



National Postal Policy Council

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Ms. Lizbeth J. Dobbins
Manager, Product Classification
U.S. Postal Service
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Washington, DC 20260-5015

June 4, 2012

Dear Ms. Dobbins:

The National Postal Policy Council (NPPC) is pleased to respond to your solicitation of comments on requiring mailers to apply the Full Service Intelligent Mail Barcode (FS IMb) to mail in order to receive automation discounts beginning on January 1, 2014. (77 F.R. 23643-647, April 20, 2012)

NPPC is a trade association composed of large business users of letter mail, primarily in First Class. Our members, which come from the banking and financial services, insurance, telecommunications and mail services providers industries, believe a stable and efficient postal system is one key to their business success, as well as to the health of the economy as a whole.

NPPC has long been generally supportive of incorporating technology into the postal system, and specifically supportive of USPS efforts to create, sustain and use the IMb. We remain encouraging overall of IMb development and adoption, and are conceptually supportive of making FS IMb mandatory. Indeed, a number of our members are already FS IMb compliant. There are, however, some issues that should be addressed before we can offer full support for the date of January, 2014.

NPPC endorses USPS' view that incentives should be increased. NPPC members broadly find the incentives represented by FS IMb rates to be dramatically insufficient to cover the investments necessary to come into compliance with FS requirements. For many, the breakeven ROI extends to 2020 and beyond. Therefore, NPPC is pleased to see and applauds that the Postal Service will consider "increasing the incentive for Full Service mailers." We encourage you to proceed with expedition on this front.

Because the incentives are so insufficient, they have been an impediment to wider use of FS IMb by a number of your larger customers. But to have the consequence of a decision in part motivated by the poor ROI offset of these incentives be loss of access to automation discounts would create a far more serious problem for both those mailers and USPS: the virtually certain diversion of still more mail than planned out of the system.

NPPC understands that USPS hears the loss of still more mail refrain from us and other organizations probably more than it cares to, but that does not keep the consequence from nonetheless being true. It is in our mutual interest to address the question of rates, discounts and timing for FS IMb constructively.

Qualifying for automation discounts should entail a grace period or safe harbor. NPPC is also concerned about the immediate all-or-nothing approach on the automation discounts as of January, 2014. If that date holds, there should be some interim grace period or other accommodation for mailers unable to achieve FS IMb compliance by that time, yet otherwise fully qualify their mailings for automation discounts. We suggest the Postal Service might consider a safe harbor for continued access to the discounts for some period of time after that date that would involve not only otherwise qualifying for automation discounts, but certification or other showing of a good faith effort underway to adopt FS.

PostalOne! reliability must be dramatically improved. The PostalOne! system is pivotally important to the success of FS IMb. It must be reliable day in and day out, which requires a stable system. Yet, there is reason to grow increasingly concerned about the stability of PostalOne!. We have been receiving a litany of complaints from our members about a series of recent and ongoing problems with this system:

- reporting information is not accurate and does not reflect the details of the job quality correctly;
- reports are difficult to discern, and there are only a handful of USPS employees who understand the reports and can explain them;
- documentation of the reports is not clear – causing additional efforts, often strained because of the previous point, by customers to try to understand the results and reconcile any problems;
- response time with the reports is not optimized for customers; and
- customer communication on reporting issues/concerns is not clearly understood and standardized across the industry.

All of these should be addressed to ensure that PostalOne! is a reliable, easy-to-use and – understand system for the crucial entry process.

However, more important are the direct concerns about PostalOne! system performance and stability. This system malfunctions and “goes down” more often than it should. That in itself is substantially problematic.

But each time it does, it causes more work and costs to mailers to manage the technical files which failed and then to work with the Postal Service to clear up resulting problems. In addition, USPS requires that when the system is down mailers must submit paper postage statements. This is a problem since other manual interfaces and work has to occur on the mailer side to support reverting to paper – all causing more cost to the mailer. If the animating principle of FS IMb is a fully functioning electronic system, as exemplified by the drive to go all electronic documentation, then paper copies should not be required under any circumstance when responsibility for an e-doc failure rests with a Postal Service system. An electronic alternative method to recover the data or replace the e-doc filing should be found: that includes a process to identify any Mail.dat files not received in a simple summary, especially when a system issue occurs. In other words, mailers should not be tasked with going to the time, expense and effort of reverting to paper when any lapse is not their fault.

All of these issues, of course, may easily be exacerbated as more First Class mailers become FS IMb compliant. Therefore, in NPPC's view, it is imperative that USPS stabilize this system and equip it to handle not only existing use, but the spike in and long-term elevation of its use in a stable and reliable manner.

NPPC recognizes that stabilizing PostalOne! and many other steps being taken internally by the Postal Service are hardly inexpensive. While, again, we conceptually support the incorporation of technology, and FS IMb, into the postal system, we are not clear enough about how FS IMb contributes to cost-effectiveness. We understand that FS IMb should make the system more efficient. Indeed, you have included a number of ways that would happen and, presumably, those changes would bear on cost-effectiveness. Nonetheless, we would appreciate some more detail on the Postal Service view of what it gains on that front in the same manner it has laid out efficiencies in its Federal Register Advance Notice of Proposed Rulemaking.

Palletization rules must be clarified. NPPC is concerned that palletization rules are not clear. When implementing FS IMb, First Class Mail (FCM) is required to implement the palletization separations defined by USPS. That leaves two choices: (1) use of a Customer Service Agreement (CSA) in which each USPS plant determines the separation needs and defines this in a process to which the mailer must adhere; or (2) following the Domestic Mail Manual (DMM) palletization rules for FCM. Both of these options currently require that all FCM Single Piece mail be segregated onto a separate pallet. For mailers separating mail at the front end, prior to the mails' actually being created, this palletization rule causes numerous separate and unnecessary pallets to be made. For example, one NPPC member increased its pallet use by approximately 20% when the change to this rule was introduced. This approach is wasteful for both USPS and the mailer, whether in mail transport equipment, transportation of single piece mail, management of extra pallets requiring scanning by USPS, and more. NPPC recommends a change: all single piece mail should to be allowed to be consolidated via the DMM rules onto a mixed pallet going to the local/origin plant.

ACS Changes. Under today's rules, address correction service (ACS) is available without further charge for anyone who has adopted FS IMb with respect to automation pieces. Non-automated presort and single piece, of course, do not receive it. Free ACS has been an incentive toward adoption of FS. Once adoption becomes mandatory, however, free ACS will no longer play that role. There does not, then, in our view, remain a rationale not to extend it to non-automated presort and single piece. NPPC recommends the Postal Service consider so extending it.

Also on ACS, to date, its use has not been mandatory. NPPC would prefer that the use of ACS remain at the option of the mailer. However, we would like to be clear about USPS' view on this matter.

Tracking the mail should be to the final destination. In its Federal Register Notice, the Postal Service reiterates, among others, one of its primary goals for FS IMb: "The vision is to create 100 percent visibility into the mailstream by 2014. This vision means that customers will know in real time where their mail or packages are in the postal network and precisely when

they are delivered.” NPPC endorses this vision. It is gratifying that the Postal Service aspires to a fullscale tracking system that would be very valuable to its business customers.

At present, however, our understanding is that such tracking is not available at a mailpiece level to the destination. In other words, there is no tracking all the way to a recipient’s mailbox; the scanning is only to the point of mail’s being sorted for delivery. If that understanding is correct, or if current FS tracking does fall short otherwise of delivery to a recipient, NPPC urges the Postal Service to clarify what it will mean to know “precisely when . . . delivered,” or to lay out how it plans to achieve what its vision implies – tracking individual pieces to the recipient’s mailbox - by 2014.

More lead time may be necessary. In light of the foregoing, NPPC is concerned that the system is having some difficulty in handling its current workload, let alone all of the additional users of FS that will be brought in by a mandate. The issues we outlined must be resolved before imposing a requirement to adopt FS IMb. We believe the Postal Service has made great progress on IMb overall. However, the system must be mature and reliable in order to offer an environment conducive to the amount of investment necessary to comply with FS rules. So, we urge that efforts to resolve these matters be redoubled should USPS wish to maintain the January, 2014, date.

NPPC would add that the Postal Service knows from our views and those of our members on past significant technology and/or software changes, large commercial mailers need long lead times to budget for and incorporate those changes into their postal plans and operations. NPPC is advised that for at least some of our larger mailers, were the rule to be imposed today, it would be a challenge to meet your contemplated January, 2014, deadline.

It bears noting that even though IMb has been available in basic and FS since 2009, there have been a significant number of mailers for whom the benefits and/or incentives for adoption have not been sufficient to offset costs or otherwise prompt them to move forward. Notwithstanding awareness that IMb has been available, those mailers made a choice not to adopt. Requiring FS adoption means their having to make fundamental changes and substantial investments to operations. It is the resulting absence of preparation that will contribute to their need for a long lead time in this instance.

Renewed, detailed communication about FS IMb is necessary. Too many of our members still do not understand the gameplan for FS well enough. In their view, the USPS target and expected process going forward leave too many unanswered questions. Thus, there is significant interest in and need for more details of the Full Service plan and goals. Providing a clear and concise plan, spelling out precisely what must mailers do and can expect is necessary in a broadly communicated way. That will enable these mailers to better assess the benefits of and the value added by FS. Absent that, the unknown becomes a concern. For example, there are concerns that still more requirements will be added in order to secure discounts. A clear plan can allay these concerns.

NPPC realizes, and appreciates, that USPS has tried again and again to communicate what FS IMb is all about, and what’s in it, for lack of a better term, for its customers and itself. But

evidently those efforts have not been effective enough, because the clarity necessary for some companies to make decisions in favor of FS IMb has not been sufficient.

To conclude, NPPC would once again underscore that it is very supportive of USPS' efforts to integrate technology into its operations, and specifically of FS IMb. We have appreciated the outreach and other steps taken by USPS to obtain and incorporate its customers' views as it has pursued this transformative undertaking over the past several years. The current ANPRM is a very good example.

Nonetheless, with respect to making FS IMb mandatory by January, 2014, we urge the Postal Service to be cautious and measured. NPPC has attempted to outline above several significant concerns, some of which, such as PostalOne! stabilization, are critical to be addressed and resolved positively before FS should be mandated.

Thank you.

Respectfully submitted,

A handwritten signature in cursive script, reading "Arthur B. Sackler".

Arthur B. Sackler
Executive Director