

709 Negotiated Service Agreements and Experimental and Temporary Classifications

Overview

- [1.0 General Requirements for Negotiated Service Agreements \(NSAs\)](#)
- [2.0 Alternate Postage Payment Method for Greeting Cards](#)
- [3.0 Promotions for First-Class Mail and Standard Mail for 2013](#)

1.0 General Requirements for Negotiated Service Agreements (NSAs)

1.1 Basic Information

1.1.1 Definition and Purpose

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

1.1.2 Legal Framework

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

1.2 Candidate Factors and Requirements

1.2.1 Factors

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

- a. Candidate's presentation of information as requested by the USPS to document the following:
 1. Current mailing systems, postage payment systems, and quality control procedures and programs.
 2. Historical data showing mail volumes and use of specific mail services or mailpiece characteristics, as applicable. The candidate, as necessary, must also provide the effect on mail volumes of any corporate mergers, acquisitions, divestitures, and similar events.



709.1.2.2

- b. Candidate's ability to make and present in an acceptable format accurate forecasts of future mail volumes for USPS products and services proposed for an NSA.
- c. Candidate's ability to collect necessary data in an acceptable format to support an NSA.
- d. Candidate's willingness to establish and maintain electronic systems and quality control programs as specified by the USPS for paying postage and generating records to facilitate monitoring and reconciling mail volumes, prices, and fees, including volumes and postage paid by a mail preparation agent on behalf of the candidate.
- e. Candidate's production of mail using a formal system to ensure proper mail preparation and accurate postage calculations.
- f. Candidate's use or planned implementation of a Certified Mail preparation total quality program to ensure proper mail preparation and to provide accurate documentation of mailings and postage payment.

1.2.2 General Requirements

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

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

1.3 Application Process

1.3.1 Initial Proposal

A mailer seeking to enter into an NSA with the USPS must submit a written proposal, with appropriate supporting documentation, to the USPS manager of Pricing Strategy (see [608.8.0](#) for address). The proposal must contain the reasons

for requesting the NSA along with a summary of the information responding to the applicable candidate features and general requirements described in 1.2. A nondisclosure agreement must be signed before any substantive discussion of the proposal.

1.3.2 Negotiations and Contractual Agreement

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

1.3.3 Additional Consideration

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

1.4 Market Dominant First-Class Mail and Standard Mail Letters NSAs

1.4.1 Definition and Purpose

The First-Class Mail and Standard Mail NSA is based on the combined total revenue of First-Class Mail automation letters, Standard Mail automation letters, and Standard Mail carrier route automation letters, and provides an incentive to encourage the growth of First-Class Mail. A baseline is determined from the revenue generated from First-Class Mail automation letters, Standard Mail automation letters, and Standard Mail carrier route barcoded automation-compatible letters that are mailed as and eligible for full-service Intelligent Mail prices (705.24.0) during a prior specified 12-month period of time. It includes a postage threshold that is adjusted from the baseline to qualify for a rebate. If the adjusted revenue threshold is met, a rebate is generated on a percentage of the difference of an increase in postage as a result of a subsequent cumulative First-Class Mail and Standard Mail price increase related to the prices in existence at the time of the agreement. If the adjusted revenue threshold is not met, the NSA holder will pay a penalty.

1.4.2 Candidate Factors and Requirements

Potential participants must be IMb full-service customers with extensive, but declining First-Class Mail volumes and significant additional volumes of Standard Mail. Candidates must also meet the standards in 1.1 through 1.3 to qualify. The basic agreement comprises five components:

- a. Revenue threshold: Is based on the amount of total combined postage paid for First-Class Mail automation letters, Standard Mail automation letters, and Standard Mail carrier route barcoded automation-compatible letters. The



709.1.4.3

baseline for the revenue threshold is the total postage for these categories over the previous one-year period. The threshold is calculated at a negotiated percentage above the baseline for each year during the duration of the agreement.

- b. Revenue threshold adjustment: Will be adjusted upward by a negotiated amount for every dollar decline in First-Class Mail postage. To qualify for rebates under this adjustment, a pre-determined revenue amount of Standard Mail must be mailed to offset each dollar decline in postage from First-Class Mail.
- c. Postage commitment with penalty: The postage commitment is an amount equal to the adjusted revenue threshold. If the amount of total postage from eligible mail in the first year of the contract is less than the adjusted revenue threshold, a negotiated percentage penalty in the amount of the difference between the adjusted revenue threshold and the actual total postage paid for contract year one must be paid. Subsequent year penalties for failing to meet the adjusted revenue threshold are negotiated by the parties within nine months of the end of the previous contract year.
- d. Rebate on First-Class Mail: If the mailer holding the agreement exceeds the adjusted revenue thresholds in any given year of the contract, it will earn rebates on its qualifying First-Class Mail postage. The rebate will be equal to a negotiated percent of the increase in postage as a result of a subsequent cumulative price increase (relative to First-Class Mail prices in existence at the initiation of the agreement) for all qualifying pieces.
- e. Rebate on Standard Mail: If the mailer holding the agreement exceeds the adjusted revenue thresholds in any given year of the contract, it will earn rebates on its qualifying Standard Mail postage. The rebate will be equal to a negotiated percent of the increase in postage as a result of a subsequent cumulative price increase (relative to Standard Mail prices in existence at the initiation of the agreement) for all qualifying pieces.

1.4.3 General Requirements

Any proposed First-Class Mail and Standard Mail NSA under this classification must also contain, at a minimum, the following general candidate requirements and conditions:

- a. The NSA expires three years from the effective date. Either party can terminate the agreement, without penalty, for convenience prior to the last 90 days of each contract year with 90 days written notice to the other party.
- b. The NSA will contain a merger and acquisition clause, which adjusts the threshold to account for increased mailing activity (or decreased, in the case of a sale or closure).

1.4.4 Initial Proposal

The proposal must explain how the candidate meets the requirements in [1.4.2](#) and also must meet the following conditions:

- a. The candidate must submit a written proposal that includes appropriate supporting documentation to the manager of Correspondence & Transactions (see [608.8.0](#) for address).
- b. The proposal must be initiated by the mailer and include a summary of the information responding to the applicable candidate features and general requirements described in [1.4.3](#).
- c. A nondisclosure agreement must be signed before any substantive discussion of the proposal begins.

2.0 Alternate Postage Payment Method for Greeting Cards

2.1 Description and Purpose

An Alternate Postage Payment for Greeting Cards, using Intelligent Mail technology, is being tested in a 2-year program from January 2, 2011, through December 31, 2012. Participants pay for postage based on sales data reported to the Postal Service. Each mailpiece is scanned and counted as it moves through postal mail processing equipment. Reports allow a debit from the participant's Centralized Automated Processing System (CAPS) account for the postage that was not paid based on sales data. Mailpieces may be addressed to any domestic location by the sender.

2.2 Prices and Fees

There is no fee to participate in the market test. Participants agree to pay the market test postage price, which is higher than the First-Class Mail single-piece letter price, for each greeting card sold or mailed. Participants must have sufficient funds in their CAPS account to cover the market test postage for the mailpieces. Participants pay postage as follows:

- a. At least 50 percent of the market test postage price will be paid to the Postal Service based on the participant's reports of greeting cards sold. When a greeting card is sold to an individual customer, payment will be retained by the Postal Service, whether or not the greeting card is mailed.
- b. The remainder of the postage will be collected based on scans of Intelligent Mail barcodes on mailed pieces as specified in [2.5](#). The scans will produce a count of pieces processed, allowing appropriate postage to be deducted from the CAPS account.

2.3 Eligibility for Participation

Greeting card companies interested in participating in the market test must conform to the following standards:

- a. Each greeting card company must request and obtain written consent from Transactions and Correspondence (see [608.8.1](#)).
- b. Each letter-size mailpiece must be tested and approved prior to distribution (see [2.5](#)).



709.2.4

- c. Participants must print a unique Intelligent Mail barcode on each mailpiece using the Mailer ID (MID) assigned exclusively for the market test by the program office.
- d. Participants must establish quality control measures to ensure production of mailpieces meeting all standards in [2.0](#).

2.4 Early Termination

A participant that terminates the market test prior to the end of the program period must maintain their CAPS account and will remain liable for 100 percent of the market test postage for each greeting card sold, but not scanned, at the time they terminate the agreement.

2.5 Mailpiece Characteristics

Mailpieces must include the following elements:

- a. Intelligent Mail barcode.
- b. Legend: First-Class Mail, permit number, and the city and state where the permit is held. Participants must maintain a permit imprint account.
- c. Facing Identification Mark (FIM) E.
- d. Postage Imprint: "No Postage Necessary If Mailed in the United States".

2.6 USPS Responsibility

The Postal Service will assign Mailer IDs to be used exclusively for the market test, approve all mailpiece designs prior to the production, distribution, and sale of greeting cards, and conduct pre-production tests of mailpieces.

3.0 Promotions for First-Class Mail and Standard Mail for 2013

3.1 Summary of Programs

[4-1-13] There will be six new promotional incentive programs offered during calendar year 2013 for Presorted and automation First-Class Mail cards, letters, and flats, and Standard Mail letters, flats, or parcels. EDDM-Retail mailings are not eligible for participation in any of the promotions; OMAS and official government mailings are eligible only for participation in the Earned Value Reply Mail promotion. Automation letters and flats must bear correct Intelligent Mail barcodes. Participants in each promotion also agree to participate in a survey about the promotion. See [3.2](#) for how to register. The six promotional programs, in calendar order, are:

- a. Direct Mail Mobile Coupon and Click-to-Call
 1. Registration: January 15 - April 30, 2013;
 2. Program period: March 1 - April 30, 2013.
- b. Earned Value Reply Mail
 1. Registration: January 15 - March 31, 2013;
 2. Program period: April 1 - June 30, 2013.
- c. Emerging Technologies

1. Registration: June 15 - September 30, 2013;
 2. Program period: August 1 - September 30, 2013.
- d. Picture Permit Imprint
1. Advance registration: 4 months or more before program period begins.
 2. Enrollment: June 1 - September 30, 2013;
 3. Program period: August 1 - September 30, 2013.
- e. Product Samples
1. Registration: May 1 - September 30, 2013;
 2. Program period: August 1 - September 30, 2013.
- f. Mobile Buy-It Now
1. Registration: September 15 - December 31, 2013;
 2. Program period: November 1 - December 31, 2013.

3.2 Registration and General Conditions for Documentation

Customers must register for each promotion on the Incentive Programs Service through the Business Customer Gateway at <https://gateway.usps.com/bcg/login.htm>, and specify which permits and CRIDs will participate in the promotion. Mailpieces must be mailed under the following conditions:

- a. Except for the Earned Value Reply Mail and Picture Permit promotions, postage must be paid by permit imprint or by affixing metered postage or a precanceled stamp to each piece of mail. Pieces with metered postage must bear an exact amount of postage as stipulated by the class and shape of mail, and according to the table published in the Federal Register notice under "postage payment methods." Provisions for additional postage are in [234.2.2a](#) and [334.2.2a](#) for First-Class Mail pieces over 1 ounce, and in [244.2.2](#) and [344.2.2](#) for Standard Mail pieces over 3.3 ounces.
- b. The postage statement and mailing documentation must be submitted electronically. The mail owner's identity must be indicated in the electronic documentation, which identify the mail owner and mail preparer in the by/for fields, either by Customer Registration ID (CRID) or Mailer ID (MID) assigned by the USPS. All Presorted and automation pieces declared on a postage statement must qualify for the discount.
- c. The electronic equivalent of the mailer's signature on the postage statement will certify that each mailpiece claimed on the postage statement qualifies for the applicable promotion.

3.3 Program Descriptions

Each of the six promotions is briefly described below. More detailed information, including updated FAQs, is available on the RIBBS website at <https://ribbs.usps.gov/index.cfm?page=mobilebarcode>.



3.3.1 Direct Mail Mobile Coupon and Click-to-Call

This promotion provides an upfront 2 percent postage discount for presort and automation mailings of First-Class Mail letters, postcards, or flats and Standard Mail (including Nonprofit) letters and flats that integrate mail with mobile technology. There are two separate ways to participate within the one overall program; mailers may participate in one or both, but only one discount applies per mailing. The Mobile Coupon option integrates hard-copy coupons in the mail with mobile platforms for redemption. Participation in the Click-to-Call option increases use of mail with mobile barcodes that provide click-to-call functionality. Conditions are as follows:

- a. For the Mobile Coupon program, the coupon is offered only to mailpiece recipients, the entire path to purchase must be mobile-optimized, and at least one of the following two options apply:
 1. The mailpiece must be a coupon, entitling only the recipients to a discount off a product or service.
 2. The mailpiece must contain either mobile-print technology that can be scanned by a mobile device linking to a mobile coupon or a short number to be used to initiate a text communication that triggers a text message with a one-time coupon or code.
- b. For both options in [3.3.1a](#), coupon recipients must be able to present physical coupons or coupons stored on mobile devices at retail locations or the mailpiece must contain a code to receive a discount online or via a call center.
- c. For the Click-to-Call program, the mailpiece must contain mobile technology that can be scanned by a mobile device and the scanned item must link directly to a mobile-optimized website with a "click to call" link or to a phone number on the user's phone. The mailpiece must contain text near the image to guide the consumer to scan the image.

3.3.2 Earned Value Reply Mail

First-Class Mail Business Reply Mail (BRM) and Courtesy Reply Mail (CRM) mailers will receive a \$0.02 postage credit for each machinable BRM or CRM card or letter bearing a qualifying Intelligent Mail barcode (IMb) that is scanned in the postal network during the program period. IMbs on reply pieces must be encoded with the correct Mailer ID, barcode ID, service type ID, and correct ZIP+4 routing code as assigned by the USPS. Rebate credits can be redeemed for postage for future mailings of First-Class Mail presort and automation letters, cards, or flats, or for Standard Mail letters or flats paid from the permit account where the credit was applied.

3.3.3 Emerging Technologies

If multiple emerging technologies are used on the same mailpiece, the 2% upfront discount is only applied once. To be eligible for the discount, all First-Class Mail presort and automation cards, letters, or flats, and Standard Mail letters or flats must meet at least one of the following requirements:

- a. The mailpiece must contain a Near-Field Communication (NFC) smart tag or RFID chip that allows information to be transmitted to a mobile device.

- b. The mailpiece must contain print that allows the recipient to engage in an augmented reality experience, relevant to the contents of the mailpiece, facilitated by a mobile device or computer.
- c. The mailpiece must integrate delivery of the physical mailpiece with mobile technology, allowing the user to complete authentication processes for customers and mail recipients. Mailers must obtain prior approval from the USPS program office for each proposed process.

3.3.4 Picture Permit Imprint

[5-6-13] For pre-approved mailers, the Picture Permit fee for First-Class Mail automation letters and cards will be waived, and the fee for Standard Mail automation letters will be waived. Pieces must be part of a full-service automation mail mailing under 705.24.0 and meet other conditions for picture permit imprint mailings under 604.5.4. Mailers and mail service providers must complete registration for Picture Permit at the website: www.usps.com/picturepermit. After completion of the authorization process, preapproved participants will be invited to register for the promotion. Postage must be paid by permit imprint; participants must claim the waiver of fees on the electronic postage statement at the time of submission. All mailpieces in a mailing must be eligible for the promotion. Qualified PVDS mailings that are verified and paid for by September 30, 2013 may be entered at destination entry facilities through October 15, 2013.

3.3.5 Product Samples

The Product Samples promotion will provide mailers with a 5 percent upfront postage discount on qualifying mail that contains product samples. All qualifying parcels must contain a product sample. Qualified PVDS mailings that are verified and paid for by September 30, 2013 may be entered at destination entry facilities through October 15, 2013.

3.3.6 Mobile Buy-It Now

The Mobile Buy-It-Now promotion provides mailers (of presort and automation First-Class Mail cards, letters, and flats and Standard Mail letters and flats) with an upfront 2 percent postage discount. Qualifying mailpieces must include a two-dimensional barcode or print/mobile technology that can be read or scanned by a mobile device, directly leading the recipient to a mobile-optimized web page that allows the purchase of an advertised product through a financial transaction on the mobile device. The mailpiece must also contain text near the image that guides the consumer to scan the image. These additional requirements apply:

- a. The destination web page must contain information relevant to the content of the mailpiece and some of the products advertised must be available for purchase on a mobile device.
- b. The purchase must be able to be completed through the mobile device via an electronic payment method, or by allowing an order placed on the mobile device through the internet leading to a subsequent invoice.
- c. A product, for purposes of this promotion, is defined as a tangible and physical item that can be shipped via a mailing or shipping product offered by the USPS (although delivery by the USPS is not required).

- d. Products must be offered for fulfillment via home delivery; products offered as shipments for in-store pickup only will not qualify.

3.4 Discounts

For all promotion providing an upfront postage discount, mailers must claim the postage discount on the postage statement at the time the statement is electronically submitted. Mailings with postage affixed will deduct the discount amount from the additional postage due, except that mail service providers authorized to submit Value Added Refund ("VAR") mailings may include the discount in the amount to be refunded. See also [3.2](#).

3.5 Mobile Barcode or Image Placement

For promotions that include printing of a mobile barcode or other scannable printed image, the image cannot be placed on a detached address label (DAL or DML) or card that is not attached to the mailpiece. The image cannot be placed in the (postage) indicia zone or the (Intelligent Mail) barcode clear zone on the outside of the mailpiece. For letters, the barcode clear zone is defined in [202.5.1](#). For flats, the barcode clear zone for this purpose is the barcode itself and an area that extends an additional 1/8 inch from any part of the barcode. The indicia zone is defined as follows:

- a. The postage "indicia zone" is 2 inches from the top edge by 4 inches from the right edge of the mailpiece;
- b. When the postage indicium is not in the area described in [3.5a](#), the mobile barcode or image must not be placed within 2 inches of the actual postage indicium.