

**BEFORE THE  
MANAGER, MAILING STANDARDS  
UNITED STATES POSTAL SERVICE**

IMPLEMENTATION OF INTELLIGENT )  
MAIL BARCODES )

**COMMENTS OF  
NATIONAL POSTAL POLICY COUNCIL  
ON ADVANCED NOTICE OF PROPOSED RULEMAKING**

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February 21, 2008

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The National Postal Policy Council (“NPPC”) respectfully submits these comments in response to the Advanced Notice of Proposed Rulemaking published by the Postal Service in the Federal Register on January 7, 2008, *Implementation of Intelligent Mail® Barcodes*, 73 Fed. Reg. 1158 (2008).

NPPC is a trade association representing large business users of First Class Mail, including those in the telecommunications, banking and financial services, utilities and insurance industries. Its mission is to support and encourage a robust and healthy postal system. Its members include both mail owners and mail preparers.<sup>1</sup> NPPC commends the Postal Service for both the forward-looking thinking that led to the Intelligent Mail Barcode, and the enormous amount of planning, time, effort and expense that obviously have gone into the development of the IMB initiative to date.

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<sup>1</sup> The current members of NPPC are Aetna, American Express, Ameriprise, AT&T Services, Bank of America, Böwe Bell + Howell, Broadridge, Capital One, CIGNA, Citigroup, CSG, Datamatx, DST Output, Fidelity Investments, Fidelity National Information Services, First Data Resources, JP Morgan Chase, Merrill Lynch, National Grid, Nationwide Insurance, Pitney Bowes, Inc., PSI Group, RR Donnelley & Sons, Siemens Logistics and Assembly Systems, Inc., Sprint, State Farm Insurance, The Travelers, Transcontinental Direct USA d/b/a Mail+Gard, TSYS, Inc., Verizon, and Wachovia Corp.

NPPC strongly supports the Postal Service's Intelligent Mail initiative. If implemented in a well-coordinated and cost-effective fashion, it should simultaneously reduce the combined costs of the Postal Service and its customers and increase the value of mail. For a technology initiative of this kind, however, the devil is in the details. The technology is complex, and multiple economic participants---the Postal Service, large mail owners, major mail processors, and software and hardware providers---must coordinate their efforts in an organized and effective way. Without appropriate management, the Intelligent Mail initiative could run into difficulties that would dwarf those recently experienced with the rollout of CASS Cycle L delivery point validation software.

Section I of these comments discusses three major process issues. *First*, the Postal Service needs to reconsider its current date of January 2009 for requiring the use of Intelligent Mail Barcodes on all mail entered at automation rates. This date is overly optimistic. A more realistic implementation date is December 2009---and that assumes that the functionalities, specifications and other requirements for each component of Intelligent Mail are finalized very soon. *Second*, the Postal Service needs to communicate with its customers, beginning by disclosing the prices of its services with the two Intelligent Mail options and their relationship to non-automation rates, to ensure that the deployment of Intelligent Mail will in fact reduce the combined costs of the entire system. *Third*, the Postal Service needs to make sure that the quality-adjusted cost of its services---including the costs of unfunded mandates imposed on mailers through new mail-preparation requirements---comply with the CPI-based rate constraint established under 39 U.S.C. § 3622(d).

Section II of these comments discusses specific issues raised by the proposed barcode requirements. *First*, a mailer should have the option of using the mailer ID of a presort bureau or other mail services company retained on behalf of the mail owner rather than the mail owner itself. Requiring that mailer IDs be issued solely in the name of the mail owner would create enormous practical difficulties, and provide no material operational benefits. *Second*, the Postal Service should refrain from the needless collection of proprietary information about its customers, including information on their “business opportunities” and “business challenges,” and the identities of the customers and customer volumes of presort bureaus and other mail processors. Collection of such information would raise serious competitive issues under 39 U.S.C. § 404a. *Third*, the implementation of Intelligent Mail Barcodes for mailpieces, trays and containers, and pallets will raises a number of other issues that the Postal Service needs to resolve before software vendors and mailers can take the steps needed to ready themselves to comply with the IMB requirements, particular for the Full Service version. *Fourth*, reply mail (including BRM, CRM and remittance mail) should be exempted from the Intelligent Mail requirements until the inclusion of these mail categories becomes cost justified.

Section III of these comments discusses specific issues raised by the proposed requirements for electronic documentation. Some of the most significant issues concern mail that is entered continually through Optional Procedures, presorted through a combination of MLOCR sorting and manifesting presort software, or entered through other customized acceptance and payment arrangements negotiated with local Postal Service officials. It is not evident how the proposed electronic documentation requirements would be practical or beneficial for these arrangements.

Section IV deals with the proposed requirements for FAST appointment scheduling. The unresolved issues include, *inter alia*, (1) how FAST requirements can be expanded to cover First-Class Mail; and (2) how the FAST requirements will work for mail that is plant-loaded into USPS trucks throughout the day, drop-shipped at USPS plants pursuant to existing agreements with local officials, or origin-entered and verified at Detached Mail Entry Units.

Finally, Section V summarizes the pricing information that the Postal Service needs to disclose to its customers before they can make intelligent choices between the Full-Service and Basic versions of Intelligent Mail, between automation and non-automation mail, and between mail and electronic channels of communication.

## **I. GENERAL PROCESS ISSUES**

### **A. The Postal Service Should Adopt Implementation Deadlines That Are Consistent With The Internal Process Requirements Of Its Partners And Stakeholders.**

The Postal Service has proposed January 2009 as the date on which “mailers will be required to” use either Basic or Full Service Intelligent Mail as a condition for continued eligibility for automation prices for letters and flats. 73 Fed. Reg. at 1158. Unfortunately, this target deadline does not appear realistic for most users of automation mail. Both the Full Service and Basic versions of Intelligent Mail sketched by the Postal Service will impose complex and far-reaching obligations on mail owners, mail processors, and software and hardware vendors. These obligations will include the development of infrastructure and, for the Full Service version of IMB, new systems for electronic documentation and postage payment, modifications to mail.dat, and the

development of transitional tray labels (which still lack final requirements). The Postal Service will need to develop specifications for the new Postal Service systems and interface—e.g., the Mail.dat and Web Services versions of electronic documentation, and the requirements for the pallet placard, IMB unique numbering, and permit listings. Once the performance standards and required functionalities are fully defined, the USPS must write additional software files for each of these items.

Each of these functionalities will require vendors to develop additional software of their own to work with the USPS software. A significant period of time must elapse after the Postal Service requirements and software are finalized and frozen to allow adequate time for vendors to write and test the software code. And a further period of time will be necessary after mailers receive the vendors' software to integrate it in the mailers' systems. Both the vendor and mailer phases of the project will have long and uncertain lead times.

The vendors must develop, test, debug and document their software, and integrate it into their existing software. Even if the Postal Service were to finalize requirements and software specs for Intelligent Mail by April 1, 2008—an obviously unlikely prospect—vendors would be unlikely to have the necessary application software ready to distribute to mailers until late 2008 or early 2009.

The recent problems with the implementation of delivery point validation in the CASS Cycle L rollout illustrate the consequences of overly aggressive deployment deadlines. The problems stemmed not only from vendor issues, but also from the Postal Service's failure to understand the operations and needs of its biggest mail owners. Vendor patches were still being released as late as December 2007, more

than four months *after* the August 1, 2007, implementation date established by the Postal Service. As a result, at least some users were unable to implement CASS Cycle L until *months after* the USPS deadline. Many mailers had to file 11<sup>th</sup>-hour requests for waivers to obtain “Stop Processing” exceptions and extensions of the CASS Cycle L compliance deadline. A sizeable percentage of mailers were compelled to pay postage surcharges of 1.5% for waivers after November 2007 (charges which the Postal Service imposed without Commission approval under former 39 U.S.C. §§ 3622 *et seq.* of the Postal Reorganization Act). Even mailers that managed to comply with the Cass Cycle L requirements suffered; the crash implementation schedule for the new software sometimes doubled the costs of the necessary coding changes and other work for both mailers and service providers.

Once the Postal Service and the software vendors finalize their specifications, mailers will have lengthy time lines of their own. Deploying the necessary software is not a quick or easy process—especially for large, multi-facility mailers with dozens or hundreds of facilities served by mainframe-based computer networks. One large mail owner that belongs to NPPC estimates, for example, that just satisfying the requirements for the Basic options will require the modification of more than 120 software applications, at a cost of 20,000 programming hours and several million dollars.

The complexity of the dealing with these requirements has been exacerbated by the unresolved state of the IMB specifications and requirements. A manager at a large mail owner that belongs to NPPC has explained the difficulties of dealing with this moving target:

If [we] had not started the [Basic IMB] nearly a year ago our company would not be in a position to implement “Basic IMB” this year. The project has been a painful process because as changes to IMB are made by the USPS, it causes the project team to back up and re-evaluate design, requirements, cost to implement and so forth. It has been a time consuming and expensive approach to managing a project. This method is not the desired method to manage/proceed with the project. Not typical at all. . . . I truly think that IMB has the potential to be worse than CASS Cycle L for many mailers.

Moreover, funding a project of this scale typically requires high level corporate budgeting approval. For large mail users whose primary line of business (e.g., banking, insurance and telecommunications companies) is not postal, mail preparation is only one of many activities that must compete for corporate funding, and often must defer to matters of urgency more directly in the primary line of business. Major capital expenditures typically must be budgeted three months before the start of the company’s fiscal year—with a long lead time to get management approval. Corporations operating on a fiscal year that coincides with the calendar year typically locked down their capital budgets for 2008 by September 2007. And the business cases required for approval of particular capital projects in the capital budgets were typically presented to management in the first quarter of 2007.

The budgeting process cannot begin until the technical specifications of the Intelligent Mail functionalities and software are stabilized by the Postal Service and software vendors. Mailers cannot make rational planning and investment decisions without such information. Moreover, mail owners cannot seriously evaluate the investments needed to qualify for the Full Service version of Intelligent Mail until the Postal Service discloses the relative prices and/or discounts for mail entered under the Full Service and Basic options—and the relationship between those prices and the rates for mail entered at non-automation rates. Until the USPS discloses the relevant rate

differentials, its customers are unlikely to consider making investments needed for the Full Service option. Most mailers, even the largest, will simply move toward deployment of the Basic option.

Once the project receives funding approval, approximately 6-8 months of work will be necessary to deploy the software throughout the network of a typical NPPC mail owner. The work typically consists of approximately six months of design work, two months of coding, and three months of testing before systemwide installation can occur. Moreover, large “mainframe” corporate mailers allow new software to be introduced into a network only during a handful of pre-scheduled installation windows throughout the year. Corporate IT departments typically insist that software be received three months in advance of the next installation window. And many large corporate IT departments freeze their system software—i.e., accept no new software or changes—during an annual period that often runs from November through early January.

The flowchart attached as Attachment 1 illustrates the phases and timelines required by many large companies to support IT infrastructure structure projects comparable to Intelligent Mail. These time requirements are as real as the time that has elapsed during the development of Intelligent Mail within the Postal Service itself.

For all of these reasons, we feel constrained to point out respectfully that the January 2009 deadline currently proposed by the Postal Service appears quite optimistic and unrealistic. Instead, the USPS should adopt two interim deadlines as a pragmatic response to the inherent realities of this complex process. First, software vendors should be given a target date for delivery of full production-ready software (without patches) six months after the Postal Service releases fully documented

requirements for the software. Second, mailers should be allowed at least 12 months to implement the software once full-production-ready software (without patches) is actually made available by vendors. Moreover, if (as is not uncommon in projects of this complexity) either the Postal Service or software vendors slip in producing their deliverables, the deadlines imposed on mailers need to be adjusted accordingly.

As an alternative to imposing earlier deadlines, the Postal Service may also wish to consider providing incentives to mailers who switch to the IMB before the end of 2009. This alternative approach, apart from the general superiority of pay-for-performance incentives over command-and-control rules, is likely to generate less animosity among the Postal Service's customers.

Furthermore, the Postal Service should consider deferring the deadlines for implementation of the electronic documentation and FAST transportation scheduling requirements set forth in the ANPR. Those requirements are ancillary to and distinct from the IMB itself, and the IMB may be deployed before they are.

The Postal Service should resist the temptation to impose unrealistically short compliance deadlines on the theory that mailers are bluffing, and technological change will never occur without some grouching by end-users. Insisting on unrealistic deadlines would not only result in widespread noncompliance, but would also needlessly damage the viability of hard copy mail as a communications medium. And a second technological breakdown in two years could jeopardize the well-deserved improvement of the Postal Service's reputation as a reliable business partner. The problems created last year by the artificially short deadline for compliance with CASS L DPV deployment requirement are a foretaste of the difficulties that will ensue if the January 2009 deadline

remains in place. “Red jeopardy” for CASS L resulted in a great deal of political trouble within mailers’ corporate managements for the management teams whose responsibilities included compliance with Postal Service mail preparation requirements. Some mail production operations remain under special reporting burdens within their companies because of the legacy of ill will that resulted. A number of companies considered moving some of their First-Class Mail volume on line—and several companies ultimately did just that.

Continuing the cycle of compressed deadlines and significant financial penalties for failing to meet them in the context of Intelligent Mail will exacerbate the reputation that hard copy mail has begun to earn among corporate managements as a costly and risky communications channel. Big mainframe mail owners are already pushed over the edge in terms of meeting deadlines. Another 11<sup>th</sup>-hour crisis of the same kind will make increased reliance on the electronic and internet channels of communication an increasingly attractive, and necessary, move for corporate managers. Moreover, once the costs of the Intelligent Mail program draw the attention of the corporate budgeting review process, companies will reallocate resources so that unexpected costs for Intelligent Mail are offset by reductions in other costs of distribution and promotion. If the IMB program repeats the CASS Cycle L experience, the volume of communication that migrates from First-Class Mail to on-line channels is likely to swell.

**B. The Postal Service Needs To Collaborate With Its Customers To Ensure That The Deployment Of Intelligent Mail Reduces The Combined Costs Of The Postal Service And Its Customers**

Qualifying for either the Full Service or Basic Intelligent Mail options clearly will require mailer owners and mail service providers to incur additional costs for hardware,

software and process engineering. These costs will be justified only if the benefits to mailers from Intelligent Mail—whether from lower rates or higher quality of service (including new service offerings)—outweigh the additional costs. Stated otherwise, Intelligent Mail will be worth the cost and effort only if it reduces the combined costs of the system as a whole. Achieving this outcome, however, will require cooperation and communications between the Postal Service and its customers. Hence, the Postal Service needs to disclose, well in advance of Intelligent Mail deployment, the prices that the Postal Service proposes to charge for mail that (1) satisfies the Full Service Intelligent Mail option; (2) satisfies the Basic Intelligent Mail option; and (3) satisfies neither option.

Armed with this information, mailers can work collaboratively with the Postal Service to determine which requirements are likely to reduce the combined costs (with due adjustment for quality) of the system as a whole—and which are not. Without this exchange information, the outcome is likely to be needlessly costly and inefficient at best, and a litigation-inducing train wreck at worst.

**C. The Postal Service Must Comply With Constraints On Rate Increases Imposed By 39 U.S.C. § 3622(d).**

The Postal Service's implementation of Intelligent Mail must also comply with the statutory constraints on rate changes imposed by the Postal Accountability and Enhancement Act ("PAEA"). As the Postal Service is well aware, average rates for each class of mail normally may not increase at a rate faster than the changes in the Consumer Price Index. 39 U.S.C. § 3622(d). In determining whether rates for mail

classes with automation categories satisfy this constraint, the Postal Service and its customers must keep three considerations in mind:

First, changes in mail preparation requirements that forced substantial volumes of automation mail to migrate to higher-priced nonautomation categories would amount to rate increases. See *AT&T v. Central Office Telephone, Inc.*, 524 U.S. 214, 223-24 (1998) (rates “do not exist in isolation,” but “have meaning only when one knows the services to which they are attached”). If half of all First-Class Mail automation letters reverted to nonautomation presort rates, Postal Service revenue would increase by approximately \$1.1 billion per year. If half of all Standard Commercial Regular automation letters (excluding ECR and Nonprofit) reverted to nonautomation rates, Postal Service revenue would increase by approximately \$500 million per year. Those rate increases would need to be considered in determining whether the overall rates for a given class of mail remained in compliance with the 39 U.S.C. § 3622(d) cap.

Second, changes in mail preparation requirements that force mailers to incur substantial additional costs merely to *avoid* increases in postal rates are tantamount to rate increases in their own right.<sup>2</sup> The Commission, while declining to adopt specific advance rules on this issue, has made clear that it is sympathetic to the concerns raised

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<sup>2</sup> See, e.g., Docket No. RM2007-1, ANM-NAPM-NPPC Comments (April 6, 2007) at 7-9; DMA Comments (April 6, 2007) at 6; Mulford Associates (April 6, 2007) at 3; NNA Comments (April 6, 2007) at 10-12; OCA Comments (April 6, 2007) at 18-20; Pitney Bowes Comments (April 6, 2007) at 9; McGraw-Hill Reply Comments (July 30, 2007) at 6-7; Transcript of Kansas City field hearing (June 22, 2007) at 40 (Randy Stumbo testimony for Meredith Corporation); Transcript of Los Angeles field hearing (June 28, 2007) at 38 (John Carper testimony for Pepperdine University); Transcript of Wilmington field hearing (July 9, 2007) at 19-20 (testimony of Sr. Georgette Lehmutz for National Catholic Development Conference); *id.* at 30 (testimony of Daniel C. Emens for J.P. Morgan Chase).

by rule changes that would effectively shift substantial costs from the Postal Service to its customers, and the relationship of such cost shifting to the § 3622(d) index. See Docket No. RM2007-1, *Regulations Adopting A System of Ratemaking*, Order No. 26 (Aug. 15, 2007) at ¶¶ 2066-2067.

Third, *improvements* in the quality of mail service (e.g., through the improvement of read/accept rates, the reduction of UAA rates, and the availability of better and/or less costly information on mail performance and tracking) may warrant adjustments to § 3622(d) rate caps in the opposite direction.

Adjusting the § 3622(d) index to reflect both the increased costs and the benefits to mailers from Intelligent Mail will be a complex undertaking. We strongly urge the Postal Service to begin a collaborative dialog with mailers on this issue as soon as possible.

## **II. BARCODE REQUIREMENTS**

### **A. Mailers Should Have The Option Of Using The Mailer ID Of The Mail Services Provider Rather Than The Mail Owner.**

The Postal Service's January 7 ANPR suggests that each mail owner will be required to obtain its own mailer ID, even for compliance with the Basic Intelligent Mail requirements. This requirement is neither workable nor desirable. Rather, the Postal Service should leave to each mailer customer the choice between providing its own ID or the ID of a presort bureau or other mail services provider hired by the mail owner.

(1) Requiring each mail owner to obtain its own mailer ID (or IDs) is unworkable. Most of the mail owners served by presort bureaus and other third-party

mail services companies lack the expertise to satisfy mail preparation requirements as complex as those required for even the Basic version of Intelligent Mail. Indeed, one of the main reasons why mail owners outsource mail preparation to third-party vendors is to avoid the complexities and difficulties of dealing with CASS, Move Update and similar requirements. Service providers who are responsible for their clients' address quality, barcoding and mail preparation must receive USPS communications on these matters.

Large mail owners would face an additional difficulty. A single large mail owner may enter mail through several hundred separate vendors. Avoiding the duplication of mailpiece identifying numbers by such a large array of vendors would be an enormously complex and costly undertaking.

(2) Requiring third-party mail preparers to obtain individual mailer IDs for their customers as their agents would also be unworkable. Large third-party mail processors serve hundreds (and even thousands) of individual mail owners. Requiring a unique mailer ID for each mail owner would require mail processors to obtain several hundred to thousands of mailer ID's to cover their entire client base.

Moreover, large third-party mail processors are likely to have customers with both 6-digit and 9-digit mailer IDs. Applying barcodes with separate mailer ID for each mail owner would require segregating the mail of each customer before running the mail. The resulting operational bottlenecks would be severe. For example:

- For MLOCR runs of less than 5,000 pieces, entering the job information will take as much time as actually running the job. If the costs exceed the rate discounts that the USPS can offer, the result is likely to force a large volume of automation mail to migrate to the non-automation categories.

- Large presort bureaus and other mail services providers will not know the mailer IDs of mail presented by third-party print vendors (which often are competitors of the service providers that enter the mail). Nor will the letters be separated by mail owner. Unless the presort bureau can use its own MID or another MID furnished by the mail owner, the mail will be forced out of the automation mail stream.
- Requiring that mailpieces carry the MID of each underlying mail owner would preclude the reprocessing of rejected pieces, and the upgrading of upgradeable pieces to deeper levels of presort.

(3) For reasons discussed in section II.B, requiring mail processors to enter mail under the IDs of their customers raises serious competitive issues under 39 U.S.C. § 404a(a)(1) through (3).

(4) The Postal Service has offered no explanation for why it believes that forbidding mail processors from entering Intelligent Mail under their own IDs would injure any legitimate interest of the Postal Service. If the Postal Service believes that such reasons exist, the Service should identify them so that mailers may have a meaningful opportunity to be heard on this issue.

(5) Finally, if the Postal Service intends to charge for mailer IDs, it needs to provide a justification for the price (and, indeed, for charging anything more than a nominal transaction fee). The administration of a master list of numbers should not be expensive. Mailer IDs will help the Postal Service meet its Intelligent Mail volume goals, and should not have to underwrite the cost of a mailer ID repository merely to participate in the program.

**B. The Postal Service Should Refrain From Needless Collection Of Proprietary Customer Information.**

In implementing Intelligent Mail requirements, the Postal Service should refrain from asking for commercial information about its customers' businesses beyond the minimum requirements of implementing Intelligent Mail. Failure to limit such information requests would raise serious competitive issues. For example, draft applications for Mailer IDs circulated by the Postal Service have asked mailers to provide sensitive business information:

- "For what business opportunity are you planning to use the MID in addressing?"
- "Describe the business challenge that you are trying to address through the use of an MID."
- If applicant is seeking to obtain MID for mail owners or agents, the identities of those downstream customers.

We also understand that Postal Service employees involved in the Intelligent Mail project have been trained to ask for similar information in phone conversations with mailers.

The problem with inquiries of this kind is that the Postal Service is an actual or potential competitor to third-party mailer service providers as well as a supplier to them. Postal Service sorting services compete with presorting performed by mail owners or outsourced to their third-party mail processors. Transportation services provided by the Postal Service compete with transportation services supplied by mailers or third-party vendors. Value-added resellers of Confirm service provide data compilation, interpretation and reporting services that the Postal Service may be tempted to offer

itself in competition with those vendors. Commercial information about the identities and volumes of the customers of third-party mail processors, and the “business opportunities” or “business challenges” that prompt mailer owners to adopt IMBs, would enable the Postal Service to position its products and rate—and mail preparation requirements—to leverage its market power over mail delivery into adjacent services such as mail sorting, mail transportation, Confirm reporting and other ancillary services currently provided by third-party vendors.

The Postal Service has recognized the competitive sensitivity of customer-specific volume information when the proposed disclosure was in the other direction. In Docket Nos. R2001-1, R2005-1 and R2006-1, for example, the Postal Service argued successfully that the daily volume information associated with a Postal Service-FedEx transportation contract should be subject to protective conditions because “Postal Service competitors could use such [volume-related] information to transport or otherwise position their products in such a way as to compete unfairly against the Postal Service. The same holds true for competitors of FedEx.”<sup>3</sup> “Also, both the Postal Service’s and FedEx’s ability to enter into transportation alliances with others may be adversely affected if knowledge of such things as Postal Service volumes carried by

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<sup>3</sup> Docket No. R2006-1, Motion of the USPS for Waiver and For Protective Conditions For Library Reference That Includes Costs And Other Data Associated With The FedEx Transportation Agreement (filed May 3, 2006) at 2; Presiding Officer’s Ruling Granting Motion For Waiver And Protective Conditions (June 15, 2006) (granting motion for protective conditions); *accord*, Docket No. R2005-1, Motion of USPS for Waiver And For Protective Conditions (filed May 9, 2005); Docket No. R2001-1, Motion of USPS for Waiver and For Protective Conditions (filed Sept. 24, 2001), at 3; Presiding Officer’s Ruling No. R2001-1/5 (Oct. 31, 2001) (granting motion); Docket No. IM99-1, Order Approving Requested Access to Global Package Link Data (issued April 21, 1999).

FedEx and planned volume growth rates under the contract are widely disseminated.”<sup>4</sup> The same logic applies to disclosure to the Postal Service of volumes and other proprietary information relating to contracts between mail owners and mail service providers that compete with the Postal Service.

Section 403 of PAEA, codified at 39 U.S.C. § 404a(a)(2) and (3), bars the Postal Service, unless specifically authorized by law, from (1) compelling the “disclosure” of “proprietary information” or (2) “obtain[ing] information from a person that provides (or seeks to provide) any product, and then offer[ing] any postal service that uses or is based in whole or in part on such information, without the consent of the person providing that information, unless substantially the same information is obtained (or obtainable) from an independent source or is otherwise obtained (or obtainable).” More generally, Section 404a of PAEA forbids the Postal Service from

establish[ing] any rule or regulation (including any standard) the effect of which is to preclude competition or establishing the terms of competition unless the Postal Service demonstrates that the regulation does not create an unfair competitive advantage for itself or any entity funded (in whole or in part) by the Postal Service.

*Id.*, codified at 39 U.S.C. § 404a(a)(1).

NPPC, like many other mailers, seriously doubts that these provisions allow the Postal Service to require its customers to disclose competitively sensitive information such as the “business opportunity [for which] are you planning to use the MID in addressing”; “the business challenge that you are trying to address through the use of an MID”; or the identities of the downstream customers served by the presort bureaus,

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<sup>4</sup> Docket No. R2001-1, Motion of USPS for Waiver and For Protective Conditions (filed Sept. 24, 2001), at 3.

letter shops and other firms to which mail owners outsource their mail preparation responsibilities. If the Postal Service disagrees on this point, we strongly urge it to enter into a dialogue on this issue before proceeding further.

### **C. Mailpiece Barcode**

Beyond the basic problems raised by requiring mailer IDs to be issued in the name of mail owners rather than third-party processors, the Postal Service's IMB requirements for mailpieces raise two other issues.

First, the Postal Service needs to clarify what mailers should do for addresses that do not elicit an 11-digit ZIP code from CASS. As the Postal Service is undoubtedly aware, CASS-certified software does not always return 11-digit ZIP codes for valid addresses. Mailers should not be penalized when this occurs.

Second, the "uniqueness" requirement should be satisfied by considering the 11-digit routing code in conjunction with the mailpiece serial number, rather than considering the latter alone. Failure to do so could prevent many mailers from preserving the uniqueness of mailpiece identifying numbers for the full 45-day period. This is because six-digit serial numbers for mailers with 9-digit mailer IDs would be exhausted after only 999,999 pieces, a number that is likely to be insufficient for a sizeable share of the mailers who receive 9-digit mailer IDs. This is a major issue for MLOCR mailers who generate large mailings that combine the mail of both large and small customers.

There are multiple ways for users of mainframe computers and MLOCR sorting equipment to generate mailings with uniquely identified mailpieces. So long as the

mailer can show that it has used an effective method for assigning a unique identifier to each mailpiece, the Postal Service should refrain from specifying in advance how mailers must achieve this result.

#### **D. Tray And Container Barcodes**

Apart from the mailer ID issues discussed above, a number of other issues relating to tray and container barcodes need clarification:

(1) The Postal Service still needs to publish final specifications for tray labels for the Full Service version of Intelligent Mail. The Postal Service published changes in the requirements as recently as January 28, 2008.

(2) The Postal Service needs to determine whether IMB tray labels have acceptable read/accept rates. Tests of such labels by sophisticated vendors have revealed that current read rates are low.

(3) The Postal Service has failed to explain how container label requirement can be implemented for continuous mailers, who often have multiple trucks dispatched throughout the day. Routing information for such trucks is typically determined at the local level, based on the real-time volume of mail and truck capacity.

(4) Specifications should be finalized for pallet labels, including the required placement of the placard, and its exact Intelligent Mail Barcode specifications. Placards currently accepted by local Business Mail Entry Units often deviate from Domestic Mail Manual guidelines.

(5) Requiring color coding on container labels is unreasonable. Satisfying the requirement would require a very large amount of color printing capacity. There are other, less costly, ways to assist scanning equipment focus on the label.

(6) Pallet requirements need to be frozen before mailers can begin work on process changes.

(7) Specifications should be finalized for placement of pallet tags (e.g., inside or outside the shrink-wrap). Some mailers have been placing barcodes inside the shrink-wrap for years, and report that those barcodes have been read quite successfully. Other mailers have received information indicating that scan rates for pallet barcodes are low, and need improvement. This issue needs to be clarified before pallet tag specifications are finalized.

(8) The USPS should reconsider any requirement that multiple mailings be combined onto common pallets based on the proposed separations. Holding such mail for consolidation could greatly increase space requirements for mail processors, without any significant cost savings documented by the USPS. Holding mail for consolidation would also defeat one of the main purposes of worksharing by slowing the entry of acceptance-ready mail into the mailstream.

(9) Software needs to be developed to link mailpieces to virtual trays to physical pallets, or to reconcile physical and virtual trays in the mail.dat files in an MLOCR environment.

(10) The changes for the container/pallet label requirements are still not yet defined. NPPC believes the changes will be of sufficient magnitude to warrant a

separate notice and comment process. Therefore, we respectfully request that the Postal Service disclose the details of the complete requirements for the pallet requirements, when finalized, give an adequate opportunity for mailer comments on those proposed requirements, and address fully any concerns raised in the comments.

**E. Reply Mail (CRM, BRM, remittance mail) Should Be Exempted From The Intelligent Mail Requirements.**

The Postal Service should clarify that Courtesy Reply Mail, Business Reply Mail, Qualified Business Reply Mail and remittance mail are exempt from the Intelligent Mail requirements. First, unless a mailer is tracking inbound mail, requiring the use of IMBs on reply mail offers no meaningful advantages over existing barcodes.

Second, there is no way to give a unique identifier to preprinted stock so as to tie it to a specific customer account. Hence, the only way to put a unique identifying number on each mailpiece would be to migrate to window reply mail. That would require massive programming changes for some applications.

Third, the lead time for ordering and exhausting the inventory of mailpiece stock can be as much as six months for outer envelopes. Some mailers have over a year of inventory on hand.

Fourth, envelope manufacturers will not be able to fulfill the demand for new stock if the required specifications are not finalized until later in 2008.

Fifth, the equipment used for payment processing will need to be modified as well. It is unclear when the major vendors will be able to do so.

Finally, mailer owners and mail processors have not budgeted for this expense. Those costs still need to be justified to corporate managements. NPPC strongly recommends at least 12 months between the implementation of the IMB for the mailer and effective date of any IMB mandate for BRM/CRM to ensure that the industry has adequate time to deal with all aspects of this change.

### **III. ELECTRONIC DOCUMENTATION**

Apart from the mailer ID issues discussed above, a number of other issues relating to electronic documentation need clarification:

(1) The requirements and specifications for the required electronic documentation and IMB-compliant mail.dat files need to be finalized and made public. Until this is done, vendors cannot make much progress on the necessary software.

(2) Once the mail.dat specification is finalized, the Postal Service needs to verify that its own *PostalOne!* and business mail acceptance processes will be ready for a Jan. 2009 implementation date, and that the Postal Service will have the capacity to process and store the resulting files, which will be very large.

(3) Documentation procedures need to be developed for several major existing mail entry arrangements not explicitly covered by the proposed rules:

- Mail that is entered continually through the Postal Service's Optional Procedures ("OP").
- Mail that is presorted through a combination of MLOCR sorting and manifesting presort software.

- Mail entered through other customized acceptance and payment arrangements developed by agreement with the Postal Service over the past several decades.

In these environments, much of the data required by the proposed rules would not be available until after close out or at the time of loading the mail on the dock. Moreover, mail that is collected through standing pickup arrangements should not require scheduling through a website.

(4) The Postal Service needs to specify how on-site verification processes will change for a Full Service IMB provider. In particular, will Postal Service clerks have access to the *PostalOne!* information? And will the mailer still need to provide hard copy reports and documentation?

(5) The Postal Service needs to specify when verification will close, and how mailers and the Postal Service will manage errors that are first identified shortly after verification is complete.

(6) The Postal Service needs to identify the planned roles for eDoc and for withdrawing funds from CAPS, and how those systems will be affected by IMB. Likewise, the future role of MERLIN in an Intelligent Mail environment should be clarified.

#### **IV. FAST APPOINTMENT SCHEDULING**

The Postal Service has proposed to require FAST appointment scheduling as a component of Intelligent Mail. This raises a number of issues:

(1) FAST is not now used for First-Class Mail, and the Postal Service has not yet published final specifications for expanding FAST to cover First-Class Mail. See MTAC Workgroup 102 Update, *Advance Notification, Streamlined Acceptance & Visibility for First-Class Mail* (Nov. 2007). The Postal Service should do so before seeking further comments on the merits of requiring use of FAST for all First-Class Mail entered at automation rates.

(2) First-Class mailers typically generate the data for Mail.dat/Web Services only a few hours before presenting the mail. Transmission of the data to the USPS may occur within an hour before the mail is accepted and loaded into the trucks. By then, the trucks typically have already reached the mailers' docks. How will the use of FAST help with planning mail pick-up in these circumstances?

(3) The Postal Service needs to clarify several issues relating to the use of FAST for appointments at local USPS plants covered by existing plant load drop ship agreements. How will the use of FAST improve the management of Postal Service and mail transportation resources? Will this information be required in each mail.dat file? And what happens when truck on multi-stop route is delayed at previous facility on route?

(4) Similarly, the Postal Service needs to clarify how a FAST requirement would work for origin-entered mailings verified at a Detached Mail Unit. Large mailers with DMUs generally have static dispatches in place. In this environment, both the Postal Service and the mailer continually cooperate to adjust transportation dispatches to accommodate fluctuations in outgoing mail volume. How will FAST requirement apply to unscheduled intermittent mailings at sites that lack regularly scheduled

Standard mailings? And how would the mandatory use of FAST improve on these arrangements?

(5) Many mailers have worked out agreements with local officials re Critical Entry Times based on the mailers' volumes and time-of-day volume profiles. How will FAST accommodate these arrangements?

## **V. BENEFITS TO MAILERS**

The ANPR suggests that mail entered in compliance with Full-Service Intelligent Mail requirements will qualify for extra services not available to mail that satisfies only the Basic requirements. Some of these benefits will be free (ACS and start-the-clock information); others will be optional at extra cost (granular performance information). Offering extra benefits in exchange for more elaborate and costly mail preparation activities is certainly a reasonable tradeoff. But mailer owners and their suppliers will not be able to make informed decisions about whether to incur the added costs of the Full-Service option until the Postal Service discloses the rate differentials (if any) between the two options, the nature of the "free" extra services that Full Service IMB users will receive,<sup>5</sup> the fees that the Postal Service proposes to charge for optional services offered to Full-Service mailers (and the bases for those fees), and the rate differentials between automation and non-automation mail. The same information is also necessary to enable the Postal Service's stakeholders to determine whether the new menu of rate and service offerings satisfies the lowest-combined-cost test and the

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<sup>5</sup> For example, free ACS information will have value for mailers if the return codes and reason codes are included in the base product, but will be largely valueless otherwise.

rate constraints of 39 U.S.C. § 3622(d). We urge the Postal Service to disclose the relevant information and begin a dialogue with its stakeholders on these issues.

## **CONCLUSION**

The Intelligent Mail initiative is tremendously promising, and the Postal Service merits praise for both conceiving the initiative and investing time and resources to move it forward. For Intelligent Mail to succeed, however, the Postal Service needs to coordinate its efforts with large mail owners, major mail processors, and software and hardware providers.

The current target deadline of January 2009 is overly optimistic in light of the tasks that the Postal Service's stakeholders must perform before they can play their appointed role in Intelligent Mail. Before most large automation mailers can adopt even the Basic version of Intelligent Mail, the Postal Service needs to finalize the relevant specifications; third-party vendors need to finalize the necessary software and hardware; and mailers (including mail services companies) must obtain corporate funding for the project and perform the necessary design, development and testing. Hence, NPPC strongly recommends that the Postal Service extend the proposed deadline to a more realistic time determined in consultation with mailers (including mail services companies) and vendors.

Finally, NPPC respectfully requests that the Postal Service work with its stakeholders to resolve as quickly as possible both the general process issues and specific technical issues raised in these comments.

Respectfully submitted,

/s/

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February 21, 2008

## **ATTACHMENT 1**

# PROJECT TIMEFRAME FOR COMPLEX MAIL OWNER ENVIRONMENTS

The following is an example of timeframe requirements for USPS requirement changes to be introduced into mailer company systems:

**This example supports:**

- ✓ **Mail Owner with internal Mail Manufacturing Facilities**
- ✓ **Large / Complex IT Systems**
- ✓ **Multiple vendor and internal stakeholders impacted**
- ✓ **Company Focus is not Mail**

*Note: For many large companies, budget requirements are usually finalized the quarter prior to a new year. Utilizing finalized requirements, a significant project such as the USPS IMB Strategy, would be prioritized against all significant projects planned for the following year. Without finalized and documented requirements for IT analysis, accurate resource and budget needs can not be defined. Failure to include these finalized estimates results in a significant drop in priority for the project and resource assignment. When the finalized requirements become available, the project will then have to be 'forced' into an already full schedule, resulting in significantly higher costs and often requiring management escalation. When upper management is enlisted to force yet another USPS project into the project schedule, they often cite this ongoing situation as yet another reason to accelerate customer transitions to online invoicing and overall the USPS is likely to be viewed as unreasonable and difficult to do business with.*

# MAIL OWNER - Project Schedule Timeline

Below outlines an example of the timeline required by many large companies to support IT Infrastructure Projects for mailing changes. **Note: In order to begin the evaluation stage – USPS requirements must be finalized and vendor solutions available to the market. Requirements that drive mailer infrastructure changes or new hardware could significantly extend this timeline. USPS or vendor requirement changes, introduced after the project start, creates delays and increases project costs due to re-work, which are not defined below.**

