairness and equity of the NSA to competitors of the NSA candidate and to other users of the mail.

1-7 NSA Contact Points

The Postal Service provides several ways for any mailer interested in pursuing an NSA to obtain more information. The mailer can reach the Postal Service as follows:

- a. Send an e-mail inquiry to nsa@usps.com.
- b. Visit www.usps.com/nationalpremieraccounts/nsa.
- c. Call Pricing Strategy at 202-268-7284.
- d. Write to the following address:

PRICING STRATEGY
US POSTAL SERVICE
475 L'ENFANT PLZ SW RM 3616
WASHINGTON DC 20260-3616

- ▶ **Postal Service Response.** The Postal Service first sends the mailer a nondisclosure agreement, which the mailer must complete and return. After the mailer completes and returns that agreement, the Postal Service sends the mailer a candidate profile form (see section 3-6), which the mailer must complete and return. The Postal Service reviews the candidate profile information provided by the mailer to determine whether it will consider the NSA request. The Postal Service contacts the mailer to obtain additional information and to discuss subsequent steps.

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2 Standard Process Approach

2-1 Purpose

A documented process management system that standardizes the approach and process steps used by the Postal Service and mailers in developing, negotiating, litigating, and implementing NSAs promotes efficiency in the completion of each process step. At the same time, a standard process approach generally helps the Postal Service and the mailer reach a completed NSA more smoothly and possibly more rapidly.

A standard process represents a corporate-wide mechanism that managers and workgroups use to ensure that the results of their NSA work processes are consistent and capable of meeting Postal Service and individual mailer requirements.

- ▶ **Focus, Simplification, and Communication.** Although a complete standard NSA process calls for considerable detail, only the detail needed for individual process steps is necessary at any one time. By dividing the whole NSA process into discrete actions and activities, the Postal Service reduces the entire process to manageable steps that permit focus, simplification, and communication.

2-2 Focus and Benefits

2-2.1 Focus

A standard NSA process ensures that the Postal Service and the negotiating mailer focus on aspects unique to the mailer's business and use of mail for that business rather than on aspects universal among most mailers and on processes required in developing and implementing all NSAs.

2-2.2 Benefits

In addition to focus, a standard NSA process yields the following major, realizable benefits:

- a. It provides an objective system of NSA processes, indicators, and tools to manage and direct the flow of decisions.

- b. It promotes the use of data and facts to improve decision making and the management of NSA processes.
- c. It concentrates on individual and collective requirements of the NSA candidate and the Postal Service to produce optimal returns on resources and ensure mutually beneficial outcomes.
- d. It provides a common language about NSAs across Postal Service organizations to ensure open and unambiguous communication.
- e. It facilitates continuous improvements to NSA processes to refine and expand the use of NSAs.
- f. It permits replication or transfer of certain NSA processes or parts of NSA processes to other Postal Service functions to improve interrelated or common processes, to allow adaptation, or to reduce development time of similar processes.

2-3 Key Elements

2-3.1 Critical Role

The following three interrelated elements — all of equal importance — are required in ensuring a successful standard NSA process:

- a. Process steps.
- b. People.
- c. Tools.

2-3.2 Element 1: Process Steps

As described in chapter 3, the various interrelated process steps for taking NSAs from initial concept through final litigation and, as necessary, implementation must be accurately defined and well documented. Documenting NSA process steps ensures that successful results can be repeated and that unsuccessful results can be modified or eliminated.

Standard NSA process steps allow the Postal Service to expand more easily the concept and application of NSAs as an important pricing strategy while subjecting each potential NSA proposal to sufficient rigor and examination. Standard process steps also ensure that various Postal Service organizations can participate in the development of NSAs by contributing ideas and recommendations on any potential NSA.

- ▶ **Core Processes and Enabling Processes.** NSA processes can be classified as core processes and enabling processes. Core processes — major activities required in reaching a final NSA — generally involve the NSA candidate. Enabling processes — activities needed in supporting core process — generally do not involve the NSA candidate.

2-3.3 Element 2: People

As described in chapter 4, the roles and responsibilities of the different people, functions, and organizations participating in NSA processes must be clear and purposeful.

Understanding roles and responsibilities improves communication, reduces redundant or unnecessary work, and channels resources effectively. At the same time, clear roles and responsibilities allow all functional organizations to contribute to the development of NSAs and accelerate the completion of the various steps in any NSA process.

2-3.4 Element 3: Tools

As described in chapter 5, a set of tools for all organizations participating in NSA processes must be available. Using standard tools — whether electronic templates or approved core language for forms and correspondence — streamlines processes and capitalizes on economies of scale for repetitive steps.

At the same time, standardized analytical tools enable organizations participating in NSA processes to target potential candidates, spur mailer interest in NSAs, collect appropriate data, identify appropriate deal type, conduct relevant financial analyses, and present materials to a wide range of Postal Service committees for effective communication.

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3 Element 1: Process Steps

3-1 Overview

3-1.1 Distinct Process Steps

The NSA process comprises the four distinct but interrelated process steps shown in Exhibit 3-1.1. By progressing through each of these steps, the Postal Service and the NSA candidate optimize their resources in the NSA process.

Exhibit 3-1.1

NSA Process Steps and Principal Actions and Activities

Process Step	Principal Actions and Activities
Step 1: Identity candidates	<ul style="list-style-type: none"> ■ Identify high-potential NSA candidates. ■ Use focused fact gathering to narrow the list of high-potential candidates to those with a good strategic fit.
Step 2: Develop Proposal	<ul style="list-style-type: none"> ■ Develop a clear picture of candidates and their businesses. ■ Spur candidate interest in NSAs. ■ Hold initial meetings with NSA candidate to gather and exchange data and ideas and to explain parameters for NSAs. ■ Convene integrated, cross-functional Postal Service team to review potential terms (baseline and initial functionally equivalent agreements). ■ Formulate negotiating position and strategy. ■ Present negotiating position for Rate Case Advisory Group (RCAG) review. ■ Gain approval for negotiating position from Rate Case Steering Committee (RCSC) and Executive Committee (EC).
Step 3: Negotiate	<ul style="list-style-type: none"> ■ Meet with NSA candidate to negotiate after Pricing Strategy determines that parties have overlapping interests. ■ Evaluate candidate's proposal and generate counterproposals. ■ Reach agreement with NSA candidate. ■ Present terms to RCAG for review. ■ Present terms to gain approval from the Rate Case Steering Committee, Executive Committee, and Board of Governors.
Step 4: Litigate	<ul style="list-style-type: none"> ■ Develop litigation strategy. ■ Develop case for filing. ■ File with Postal Rate Commission (PRC). ■ Follow litigation procedures established by PRC. ■ Review PRC Opinion and Recommended Decision submitted to Board of Governors. ■ Follow decision issued by Board of Governors. ■ Implement NSA, as necessary, according to Board of Governors.

3-1.2 Time Periods

Exhibit 3-1.2 shows the average percentage of time needed for the completion of each NSA process step. A baseline NSA generally requires more time and resources than a functionally equivalent NSA. For example, litigation for a baseline might require 10 months, whereas litigation for a functionally equivalent NSA might require only 5 months.

Exhibit 3-1.2

Process Step Time Periods

Period	Percentage Completed	Step 1: Identify Candidates	Step 2: Develop Proposal	Step 3: Negotiate	Step 4: Litigate
1	10				
2	20				
3	30				
4	40				
5	50				
6	60				
7	70				
8	80				
9	90				
10	100				

3-2 Process Step 1: Identify Candidates

Pricing Strategy proactively identifies leads for high-potential NSA candidates from numerous internal sources such as corporate databases and from internal organizations such as Sales and Operations. Lead generation is an ongoing, proactive activity.

Pricing Strategy collects and analyzes NSA candidate leads by using systematic tools that include a company filter, company diagnostic, and strategy matrix. These tools quantify and rate strategy mix criteria such as current and potential mail revenue and volume, product use and application, cost savings to the Postal Service, and future revenue growth as well as retention.

After a candidate is identified as a strategic fit, Pricing Strategy constructs a clear and comprehensive profile of the candidate's business. This profile allows the Postal Service to find appropriate opportunities that might interest the candidate in a possible NSA.

Postal Service customers can also nominate themselves for consideration for an NSA. Pricing Strategy responds to these self-nominations by applying the same criteria used for internally identified and evaluated customers.

An interested candidate must complete a nondisclosure agreement to allow critical and confidential communication between the candidate and the Postal Service. After the Postal Service receives a signed nondisclosure agreement, the candidate receives a candidate profile for completion (see Exhibit 3-2).

Pricing Strategy uses and compares the information from the candidate profile with information collected by the Postal Service in order to reconcile the candidate's mailing history and volumes with Postal Service data.

- ▶ **Period 1.** Pricing Strategy uses NSA tools (i.e., company filter, company diagnostic, and strategy matrix) as a systematic approach to target high-potential NSA candidates. As needed, other organizations such as Sales and Operations provide additional support.

Exhibit 3-2 (page 1 of 3)
NSA Candidate Profile
Instructions

As a prospective Negotiated Service Agreement (NSA) candidate, you will need to provide the Postal Service with information about your company and your use of mail. The Postal Service must reconcile any information provided, so please be clear and concise when completing this form.

If you have received this in hard copy, you may request an electronic form by writing to the e-mail address below. When completing the electronic copy, you can tab through each question and insert your answers where appropriate. The cells will expand to accommodate lengthy responses.

If you have questions or are unclear about the information we are requesting, please contact your Postal Service National Account Manager, or send an e-mail to *nsa@usps.com* with contact information and we will assist you.

Please e-mail your completed form to *nsa@usps.com* or fax it to 202-268-4966 ATTN: Pricing Strategy.

Provide the following information about your company.

Company Name		
USPS Account Number	Industry	Segment
Company Contact	Telephone	E-mail
USPS National Account Manager	Telephone	E-mail

List all induction locations where you enter mail into the Postal Service network. (Use other pages if needed.)

City	State	ZIP Code	City	State	ZIP Code

Does your company have a nondisclosure agreement (NDA) on file with the Postal Service?

Yes No If No, provide status:

List your company personnel with whom the Postal Service will be in direct contact. (Use other pages if needed.)

Name	Title	Telephone

Exhibit 3-2 (page 2 of 3)

NSA Candidate Profile

Check the mail services and products that your company uses.

<input type="checkbox"/> Express Mail	<input type="checkbox"/> Standard Mail Letters	<input type="checkbox"/> Parcels
<input type="checkbox"/> Priority Mail	<input type="checkbox"/> Standard Mail Flats	<input type="checkbox"/> Residual Meter
<input type="checkbox"/> First-Class Mail Letters	<input type="checkbox"/> Catalogs (Bound Printed Matter)	<input type="checkbox"/> Other:
<input type="checkbox"/> First-Class Mail Flats	<input type="checkbox"/> International Mail	<input type="checkbox"/> Other:

Check the mail services and products that are being discussed for an NSA.

<input type="checkbox"/> Express Mail	<input type="checkbox"/> Standard Mail Letters	<input type="checkbox"/> Parcels
<input type="checkbox"/> Priority Mail	<input type="checkbox"/> Standard Mail Flats	<input type="checkbox"/> Residual Meter
<input type="checkbox"/> First-Class Mail Letters	<input type="checkbox"/> Catalogs (Bound Printed Matter)	<input type="checkbox"/> Other:
<input type="checkbox"/> First-Class Mail Flats	<input type="checkbox"/> International Mail	<input type="checkbox"/> Other:

For the past 36 months, provide your company's mailing history information (use other pages if needed):

1. Volumes, by month, for each class of mail. Separately identify major types of mail (e.g., First-Class Mail) and identify statement versus other volume.

--

2. A general description of how your company uses the mail (e.g., billing, customer acquisition, product samples, communication with customers, etc.).

--

3. All permit numbers and any CAPS account numbers. Include any third-party mailing agent(s) under which your mail is processed.

Class of Mail	Permit Number	Induction Location (City, State, ZIP Code)	Name (Permit Holder)

4. Mergers/Acquisitions: List any mailing activity under other company names.

Company Name	Type of Activity (e.g., statement, etc.)	Induction Location (City, State, ZIP Code)	Class of Mail	Volume of Mail

Exhibit 3-2 (page 3 of 3)

NSA Candidate Profile

Does your company send international mail?

Yes No

Can your company provide current mail volume?

Yes No

Can your company provide next year's mail volume forecast?

Yes No

Describe any significant changes in mailing practices that have affected mail volume in the past 36 months, or that are expected to change mail volume in the future.

Briefly describe suggestions, ideas, or expectations for a possible NSA.

Does your company participate in *PostalOne!*?

Yes No In process

Is your company certified for Mail Preparation Total Quality Management (MPTQM)?

Yes No In process

Describe address management practices for the last complete fiscal year, including method of compliance with Move Update for First-Class Mail service and frequency of address updates.

If applicable, describe how your company documents return percentages.

If applicable, list your company's return percentages for the following services.

Class	Use	Percentage	Class	Use	Percentage
First-Class Mail	Solicitation		Standard Mail	Letters	
First-Class Mail	Statements		Standard Mail	Flats	
Other			Other		

Describe your company's use of any endorsement (e.g., "Address Service Requested") or special service (e.g., Certified Mail) or participation in any mailer program (e.g., electronic Address Change Service).

3-3 Process Step 2: Develop Proposal

If a candidate is receptive, Pricing Strategy coordinates an initial meeting with the candidate to gather more detailed data, exchange ideas, and explain NSA requirements and processes for developing an NSA proposal.

If the candidate wishes to pursue developing an NSA proposal, Pricing Strategy determines whether the candidate's business and mail profile is suitable for a new NSA baseline or whether it more closely matches an existing NSA baseline (i.e., whether the business and mail profile is suitable for a functionally equivalent NSA).

Pricing Strategy identifies specifically how the candidate uses mail as part of its business and then builds a model to estimate different terms or scenarios. Pricing Strategy also works with other Postal Service organizations such as Sales, Operations, and Product Development as necessary.

In addition, Pricing Strategy formulates a negotiating position and strategy and then submits this information to the Rate Case Advisory Group (RCAG). Approval is then sought from the Rate Case Steering Committee (RCSC) and from the Executive Committee (EC).

- ▶ **Periods 2 through 4.** Pricing Strategy, with support from other functions such as Sales and Operations, develops an understanding of the customer's business and use of mail, builds a financial model to estimate the value of different NSA options, and holds individual meetings with staff in other functions before convening an integrated development team (IDT). Pricing Strategy uses NSA tools as described in chapter 5 (i.e., negotiation pack, model checklist, and sales pack) to initiate talks and develop a fact base and terms. Depending on the customer, the research can be extensive.
- ▶ **Period 5.** Using the fact base and the NSA options developed during periods 2 through 4, Pricing Strategy consolidates and synthesizes information into a presentation using an NSA tool (business case for NSA candidate). Pricing Strategy schedules time on appropriate committee agendas and provides the presentation materials to committee members before making the actual presentations.
- ▶ **Period 6.** Pricing Strategy formulates the negotiating strategy with a negotiating team consisting of a representative from the Law Department and, when appropriate, an expert from a functional area relevant to the NSA (for example, Address Management if a principal term hinges on addressing issues). The team plans responses to customer positions in advance, offers packages rather than individual deal components, formulates opening positions and bottom lines, and conducts mock negotiations. Pricing Strategy creates a model to analyze various potential customer options. During process step 2, this model is used to support and prepare for negotiations in step 3. This model will differ significantly from the financial model presented in testimony that analyzes only the agreed-to options.

3-4 Process Step 3: Negotiate

After completing process step 2, the negotiation team evaluates the candidate's proposals and generates any counterproposals if warranted. Once all information is confirmed, the negotiation team meets with the candidate to negotiate and determine whether the candidate and the Postal Service have overlapping interests.

At a minimum, the Postal Service negotiation team consists of Pricing Strategy and the Law Department (see section 4-3 for the negotiation team structure). Between negotiations, the negotiation team may consult with other Postal Service organizations that are not included on the negotiation team (such as Sales and Operations), but representatives of those organizations are rarely present at actual negotiations.

When the Postal Service negotiation team and the candidate come to an agreement in principle and on basic terms, Postal Service attorneys draft a written agreement to give to the NSA candidate and the candidate's counsel. Additional negotiation is often necessary on specific terms and conditions. After agreeing on terms and conditions, the candidate and the Postal Service sign the contract.

- ▶ **Period 7.** The negotiation team for an NSA focuses on the benefits the candidate and the Postal Service should derive through the NSA while observing negotiating ground rules as defined in section 4-3 and maintaining momentum by holding negotiation rounds in rapid succession. If the candidate's position would result in an unfavorable outcome for the Postal Service, the negotiation team attempts to find a suitable solution before ending further discussions. Throughout negotiations, Pricing Strategy uses a model to analyze and evaluate options. Once terms are agreed upon, Finance validates the estimated contribution impact resulting from the agreed-to NSA.

3-5 Process Step 4: Litigate

Process step 4 involves developing a litigation strategy, developing the NSA case for filing, filing the case before the Postal Rate Commission (PRC), reviewing the PRC's Opinion and Recommended Decision, and, if the PRC's recommendation is approved by the Governors of the Postal Service, implementing the NSA.

- ▶ **Periods 8 through 10.** Pricing Strategy prepares exhibits and testimony. The Law Department prepares the request, files motions for waiver (if necessary), reviews the testimony of the NSA candidate, and ensures consistency of testimony with regulations and past filings. Other pre-filing activities include the certification of the financial information by Finance and the presentation to the Board of Governors for approval. Pricing Strategy prepares an internal timeline for pre-filing activities. Pricing Strategy uses tools such as financial models and, where possible, standardized exhibits and standardized terms and conditions, especially for functionally equivalent NSAs.

3-6 General Process Participants and Steps

Exhibit 3-6 shows a further subdivision of the four principal NSA process steps.

Exhibit 3-6 (page 1 of 3)

Negotiated Service Agreement Participants and General Process

Negotiated Service Agreements

Purpose

This process lists the principal participants and outlines the critical path that takes place to assist customers interested in pursuing an NSA. This path examines mailing data, develops a proposal, finalizes an agreement, and prepares testimony and other documents needed for filing a case before the Postal Rate Commission (PRC).

Principal Participants

Pricing Strategy (PS)

Pricing Strategy is an office within the Pricing and Classification group in the Marketing organization of the Postal Service. Pricing Strategy has functional responsibility for developing and managing NSAs, while coordinating its activities with operational, financial, and legal professionals in other organizations within the Postal Service.

NSA Candidate

An NSA candidate is a mailer interested in pursuing customized pricing based on historical and projected mailing trends. In general, an NSA candidate is a Postal Service customer for whom mail is a significant component of that customer's business processes and strategies.

Rate Case Advisory Group (RCAG)

The Rate Case Advisory Group (RCAG) consists of certain managers from the Finance, Law, Operations, and Marketing departments. This committee deals with issues involving rate cases, classification changes, and similarly related matters. This committee makes recommendations to Pricing Strategy on any proposed NSA.

Rate Case Steering Committee (RCSC)

The Rate Case Steering Committee consists of the deputy postmaster general, the chief financial officer, the chief operating officer, the chief marketing office, the senior vice president/general counsel, the senior vice president of Government Relations, and the vice president of Strategic Planning. This committee reviews and clears any NSA for the Executive Committee, making any recommendations necessary to ensure Executive Committee approval.

Executive Committee (EC)

The Executive Committee (EC) consists of the postmaster general, deputy postmaster general, senior vice presidents, and executive vice presidents. This committee gives Pricing Strategy the authority to negotiate specified terms with the NSA candidate and approves the terms to which Pricing Strategy and the candidate have agreed. This committee also gives Pricing Strategy the final approval to present an NSA before the Board of Governors.

Board of Governors (BOG)

The Board of Governors consists of nine presidentially appointed Governors, the postmaster general, and the deputy postmaster general. The Board of Governors must approve the NSA filing at the Postal Rate Commission (PRC) of a request for an Opinion and Recommended Decision for the changes in postal rates and mail classifications necessary to implement the NSA.

Postal Rate Commission (PRC)

The Postal Rate Commission (PRC) is an independent federal entity that makes recommendations on Postal Service requests for changes in postal rates and mail classification, including any NSA.

Exhibit 3-6 (page 2 of 3)

Negotiated Service Agreement Participants and General Process**Process Step 1: Identify Candidates**

- 1.1.0 ***Nondisclosure***
 The Postal Service sends a potential NSA candidate a nondisclosure agreement (NDA) to review and sign. After the NSA candidate returns two signed originals, Pricing Strategy signs on behalf of the Postal Service. Candidates can be identified by the Postal Service or by self-nomination.
- 1.2.0 ***Candidate profile***
 NSA candidate completes and submits candidate profile including permit numbers, classes of mail used, revenues, volumes, use of quality process, and other information. Pricing Strategy reviews candidate profile and ensures its completeness. Pricing Strategy also prepares a company analysis based on profile data.
- 1.3.0 ***Reconciliation of mailing data***
- 1.3.1 *Permit numbers verification.* Pricing Strategy ensures verification of permit numbers through internal sources used to capture mailing data at time of acceptance. Pricing Strategy verifies whether each permit number exists at city and state designated by NSA candidate.
- 1.3.2 *Is each permit number exclusive to candidate?* Pricing Strategy verifies whether permits are used exclusively for NSA candidate's mail:
 Yes: Permit number and its volume are recorded for reconciliation.
 No: Pricing Strategy notifies NSA candidate, audits candidate's methodology used for collecting volume, and obtains supporting documentation that identifies volumes associated with permit number.
- 1.3.3 *Data match.* Pricing Strategy compares volume data provided by NSA candidate with data obtained from Postal Service databases and acts as follows:
 Yes: Pricing Strategy goes to 2.1.0 to develop an NSA proposal with candidate.
 No: Pricing Strategy returns to 1.3.1 with NSA candidate to reconcile data.

Process Step 2: Develop Proposal

- 2.1.0 ***Proposal development***
- 2.1.1 *NSA discussions.* Pricing Strategy and NSA candidate discuss options for developing an NSA proposal.
- 2.1.2 *Mail volume forecasts.* NSA candidate provides Pricing Strategy with a credible mail volume forecast. This forecast is used for analysis and development of proposal.
- 2.1.3 *Proposal development.* A proposal is developed and exchanged between Pricing Strategy and NSA candidate. At this stage, proposal is nonbinding and open to negotiations. Proposals and offers from Pricing Strategy are typically valid for a specified period of time.
-

Exhibit 3-6 (page 3 of 3)

Negotiated Service Agreement Participants and General Process

Process Step 3: Negotiate	
<hr/>	
3.1.0	Review
3.1.1	<i>Proposal review.</i> After reviewing proposal, NSA candidate and Pricing Strategy each determine whether to accept or not accept proposal and act as follows: <i>If accepted:</i> Parties are notified and go to 3.2.0. <i>If not accepted:</i> Candidate or Pricing Strategy prepares a counterproposal and goes to 3.1.2.
3.1.2	<i>Counterproposal review.</i> After receiving counterproposal, NSA candidate and Pricing Strategy each review counterproposal and act as follows: <i>If accepted:</i> Parties are notified and go to 3.2.0. <i>If not accepted:</i> Pricing Strategy and candidate negotiate face to face to resolve any outstanding issues and to come to an agreement in principle.
3.2.0	NSA contract
3.2.1	<i>Drafting of terms and conditions.</i> After negotiation on basic terms is complete, Postal Service attorneys draft a written agreement to give to NSA candidate and candidate's counsel. Additional negotiation is often necessary on specific terms and conditions.
3.2.2	<i>Signing NSA.</i> After agreeing on terms and conditions, both parties sign contract.
<hr/>	
Process Step 4: Litigate	
<hr/>	
4.1.0	Develop testimony
4.1.1	<i>Testimony preparation.</i> Final company mail volume forecasts to be used in testimony are provided to Postal Service. Postal Service and NSA candidate each develop separate testimonies to file at PRC. Each party exchanges working drafts of testimony with the other.
4.1.2	<i>Testimony requirements.</i> Substantially complete testimony is needed before NSA can be presented to Board of Governors.
4.2.0	Governors approval of filing Pricing Strategy assembles signed NSA and formal deal structure, and makes a presentation before Board of Governors, seeking approval to file with PRC a request for an Opinion and Recommended Decision.
4.3.0	PRC litigation
4.3.1	<i>PRC filing.</i> Once the Board of Governors grants approval, Postal Service and NSA candidate finalize required documents and file jointly with PRC.
4.3.2	<i>PRC litigation.</i> Both parties represent themselves before PRC, and any interested parties participate in litigation process.
4.3.3	<i>Opinion and Recommended Decision.</i> After reviewing and evaluating all materials and testimony, PRC delivers its Opinion and Recommended Decision on filing to Board of Governors.
4.4.0	Postal Service action After review of PRC Opinion and Recommended Decision and record developed in case, the nine presidentially appointed Governors issue a decision that approves, allows under protest, or rejects recommended rates and classifications associated with NSA. Full Board of Governors sets implementation date, as necessary.

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4 Element 2: People

4-1 Overview

4-1.1 Principal Functional Groups

Human resources, both individuals and teams, are an important element for the successful execution of processes. The following functional groups play the most active part in the standard approach for the NSA process:

- a. Pricing and Classification. (In addition to Pricing Strategy, other pricing organizations within Pricing and Classification can be involved in various process steps of NSAs.)
- b. Sales.
- c. Operations.
- d. Law.
- e. Finance.

4-1.2 Other Organizations

Other organizations playing key roles within the NSA framework include the following:

- a. *Product Development.* This organization provides guidance and support if the NSA entails possible modifications to existing products and services or possibly the development of new products and services.
- b. *Marketing Technology and Channel Management.* This organization generally supports the NSA process through the verification of mailing permits and the candidate's use of any alternative mailing systems or third-party providers and mail preparation companies.

4-1.3 Participation

As shown in Exhibit 4-1.3, the participation of each functional group or organization in the NSA process varies by the type of NSA (baseline or functionally equivalent) and the step in the process. Generally, new baseline NSAs require more resources and organizations.

When Product Development is not an active participant in a specific NSA, Pricing Strategy communicates appropriate information to that organization to ensure that potential NSAs are consistent with long-term product strategy.

Exhibit 4-1.3

Participation by NSA Type and Process Step

NSA Type	Step 1: Identify candidates	Step 2: Develop proposal	Step 3: Negotiate	Step 4: Litigate
Baseline	<ul style="list-style-type: none"> ■ Pricing Strategy ■ Sales (field) ■ Operations 	<i>Integrated development team (IDT):</i> <ul style="list-style-type: none"> ■ Pricing Strategy ■ Sales (Headquarters) ■ Operations ■ Law ■ Finance ■ Other functions as needed 	<i>Negotiation team:</i> <ul style="list-style-type: none"> ■ Pricing Strategy ■ Law ■ Other functions as needed 	<ul style="list-style-type: none"> ■ Pricing Strategy ■ Law ■ Other functions as needed
Functionally equivalent	<ul style="list-style-type: none"> ■ Pricing Strategy ■ Sales (field) ■ Operations 	<ul style="list-style-type: none"> ■ Pricing Strategy ■ Other functions as needed 	<ul style="list-style-type: none"> ■ Pricing Strategy ■ Law ■ Other functions as needed 	<ul style="list-style-type: none"> ■ Pricing Strategy ■ Law ■ Other functions as needed

4-2 Integrated Development Team

4-2.1 Team Structure

Through the Pricing Strategy manager, the Pricing Strategy project lead for a specific NSA asks the appropriate managers from Law and, as necessary, from Postal Service organizations such as Sales, Operations, and Finance to select representatives as permanent members of an NSA integrated development team (IDT).

Additional Postal Service organizations may also be involved, depending on the NSA candidate and the nature and scope of the potential NSA. The Pricing Strategy lead communicates information, as appropriate, to organizations that are not part of the IDT (such as Product Development) to ensure consistent long-term product strategies.

- ▶ **Personal Goals.** Each functional manager assigns one person to act as the representative for the function. The representative is drawn from a dedicated pool of staff members in each functional department that is consistently involved with NSAs. Representatives in the pool should have the goal of supporting NSAs as a major part of their position descriptions and goals and financial incentives.

4-2.2 Team Responsibilities

Exhibit 4-2.2 summarizes the main responsibilities of each IDT member and provides the average weekly time commitment for an effective contribution in developing a functionally equivalent NSA.

The time commitment may vary based on actual conditions and factors of any NSA. Each new baseline NSA proposal, as well as some functionally equivalent agreements, is likely to entail significant policy issues requiring considerable cross-functional review and input to proceed from process step 2 (develop proposal) to process step 3 (negotiate), as outlined in Exhibit 3-6.

Exhibit 4-2.2
IDT Responsibilities

Organization	Responsibility	Average Weekly Commitment
Pricing Strategy	<ul style="list-style-type: none"> ■ Develop fact base for each target company. ■ Convene IDT and organizes its meetings. ■ Lead team's brainstorming of NSA elements and financial analysis. 	20 hours
Law	<ul style="list-style-type: none"> ■ Provide legal advice to Pricing Strategy as it develops elements for NSA. 	3–5 hours
Sales	<ul style="list-style-type: none"> ■ Inform customers about the purpose and potential value of NSAs. ■ Alert Pricing Strategy to opportunities based on customer knowledge. ■ Assist in developing customer fact base and appropriate strategies. 	2–3 hours
Operations	<ul style="list-style-type: none"> ■ Alert Pricing Strategy to companies with high-cost mail characteristics or practices. ■ Help Pricing Strategy analyze customer-specific operational issues. 	2–3 hours
Finance	<ul style="list-style-type: none"> ■ Support Pricing Strategy with analyses of NSA elements. 	3–5 hours

4-2.3 Team Ground Rules

To work effectively, the integrated development team must observe the following ground rules:

- a. Team members must conduct themselves in and between meetings as follows:
 - (1) Meet as often as necessary to share data, discuss issues, and develop proposals.
 - (2) Raise questions and concerns in meetings for open discussion and to share later with functional managers after meetings.
 - (3) Give every team member the opportunity to speak and present ideas and viewpoints.
 - (4) Treat every team member with courtesy, respect, and dignity.
 - (5) Maintain professionalism with team members in all business communication including telephone calls and e-mail messages.
 - (6) Uphold the confidentiality of information discussed in the meetings and to share it only with appropriate functional managers.
- b. The Pricing Strategy project lead has the following responsibilities:
 - (1) Help the team reach consensus.

- (2) Determine the final position.
- (3) Provide written descriptions of any objection and the reasons the objection was not significant.
- c. Team members must interact with nonteam members as follows:
 - (1) Label all team documents as “DRAFT” and “USPS CONFIDENTIAL” and treat them accordingly.
 - (2) Receive clearance from the other team members before sharing information and strategies within the Postal Service but outside the team.

4-3 Negotiation Team

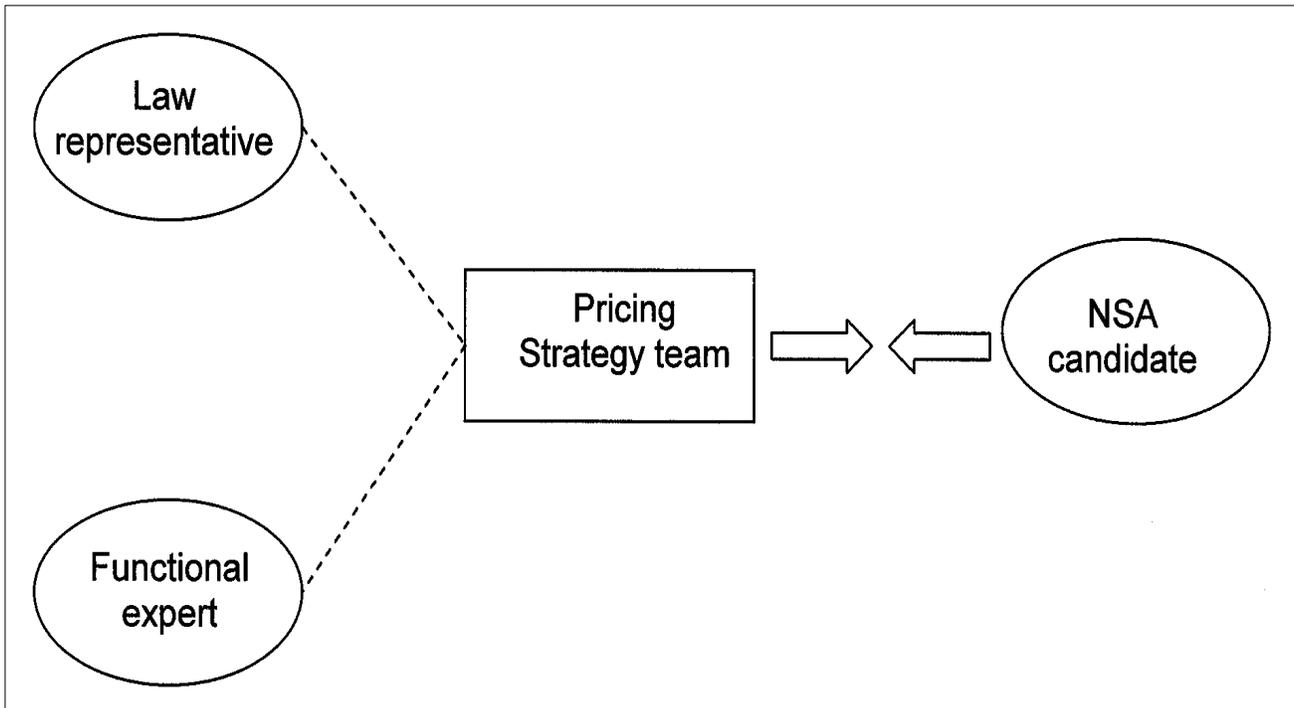
4-3.1 Team Structure

As shown in Exhibit 4-3.1, the negotiation team is a specialized group composed of the Pricing Strategy project lead and generally the same representative from the Law Department serving on the IDT.

In addition, other critical members serve on the negotiation team based on the specific need or scope of the NSA. For example, the negotiation team could require a representative from Operations if part of the NSA negotiation includes major changes to mail processing or transportation.

- ▶ **Personal Goals.** Negotiation team members should have the common goal of supporting NSAs as part of their yearly goals and objectives.

Exhibit 4-3.1
Negotiation Team Structure



4-3.2 Team Responsibilities

Exhibit 4-3.2 summarizes the main responsibilities of each negotiation team member and provides the average weekly time commitment for an effective contribution in developing negotiations for a functionally equivalent NSA.

The time commitment may vary based on actual conditions and factors of any NSA. Each new baseline NSA proposal, as well as some functionally equivalent agreements, is likely to entail significant policy issues requiring considerable cross-functional review and input to proceed from process step 3 (negotiate) to process step 4 (litigate), as outlined in Exhibit 3-6.

Exhibit 4-3.2
Negotiation Team Responsibilities

Organization	Responsibility	Average Weekly Commitment
Pricing Strategy	<ul style="list-style-type: none"> ■ Lead negotiation. ■ Facilitate development of negotiation strategy and tactics. ■ Obtain input from relevant functions. ■ Brief internal parties without jeopardizing confidentiality. 	20–30 hours
Law	<ul style="list-style-type: none"> ■ Help ensure a positive Postal Rate Commission (PRC) Opinion and Recommended Decision. ■ Support Pricing Strategy project lead in negotiation. ■ Ensure consistent adherence of negotiations to laws and regulations governing the Postal Service. ■ Provide written legal guidance upon request by Pricing Strategy or any Postal Service stakeholder. 	2–3 hours
Other	<ul style="list-style-type: none"> ■ Help develop negotiation strategy and tactics. ■ Support Pricing Strategy project lead in negotiation. 	2–3 hours

4-3.3 Team Ground Rules

To work effectively, the negotiation team must observe the following ground rules:

- a. Team members must conduct themselves in negotiations as follows:
 - (1) Meet as necessary to share data, discuss issues, and develop proposals.
 - (2) Restrict participation to negotiation team members only.
 - (3) Be physically present for all negotiations. Teleconferencing, for example, is generally not permitted.
- b. The Pricing Strategy project lead has the following responsibilities:
 - (1) Lead the team as it considers a candidate's proposal or, if applicable, counterproposal outside the presence of the candidate.
 - (2) Solicit input from other team members but recognize that final decision-making authority rests with the Pricing Strategy manager.

- c. Team members must conduct themselves outside negotiations as follows:
 - (1) Do not hold negotiation-related discussions between team members and the candidate outside formal negotiations.
 - (2) Do not hold negotiation-related discussions between nonteam members and the candidate.
 - (3) Focus lawyer-to-lawyer communications on facilitating the crafting of the wording of the NSA and on the exchange of documents. Any discussion on the merits of the NSA terms occurs in formal negotiations with all team members present.

4-4 Postal Service Committees and Organizations

Throughout the development of NSAs, Pricing Strategy shares information with specific cross-functional committees at various stages in the NSA process. The following committees have critical roles in the final stages of the NSA process:

- a. Rate Case Advisory Group (RCAG).
- b. Rate Case Steering Committee (RCSC).
- c. Executive Committee (EC).
- d. Board of Governors (BOG).

See Exhibit 3-6 for descriptions of these committees. See Exhibit 4-4 for the functions of these committees.

The Pricing and Classification Policy Committee (PCPC) has no role in the NSA process. The PCPC is composed of representatives from various functional organizations such as Operations, Delivery, Retail, Engineering, Marketing, Finance, and the Law Department. This committee generally reviews product initiatives and concepts that can lead to classification experiments and provides sponsors with recommendations and suggestions to ensure that such initiatives can meet evaluation criteria for further development and review by other committees.

Exhibit 4-4

Postal Service Committees and Organizations

Organization	Role
Rate Case Advisory Group (RCAG)	<ul style="list-style-type: none"> ■ Share information with Pricing Strategy, and raise concerns based on participants' functional expertise. ■ Make recommendations to Pricing Strategy. (RCAG approval is not prerequisite for proceeding to Rate Case Steering Committee.)
Rate Case Steering Committee (RCSC)	<ul style="list-style-type: none"> ■ Prescreen NSAs (before and after negotiations) for Executive Committee. ■ Recommend actions to Pricing Strategy necessary to ensure Executive Committee approval.
Executive Committee (EC)	<ul style="list-style-type: none"> ■ Give Pricing Strategy authority to negotiate specified terms with NSA candidate. ■ Following negotiation, approve terms to which Pricing Strategy and candidate have agreed.
Board of Governors (BOG)	<ul style="list-style-type: none"> ■ Provide strategic guidance. ■ Approve NSA filings before Postal Rate Commission (PRC). ■ Approve, allow under protect, or reject PRC's Opinion and Recommended Decision. ■ Approve, as necessary, formal implementation after approval or acceptance of PRC Opinion and Recommended Decision.

4-5 Individual Job Descriptions

4-5.1 Pricing Strategy Project Lead

The Pricing Strategy project lead has the following functions, performance metrics, and roles and responsibilities:

- a. Functions:
 - (1) Identify high-potential NSA candidates.
 - (2) Coordinate proposal development effort.
 - (3) Lead negotiations.
 - (4) Prepare business cases for NSA and PRC testimony.
- b. Performance metrics:
 - (1) Number and value of signed NSAs per year. Value is measured in dollar terms and in net positive contribution.
 - (2) Number of NSAs successfully litigated per year.
- c. Roles and responsibilities (by NSA process step):
 - (1) Step 1 (identify candidates): Identify strategically suitable candidate companies.
 - (2) Step 2 (develop proposal): Collect relevant background information about candidates, form development team, lead team in analyzing potential deal terms and developing proposal, and prepare business cases and committee presentations.
 - (3) Step 3 (negotiate): Form negotiation team, lead team in developing negotiating strategy and tactics, act as primary

negotiator, and prepare business cases and committee presentations.

- (4) Step 4 (litigate): Serve as a witness in the litigation process, as necessary.

4-5.2 **Attorney**

The Postal Service attorney assigned to an NSA team has the following functions, performance metrics, and roles and responsibilities:

- a. Functions:
 - (1) Advise Pricing Strategy project lead on how to craft desired elements of potential NSA to comply with postal laws and regulations.
 - (2) Draft the contractual agreement between the Postal Service and the customer.
 - (3) Help Pricing Strategy draft the NSA filing to maximize the likelihood of a favorable PRC Opinion and Recommended Decision.
- b. Performance metrics:
 - (1) Number and value of signed NSAs per year. Value is measured in dollar terms and in net positive contribution.
 - (2) Number of NSAs successfully litigated per year.
 - (3) Level of Pricing Strategy project lead's satisfaction with attorney's support.
- c. Roles and responsibilities (by NSA process step):
 - (1) Step 1 (identify candidates): None.
 - (2) Step 2 (develop proposal): Review specific elements of the Pricing Strategy team's proposal for legality, and when necessary, help team develop alternative means of achieving business objectives.
 - (3) Step 3 (negotiate): Participate as a member of the negotiating team in a supporting and counseling role, clarify legal constraints, provide insight into what the PRC is likely to approve, and draft the agreement between the Postal Service and the NSA candidate.
 - (4) Step 4 (litigate): Advise Pricing Strategy on how to present the case, prepare the case for litigation before the PRC, and litigate the case.

4-5.3 **Finance Liaison**

The Postal Service liaison from Finance assigned to an NSA team has the following functions, performance metrics, and roles and responsibilities:

- a. Functions:
 - (1) Provide the Pricing Strategy project lead with relevant financial information for proposal development.

- (2) Support the Pricing Strategy project lead, as needed, with financial analysis of potential and final NSA terms.
- b. Performance metrics:
 - (1) Number and value of signed NSAs per year. Value is measured in dollar terms and in net positive contribution.
 - (2) Level of Pricing Strategy project lead's satisfaction with liaison's support.
- c. Roles and responsibilities (by NSA process step):
 - (1) Step 1 (identify candidates): None.
 - (2) Step 2 (develop proposal): Assist with analyzing potential value of NSA.
 - (3) Step 3 (negotiate): None.
 - (4) Step 4 (litigate): Provide additional analytical support to Pricing Strategy as it prepares the case for filing, certify the financial information supporting the NSA, support the case by providing assistance in responding to discovery requests, and serve as an expert witness in the litigation process as necessary.

4-5.4 **Operations Liaison**

The Postal Service liaison from Operations assigned to an NSA team has the following functions, performance metrics, and roles and responsibilities:

- a. Functions:
 - (1) Identify for Pricing Strategy potential NSA candidates based on customer-specific operational issues.
 - (2) Advise Pricing Strategy of any operational impact or implication created by potential NSA terms.
- b. Performance metrics:
 - (1) Number and value of signed NSAs per year. Value is measured in dollar terms and in net positive contribution.
 - (2) Level of Pricing Strategy project lead's satisfaction with liaison's support.
- c. Roles and responsibilities (by NSA process step):
 - (1) Step 1 (identify candidates): Alert Pricing Strategy to potential NSA candidates based on customer-specific operational and cost issues.
 - (2) Step 2 (develop proposal): Provide operations expertise, provide understanding of customer-specific operational issues, and represent operational positions by raising appropriate questions or concerns.
 - (3) Step 3 (negotiate): Participate, if warranted, in a subsidiary role as a member of the negotiating team to raise and clarify operational issues.
 - (4) Step 4 (litigate): Serve as an expert witness in the litigation process as necessary.

4-5.5 Sales Liaison

The Postal Service liaison from Sales assigned to an NSA team has the following functions, performance metrics, and roles and responsibilities:

- a. Functions:
 - (1) Identify for Pricing Strategy potential NSA candidates based on customer-specific sales strategies, and provide Pricing Strategy with appropriate customer information.
 - (2) Assist in the formulation of strategy development processes.
 - (3) Inform customers about the purpose and potential value of NSAs.
- b. Performance metrics:
 - (1) Number and value of signed NSAs per year. Value is measured in dollar terms and in net positive contribution.
 - (2) Level of Pricing Strategy project lead's satisfaction with liaison's support.
- c. Roles and responsibilities (by NSA process step):
 - (1) Step 1 (identify candidates): Be proactive in alerting Pricing Strategy to potential NSA candidates based on customer-specific information and sales strategies based on product mix and service application.
 - (2) Step 2 (develop proposal): Provide sales expertise, provide understanding of customer-specific sales strategies, and represent sales positions by raising appropriate questions or concerns.
 - (3) Step 3 (negotiate): None.
 - (4) Step 4 (litigate): None.

5 Element 3: Tools

5-1 Purpose and Revision

A successful NSA process requires consistent use of the tools summarized in Exhibit 5-1. Pricing Strategy, which develops and administers these tools, may revise or modify them from time to time in response to revisions to the NSA process steps. Pricing Strategy may also develop other tools or standard operating procedures to support the NSA process described in this handbook.

Exhibit 5-1
NSA Toolkit

Tool Number and Name	Purpose	Phase or Use
Tool 1 Company Filter	To screen universe of candidates quickly, based on expected value, precedential value, and ease of implementation.	Candidate identification.
Tool 2 Company Diagnostic	To screen candidates further by using customer interviews or internal sources such as Postal Service Sales or Operations to identify NSA opportunities.	Candidate identification.
Tool 3 Strategy Matrix	To assess fit between NSA opportunities identified in Company Diagnostic and NSA strategy.	Candidate identification.
Tool 4 Sales Pack	To explain NSA concept to customer and to generate interest.	Initiation of talks.
Tool 5 Negotiation Pack	To provide common fact base for negotiating by capturing key data on company's business, mail usage, and industry trends.	Proposal development.
Tool 6 Model Checklist	To ensure that Postal Service negotiating position reflects sound economics by listing requisite analyses for each type of agreement.	Proposal development.
Tool 7 Business Case for NSA Candidate (presentation template)	To present relevant NSA characteristics to internal committees.	Proposal development; gaining internal approval.
Tool 8 NSA Dashboard	To track progress of NSA through the various process stages.	Throughout NSA process.

5-2 Tool 1: Company Filter

The company filter, with various segment weighting and scoring (see Exhibits 5-2a through 5-2f), helps identify potential NSA candidates using long-term Postal Service corporate strategies.

- a. *Speed*. The filter enables staff to assess a candidate's potential in less than 10 minutes.
- b. *Ease of use*. The filter requires only Postal Service or publicly available information.
- c. *Objectivity*. The filter requires few or no judgment calls by user.
- d. *Standardization*. The filter applies the same criteria to all companies.

Exhibit 5-2a

Financial Value Segment: Weighting

Criteria	Weight		
<i>Financial Value</i>	<i>Subcriteria Segment</i>	<i>Criteria Segment</i>	<i>Filter Segment</i>
Mail revenue:			
■ First-Class Mail	1.0X		
■ Standard Mail (Enhanced Carrier Route)	1.0X		
■ Standard Mail (Regular)	0.5X		
■ Priority Mail	1.0X	40%	
Multiplier		15%	
Growth:			
■ Company revenue	50%		
■ Mail revenue	50%	15%	
First-Class Mail solicitation		15%	
Cost savings:			
■ Flats	50%		
■ Business Service Network (BSN) "hits"	50%	15%	
Total		100%	40%

Exhibit 5-2b

Precedential Value Segment: Weighting

Criteria	Weight		
<i>Precedential Value</i>	<i>Subcriteria Segment</i>	<i>Criteria Segment</i>	<i>Filter Segment</i>
Functionally equivalent:			
■ New industry	50%		
■ New mail subgroup	50%	40%	
Industry mail revenue:			
■ Major segment	50%		
■ Minor segment	50%	15%	
Top 3 share of industry mail revenue		15%	
Industry leader (top 1 or 2 in company revenue)		20%	
Mail type: Packages, Priority Mail, or Standard Mail Enhanced Carrier Route		10%	
Total		100%	25%

Exhibit 5-2c

Ease of Implementation Segment: Weighting

Criteria	Weight		
	Subcriteria Segment	Criteria Segment	Filter Segment
Ease of Implementation			
Functionally equivalent:			
■ Industry	50%		
■ Mail subgroup	50%	33%	
Centrality of mail to company's business (count only subcriteria with higher score):			
■ Mail as share of company's revenues			
■ Mail spend/customer		33%	
Political Issues by mail type:			
■ Packages, Priority Mail, or Standard Mail Enhanced Carrier Route	50%		
■ First-Class Mail letter-size volume	50%	33%	
Total		100%	35%

Exhibit 5-2d

Financial Value Segment: Scoring Key

Criteria	Ranking			Source
	Low	Medium	High	
Financial Value				
Mail revenue	\$25M	>\$25-100M	>\$100M	CBCIS
Multiplier	5	>5-15	>15	Pricing
Growth:				
■ Company revenue	5%	>5-10%	>10%	Annual report
■ Mail revenue	0%	>0-25%	>25%	CBCIS
First-Class Mail solicitation	No		Yes	Pricing team
Cost savings:				
■ Flats	No		Yes	CBCIS
■ Business Service Network (BSN) "hits"	TBD	TBD	TBD	TBD

Exhibit 5-2e

Precedential Value Segment: Scoring Key

Criteria	Ranking			Source
	Low	Medium	High	
Precedential Value				
Functionally equivalent:				
■ New industry	No		Yes	Pricing team
■ New mail subgroup	No		Yes	Pricing team
Industry mail revenue:				
■ Major segment	\$1B	>\$1-\$5B	>\$5B	CBCIS
■ Minor segment	\$250M	>\$250-\$1B	>\$1B	CBCIS
Top 3 share of industry mail revenue	25%		50%	CBCIS
Industry leader (top 1 or 2 in company revenue)	>2	2	1	Hoover's

Exhibit 5-2f

Ease of Implementation: Scoring Key

Criteria	Ranking			Source
	Low	Medium	High	
Ease of Implementation				
Functionally equivalent:				
■ Industry	No	Maybe	Yes	Pricing Strategy
■ Mail subgroup	No	Maybe	Yes	Pricing Strategy
Centrality of mail to company's business (count only subcriteria with higher score):				
■ Mail as share of company revenue	1%	>1–5%	>5%	Annual and analyst reports
■ Mail spend/customer	\$1	>\$1–\$10	>\$10	Annual and analyst reports
Political issues by mail type:				
■ Packages, Priority Mail, Standard Mail Enhanced Carrier Route	Yes		No	Pricing and Classification
■ Mail as share of company revenue	5M	>5–50M	>50M	CBCIS

5-3 Tool 2: Company Diagnostic

5-3.1 Overview

The company diagnostic and the strategy mix (see section 5-4) are used to determine the direction for developing an NSA for volume and revenue growth as well as revenue retention and whether the candidate has the necessary capability to negotiate. Initial results from the company diagnostic cover the following basic strategic elements, with possibly others for specific mailing profiles:

- Increasing mail volumes (e.g., use of declining block rates).
- Operational cost savings.
- Introductory rate.
- Premium services.
- Negotiation ability.

5-3.2 Element 1: Increasing Mail Volumes

This diagnostic result is based on the candidate's responses ("yes" or "no") to the following statements:

- Uses mail for discretionary purposes.
- Considers the cost of postage as one of the most significant factors in mail volumes.
- Considers the level of service provided by the Postal Service as one of the most significant factors of mail volume.

5-3.3 Element 2: Operational Cost Savings

This diagnostic result is based on the candidate's responses ("yes" or "no") to the following statements:

- a. Prepares mailpieces that are unusual in size or physical characteristics.
- b. Sends mailpieces that recipients frequently receive in a damaged condition.
- c. Could accept comparable electronic services such as address correction.
- d. Prepares mailpieces distributed as a third bundle for letter carriers.
- e. Prepares unenveloped mailpieces (i.e., self-mailers such as trifolds or booklets).
- f. Sends mainly flat-size pieces rather than letter-size pieces.
- g. Prepares mail with other cost savings opportunities such as the following:
 - (1) Entry.
 - (2) Storage.
 - (3) Processing.
 - (4) Transportation.

5-3.4 Element 3: Introductory Rate

This diagnostic result is based on the candidate's responses ("yes" or "no") to the following statements:

- a. Currently does not use direct mail for advertising or solicitations (for activities such as branding, customer acquisition, or customer retention).
- b. Uses direct mail but not First-Class Mail service for advertising or solicitations.
- c. Does not use (or uses minimally) the Postal Service for shipping parcels for product and service fulfillment.
- d. Would target new regional markets or customer segments but for cost of postage.
- e. Would launch new products but for cost of postage.

5-3.5 Element 4: Premium Services

This diagnostic result is based on the candidate's responses ("yes" or "no") to the following statements:

- a. Values fast delivery.
- b. Values day-certain delivery.
- c. Values guarantee of service within a fixed number of days.
- d. Values confirmation of delivery.
- e. Values time of entry.
- f. Values ability to track mail.

- g. Values insurance.
- h. Values ability to send a mailpiece of an unusual size or shape.
- i. Values forwarding or return service.
- j. Values electronic address correction.
- k. Values exceptions to existing rules for mail preparation and other postal standards.

5-3.6 **Element 5: Negotiation Ability**

This diagnostic result is based on how the candidate's company makes decisions about mail use: either centrally (through one company division or organization) or locally (through several company divisions or organizations). If the candidate's company makes decisions locally, Pricing Strategy must determine whether the candidate is able and willing to negotiate from a central division or organization within the company.

5-3.7 **Summary**

Pricing Strategy assigns an individual assessment (a ranking of "high," "medium," or "low") to each of the five diagnostic elements. Then Pricing Strategy derives an overall assessment of the NSA opportunity from these element assessments.

5-4 **Tool 3: Strategy Matrix**

After completing the company diagnostic, Pricing Strategy develops a strategy matrix to assess the fit between identified NSA opportunities and a specific NSA strategy. Exhibits 5-4a and 5-4b show sample strategy matrixes.

The strategy matrix considers various elements in section 5-3 as well as factors such as cost savings, premium price, and volume guarantees. An additional factor, termed "wave," entails the phase or level of NSA development and subsequent evolution over a period of time within the Postal Service as follows:

- a. *Wave 1.* The period covered in this wave includes the initial development, approval, and adoption of NSAs as a component of overall Postal Service pricing policies and strategies. During this period, negotiation and litigation issues and processes are developed. Wave 1 includes the establishment of several distinct baseline NSAs along with functionally equivalent NSAs.
- b. *Wave 2.* The period covered in this wave includes further refinements to all NSA processes. Wave 2 includes the establishment of NSAs showing increased levels of customization and complexity.
- c. *Wave 3.* The period covered in this wave extends refinements to NSA processes made in wave 2, along with the development of additional tools and processes. At the end of wave 3, NSAs become fully integrated within the pricing framework used by the Postal Service.

Exhibit 5-4a

Sample Strategy Matrix: First-Class Mail

Instructions: Based on diagnostic results, check all boxes that apply. Then determine whether potential candidate is a strategic “fit,” given strategy and current wave.

Pricing Strategy	Cost Savings	Premium Price	Volume Guarantee
Introductory rate	Wave 1	N/A	Wave 3
Declining block rate	Wave 1	N/A	Wave 3
Bundled discount	Wave 1	Wave 1	Wave 3
Premium service	Wave 1	Wave 1	Wave 2
Rebate	Wave 1	N/A	Wave 3

Strategic fit? Yes No

Exhibit 5-4b

Sample Strategy Matrix: Standard Mail

Instructions: Based on diagnostic results, check all boxes that apply. Then determine whether potential candidate is a strategic “fit,” given strategy and current wave.

Pricing Strategy	Cost Savings	Premium Price	Volume Guarantee
Introductory rate	Wave 1	N/A	Wave 3
Declining block rate	Wave 1	N/A	Wave 3
Bundled discount	Wave 2 or 3 (no with services; yes with other classes)	Wave 2 or 3 (bundle across classes)	Wave 3
Premium service	Wave 2 or 3 (no with FCM-like services; yes with operationally driven exceptions)	Wave 2	Wave 3
Rebate	Wave 1 (if customer-specific; otherwise classification)	N/A	Wave 3 (same as volume discount)

Strategic fit? Yes No

5-5 Tool 4: Sales Pack

To explain the NSA concept to potential NSA candidates, Pricing Strategy uses various types of materials including slides such as those in Exhibit 5-5. Pricing Strategy maintains a Web site containing NSA information and works with other Postal Service organizations to issue appropriate promotional brochures and news releases.

Exhibit 5-5 (page 1 of 2)
Sales Pack Slides



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Sales Pack for NSAs



Template
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WHAT IS A NEGOTIATED SERVICE AGREEMENT (NSA)?

Definition of an NSA

- An NSA is a customized, mutually beneficial agreement between the U.S. Postal Service (USPS) and a customer, litigated through the Postal Rate Commission, and then approved for implementation by the Governors of the Postal Service.

Value of an NSA

An NSA enables:

- A customer to receive customized products and services or prices from USPS
- USPS to better address customer needs and increase customer loyalty

Eligibility for an NSA

Any organization is eligible to be considered for an NSA if it is willing and able to follow the NSA process:

- Data collection
- Discussions, data sharing, and negotiations with USPS (protected by a non-disclosure agreement)
- Litigation before the Postal Rate Commission

Exhibit 5-5 (page 2 of 2)
Sales Pack Slides

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**WHAT FORM CAN AN NSA TAKE?****USPS began implementing its first NSA in 2003 with Capital One.**

The USPS-Capital One NSA includes three principal elements:

1. Forgoing the physical return of undeliverable solicitation letters, and instead receiving updated address information electronically.
2. Receiving price discounts for increasing its First-Class Mail solicitation mail.
3. Adopting superior address quality practices.

NSAs can follow the Capital One deal or start from scratch.

- **“Functionally equivalent” NSA**

- A deal for First-Class Mail that follows the same basic structure as the Capital One NSA, although the details could vary.
- Possibly expedited litigation process.

- **“Baseline” NSA**

- A deal that does not necessarily apply to First-Class Mail or follow the same basic structure as the Capital One NSA.
- Potentially longer litigation process.

Once USPS establishes new baseline NSAs, customers can pursue deals that are functionally equivalent to the new baselines, as well as functionally equivalent to the Capital One NSA.

5-6 Tool 5: Negotiation Pack

Pricing Strategy uses the negotiation pack to capture information that it will use to perform an overview analysis of an NSA candidate. The negotiation pack consists of the following templates:

- a. Executive summary.
- b. Industry trends.
- c. Company information.
- d. Mail usage.
- e. Candidate's mail usage relative to competition.
- f. Underlying economic drivers.
- g. Risk/reward evaluation.
- h. Negotiating position.
- i. Financial analysis.
- j. Pitch page.

Exhibit 5-6 (page 1 of 6)
Negotiation Pack Template Slides



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Negotiation Pack



Template
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[COMPANY NAME] – EXECUTIVE SUMMARY

Potential deal value

- Estimated financial value is _____
- Value comes primarily from _____ [e.g., increasing FCM solicitations; reducing cost to serve, etc.]
- Maximum financial risk is _____ [e.g., leakage]

Potential deal structure

- Primary elements of deal are: [should reflect both the value to the customer and to USPS and the cost to customer and to USPS]
- _____
- _____
- _____
- Baseline or similarly situated?

Other issues

- _____
- _____

Fill in any other issues or questions that will be central in the negotiation

1

Exhibit 5-6 (page 2 of 6)
Negotiation Pack Template Slides

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[COMPANY NAME] – INDUSTRY TRENDS

	Trend	Implications for mail volume	
Competitors	<ul style="list-style-type: none"> • Any new competitors entering market? • Significant customer acquisition strategies being implemented by competitors? 	<ul style="list-style-type: none"> • _____ 	<div style="border: 1px solid black; padding: 5px; display: inline-block; margin-bottom: 10px;"> Describe likely impact of these competitors' actions on mail volumes, patterns </div> <div style="border: 1px solid black; padding: 5px; display: inline-block;"> Key take-away • One-sentence description of overall conclusion about how market trends will affect mailing volumes </div>
Customers	<ul style="list-style-type: none"> • What trends are analysts seeing in customers' demand for the firm's products? Could be affected by: <ul style="list-style-type: none"> – New technologies – Macroeconomic conditions – Available substitutes 	<ul style="list-style-type: none"> • _____ 	
Regulators	<ul style="list-style-type: none"> • What regulatory trends are affecting the industry in a significant way? E.g.: <ul style="list-style-type: none"> – SEC – FCC – Privacy regulations 	<ul style="list-style-type: none"> • _____ 	

Source: Analyst reports; team analysis
2

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[COMPANY NAME] – COMPANY INFORMATION

Financial information Revenue: \$____ b ('04) Revenue Growth: ____% ('04/'03); ____% (Q _t /Q _{t-1}) Pre-tax profit: \$____ billion ('04) Profit growth: ____% ('04/'03); ____% (Q _t /Q _{t-1})	Marketing spend trends \$ Millions Insert most recent data points for the company 
Customer base • ____ customers/subscribers (____% of U.S. households) – ____% customer growth ('04/'03) – ____% market share • Description of key customer changes in last 1-2 years, e.g., adoption of new technologies, change in market share	Recent activity • Product launches – _____ • Any acquisitions, mergers, joint ventures
Business lines • Description of each major business line and its relative size within the company	Growth prospects/strategy • Geographic expansions/contractions • Where future growth is expected to come from – e.g., new customer types, new products, new geographies, etc. • Analysts' take on company's growth prospects or strategic outlook: "[insert meaningful quotes]"

Source: Annual report; analyst reports; team analysis
3

Exhibit 5-6 (page 3 of 6)
Negotiation Pack Template Slides

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[COMPANY NAME] – MAIL USAGE

Revenue, \$M

2001 2002 2003 2004 2005E

Revenue projections from the company and by USPS

CAGR Percent	2005 projected revenue (\$M)		Projected net contribution (\$M)
	Co.	USPS	
Std A	---	---	~---
FCM-operations	---	---	~---
FCM-marketing	---	---	~---

Operational issues

- Fill in any operational issues – e.g., problems with mail piece – based on interviews with Operations, USPS data

Key takeaways

- -----
- -----

Source: USPS and company data; interviews with company; team analysis

4

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CANDIDATE'S MAIL USAGE RELATIVE TO COMPETITION

Company	Co. rev. (FY03)	FCM rev.			Std rev.			Other mail class rev.		
		FY04	FY03	% ch.	FY04	FY03	% ch.	FY04	FY03	% ch.
• Target	• #	• #	• #	• %	• #	• #	• %	• #	• #	• %
• Industry leader 1	• #	• #	• #	• %	• #	• #	• %	• #	• #	• %
• Industry leader 2	• #	• #	• #	• %	• #	• #	• %	• #	• #	• %
• Industry leader 3	• #	• #	• #	• %	• #	• #	• %	• #	• #	• %

• Target's mail usage is/is not consistent with rest of of industry

• Description of any opportunities suggested by variance from rest of industry

5

Exhibit 5-6 (page 4 of 6)
Negotiation Pack Template Slides

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[COMPANY NAME] – UNDERLYING ECONOMIC DRIVERS

Customer's priorities

1. Discount
 - Is a discount important to customer?
 - If so, what type (declining block, intro rate)?
2. Bundling
 - Could the customer be interested in a bundle of products and services?
3. Premium service
 - Could the customer be interested in a premium service?

USPS's priorities

- a. Cost savings
 - What types could customer generate?
- b. Premium price
 - What fees could USPS charge?
- c. Volume guarantee
 - Could customer increase FCM volume, and would increase be in solicitation mail or statements?
 - Could customer increase Standard mail volume?

This section describes what we *expect* the customer's priorities to be based on the analysis of their business and industry trends, not what the customer *has said* its priorities are

Implications for NSA

What combination of customer's priorities and USPS's priorities are possible?

6

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[COMPANY NAME] – RISK/REWARD EVALUATION

	Assessment	
<div style="border: 1px solid black; padding: 5px; display: inline-block;">Financial value*</div>	• _____	<ul style="list-style-type: none"> • Fill in expected value and key assumptions
<div style="border: 1px solid black; padding: 5px; display: inline-block;">Non-financial value</div>	• _____	
<div style="border: 1px solid black; padding: 5px; display: inline-block;">Risk</div>	• _____	<ul style="list-style-type: none"> • Whether this NSA will set a good precedent, build key internal skills/capabilities, have positive or negative political implications • Political risk is _____ because • Financial risk is _____ because
<div style="border: 1px solid black; padding: 5px; display: inline-block;">Duration</div>	• _____	

High, medium, or low

Short, medium, or long

* Financial value defined as increased net contribution

7

Exhibit 5-6 (page 5 of 6)
Negotiation Pack Template Slides

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[COMPANY NAME] – NEGOTIATING POSITION

High, medium, low OR 1, 2, 3

Lowest acceptable USPS position for each negotiation point

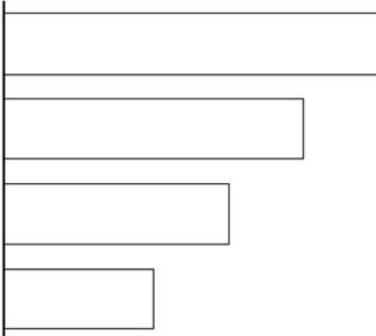
Negotiating points	Priority	Opening position	Bottom line
• _____	• _____	• _____	• _____
• _____	• _____	• _____	• _____
• _____	• _____	• _____	• _____
• _____	• _____	• _____	• _____
• _____	• _____	• _____	• _____

8

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[COMPANY NAME] – FINANCIAL ANALYSIS

Scenarios	Potential net contribution	Key assumptions
• _____		• _____
• _____		• _____
• _____		• _____
• _____		• _____

Scenarios are different potential outcomes that could arise – e.g., different estimates for mail volume growth, likelihood of capturing cost savings, etc. Provides a sensitivity analysis for the financial estimates.

9

Exhibit 5-6 (page 6 of 6)
Negotiation Pack Template Slides

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[COMPANY NAME] – PITCH PAGE

*An NSA is critical in helping you accomplish _____
and _____ [fill in company's key business goals]*

- _____ [how NSA element 1 will help the company]
- _____ [how NSA element 2 will help the company]
- Etc.

Fill out this page as if you were a salesperson, and you were selling the NSA to the customer. Frame the NSA by homing in on how the NSA will help the customer meet its business objectives

5-7 Tool 6: Model Checklist

5-7.1 Objectives

To establish the Postal Service position for a given NSA, Pricing Strategy must create a model to analyze various potential customer options. This model supports and facilitates the negotiation process step. This model differs significantly from the financial model validated by Finance and presented in testimony that analyzes only the agreed-to options.

The following sections describe some of the key worksheets, variables, and calculations that Pricing Strategy should incorporate in its models.

5-7.2 Summary Sheet

To maximize its effectiveness as a negotiating tool, the model should have a summary worksheet whose values automatically change as the user changes assumptions within the model. The summary sheet should include the following:

- a. Guaranteed contribution from cost savings, annually and over the life of the agreement.
- b. Guaranteed contribution from premium fees, annually and over the life of the agreement.
- c. Expected contribution due to volume increase, annually and over the life of the agreement.
- d. Total value at risk, annually and over the life of the agreement.
- e. Total expected value to the customer, annually and over the life of the agreement.
- f. Key assumptions.

5-7.3 Variables

Pricing Strategy uses the sources or calculations identified in Exhibit 5-7.3 to compile appropriate variables for revenue and cost and for mail volumes.

Exhibit 5-7.3

Model Variables

Revenue and Cost Variables	Source
(1) Current revenue per piece.	Hard code if average or pull from backup worksheet if candidate deviates from average.
(2) Discount or premium per piece.	Include discount or premium (variable to be tested and changed while creating model) to reflect various scenarios and outcomes.
(3) New revenue per piece.	Use formula: New revenue per piece = Current revenue – Discount + Premium.
(4) Current cost per piece.	Pull from backup worksheet that calculates customer's deviation from average cost.
(5) Cost savings opportunity per piece.	Pull from backup worksheet.
(6) Added cost per piece to deliver premium service.	Pull from backup worksheet.
(7) New cost per piece.	Use formula: New cost per piece = Current cost – Cost savings + Cost for discount or premium service.
Volume Variables	Source
(1) Volume of mail by class for last 3 years.	Pull from file that reconciles customer records and mailing permits.
(2) Forecast of mail for next year.	Use Postal Service forecast for candidate, based on candidate's mail history and trends.
(3) Number of "multiplier" pieces associated with customer's mail.	Use inputs based on diagnostic.
(4) Margin on "multiplier" pieces.	Use formula: Margin on "multiplier" pieces (default) = Class average cost for type of multiplier pieces sent by candidate.

5-7.4 **Discount or Premium Service**

Pricing Strategy uses the sources or calculations identified in Exhibits 5-7.4a through 5-7.4d to prepare an estimate of the value of an NSA for any discount or premium service for additional mail volume.

Exhibit 5-7.4a

NSA Value Estimation: Discount or Premium Service for Additional Volume

Calculations	Source
New volume resulting from discount or premium service:	
<ul style="list-style-type: none"> ■ Volume growth rate with a discount or premium service. ■ Percentage of new volume migrating from other rate categories or mail classes. ■ Percentage of volume entirely new to Postal Service. 	<p>Select growth rate based on candidate's background and mailing history.</p> <p>Select new volume percentage based on candidate's mailing history and strategies going forward.</p> <p>Select new volume percentage based on industry knowledge.</p>
Value associated with new volume:	
<ul style="list-style-type: none"> ■ Margin on additional volume. ■ Number of "multiplier" pieces. ■ Margin on "multiplier" pieces. ■ Share of new multiplier pieces (would not have been generated anyway – e.g., from customer's use of different marketing channel). 	<p>Use Postal Service Cost and Revenue Analysis (CRA) data for subclass, and subject candidate's pieces to subclass average.</p> <p>Take from Exhibit 5-7.3, Volume Variable (3) ("Number of 'multiplier pieces' associated with customer's mail").</p> <p>Take from Exhibit 5-7.3, Volume Variable (4) ("Margin on 'multiplier' pieces").</p> <p>Select share based on customer knowledge.</p>

Exhibit 5-7.4b

NSA Risk Estimation: Price Discounts for Additional Volume

Calculations	Source
Risk of "leakage" (i.e., risk customer would have sent higher volume without discount).	Use formula: Risk of leakage = Potential volume at discounted rate × Amount of discount – Cost of returns Postal Service would have incurred – Forwarding costs Postal Service would have incurred.
Additional return cost Postal Service would have incurred if customer had sent this volume anyway.	Use formula: Additional return cost = ACS success rate × Customer's return rate × Cost per return × Potential volume.
Additional forwarding cost Postal Service would have incurred if customer had sent this volume anyway.	Use formula: Additional forwarding cost = ACS success rate × Customer's forwarding rate × Cost per forward × Potential volume.
Implied elasticity associated with discount (a reality check for new volume assumptions).	Use formula: Implied elasticity = % Change in volume / % Change in price.

Exhibit 5-7.4c

NSA Risk Estimation: Premium Service for Additional Volume

Calculations	Source
Risk of leakage (i.e., risk customer would have sent higher volume without premium service).	Use formula: Risk of leakage = Potential volume with premium service × Per piece cost of premium service.
Implied elasticity associated with premium service.	Use formula: Implied elasticity = % Change in volume / % Change in price.

Exhibit 5-7.4d

NSA Risk Estimation: Premium Service for Cost Savings or Premium Price

Calculations	Source
Premium service for cost savings:	
<ul style="list-style-type: none"> ■ Cost for Postal Service to provide premium service. 	Take from Exhibit 5-7.3, Revenue and Cost Variable (2) (“Discount or premium per piece”) or backup worksheets.
<ul style="list-style-type: none"> ■ Value of Postal Service cost savings. 	Take from Exhibit 5-7.3, Revenue and Cost Variable (5) (“Cost savings opportunity per piece”).
Premium service for a premium price:	
<ul style="list-style-type: none"> ■ Cost for Postal Service to provide premium service. 	Take from Exhibit 5-7.3, Revenue and Cost Variable (6) (“Added cost per piece to deliver premium service”) or backup worksheets.
<ul style="list-style-type: none"> ■ Additional revenue to Postal Service from fee. 	Use formula: Additional revenue = Fee × Volume of mail sent with premium service.

5-8 Tool 7: Business Case for NSA Candidate

5-8.1 Purpose and Uses

Pricing Strategy develops a business case for a potential NSA candidate by using a standard slide format that covers specific topics and provides specific technical information. The set of slides used for this purpose consists of a main document and a series of technical appendix slides. Exhibit 5-8.1 shows all the slide templates.

5-8.2 Main Document

Pricing Strategy uses the main document to present the NSA to the Rate Case Steering Committee (RSCS) and the Executive Committee (EC). The main document covers the following four topics:

- a. *Executive summary.* This topic provides an overview of the NSA and summarizes key terms, financial impact, and any significant risks.
- b. *Business assessment.* This topic outlines the rationale for the NSA and provides an additional layer of detail about the terms. It also describes how the NSA will be managed and lists the key deliverables.

- c. *Financial assessment.* This topic describes economic costs and benefits as well as intangible benefits from the NSA.
- d. *Risk assessment.* This topic estimates the operational, strategic, and financial risk associated with the NSA.

5-8.3 **Appendix Pages**

Pricing Strategy uses the appendix pages to present the NSA to the RCAG and to serve as background information for the Rate Case Steering Committee and Executive Committee.

- a. *Financial Analysis Summary.* This appendix summarizes financial data for the NSA.
- b. *Mail Usage.* This appendix plots company's recent mail usage: volume, revenues, and contribution.
- c. *Economic Costs.* This appendix backs up Appendix A (financial cost of the NSA).
- d. *Economic Benefits.* This appendix backs up Appendix A (financial benefit of the NSA).
- e. *Intangible Benefits.* This appendix articulates the nonfinancial benefits of the NSA to the Postal Service.
- f. *Net Present Value (NPV) and Return On Investment (ROI).* This appendix backs up Appendix A with the appropriate NPV and ROI calculations.
- g. *Operational Risk Assessment.* This appendix estimates risk associated with staff and information technology (IT) performance.
- h. *Strategic Risk Assessment.* This appendix describes the nature and magnitude of risk that the NSA poses to broader Postal Service strategy.
- i. *Financial Risk Assessment.* This appendix estimates the risk that financial analysis overstates the net benefits of the NSA.

Exhibit 5-8.1 (page 1 of 8)

Business Case Presentation Template



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**Business Case for the
[Company Name] NSA**



Template
April 2005

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[COMPANY NAME] NSA EXECUTIVE SUMMARY

NSA description	<p>An agreement with [company name] that has these basic features:</p> <ul style="list-style-type: none"> • To be completed – e.g., declining block discounts for FCM volume above company’s forecast, up to a maximum of 5 cents • To be completed – e.g., a switch to ACS for FCM marketing mail • Term of ___ years
NSA analysis summary	<p>Financial analysis summary</p> <ul style="list-style-type: none"> • Total net contribution of \$_____ over 3 years <ul style="list-style-type: none"> – Year 1 contribution of \$_____ – Out-year contribution of \$_____/year • Estimated financial leakage of \$_____ over 3 years • NPV = \$_____ • ROI = ____% <p>Risk analysis summary</p> <ul style="list-style-type: none"> • [No/some/significant] operational, financial, or strategic risk: [describe in 1-2 sentences]

1

Exhibit 5-8.1 (page 2 of 8)

Business Case Presentation Template

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[COMPANY NAME] NSA BUSINESS ASSESSMENT

Current situation	<ul style="list-style-type: none"> • [Company] is [describe type of player and industry] • [Company] is one of USPS's [largest/fastest growing] accounts, with ___ MM FCM pieces and ___ MM Standard Mail pieces annually* • [Describe other relevant facts about company's mail profile]
Description of proposed NSA	<p>Type of NSA</p> <p><input type="checkbox"/> Functionally equivalent to _____ [Capital One, another baseline]**</p> <p><input type="checkbox"/> Baseline</p> <p>Key terms</p> <ul style="list-style-type: none"> • [Company's actions that benefit USPS – e.g., paying premium price, reducing USPS's costs, increasing FCM volume] • [USPS's key actions that benefit the company – e.g., premium services, discounts] • If a similarly situated NSA, describe terms that match baseline and those that differ from baseline

* Appendix B
** List key elements of the baseline NSA to which this NSA is similarly situated

2

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[COMPANY NAME] NSA BUSINESS ASSESSMENT (2 of 2)

Management of the NSA	<ul style="list-style-type: none"> • Project structure: <ul style="list-style-type: none"> – _____ hold overall responsibility for executing the NSA – _____ systems, will be utilized • Benchmarks for modifying or terminating the NSA: • Reporting <ul style="list-style-type: none"> – Routine: <ul style="list-style-type: none"> • Annual report to the PRC • Quarterly reviews with EC – Exception: If discounts exceed \$_____ or cost savings fall below \$_____, Manager of Pricing Strategy will report to EC • Approach for managing key risk factors: <ul style="list-style-type: none"> – [Describe protections within agreement, such as escalating targets and penalties] – [Describe major compliance features]
Measurements and major deliverables	<ul style="list-style-type: none"> • [Describe top 2-3 deliverables – e.g., increased FCM volume, ACS cost savings – and the value attached to each]

3

Exhibit 5-8.1 (page 3 of 8)

Business Case Presentation Template

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[COMPANY NAME] NSA FINANCIAL ASSESSMENT

Economic costs of the NSA*

Economic benefits from the NSA**

Intangible benefits from the NSA***

- Development costs: \$ _____
- Operating costs: \$ _____
- Total costs: \$ _____

- Revenue increases: \$ _____
- Cost savings: \$ _____
- Costs avoided: \$ _____
- Total benefits: \$ _____

- [To be completed from Appendix E]

- Net contribution = \$ _____
- NPV = \$ _____ ****
- ROI = __% ****

* Appendix C
 ** Appendix D
 *** Appendix E
 **** Appendix F

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[COMPANY NAME] NSA RISK ASSESSMENT

Operational risks*

Strategic risk**

Financial risk***

- Risk that Operations cannot deliver promised benefits or achieve anticipated savings: [Low/medium/high]
- Risk that IT systems cannot deliver promised benefits: [Low/medium/high]

- To be completed from Appendix H [Low/medium/high, and which of the 3 types of strategic risks are present]

- Lowest probable ROI is __% of most likely ROI: [Low/medium/high]

* Appendix G
 ** Appendix H
 *** Appendix I

5

Exhibit 5-8.1 (page 4 of 8)

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APPENDIX A: FINANCIAL ANALYSIS SUMMARY

Category	Estimate
1. Development costs	To be filled in from Appendix C
2. Proposed operating costs	To be filled in from Appendix C
3. Total project costs	Sum of 1 & 2
4. Total economic benefit	To be filled in from Appendix D
5. Total net contribution	Difference of 4 and 3
6. Avg. annual net contribution	5 divided by 7
7. NSA duration	3 years
8. NPV	To be filled in from Appendix E
9. NSA payback period	To be filled in from Appendix E
10. ROI	To be filled in from Appendix E

6

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APPENDIX B: [COMPANY NAME] MAIL USAGE

Revenue
\$ Millions

Revenue projections from the company and by USPS

CAGR Percent	2005 Projected Revenue (\$MM)		Projected net contri- bution (\$ MM)
	Co.	USPS	
---	---	---	~---
---	---	---	~---
---	---	---	~---

7

Exhibit 5-8.1 (page 5 of 8)

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APPENDIX C: ECONOMIC COSTS OF THE [COMPANY NAME] NSA

Description	Year			Total	Key assumptions
	1	2	3		
<ul style="list-style-type: none"> • Development costs <ul style="list-style-type: none"> – Personnel – Hardware and software – Operational changes Ongoing support costs <ul style="list-style-type: none"> – Personnel – Hardware and software – Operational changes (e.g., from premium service) • Pricing costs (i.e., discounts below forecasts, if any) 					
<hr/>					
Total economic cost					
<ul style="list-style-type: none"> • Possible high outcome* • Possible low outcome* 					

* Based on sensitivity of variables within development costs to different assumptions

Source: Pricing Strategy analysis

8

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APPENDIX D: ECONOMIC BENEFITS OF THE [COMPANY NAME] NSA

Description	Year			Total	Key assumptions
	1	2	3		
<ul style="list-style-type: none"> • Additional FCM volume* • Additional Standard Mail volume* • Additional [other classes] volume* • Cost savings • Premium price 					
<hr/>					
Total economic benefit					
<ul style="list-style-type: none"> • Possible high outcome** • Possible low outcome** 					

* Netting out discounts and migration from other classes of mail

** Based on sensitivity of variables within economic benefits to different assumptions

Source: Pricing Strategy analysis

9

Exhibit 5-8.1 (page 6 of 8)

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APPENDIX E: INTANGIBLE BENEFITS FROM THE NSA

Intangible benefit	Supporting validation
<p>Describe benefits to USPS as an institution – for example:</p> <ul style="list-style-type: none"> • Operations: e.g., Continue improvements in field ACS execution • Marketing: e.g., Extend the concept of using FCM for solicitations to retain and grow volume and revenue • Pricing: e.g., Test different ACS pricing for commercial customers to better differentiate FCM • Sales: e.g., Improve insight into how credit card companies use and value the mail as a direct marketing channel 	<p>To extent possible, support with data:</p> <ul style="list-style-type: none"> • Change in a relevant Operations metric (e.g., ACS success rates) • Change in relevant metric (e.g., use of FCM for marketing) • Quotes from customer – e.g., about willingness to pay higher price for a given USPS service • Greater sales success rate • Quotes from customer about improved perception of value of the mail

Source: Interviews with customer; discussions with functional experts 10

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APPENDIX F: CALCULATIONS OF NPV AND ROI FOR [COMPANY NAME] NSA

Net present value

	Year		
	1	2	3
Contribution	---	---	---
Discount factor*	1.11	1.232	1.368
Present value	---	---	---
Total present value = \$ _____			

ROI

$$\frac{\text{Total Net Savings or Cost}}{\text{Total Project Costs}}$$

Divided by:

Economic Project Life
(likely to be 3 years for NSAs)

= ROI of ___%

* Using USPS's risk-adjusted discount rate of 11%. First year might not need to be discounted at full 11% since USPS might begin executing the agreement in less than 1 year

Source: Pricing; Finance 11

Exhibit 5-8.1 (page 7 of 8)

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APPENDIX G: OPERATIONAL RISK ASSESSMENT (1 OF 2)

Rating criteria	Score (0 to 5*)
• The added value, customers, and expectations are clear	• ___
• Project responsibility is certain	• ___
• A well-defined project plan exists (resources, deliverables, etc.)	• ___
• Key participants have relevant experience and skills	• ___
• Change is moderate and can be assimilated by existing staff	• ___
Total	• ___
Average	• ___

* Zero is least compliant and 5 is most compliant with the criteria
Source: Pricing Strategy; VP of Pricing

12

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APPENDIX G: OPERATIONAL RISK ASSESSMENT (2 OF 2)

☐ Shade the row that best describes IT requirements

Rating	Description of IT requirements
0	• A significant advance in technological learning and sophistication is required. New technology
1	• Needed important features are not currently available, requiring a moderate technology advance
2	• Some new IT features are required, and these new features will be complicated to provide
3	• Some new IT features are required, but these new features will not be complicated to provide
4	• Current IT systems can be used, but some interfaces or modifications are needed
5	• Current IT systems can be used with no need for additional hardware or software

13

Exhibit 5-8.1 (page 8 of 8)

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APPENDIX H: STRATEGIC RISK ASSESSMENT

Description	Level of risk*
• Risk of alienating key political stakeholders	Low/medium/high
• Risk of adversely affecting rates, classifications, fees, or operations other than those the NSA seeks to change	Low/medium/high
• Other risks (e.g., litigation risks)	Low/medium/high

* Level should reflect both the magnitude of the risk and the probability of the risk

Source: Government Relations; Law Department; Pricing Strategy

14

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APPENDIX I: FINANCIAL RISK ASSESSMENT

Shade the row that accurately depicts ROI%

Rating	Description of ROI%
0	• Lowest probable ROI is < 10% of ROI of most likely ROI.
1	• Lowest probable ROI is = 10% of ROI of most likely ROI.
2	• Lowest probable ROI is = 20% of ROI of most likely ROI.
3	• Lowest probable ROI is = 40% of ROI of most likely ROI.
4	• Lowest probable ROI is = 60% of ROI of most likely ROI.
5	• Lowest probable ROI is = 80% of ROI of most likely ROI.

15

5-9 Tool 8: NSA Dashboard

Pricing Strategy also uses an internal tool for monitoring the progress through the various NSA stages. Exhibit 5-9 contains a two-page sample of this tool.

Exhibit 5-9 (page 1 of 2)
NSA Dashboard



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ILLUSTRATIVE



NSA DASHBOARD – WEEK OF 11/3

OK
 <4 wks behind
 >4 wks behind

	Diagnostic		Negotiation Pack		Analyses		Status	Explanation of variance.	Action plan	Resp.
	Target date	Completed?	Target date	Completed?	Target date	Completed?				
• Firm A	10/1	<input checked="" type="checkbox"/>	10/14	<input checked="" type="checkbox"/>	10/26	<input checked="" type="checkbox"/>	●	• _____	• _____	• ___
• Firm B	10/1	<input checked="" type="checkbox"/>	10/14	<input checked="" type="checkbox"/>	10/26	<input type="checkbox"/>	●	• _____	• _____	• ___
• Firm C	10/1	<input checked="" type="checkbox"/>	10/14	<input checked="" type="checkbox"/>	10/26	<input type="checkbox"/>	●	• _____	• _____	• ___
• Firm D	10/1	<input checked="" type="checkbox"/>	10/14	<input checked="" type="checkbox"/>	10/26	<input type="checkbox"/>	●	• _____	• _____	• ___
• Firm E	10/8	<input checked="" type="checkbox"/>	10/28	<input type="checkbox"/>	11/13	<input type="checkbox"/>	●	• _____	• _____	• ___
• Firm F	10/8	<input type="checkbox"/>	10/28	<input type="checkbox"/>	11/13	<input type="checkbox"/>	○	• _____	• _____	• ___
• Firm G	10/15	<input checked="" type="checkbox"/>	11/6	<input type="checkbox"/>	11/28	<input type="checkbox"/>	●	• _____	• _____	• ___
• Firm H	10/15	<input type="checkbox"/>	11/6	<input type="checkbox"/>	11/28	<input type="checkbox"/>	○	• _____	• _____	• ___
• Target		8		6		4				
• Actual		6		4		1				
• Variance		2		2		3				

Updated weekly

1

Exhibit 5-9 (page 2 of 2)
NSA Dashboard

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ILLUSTRATIVE



NSA DASHBOARD – WEEK OF 11/3

OK
 <4 wks behind
 >4 wks behind

	Negotiation strategy and customer contact		Draft terms		PRC documentation		Status	Explanation of variance.	Action plan	Resp.
	Target date	Completed?	Target date	Completed?	Target date	Completed?				
• Firm A	11/2	<input checked="" type="checkbox"/>	11/9	<input type="checkbox"/>	11/26	<input type="checkbox"/>	●	• _____	• _____	• __
• Firm B	11/2	<input type="checkbox"/>	11/9	<input type="checkbox"/>	11/26	<input type="checkbox"/>	●	• _____	• _____	• __
• Firm C	11/2	<input type="checkbox"/>	11/9	<input type="checkbox"/>	11/26	<input type="checkbox"/>	●	• _____	• _____	• __
• Firm D	11/2	<input type="checkbox"/>	11/9	<input type="checkbox"/>	11/26	<input type="checkbox"/>	●	• _____	• _____	• __
• Firm E	11/9	<input type="checkbox"/>	11/16	<input type="checkbox"/>	12/13	<input type="checkbox"/>	●	• _____	• _____	• __
• Firm F	11/9	<input type="checkbox"/>	11/16	<input type="checkbox"/>	12/13	<input type="checkbox"/>	●	• _____	• _____	• __
• Firm G	11/16	<input type="checkbox"/>	11/23	<input type="checkbox"/>	1/8	<input type="checkbox"/>	●	• _____	• _____	• __
• Firm H	11/16	<input type="checkbox"/>	11/23	<input type="checkbox"/>	1/8	<input type="checkbox"/>	●	• _____	• _____	• __
• Target		4		0		0				
• Actual		1		0		0				
• Variance		3		0		0				

Updated weekly

2

6 Implementation

6-1 Purpose

The implementation processes presented in this chapter form part of the standard approach to managing mailer compliance with a successfully litigated NSA. These compliance processes ensure the observance of the terms and conditions of the NSA as well as the collection of data necessary for the reconciliation of mail volumes and other factors used to determine discounts for the period during which an NSA remains active.

6-2 Principal Participants

The implementation processes generally involve the following participants:

- a. *Pricing Strategy*. Pricing Strategy initiates, develops, implements, and manages NSAs. Pricing Strategy is a Marketing organization within Pricing and Classification at Headquarters.
- b. *Business Mail Entry Units (BMEUs)*. BMEUs have oversight responsibilities for mail preparation verification, mail acceptance, financial transactions, and data entry into PostalOne! BMEUs are local district units.
- c. *Business Mailer Support (BMS)*. BMS approves and audits customer mailing systems. BMS is a Marketing organization within Service and Marketing Development at Headquarters.
- d. *International Business Information Systems (IBIS)*. IBIS manages the Goldmine data warehouse system used as part of the collection process of NSA mailing data. IBIS is a Marketing organization within International Business at Headquarters.
- e. *International Support System Database (ISSDB)*. ISSDB manages the interface between PostalOne! and Goldmine. ISSDB is a functional organization within the San Mateo Information Systems.
- f. *Field Payables*. Field Payables has functional responsibilities for corporate payments to authorized recipients including NSA mailers. Field Payables is a Finance organization within Accounting Services at Headquarters.
- g. *Corporate National Accounting*. Corporate National Accounting has functional responsibilities for establishing and maintaining Postal

Service accounting systems. Corporate National Accounting is a Finance organization within Accounting Services at Headquarters.

- h. *Pricing and Classification Service Center (PCSC)*. PCSC has oversight responsibility for issuing Postal Service decisions on refunds and revenue deficiency, appeals, and mailability rulings. PCSC is a Marketing organization within Pricing and Classification at Headquarters.

6-3 Processes

6-3.1 Overview

The implementation processes are codified with the following process numbers and names:

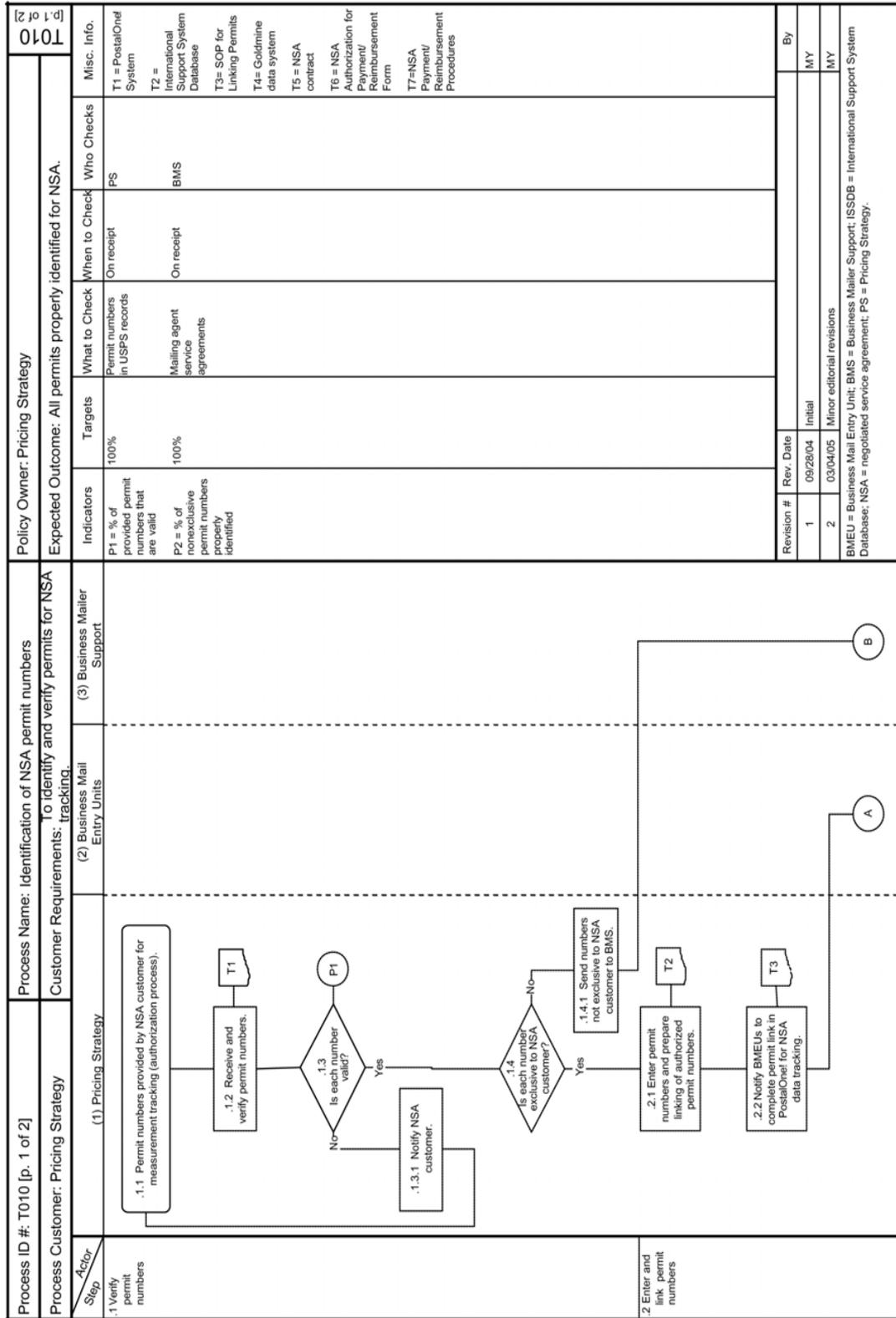
- a. T010, Identification of NSA Permit Numbers.
- b. T020, Verification and Reconciliation of NSA Data Components.
- c. T030, Certification of NSA Customer Payment or Refund.
- d. T040, NSA Customer Appeal Process.

Processes T010 and T020 include ongoing processes used before and after the actual implementation of an approved NSA.

6-3.2 T010, Identification of NSA Permit Numbers

See Exhibits 6-3.2a and 6-3.2b for the flow chart and narrative for the T010 implementation process.

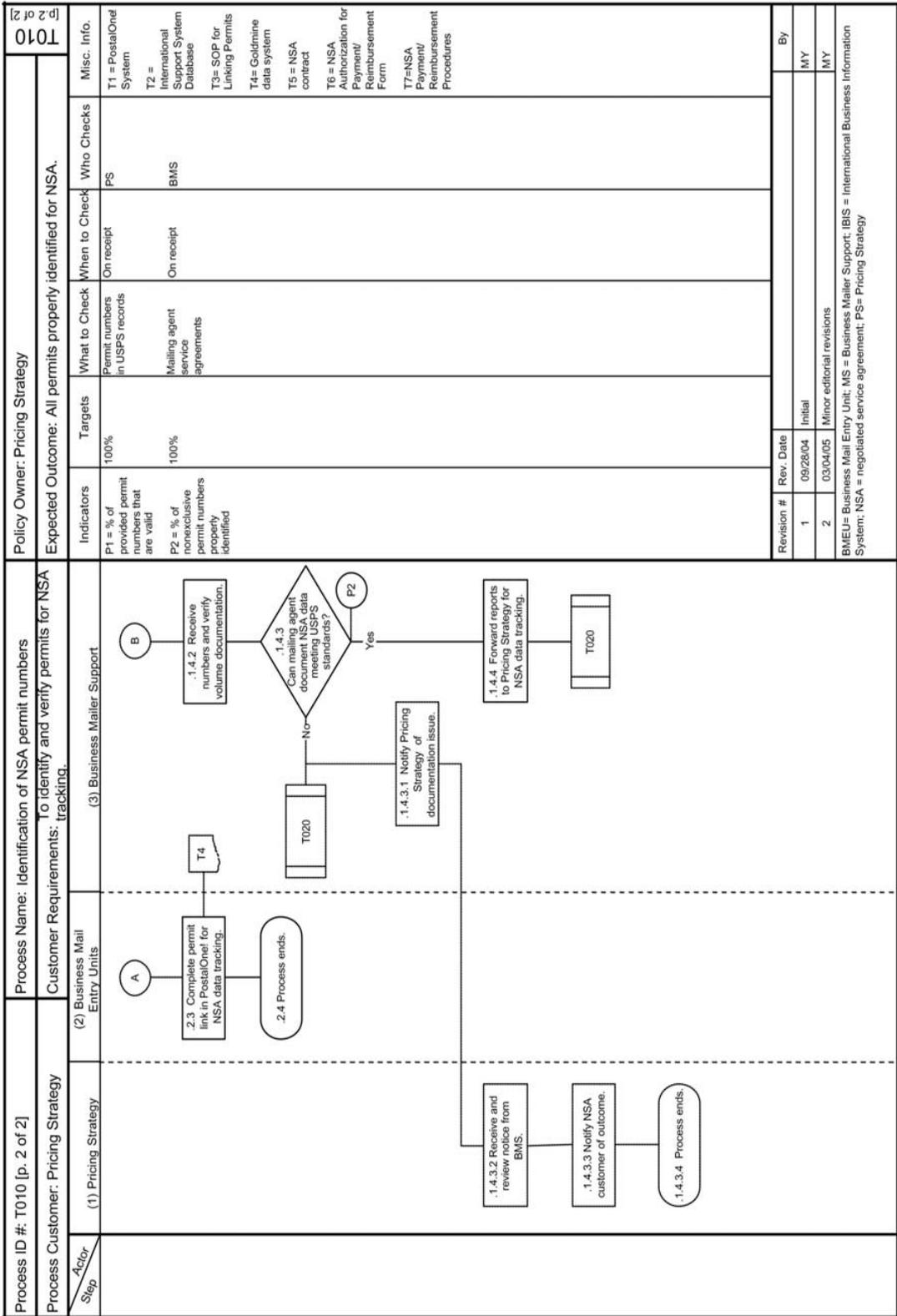
Exhibit 6-3.2a (page 1 of 2)
Process T010 — Flow Chart



USPS Pricing Strategy

Process Management Template - v1.0 - 12/2000

Exhibit 6-3.2a (page 2 of 2)
Process T010 — Flow Chart



USPS Pricing Strategy

Process Management Template - v1.0 - 12/2000

Exhibit 6-3.2b (page 1 of 2)

Process T010 — Narrative

- 1 Verify permit numbers**
- .1.1 *Permit numbers provided by NSA customer for measurement tracking (authorization process).*
Once a signed agreement has been reached between NSA customer and the Postal Service, the NSA customer provides a list of permit numbers to Pricing Strategy for tracking data per the agreement.
- .1.2 *Receive and verify permit numbers.*
Pricing Strategy receives and verifies the permits numbers through the assistance of the PostalOne! system.
T1 PostalOne! System.
- .1.3 *Is each number valid?*
Pricing Strategy verifies the permit number does exist at the city and state as designated by the NSA customer.
Yes: If the permit is valid, Pricing Strategy proceeds to step .1.4 to determine if the permit is used exclusively for the NSA customer.
No: If the permit is not valid, Pricing Strategy notifies the NSA customer and goes back to step .1.1 to request the appropriate permit number.
- .1.3.1 *Notify NSA customer.*
Pricing Strategy provides the NSA customer with a listing of invalid permit numbers for reconciling.
- .1.4 *Is each number exclusive to NSA customer?*
Pricing Strategy verifies through the local BMEUs whether the permits are used exclusively for the NSA customer (versus mailing agents presenting commingled mailings).
Yes: If the permit is used exclusively for the NSA customer, the permit number is entered into the ISSDB system for linking the permit number to the NSA contractual requirements, step .2.1.
No: If the permit is not used exclusively for the NSA customer, Pricing Strategy notifies BMS that additional documentation is needed for NSA data tracking.
- .1.4.1 *Send numbers not exclusive to NSA customer to BMS.*
Pricing Strategy notifies BMS of the permit numbers that are not used exclusively for NSA customer mailings – commingled mailings.
- .1.4.2 *Receive numbers and verify volume documentation.*
BMS receives from Pricing Strategy permit numbers that contain commingled mailings for NSA customer. BMS reviews permit number acceptance sites and reviews alternate documentation available for NSA data tracking.
- .1.4.3 *Can mailing agent document NSA data meeting USPS standards?*
BMS reviews NSA customer-designated mail agent site to ensure agent can prepare and present documentation that meets Postal Service acceptance standards.
Yes: If the NSA customer-designated mailing agent can meet the standards, then BMS forwards the documentation to Pricing Strategy.
No: If the NSA customer-designated mailing agent cannot meet the USPS standards, then BMS notifies Pricing Strategy of the documentation issue.
Process T020.
- .1.4.3.1 *Notify Pricing Strategy of documentation issue.*
BMS notifies Pricing Strategy of the NSA customer designated mailing agents documentation issue.
- .1.4.3.2 *Receive and review notice from BMS.*
Pricing Strategy receives and reviews the notice of NSA customer-designated mail agent's documentation issue.
- .1.4.3.3 *Notify NSA customer of outcome.*
Pricing Strategy notifies NSA customer of designated mail agent's documentation issue.
-

Exhibit 6-3.2b (page 2 of 2)

Process T010 — Narrative

.1.4.3.4 Process ends.

.1.4.4 Forward reports to Pricing Strategy for NSA data tracking.

BMS sends the approved documentation to Pricing Strategy for NSA data tracking in compliance with agreement. This data is used for Process T020, step .2.1.

Process T020.

.2 Enter and link permit numbers

.2.1 Enter permit numbers and prepare linking of authorized permit numbers.

Pricing Strategy enters NSA customer-designated permit numbers into ISSDB. This process provides a “flagging” or linking of permit data through PostalOne! for monthly download into Goldmine data warehouse. The permits numbers, finance numbers, and postage statements are flagged in ISSDB.

T2 International Support System Database.

.2.2 Notify BMEUs to complete permit link in PostalOne! for NSA data tracking.

Pricing Strategy notifies the local BMEUs to complete the linking process through written instructions sent via e-mail to the BMEU manager. The instructions state the specific steps for using the PostalOne! maintenance screen to link the specific permits.

T3 Standard Operating Procedure (SOP) for linking permits.

.2.3 Complete permit link in PostalOne for NSA data tracking.

Once the BMEU has linked the permit numbers in the PostalOne! system, the linking process is completed and specific data will be captured in the monthly download into Goldmine data warehouse.

T4 Goldmine data system.

.2.4 Process ends.

6-3.3 T020, Verification and Reconciliation of NSA Data Components

See Exhibits 6-3.3a and 6-3.3b for the flow chart and narrative for the T020 implementation process.

Exhibit 6-3.3a (page 1 of 2)
Process T020 — Flow Chart

Process ID #: T020 [p. 1 of 2]		Policy Owner: Pricing Strategy				T020 [p. 1 of 2]	
Process Name: Verification and Reconciliation of NSA Data Components		Expected Outcome: All NSA data components verified and reconciled.					
Customer Requirements: To verify NSA data components		Indicators P3 = % of data properly entered into system P4 = % of data properly matched between NSA customer and USPS					
(1) International Business Information System (IBIS)		(2) Pricing Strategy		(3) Business Mail Entry Units		Who Checks Revenue Assurance PS	
.1 Enter data components		.1.4 Receive automatically NSA revenue, volume, and weight data. .1.5 Format and load all NSA data into Goldmine system.		.1.1 NSA mailing presented to BMEU with completed postage statement. .1.2 Verify and accept mailing. .1.3 Enter postage statement data into PostalOne! system.		What to Check Data files Data files	
.2 Verify data components and reconcile		.2.1 Review and download specific customer NSA data components. .2.2 Receive required data from NSA customer.		Targets 100% 100%		Misc. Info. T1 = PostalOne! System T2 = International Support System Database T3 = SOP for Linking Permits T4 = Goldmine data system T5 = NSA contract T6 = NSA Authorization for Payment/ Reimbursement Form T7 = NSA Payment/ Reimbursement Procedures	
USPS Pricing Strategy		T010 T010 T010 T4 T4 T5 A		Revision # Rev. Date 1 09/28/04 Initial 2 03/04/05 Minor editorial revisions		By MY MY	
BMEU = Business Mail Entry Unit; IBIS = International Business Information System; NSA = negotiated service agreement; PS = Pricing Strategy.		Process Management Template - v1.0 - 12/2000					

Exhibit 6-3.3a (page 2 of 2)
Process T020 — Flow Chart

Process ID #: T020 [p. 2 of 2] Process Name: Verification and Reconciliation of NSA Data Components Process Customer: Pricing Strategy		Policy Owner: Pricing Strategy Expected Outcome: All NSA data components verified and reconciled.				Misc. Info. T1 = PostalOne! System T2 = International Support System Database T3 = SOP for Linking Permits T4 = Goldmine data system T5 = NSA contract T6 = NSA Authorization for Payment/ Reimbursement Form T7 = NSA Payment/ Reimbursement Procedures	
(1) International Business Information System (IBIS)		(2) Pricing Strategy		(3) Business Mail Entry Units		Indicators P3 = % of data properly entered into system P4 = % of data properly matched between NSA customer and USPS	
2. Verify data components and reconcile		<pre> graph TD A((A)) --> B[2.3 Compare USPS data with data received from NSA customer.] B --> C{2.4 Does USPS data match customer-provided data?} C -- Yes --> D[2.5 Consolidate all NSA customer data for monthly reconciliation.] C -- No --> E[2.4.1 Notify NSA customer of discrepancy and request required documentation.] D --> F[T030] E --> G[T010] F --> H[2.6 Consolidate cumulative NSA data for any periodic customer payment or reimbursement.] H --> I[T030] </pre>					
(1) International Business Information System (IBIS)		(2) Pricing Strategy		(3) Business Mail Entry Units		What to Check Data files Data files	
(1) International Business Information System (IBIS)		(2) Pricing Strategy		(3) Business Mail Entry Units		Who Checks Revenue Assurance PS	
(1) International Business Information System (IBIS)		(2) Pricing Strategy		(3) Business Mail Entry Units		When to Check On receipt On receipt	
(1) International Business Information System (IBIS)		(2) Pricing Strategy		(3) Business Mail Entry Units		Targets 100% 100%	
(1) International Business Information System (IBIS)		(2) Pricing Strategy		(3) Business Mail Entry Units		Revision # Rev. Date By 1 09/28/04 Initial MY 2 03/04/05 Minor editorial revisions MY	
(1) International Business Information System (IBIS)		(2) Pricing Strategy		(3) Business Mail Entry Units		BMEU = Business Mail Entry Unit; IBIS = International Business Information System; NSA = negotiated service agreement; PS = Pricing Strategy.	

USPS Pricing Strategy

Process Management Template - v1.0 - 12/2000

Exhibit 6-3.3b

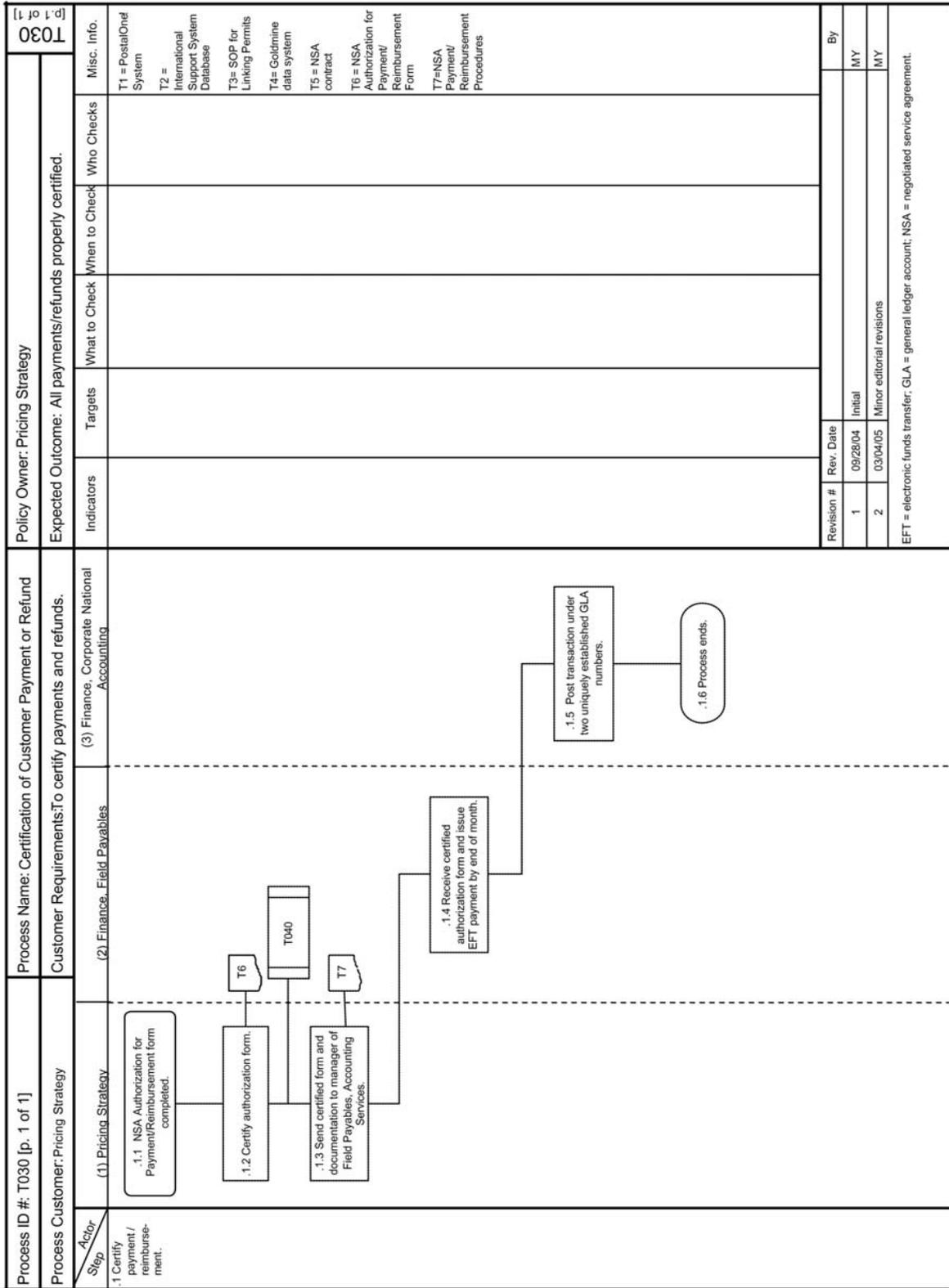
Process T020 — Narrative

- .1 Enter data components**
- .1.1 *NSA mailing presented to BMEU with completed postage statement.*
The NSA customer or designated mail agent presents mailings to the local acceptance units.
- .1.2 *Verify and accept mailing.*
The BMEU acceptance clerk verifies the mailing preparation, certifies the correct preparation, and accepts the mailing.
- .1.3 *Enter postage statement data into PostalOne! system.*
The BMEU acceptance clerk enters postage statement data (i.e., revenue, volume, and weight) into the PostalOne! system. The local Revenue Assurance staff audits the postage statement data to ensure all data is entered properly and promptly.
T1 PostalOne! system.
- .1.4 *Receive automatically NSA revenue, volume, and weight data.*
The IBIS group receives monthly data from PostalOne! system, downloaded to a ftp web site. The data has been flagged or linked through Process T010, step .2.
Process T010.
- .1.5 *Format and load all NSA data into Goldmine system.*
The IBIS staff loads the raw data into Goldmine data warehouse once a month.
T4 Goldmine data warehouse system.
- .2 Verify data components and reconcile**
- .2.1 *Review and download specific customer NSA data components.*
Pricing Strategy downloads from Goldmine specific customer NSA data from the flagged or linked permits, by finance number, by mail type, by date with specific revenue, volume, and weight.
T4 Goldmine data warehouse system.
Process T010.
- .2.2 *Receive required data from NSA customer.*
Pricing Strategy receives specific data, by permit number and mailing site. This data is supported by NSA customer documentation generated through validated postage statements or invoices from NSA customer-designated mail agents. The time frame for reconciling data components is stated in NSA contract.
T5 NSA contract.
- .2.3 *Compare USPS data with data received from NSA customer.*
Pricing Strategy reconciles data components with NSA customer on time frame as established in NSA contract.
- .2.4 *Does USPS data match customer-provided data?*
Pricing Strategy reconciles data components compared to the data components received from the NSA customer.
Yes: If the data components match per permit number and mailing site, then the data is recognized as valid data for the NSA contract.
No: If the data components do not match per permit number and mailing site, then Pricing Strategy notifies the NSA customer.
- .2.4.1 *Notify NSA customer of discrepancy and request required documentation.*
Pricing Strategy notifies the NSA customer and process T010 is repeated.
Process T010.
- .2.5 *Consolidate all NSA customer data for monthly reconciliation.*
Pricing Strategy consolidates all NSA customer data for monthly reconciliation per the agreement.
- .2.6 *Consolidate cumulative NSA data for any periodic customer payment or reimbursement.*
Pricing Strategy maintains cumulative volume reporting for NSA customers per the agreement.
Process T030.
-

6-3.4 **T030, Certification of NSA Customer Payment or Refund**

See Exhibits 6-3.4a and 6-3.4b for the flow chart and narrative for the T030 implementation process.

Exhibit 6-3.4a
Process T030 — Flow Chart



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USPS Pricing Strategy

Exhibit 6-3.4b

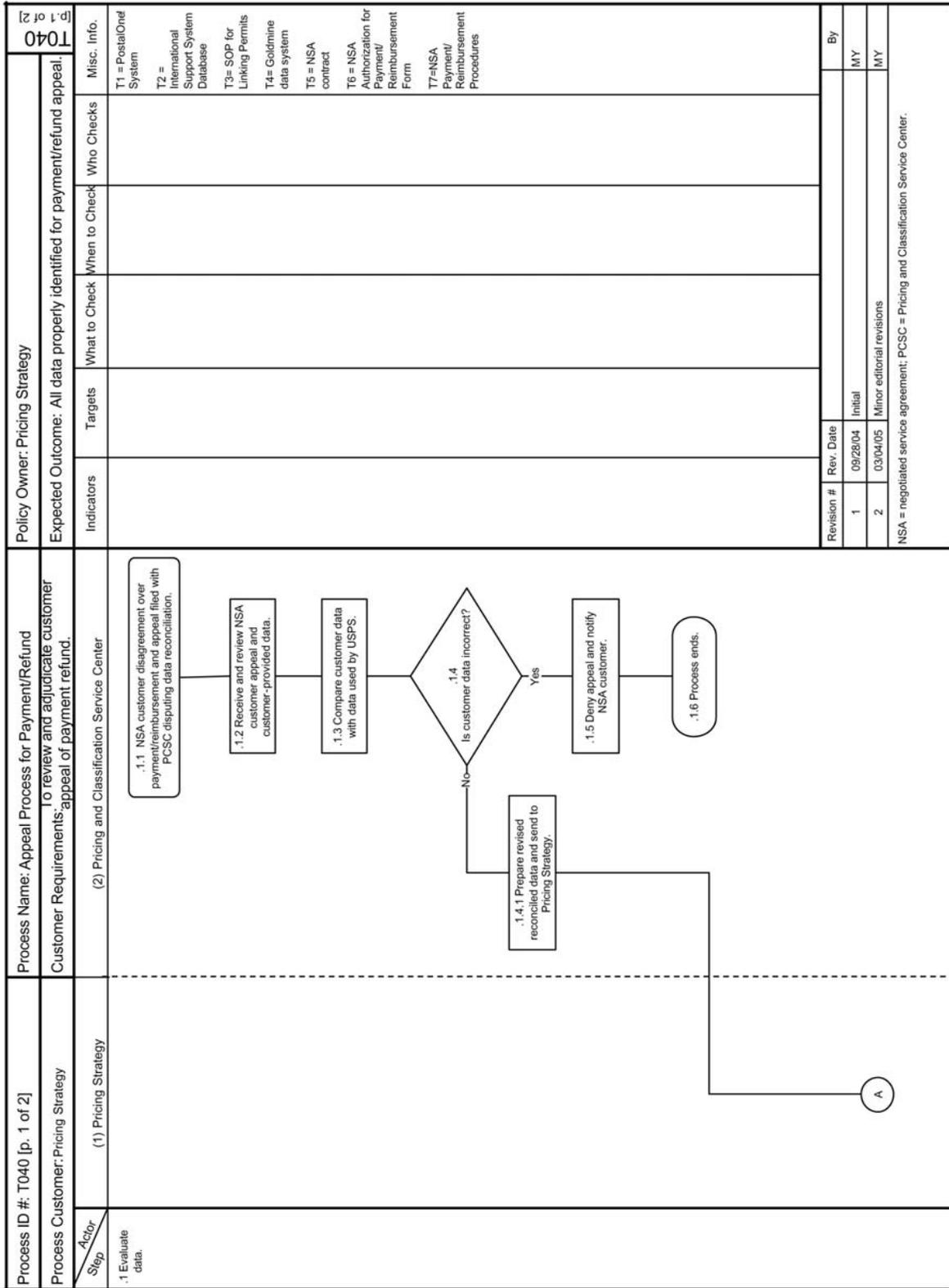
Process T040 — Narrative

- .1 Certify payment and reimbursement**
- .1.1** *NSA Authorization for Payment/Reimbursement form completed.*
Pricing Strategy completes the Payment/Reimbursement form. (Finance drafted and created this special authorization form to process NSA payments or reimbursements.)
T6 NSA Authorization for Payment/Reimbursement Form.
- .1.2** *Certify authorization form.*
Pricing Strategy certifies the Authorization form, which contains the exact amount of payment or reimbursement and the mail type associated with the payment or reimbursement.
Process T040.
- .1.3** *Send certified form and documentation to manager of Field Payables, Accounting Services.*
Pricing Strategy sends the certified Authorization form along with the documentation to support the payment or reimbursement to the manager of Field Payables. Pricing Strategy also sends a copy of the form and documentation to the manager of Corporate Financial Reporting.
T7 NSA Payment/Reimbursement Procedure.
- .1.4** *Receive certified authorization form and issue EFT payment by end of month.*
Finance, Field Payables, Account Services issues appropriate payment or reimbursement to recipient.
- .1.5** *Post transaction under two uniquely established GLA numbers.*
Finance, Corporate National Accounting records the appropriate payment or reimbursement in the two uniquely established GLA numbers.
- .1.6 Process ends.**
-

6-3.5 T040, NSA Customer Appeal Process

See Exhibits 6-3.5a and 6-3.5b for the flow chart and narrative for the T040 implementation process.

Exhibit 6-3.5a (page 1 of 2)
Process T040 — Flow Chart



Process Management Template - v1.0 - 12/2000

USPS Pricing Strategy

Exhibit 6-3.5a (page 2 of 2)
Process T040 — Flow Chart

<p>Process ID #: T040 [p. 2 of 2]</p>	<p>Process Name: Appeal Process for Payment/Refund</p>	<p>Policy Owner: Pricing Strategy</p>				
<p>Process Customer: Pricing Strategy</p>	<p>To review and adjudicate customer appeal of payment refund. (2) Pricing and Classification Service Center</p>	<p>Expected Outcome: All data properly identified for payment/refund appeal.</p>				
<p>Actor/Step</p>	<p>(1) Pricing Strategy</p>	<p>Indicators</p>	<p>Targets</p>	<p>What to Check</p>	<p>When to Check</p>	<p>Who Checks</p>
<pre> graph TD A((A)) --> B[1.4.2 Review PCSC revised reconciled data.] B --> C{1.4.3 Is revised PCSC reconciled data correct?} C -- Yes --> D[1.4.4 Certify authorized payment/reimbursement form for adjustment.] D --> E[T030] C -- No --> F[1.4.3.1 Notify NSA customer of denial and that denial is final agency decision.] F --> G[1.4.3.2 Process ends.] </pre>		<p>Misc. Info. T1 = PostalOne! System T2 = International Support System Database T3 = SOP for Linking Permits T4 = Goldmine data system T5 = NSA contract T6 = NSA Authorization for Payment/ Reimbursement Form T7 = NSA Payment/ Reimbursement Procedures</p>				
<p>Revision #</p>	<p>Rev. Date</p>	<p>By</p>	<p>NSA = negotiated service agreement; PCSC = Pricing and Classification Service Center.</p>			
<p>1</p>	<p>09/28/04</p>	<p>Initial</p>	<p>MY</p>			
<p>2</p>	<p>03/04/05</p>	<p>Minor editorial revisions</p>	<p>MY</p>			

Process Management Template - v1.0 - 12/2000

USPS Pricing Strategy

Exhibit 6-3.5b

Process T040 — Narrative

- .1 Evaluate data**
- .1.1** *NSA customer disagreement over payment/reimbursement and appeal filed with PCSC disputing data reconciliation.*
The NSA customer appeals to PCSC over the payment/reimbursement and disputes the data components used in the payment/reimbursement calculation.
- .1.2** *Receive and review NSA customer appeal and customer-provided data.*
The PCSC reviews the NSA customer appeal and supporting data to explain the reason for the appeal.
- .1.3** *Compare customer data with data used by USPS.*
The PCSC compares NSA customer-supplied data with Postal Service data.
- .1.4** *Is customer data incorrect?*
Yes: If the customer data in the appeal request is incorrect, then the PCSC denies the appeal. Go to .1.5.
No: If the customer data in the appeal request is correct, then the PCSC sends the revised reconciled data to Pricing Strategy.
- .1.4.1** *Prepare revised reconciled data and send to Pricing Strategy.*
PCSC sends Pricing Strategy the revised reconciled data for issuing corrected payment/reimbursement.
- .1.4.2** *Review PCSC revised reconciled data.*
Pricing Strategy reviews the revised reconciled data from PCSC.
- .1.4.3** *Is revised PCSC reconciled data correct?*
Pricing Strategy determines whether the revised reconciled data from PCSC is correct.
Yes: If the revised data is correct, then Pricing Strategy certifies payment/reimbursement form.
No: If the revised data is incorrect, then Pricing Strategy notifies customer of denial. Go to .1.4.3.1.
- .1.4.4** *Certify authorized payment/reimbursement for adjustment.*
Based on the reconciliation, Pricing Strategy certifies the authorization needed for the adjustment (payment to the mailer or refund from the mailer). This action leads back to Process T030.
Process T030.
T6 NSA Authorization for Payment/Reimbursement Form
- .1.4.3.1** *Notify NSA customer of denial and that denial is final USPS decision.*
- .1.4.3.2 Process ends.**
- 1.5** *Deny appeal and notify NSA customer.*
The PCSC sends the NSA customer written notice that the appeal has been denied.
- .1.6 Process ends.**
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Index

A

appeals process for payments or reimbursements, Exhibit 6-3.4b

B

baseline NSA

definition, 1-3

filing, 1-6

benefits, 2-2

economic, Exhibit 5-8.1

intangible, Exhibit 5-8.1

Board of Governors (BOG)

definition, Exhibit 3-6

responsibilities, Exhibit 4-4

business case, 5-8

benefits and costs, 4-8.3

net present value, 5-8.3

return on investment, 5-8.3

risk, 5-8.3

structure, 5-8.2

C

candidate

definition, Exhibit 3-6

company diagnostic, 5-3

company filter, 5-2

candidate identification

description, 3-2

candidate profile, Exhibit 3-6

candidate profile

form, Exhibit 3-2

process step, Exhibit 3-6

core process, 2-3.2

D

dashboard, 5-9

declining block rate, 5-3.3

E

enabling process, 2-3.2

Executive Committee (EC)

definition, Exhibit 3-6

responsibilities, Exhibit 4-4

F

filing cases, 1-5, 1-6, 3-5, Exhibit 3-6

Finance

integrated development team, 4-2

performance metrics, 4-5.3

participation, Exhibit 4-1.3

responsibilities, 4-5.3

financial model checklists, 5-7

functionally equivalent NSA

definition, 1-3

filing, 1-6

I

identification of candidate, 3-2

implementation

data verification, Exhibit 6-3.3b

participants, 6-2

processes, 6-3

purpose, 6-1

increasing mail volumes, 5-3.2

integrated development team (IDT)

baseline NSA, Exhibit 4-1.3

functionally equivalent NSA, Exhibit 4-1.3

ground rules, 4-2.3

responsibilities, 4-2.2, Exhibit 4-2.2

structure, 4-2.1

introductory rate, 5-3.4

L

Law Department

integrated development team, 4-2

negotiation team, 4-3

performance metrics, 4-5.2

participation, Exhibit 4-1.3

responsibilities, 4-5.2

leakage

definition, Exhibit 5-7.4b, Exhibit 5-7.4c

formula, Exhibit 5-7.4b, Exhibit 5-7.4c

litigation

description, 3-5

process step, Exhibit 3-6

M

mail volume forecast, Exhibit 3-2, Exhibit 3-6
model checklist, 5-7

N

Negotiated Service Agreement (NSA)
benefits, 1-4
business case, Exhibit 5-8.1
customer contact points, 1-6
declining block rate, 5-3.3
definition, 1-2
flowcharts, Appendix
formal requests for case filing, 1-6
identification of candidate, 3-2
implementation, 6-1, 6-3
increased volume, 5-3.4
introductory rate, 5-3.2
litigation, 3-6
negotiation, 3-4
negotiation ability, 5-3.6
operational cost savings, 5-3.5
premium services, value of, 5-3.6
procedures, 1-1
process, 1-3, 2-1, Exhibit 3-6
proposal development, 3-3
purpose, 1-4
risks, Exhibit 5-7.4, Exhibit 5-8.1, 5-8.2, 5-8.3
rules, 1-1
terms and conditions, 3-4, Exhibit 3-6
types, 1-3, Exhibit 4-1.3
tools, 5-1
wave, 5-4

negotiation
ability, 5-3.6
description, 3-4

negotiation pack, 5-6

negotiation team
baseline NSA, Exhibit 4-1.3
functionally equivalent NSA, Exhibit 4-1.3
ground rules, 4-3.3
responsibilities, 4-3.2, Exhibit 4-3.2
structure, 4-3.1, Exhibit 4-3.1

net present value, 5-8.3

nondisclosure agreement (NDA), 1-7, 3-2, Exhibit 3-2, Exhibit 3-6

NSA. See Negotiated Service Agreement (NSA)

O

operational cost savings, 5-3.3

Operations

integrated development team, 4-2
performance metrics, 4-5.4
participation, Exhibit 4-1.3
responsibilities, 4-5.4

P**participation**

baseline NSA, Exhibit 4-1.3
Finance, 4-2, 4-3, 4-5.3
functionally equivalent, Exhibit 4-1.3
individual job descriptions, 4-5
integrated development team (IDT), 4-2
Law Department, 4-2, 4-3, 4-5.2
Operations, 4-2, 4-3, 4-5.4
Postal Service committees, 4-4
Postal Service organizations, 4-1
Pricing Strategy, 4-2, 4-3, 4-5.1
Sales, 4-2

performance metrics

Finance, 4-5.3
Law Department, 4-5.2
Operations, 4-5.4
Pricing Strategy, 4-5.1

permit numbers, NSA candidate

candidate profile, Exhibit 3-2
identification, 6-3
linking, Exhibit 6-3.2b

payment to Postal Service, Exhibit 6-3.4b**Postal Rate Commission (PRC)**

definition, Exhibit 3-6
filing formal requests with, 1-5, 1-6

premium services, 5-3.5**Pricing Strategy (PS)**

definition, Exhibit 3-6
project lead, 4-5.1
responsibilities, Exhibit 3-6, Exhibit 4-1.3, 4-2, 4-3

procedures, 1-1**process, 1-3, 3-1**

benefits, 2-2
elements, 2-3
flowcharts, 6-3

identification of candidate, 3-2

Index

- key elements, 2-3
- litigation, 3-5
- negotiation, 3-4
- NSA steps, 3-1, Exhibit 3-6
- participants, 3-6
- proposal development, 3-3
- purpose, 2-1
- standard approach, 2-1
- steps, 3-1, Exhibit 3-1.1
- time periods, 3-1.2
- proposal
 - development, 3-3
- R**
- Rate Case Advisory Group (RCAG)
 - definition, Exhibit 3-6
 - responsibilities, Exhibit 4-4
- Rate Case Steering Committee
 - definition, Exhibit 3-6
 - responsibilities, Exhibit 4-4
- reimbursement to NSA customer, Exhibit 6-3.4b
- requests for case filing
 - contents, baseline, 1-6.3
 - contents, functionally equivalent, 1-6.4
 - contents, general, 1-5
 - filing, 1-6.2
- return on investment (ROI), 5-8.3
 - assessment, Exhibit 5-8.1, 5-8.3
 - financial, Exhibit 5-8.1 (Appendix I)
 - operational, exhibit 5-8.1 (Appendix G), 5-8.3
 - risk, Exhibit 5-7.4b, Exhibit 5-7.5c
 - strategic, Exhibit 5-8.1 (Appendix H)
- rules of practice and procedure, 1-1
- S**
- Sales
 - integrated development team, 4-2
 - participation, Exhibit 4-1.3
- sales pack, 5-5
- strategy matrix, 5-4
- T**
- terms and conditions, 3-4, Exhibit 3-6
- testimony, 3-5, Exhibit 3-6
- tools
 - business case, 5-8
 - company diagnostic, 5-3
 - company filter, 5-2
 - dashboard, 5-9
 - model checklists, 5-7
 - negotiation pack, 5-6
 - process charts, 6-3
 - purpose, 2-3.4, 5-1
 - revision, 5-1
 - sales pack, 5-5
 - strategy matrix, 5-4
 - use, 5-1
- Transformation Plan, 1-4

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