



1421 Prince Street ■ Suite 230 ■ Alexandria, VA 22314 ■ www.idealliance.org

August 10, 2010

Ms. Ruth Y. Goldway
Chairman
US Postal Regulatory Commission
901 New York Avenue NW, Suite 200
Washington, DC 20268-0001

Mr. John E. Potter
Postmaster General & CEO
US Postal Service
475 L'Enfant Plaza SW
Washington, DC 20260-2419

Mr. Louis Guiliano
Chairman
US Postal Service Board of Governors
475 L'Enfant Plaza SW
Suite 10300
Washington, DC 20260-1000

Dear Madam & Sirs:

The Mailing Software Development Group (MSDG), a working group of IDEAlliance, is comprised of representatives from over twenty companies who are directly involved in the development of software technology, essential to the creation, sortation, and induction of USPS automation mail. According to the Office of Inspector General's White Paper on Workshare, 78% of mail is automated. The members of MSDG represent the predominant volume of mail that is now technology-driven. Their combined technologies are an essential component for tens of thousands of mailers who prepare automation compatible mail pieces for delivery by the US Postal Service.

IDEAlliance is taking an unprecedented action to write to all of you today expressing our concern regarding R2010-4 (USPS Exigency Rate Case) with the growing interdependence between rulemaking and implementation. Specifically, we are concerned with the effective timeline of ninety days imposed upon us and the industry to make software changes, sufficiently test and document the changes, deliver the new software and hardware technology necessary to support this proposed Rate Case, and implement these new versions out in the field. We are basing this abbreviated timeline on the October 4, 2010 deadline for the US Postal Regulatory Commission to file a final

ruling. Our experience, which includes combined decades developing and implementing Rate Cases among our members, indicates that support for a Rate Case of this magnitude will require a minimum of 180 days to adequately implement.

To fully appreciate why we recommend this timeframes, we believe it is important to understand the many interdependent components of software technology that must be revised in response to Rate Case changes. There are internally-developed software components, vendor-developed components and also Postal Service-developed components (i.e., PostalOne!, FAST and SASP) that all have to work together through an interdependent group of supply chain participants. These include mail owners, data processors, letter shops, printers, logistics companies and Postal employees. As described briefly above, when changes are made to Postal regulations, all of the development entities have to design, develop, and test new releases of software, then deliver it to their users/customers, schedule installation and set-up, schedule end user training and testing and, finally, work through production roll out. In addition to software per se, there is also a tremendous amount of documentation to write, update, edit and publish. Within the USPS alone there are the DMM, the various "Guides" (e.g., the Guide to Intelligent Mail Letters and Flats, Mail.dat® Technical Guide for PostalOne! etc.) and other "official" publications, such as Publication 363 and Pub 401. The language in these documents must be known precisely in order to develop the software correctly but, unfortunately, these documents are published sometime after the final ruling by the PRC. This whole process cannot meaningfully begin until the final ruling is made by the PRC. When this process is not given adequate time, unnecessary costs are incurred by all of the parties in the supply chain. Costly new releases must be rolled out to fix errors that could have been avoided, documentation must be rewritten, and redistributed and personnel must be retrained. These unnecessary costs are inevitably passed to the rate payer.

Mail volumes have repeatedly demonstrated high price elasticity. The last several rate increases have had significant impact on flat-shaped mailpieces – most notably catalogs and periodicals. We are concerned that the elasticity models used by the USPS in filing this case are only considering the postage increase and not the direct and indirect costs of technology to support the increasing requirements for automation-compatible mail. The mailing industry's dependency on software technology to support initiatives such as Intelligent Mail barcodes, Move Update requirements, and proposed sortation requirements cannot be overstated.

There are real costs – as well as "lost opportunity" costs – associated with implementing a rate case, such as the current exigency case. Improperly implemented, the potential increases for faulty technology, which further creates a barrier to entry and an impediment to growth in mail volume. We believe the most effective way to ensure a successful Rate Case implementation and control unnecessary costs is effective, timely communication and collaboration, clearly defined USPS roadmaps, and a realistic implementation timeline.

We recognize that this is an unprecedented exigency Rate Case and, as such, the PRC has the expanded authority to offer a final recommendation to the US Postal Service. We urge the PRC to limit adjustments to R2010-4 to price adjustments only in order to accommodate an effective 90-day

implementation window (October 4 to January 2). Any structure or classification changes are encouraged to be delayed until the May 2011 timeframe to provide a sufficient implementation window by Mailing Software Developers and the users of the technology. In effect, we are asking the PRC to separate the exigency case into two phases:

January 2011– price adjustments
May 2011– classification changes

Furthermore, we understand the USPS has suggested changing the annual implementation date of market dominant prices and classification changes to January. We suggest keeping the month of May as the preferred implementation time for rate adjustments to these mail classes as it significantly reduces the implementation costs placed on mailers and more closely aligns sortation and pricing changes with address correction (CASS) required changes. Moreover, it provides software development schedules to more closely align to mail production schedules.

Finally, regarding the incorporation of structural changes in the Rate Case, we further encourage that past practices of utilizing the Domestic Mail Manual and Federal Register Notices are utilized. Increasingly, other documents are replacing the DMM and Federal Register Notices in describing Postal policy. An example of this is the recent use of Guides such as Publication 363 and Frequently Asked Questions (FAQ) as a means to clarify classification and sortation requirements. We believe this introduces a heightened level of ambiguity into the mail preparation rules. Thus, we suggest the PRC and the USPS revert to using only the Domestic Mail Manual as the single and only authoritative guide for mail classification and sortation requirements.

The members of MSDG appreciate your willingness to consider our position relative to this insufficient implementation timeline. We welcome an opportunity for an expanded dialog to further support our position on this matter.

Respectfully,



David J. Steinhardt
President & CEO
dsteinhardt@idealliance.org
703.837.1066

On Behalf of the Mailing Software Development Working Group

Co-Chairs:

Christopher G. Lien, BCC Software, Inc., A Bowe Bell + Howell Company
Wallace G. Vingelis, Window Book, Inc.