

MTAC Task Team # 21 Single Piece Residual / Retail Rate

Final Recommendations Report

February 14, 2013

MTAC Task Team #21 Leaders:
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Industry – Sharon Harrison / Bob Schimek

This document contains the final recommendations from the Mailer's Technical Advisory Committee (MTAC) Task Team #21 – Single Piece Residual:

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1: Final Recommendations:

1. **USPS should consider reviewing the pricing strategy to align the Residual and Retail Single Piece rates**
 - ✓ The team felt there should be a greater incentive offered for Residual SP rate. Industry noted that by enabling mail to be presented in trays, validated and accepted, palletized and in many cases with many of the automation requirements fulfilled – this should warrant additional benefits to the USPS vs. SP dropped in a blue box.
 - ✓ Benefit of proposal: This would significantly minimize confusion and complexity of this single piece mail and eliminate USPS concerns regarding mailers “gaming” the system.
2. Depending on the solution proposed for modifying the pricing strategy on the #1 recommendation – will determine if the following recommendation is needed:
 - ✓ Allow all customers the ability to choose between the Commercial Residual Rate option and/or the Retail Single Piece option on the same postage statement with their automation/presort mailings. Commercial residual pieces would be recorded on B4 and Retail single piece on B5. Allowing these to be presented together.
3. The USPS should re-evaluate comingled metered mail pricing impacts and determine improved solutions needed to minimize additional tabulation and separation requirements within the MLOCR environments. It was noted this item has been submitted to a separate MLOCR sub-group of the PostalOne User Group to resolve this current challenge.
4. The USPS to provide DMU/BMEU Training and modify any required DMM language to support and accept less than 200 pieces in either the Residual or Retail Single Piece postage statements for First-Class or Standard Mail, so that mail issues and churn can be minimized.
 - ✓ USPS agreed to accept less than 200 pieces in either residual or retail postage statements so that it would minimize churn/issues with mailers. The USPS confirmed no additional markings will be required. The USPS needs to ensure the DMU/BMEU is instructed correctly on this approach to support this intention.

- ✓ The DMM rules need to be changed for permit imprint / 200 piece / 50 lbs. The USPS will need to modify the required DMM language to support the USPS stated intention and agreement with industry.
5. A new Task Team is proposed to evaluate and modify the approach for determining the timing requirements to establish new products or major changes submitted to the PRC (Postal Regulatory Commission) for consideration and the implementation schedule.
 - ✓ The current timeframe does not allow adequate time to support quality deployments to evaluate product changes, clarify business requirements, code, test, and deploy software changes to industry prior to production releases.
 - Industry felt earlier consultation could occur on proposed conceptual approaches, with multiple options considered being shared, to enable earlier assessment of business and industry impacts.
 - Example of timing concerns was shared - Product Samples published on 12/20/12 with deployment in January was an example of timing concerns shared by the team.
 6. Any future system validations and/or modification intended for PostalOne, to support the Residual /Retail SP Rates, should be shared with the MTAC PostalOne! User Group 1. Industry vetting will help to ensure the appropriate awareness and alignment for timing and deployment with industry of any further PostalOne code modifications.
 7. As a lesson learned, the USPS should evaluate if improvements could be made to more timely communicate final documents to industry. The First-Class Mail Letters Commercial Residual Pieces & Retail Single Piece (External Version) communication document, which explained the various conditions for considering the SP approach for the January rate change, was not published on RIBBS until 1/24/13. This document was completed and shared with the Task Team on 1/16/13. It is not clear what caused the delay in publishing the final document to the mailing industry, which minimized the amount of time for mailers to be familiar with the final SP approach.

2: Background

Background on USPS Rate Case Filing

The USPS filed with the Postal Regulatory Commission (PRC) to implement new rates in January 2013 to establish a new Commercial Single Piece (SP) rate called Residual Single Piece. This new rate is to allow both 1 & 2 ounce mail at the cost of \$.048 each. The USPS will maintain a Retail Single Piece rate, called Machineable Single Piece at \$.046 for only 1 ounce mail. The 2nd ounce for Retail Single Piece will be \$.66. The additional ounce rate is \$0.20 per ounce, so a 3 ounce mail piece will be \$.86. The USPS will allow up to 3.5 oz. for First-Class Mail at the Retail Single Piece rate. Both First-Class Mail and Standard are impacted differently with this change.

Market Dominant Products (First Class Mail, Standard Mail, etc.) – PRC Filing:
<http://www.prc.gov/Docs/85/85334/Notice%20Package.pdf>

(From Page 15 of the PRC Filing):

In this docket, the Postal Service introduced a new single-piece price for single-piece residual letters. These letters are mainly permit imprint letters which for one reason or another do not meet the presort requirements and end up paying the single piece price,

including charges for additional ounces for heavier pieces. The new price will be 48 cents for up to 2 ounces. **This proposal solves a logistical problem for bulk mailers and mail service providers.** In the last docket the Postal Service proposed a free second ounce for all presort letters (non-automation and automation) as a retention strategy to make the mail piece more valuable. As a result of this change, mailers were preparing mailings with the 1 ounce and 2 ounce pieces combined. As long as these pieces ended up in the presort mail stream, there was no postage impact. However, for the residual pieces that did not end up in the presort stream, additional work was required to separate out the 1 and 2 ounce pieces to accurately calculate the postage.

The proposed uniform price will **allow the mailers to pay postage for these pieces without having to go through the trouble of separating the 1 and 2 ounce pieces.** A higher price of 48 cents allows the Postal Service to recover the lost additional ounce revenue while making it easy for the mailers to pay accurate postage. This 48-cent price is applicable to all the residual pieces weighing up to 2 ounces. A residual letter-shaped piece that weighs more than 2 ounces will pay the first ounce price of 46 cents and 20 cents for each additional ounce. Therefore, a 3-ounce residual piece will pay 86 cents, 46 cents for the first ounce and 20 cents each for each additional ounce.

Industry Noted Concerns:

First-Class Mailers were surprised when the rate filing included a higher rate for the Commercial/Residual SP rate for 1 & 2 ounces than the retail SP rate. Since previously industry did not receive signals from the USPS that this rate could be higher it was never assumed this would be the USPS approach/position. If mailers would have understood this potential conceptual pricing variance approach sooner, industry could have immediately shared concerns and resulting impacts. Especially for some mailers that have a high percentage of 1 ounce mail - this was not good news and many mailers began looking for the workarounds to reduce the 1 ounce Commercial SP impact cost increase of \$0.46 to \$0.48 cents.

The MTAC PostalOne! User Group learned that the USPS would require a separate postage statement and separate preparation for First-Class Mailers that want to pay the SP retail rate for 1 ounce mail. Unfortunately, the separate statement requirement was noted that it would cause mailers to; separate out SP from their other jobs - **resulting in more USPS verification time required**, create more pallets of separated SP mail – **resulting in more MTE usage and less capacity on USPS trucks/transportation used**, create additional eDoc files for SP jobs – **resulting in less value add of transmission of data files to the USPS**, etc. Ultimately, this current option negatively impacts mailers and the USPS under excessive conditions. Additionally, MLOCR /Presort Vendor complained that they have similar issues and impacts which will require that they continue to separate the ounce rates, ultimately not obtaining the original objective of the USPS to make this less complicated for MLOCR users.

Initial Industry Proposal from early November 2012:

Industry initially proposed that the USPS should reconsider the deployment changes for the January 2013 implementation by;

1. Change the approach and enable the presentment of SP Retail 1 ounce mail on the same statement with Commercial rate 2 ounce mail - along with SP Retail 3 ounce mail that will already be permitted on the same statement, or
2. Not implement this Commercial SP Rate increase change in January - pending further analysis to determine the complete impacts and next steps.

Vendor / USPS Architectural Discussion:

Industry with the USPS discussed some of the cause of this gap. The vendor community shared that the USPS had originally requested having a separate rate type within Mail.Dat. It was discussed that within Mail.Dat it is possible to do what the USPS is wanting. The vendors have indicated that architecturally adding another rate type isn't the right answer and doesn't solve the problem with the implementation. The team discussed that if everything is 1 ounce you pay .46 cents then PostalOne! can look at this to determine the right value. The USPS can also determine this by looking at other fields in the mail.dat (MPU: Rate Schedule). The USPS has stated that industry rejected this change. Industry has stated that this rejected request is not the source of the problem. Additional discussion will be needed on this topic.

November MTAC Session – Escalation with USPS:

During the MTAC Focus Area sessions several items were discussed between industry and the USPS Leadership:

- Jeff Williamson, USPS VP Pricing, shared **it was never the USPS intention to have a mailing of all 1 ounce pieces pay the \$.48 cent rate.**
- It was noted there is a significant disconnect between what PostalOne! is implementing for this change and what is published in the Federal Register Notice.
- It was acknowledged that many mailers will separate out 1 ounce mail to a separate statement, since that will be required for some mail types anyway.
- USPS indicated they are making too many changes too late in the process and the USPS stated they are unable to make any changes prior to the January rate change. The unwillingness to consider any change is forcing even larger changes to be put on the shoulders of the software providers, which will result in impacts for both January and a future release for the mailing industry, vendors, and the USPS.
- USPS has a release overview schedule and the USPS is trying to stick to this approach in working with the various impacted entities. These schedules are now strictly adhered to. USPS believes this is important to include.
- As a result of industry concerns, a Task Team was developed to evaluate impacts and determine next steps.

3: Issue Statement

Recommend a technical solution for preparing, documenting and presenting single piece residual mail in a commercial mailing for First-Class and Standard Mail.

Area of Focus:

- Evaluate mail preparation to determine optimal preparation for single piece residual mail.
- Evaluate postage statements and electronic documentation to determine optimal recording of single piece residual mail.
- Evaluate cross-section of mailing environments to include MLOCR, List, Combined, Copal etc. to ensure recommendation applies across mailing stakeholders.
- Clearly define what will be occurring in January and what will be occurring in any future release.
- Provide a recommendation on how to eliminate issues like this from occurring in the future.

Additional Concerns Identified by Task Team, includes:

1. On January 10th the USPS identified some specific conditions where testing did not provide the expected results. With limited time, the task team urgently met to discuss what would need to be resolved by the USPS prior to the production release. The below statement was escalated with the USPS for consideration and resolution.

The mailers and vendors instruct the USPS that the Postal Service needs to fix the Mail.dat & Mail.XML issues related to Commercial Single Piece and not push it to multiple vendors and mail owners. The USPS can fix this once versus it being fixed hundreds of times by others. The cost and effort will be significant with industry to bear compared to the USPS fixing this once.

Ultimately the USPS agreed to work to resolve these issues on their side, prior to the January release. The team identified that the limited timeline/schedule between the PRC filing to when the production change is required is not adequate to effectively evaluate, test, and resolve the various technical and business rule changes between the USPS, vendors and mailer deployment.

2. In early January, the USPS also filed with the Postal Regulatory Commission (PRC) a clarification to the original filing, which was in conflict with the previous statements made to the Task Team about the correct pricing for 2nd ounce only mail. This caused additional confusion to industry about the approach. Follow-up clarifications by the USPS were needed. Details regarding the PRC filings can be found at www.prc.gov – Docket Search for MC 2013-30.
3. It is not understood by Industry what caused the major delay in communicating to industry the document created to help describe and align industry with the Single Piece Residual/Retail approach. As of January 23rd, there was no formalized communication to industry on where this information can be located. Industry shared the concern that vendors/mailers will need to fully evaluate this prior to the January 27th deployment to minimize issues. A follow-up clarification by the USPS was needed to address this outstanding concern.

4: Impact on Other Issues / Procedures

The task team discussed and determined impacts for the following areas:

- Mail Preparation, Acceptance & Verification
- Postage Statements, Mail.dat, Mail.xml, Postal Wizard
- Software Providers, Mail Service Providers, Mail Owners, Mail Preparers
- *PostalOne!* Impacts
- Permit Imprint, MLOCR, Metered Mail
- Co-Palletization, Palletization, CSA's
- First-Class & Standard Mail

5: Desired Results

MTAC Task Team to recommend a technical solution for preparing, documenting and presenting single piece residual mail in a commercial mailing for First-Class and Standard Mail by February 22, 2013.

Desired End-State from Industry:

- ❖ Re-evaluate rate for Residual Single Piece – to be the same as SP Retail.
- ❖ Postage Statement to report retail 1 ounce single piece and retail 2 ounce single piece as separate items on the same postage statement & also support residual 1 & 2 ounce blended on same postage statement.
- ❖ Mail Presentment and Acceptance allow in same tray (1-3.5 oz.) regardless of the SP rate claimed (Retail or Residual/Commercial)

Desired End-State from USPS:

- ❖ USPS may want to reconsider how to address above 2- to 3.5 ounce about the presentment of mail in tray and possibility of combining with 1 & 2 ounce pieces.

6: Task Team Membership/Meetings:

Task Team Leaders: USPS – Lance Bell, Steve Monteith, Becky Dobbins
Industry – Sharon Harrison & Bob Schimek

MTAC Sponsors: Pritha Mehra, Jeff Williamson, Dale Miller, Angelo Anagnostopoulos,

Task Team Members:

Members of the task team represented all areas of USPS support (Pricing, Product Development, Payment, Policy, Technical, Business Mail Acceptance, etc.) along with industry representatives that included Mail Owners, Mail Service Providers, MLOCR Mailers, and leaders from the various vendor/suppliers.

The Task Team met for 12 meetings from 12/7/12-2/4/13. The team reviewed the issues, identified area required for modification, worked to clarify requirements, participated in various testing scenarios, identified gaps, supported the development of a communication document published to help identify options for mail presentment and payment, and supported the final team recommendations.

The Task Team Leadership also facilitated several meetings with the MSDG, IDEAlliance, and PostalOne! User Group, which discussed and aligned on clarifications and impacts.

The full list of member participants can be found under Item #9 – Team Contacts, which includes both the team roster and meeting attendance log.

7: Scope of Input

Meeting details were posted to the MTAC MITS site for reference, if needed. Additionally, below is a list of required action for the January release:

Validate - Action Required/Occurred:

1. USPS has stated they have evaluated all CSA's to ensure no change or impact is associated with new SP Commercial/Residual rate – ensure this is supported.
2. USPS to ensure PostalOne! Help-Desk has adequate training and written procedures for handling questions and resolution regarding the SP presentment and any issues.
3. USPS agreed to publish the communication documentation to industry urgently and the team discussed the various publications necessary to ensure adequate dissemination of the information to industry via:
 - o MTAC Distribution
 - o Industry Alert / PCC Insider
 - o PostalOne! User Group
 - o PostalOne! Help Desk Distribution
 - o DMM Advisory with reference to where it is published on RIBBS
4. USPS will publish the DMU Clerk Training/Information for SP via the BMA Newsletter.
5. USPS stated they included in the January Price Change Webinars the details regarding the SP approach.
6. USPS to notify industry of CAT Testing completion – and timing ability to check on validation of postage statement errors.
7. USPS to obtain updated pricing/rate charts with correct foot notes and notify industry when correctly published.
8. USPS to notify industry when future validation changes are added to PostalOne! in this area. The USPS agreed to engage the MTAC PostalOne! User Group once proposed edits are determined to ensure industry alignment on requirements and timing.

MLOCR: The USPS took off-line of the Task Team work required with the MLOCR process.

- USPS is working on the MLOCR Rule - which is not related to this – but this is still not permitted. MLOCR rule – as originally written – can't use 1st pass reject counts for residual 3600. You can't put residual counts into P1. So the metered / permit mail falls into the separate category. Some of these older rules need to be re-evaluated – since it doesn't make sense to put in on a separate statement. **Action – USPS to come up with recommendation on how to solution MLOCR mailers.**

8: Workgroup Output

Below is the First-Class Mail Residual vs. Retail Rate Communications Document for the January 2013 release. This was shared with the MTAC Task Team as a notification of how to effectively handle and determine payment submissions and mail preparation needs:

https://ribbs.usps.gov/intelligentmail_latestnews/documents/tech_guides/FCMResidualJan2013.pdf

9: Team Contacts (As of 2/4/13)

NAME	COMPANY /ROLE	EMAIL	PHONE	Attended
Leadership:				12/07/12 -1 12/11/12 -2 12/13/12- 3 12/17/12 -4 12/19/12 -5 12/21/12 -6 1/2/13 - 7 1/4/13 - 8 1/7/13 - 9 1/10/13 - 10 1/11/13 - 11 2/4/13 - 12
Sharon Harrison	Industry Co-Lead: AT&T Services/ MTAC FCM Leader	Sh3157@att.com	916-376-2040 (C) 916-300-4644	1,2,3,4,5,6,7,8,9, 10, 11, 12
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