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Postal Rate Increase to Drive Major Changes in Mailing Industry

Most Companies Unprepared for Proposed Price Hike, New Rules

STAMFORD, Conn., January 17, 2007 – With only four months to go until the most significant overhaul of postage rates in years, four out of five executives are unprepared for proposed price and rules changes that are destined to have a large impact on their business operations and marketing strategies.

A recent survey of more than 500 business executives nationwide indicated that 79% of respondents are unaware of the forecast changes in postal rates and regulations. This widespread lack of knowledge about an important business event cuts across all organizational sizes and all regions of the country.

The proposed overall 8.4 percent rate increase would bring the full cost of first class postage up to 42 cents from the current 39 cents, but that is only the most visible effect of sweeping changes to the 4,400 different postal rates now under consideration by the U.S. Postal Regulatory Commission. Other proposed major changes include the introduction of shape-based pricing and, in a related development, new rules for address quality that will take effect as early as this summer.

“The anticipated overhaul of postal rates and rules has serious implications for business,” said Murray Martin, president and chief operating officer of Pitney Bowes Inc. “Smart companies are already planning ways to reengineer their mailstream to make it less costly and far more effective than it has been in the past.”

Martin cited four simple steps that most companies can take to adjust to the proposed postal rates and rules.

Plan the Mailpiece: The expected rates would create an opportunity for savings through proper mailpiece planning. For example, as proposed, the second ounce of a first-class letter will be less expensive than the first ounce, so mailers who combine information from two different mailings into a single mailpiece can save money.

Pay Attention to Shape: The anticipated rates would give mailers a strong financial incentive to switch from flat (9x12-inch) envelopes to standard #10 or 6 x 9 inch envelopes, reflecting the U.S. Postal Service's lower costs for processing the smaller envelopes. Folding and inserting machines to capitalize on this incentive will make sense for more organizations under the proposed new rules. Parcels are similarly affected by shape-based pricing and create additional opportunities to save through proper planning.

Capitalize on Discounts: Presorting the mail before it enters the U.S. Postal Service network can result in double-digit percentage discounts. Leveraging high-speed in-house sorting equipment or partnering with a high-quality mailing presorter can help companies capture the lion's share of this great incentive. For companies that want to keep this task in-house, a number of excellent software programs can presort mail in the production process.

Cleanse Addresses: The U.S. Postal Service estimates it spends nearly two billion dollars each year handling mail that cannot be delivered as addressed. In an effort to cut this cost in half by 2010, the Postal Service will become much more stringent on discounts traditionally offered to mailers that do not maintain the accuracy of their address lists. In addition to the proposed new rates, the Postal Service has announced new rules, set to take effect this summer, that make address quality more imperative than ever, and should encourage more mailers to incorporate address quality software and processes into their mailing operations.

"No one likes to see postage rate increases," Martin said, "but the proposed price changes are a good opportunity to take a fresh look at the entire

mailstream process within an organization. For most companies, there are untapped opportunities to minimize the costs and maximize the effectiveness of every communication with customers.”

About Pitney Bowes

Pitney Bowes provides the world's most comprehensive suite of mailstream software, hardware, services and solutions to help companies manage their flow of mail, documents and packages to improve communication. Pitney Bowes, with \$5.6 billion in annual revenue, takes an all-inclusive view of its customers' operations, helping organizations of all sizes enjoy the competitive advantage that comes from an optimized mailstream. The company's 86 years of technological leadership have produced many major mailstream innovations, and it is consistently on the Intellectual Property Owners Association's list of top U.S. patent holders. With approximately 34,000 employees worldwide, Pitney Bowes serves more than 2 million businesses through direct and dealer operations. More information about the company can be found at www.pb.com.

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