

December 31, 2012

MTAC Task Team #19
Intelligent Mail Package Barcode (IMpb) Compliance Process and Thresholds
Recommendations

Background

Package customers are challenged with meeting all elements of the IMpb requirements when the rules are implemented on January 28, 2013. To assist Package Customers in meeting requirements, compliance thresholds will be established. These thresholds would gradually increase as customers align with IMpb requirements and USPS further develops its capabilities and deploys equipment to fully utilize the intelligence within the IMpb and its associated requirements. In addition, additional time is required to implement automated processes to assess IMpb compliance and any warranted price adjustments.

There are 5 Key Elements needed for IMpb Compliance:

1. An IMpb barcode on all packages
2. Use of Shipping Service File 1.6 or higher
3. A destination Zip + 4 Code or delivery address in the Shipping Services File
4. File transmission prior to actual receipt of parcels by USPS (prior to Carrier Sort)
5. Barcode Scan Quality

The last two items – file transmission and barcode scan quality -- are not explicitly called out in the IMpb Final Rule although they are inherent to compliance. The thresholds for these two items will be established separately on a different time table from the core three IMpb requirements.

Recommendations

MTAC Task Team #19 recommends USPS take the following actions to ease customer and USPS pain points in implementing IMpb requirements which take effect January 28, 2013.

1. Extend the transition period for IMpb requirements an additional six months
2. Allow customers to retain presort and destination entry pricing through the extended transition period
3. Establish tolerance thresholds for each of the three key IMpb compliance elements and effective dates for same
4. Monitor performance for the remaining two items -- file transmission and barcode scan quality-- for 12 months, establishing thresholds after experience and knowledge is gained by the industry
5. Establish price adjustments for packages that fail to meet IMpb compliance requirements after the extended six month transition period
6. Phase in gradual increases in tolerance thresholds and price adjustments
 - Part 1 – January 28, 2013: Measure and report performance against thresholds
 - Part 2 – July 28, 2013: Enact price adjustment for non-compliant packages. Industry representatives recommend price adjustments for ZIP+4 Code or address information

only apply to packages in ZIP Codes where such data can be used for carrier route sortation.

- Part 3 – January 28, 2014: Higher thresholds enacted for the three key IMpb requirements. MTAC TT#19 reconvenes in Quarter 1 of calendar year 2013 and recommends thresholds based on performance and experience.
 - Part 4 – July 29, 2014: Enact Thresholds for file timeliness and barcode quality. MTAC TT#19 reconvenes Spring 2014 and recommends thresholds based on performance and experience.
7. Establish review check points in the first quarter of calendar year 2013 to assess compliance trends and determine any mid-course corrections (goes with Part 3 and Part 4 for item #5)
 8. Measure and provide customers regular, actionable feedback on compliance performance (weekly/monthly) –
 - USPS needs to consider the volume of customers and communicating this information to small volume, infrequent shippers. Managing this could be challenging for USPS.
 9. USPS establish a price adjustment(s) for packages failing to comply with IMpb requirements instead of current pricing model that excludes packages from any discount pricing
 10. USPS modify its systems to allow Mail.Dat file use as an option to meet manifest requirements, instead of Shipping Service File Version 1.6 (SSFv1.6) or higher by July 28, 2013.
 11. USPS modify its Shipping Partner Event File to include address and ZIP + 4 information as an option to meet requirements for this data
 12. USPS modifies its systems to establish automated processes to assess and apply price adjustments for non-compliant packages
 13. USPS establish a reconciliation process that allows customers and USPS to agree on any price adjustments resulting from non-compliant packages, similar to that used for customers paying via eVS
 14. USPS establish a dashboard that allows customers to view non-compliant packages, similar to that afforded eVS customers
 15. Exception requests are still required for customers unable to meet IMpb requirements that take effect January 28, 2013. Specifically these requirements are:
 - An IMpb on all packages
 - Until January 2014, this requirement may be met by applying a unique tracking barcode or Extra Services barcode
 - Use of Shipping Service File version 1.6 or higher
 - A destination Zip + 4 Code or delivery address in the Shipping Services File

USPS expressed plans at the November 2012 MTAC Session to postpone price assessments for non-compliant packages or file data until July 2013. To encourage customers to continue using USPS Shipping Services, price adjustments for non-compliant packages will be pursued rather than considering non-compliant packages to be ineligible for Presort or Destination Entry Prices.

Recommended Tolerance Thresholds

Effective July 28, 2013, MTAC TT #19 recommends tolerance thresholds be implemented as follows with graduating percentage increments over time. Price Adjustments would apply to the percentage of packages falling out of tolerance, up to the respective tolerance thresholds. The thresholds will be as follows for domestic package volume:

- 90% of all packages must have an IMpb
 - Until January 2014, this requirement may be met by applying a unique tracking barcode or Extra Services barcode
- 90% of all packages must be manifested in Shipping Services File Version 1.6 or higherⁱ
- All packages must have a Zip + 4 Code or delivery address in the shipping services file
 - Industry recommendation 70% given the past history of USPS implementation of similar rules and the current level of information provided by package shippers is only at the 5-digit level
 - USPS recommendation is 90%. USPS signaled to industry 2 ½ years intentions to require this data and enacted rules nearly 18 months ago without dissention over this item. We recognize some customers face challenges and are willing to work with same on a case by case basis, providing time extensions where needed.

Recommended Price Adjustments

The Industry recognizes there are existing surcharges in place today for certain mail classes. Examples are below:

1. Std Mail Automation Letters vs Non-Auto Machinable prices range \$0.003 to \$0.023.
2. Std Mail Automation Flats vs Non Auto Flats prices range from \$0.037 to \$ 0.057.
3. Std Mail Marketing Parcels Non-barcoded surcharge is \$0.064*.

(* Not applicable if sorted to a 5 digit)

Price adjustments would be applied to packages falling outside established thresholds. The industry would like to see recommended price adjustments within the above ranges. However, USPS Task Team members emphasized any price adjustments would be established by Pricing and align with any applicable laws for Market Dominant products.

The industry further recommends that USPS should not apply price adjustments to any packages where technology has not been deployed to capture and use ZIP+4 or address information to sort to the Carrier. This approach is not recommended by USPS participants as the expectation is the technology in some form will exist at all locations eventually and the value of the data is beyond the carrier route sort. A deployment schedule has been requested.

ⁱ PRS packages do not require ZIP+4 Code or address information in Shipping Services File 1.6.