

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

Notice of Price Adjustment and  
Classification Changes Related to  
Move Update Assessments

Docket No. R2010-1

NOTICE OF QUESTIONS RECEIVED REGARDING  
TECHNICAL CONFERENCE

(November 12, 2009)

A technical conference to address technical questions concerning the implementation of the proposed Move Update assessments is scheduled for today, November 12, 2009, at 1:30 p.m. in the Commission's hearing room.<sup>1</sup> The Notice provided interested persons an opportunity to submit questions in advance of the conference. Several sets of questions have been received. The Commission staff prepared a set of questions as well.

To facilitate discussion at the conference and to assist those listening to the webcast, the questions received (reproduced verbatim) are attached.

Shoshana M. Grove  
Secretary

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<sup>1</sup> Notice of Technical Conference, November 6, 2009 (Notice).

**Questions for Technical Conference (Docket No. R2010-1)  
November 12, 2009**

**PRC Staff**

1. Please define and describe the relationship and differences between (a) mail that is non-compliant with Move Update and thus subject to a First-Class single-piece rate, and (b) mail that exceeds the 30 percent tolerance for PBV-based Move Update assessment and is therefore subject to a 7-cent charge. The description of noncompliant (group (a) mail should explain the response to CHIR No. 1, question 5, stating exactly what standards are applied to determine non-compliance in the “further review.” Be sure to explain how the two sets of mail do or do not overlap (e.g., all mail in group (a) is also in group (b)). For each item below, provide the definitions and explain the areas of overlap (if any), and explain any differences in the current and proposed definitions of groups (a) and (b):
  - a. First-Class Mail, as currently authorized;
  - b. First-Class Mail, as proposed in this docket;
  - c. Standard Mail, as currently authorized (based on Docket No. R2009-2);  
and
  - d. Standard Mail, as proposed in this docket.
  
2. In Appendix B1, the tab “Appendix B1 Summary” calculates the “Assessed Pieces as % of RPW Volumes” by dividing the assessed pieces in the tested mailings by RPW volumes over the same time period. The tested volumes represent about 21 percent of presort First-Class Mail and about 13 percent of Standard Mail over the relevant time period.

- a. Does the Postal Service expect that none of the RPW volumes that were not tested will be subject to the assessment charge?
  - b. When implemented, what percentages of First-Class presort and Standard Mail will be tested?
3. Several commenters identify situations where they assert that mail that is actually Move Update compliant could fail the PBV test. Examples include the use of new address information from customers, addresses verified using other approved systems (*e.g.*, NCOA link, ACS, and FASTForward), and legal restrictions on mailers' use of new addresses without the consent of the addressee.
  - a. Does the Postal Service agree that any of these are compliant with Move Update?
  - b. If so, please identify which of these would be compliant.
  - c. Please discuss the feasibility of identifying and excluding compliant mail from PBV test results.
4. Please identify the source of "56,102,942" found in cell F24 of Appendix B1, tab "Appendix B1 Summary."
5. This question seeks clarification on the Move Update tests at acceptance units from April through August of this year. Of the Standard Mail that was tested were any of the pieces High Density or Saturation? If yes, please provide the "Within Tolerance Level" and "Above Tolerance Level" volumes that do not include High Density and Saturation mailings.

6. Appendix B1 appears to calculate the assessed pieces under the “current” approach as all of the volume in mailings that exceed the 30 percent threshold. Please discuss how this assumption relates to the current method by which compliance with Move Update is determined for First-Class Presort mail.

### **Major Mailers Association**

1. Will the proposed 7 cent assessment potentially cause a mailer, if found to fall short of the current threshold, to have to pay rates higher than the single piece rate?
2. If so, then wouldn't the penalty assessment be considered flawed and warrant some form of cap not to exceed the single piece rate?
3. How does the USPS justify that R2010-1 is not a rate increase?
4. Furthermore, how can the USPS ask the PRC to approve a 7 cents per piece penalty, but proposes that the PRC has no say to determine whether the process leading to these penalties is fair today or in the future?
5. In this regard, the proposed DMCS language says "\$0.07 per assessed piece, **as specified by the Postal Service**" which could be interpreted as whatever the Postal Service says an assessed piece is. Does this statement provide the USPS a blank check clause to make any changes in PBV it wants and the PRC will have no say in the matter?

6. Why has the USPS placed all of this effort on a penalty program that prior to this filing was largely dispersed throughout FAQ sheets, webinars, and word of mouth discussion, when an issue of this magnitude should have been formally filed by the USPS for comment by the most important people the USPS has—it's customers as well as afford the PRC the opportunity to comment and decide what provisions are acceptable and which ones need to be changed?
7. Why does the USPS believe that a combined mailing with 3 or less mail owners or mailing lines of business should be an exception to allow mail preparers to provide volume separations to reduce the penalties if 3 mail owners in a combine mailing cause the mailing to fail? Why not 4, 5, or the mailer has the ability to separate all parties found to be deficient within a mailing? Is this arbitrary rule somewhat favorable to the USPS regarding additional potential penalty assessments above what may actually be Move Update deficient in the mailing?
8. Why is the USPS attempting to change the language to remove noncompliance language from the current Move Update classification schedule, when in fact the model is a source to draw conclusions for Move Update compliance and a monetary impact to the mailers who for whatever reason fall deficient in the current PBV environment?
9. How can mailers attempt to work to help the USPS reduce UAA mail and maintain compliance when the process, requirements, and specification to achieve compliance are not clearly documented under a DMM governed repository and there is no current software solution in place for the industry to implement?

10. Will the USPS help mailers identify how to treat return codes for all of the different Move Update methods, NCOALink, ACS, Ancillary Service Endorsements, Fast forward and even if they do will mailers have the budgets to implement such complex systems in the current financial environment?
11. Will the USPS provide reasonable timelines for mailers to take action as January 2010 is not feasible under the current conditions as hundreds of thousands of print streams industry wide must be coded to accommodate the multiple decision option sets to provide the currently undefined outcome?
12. How can the mailer ever expect to avoid an issue of double jeopardy when the USPS and the USPIS use different technology or methodology to identify Move Update issues?
13. Will the PRC allow mailers to be subjected to penalty assessments from the USPS using PBV as well as the USPIS penalties above the PBV assessments/penalties?
14. Why are alternative Move Update methods such as the 99% rule and the Legal restraint even part of the PBV scoring process, when the mailers have been audited by the USPS and received approval from the USPS to use these methods?
15. Wouldn't the very fact that the USPS has approved alternative Move Update methods, laborious and complex processes, be sufficient documentation to warrant that these mailers receive an exclusion or waiver from the PBV process?

16. Given that there is no current software available on the market to combat the currently obscure requirements for MLNA and Box closed (miniscule volumes relative to the volumes mailed by large organization), why should mailers be negatively impacted on the current PBV scoring starting January 2010?
17. How, with so many examples of read translation issues identified by mailers and examples provided to the USPS, can Merlin continue to be used as the information broker for PBV?
18. How can mailers be subjected to scoring by PBV when in many instances the USPS mail carriers may provide back erroneous reason codes attached to return mail labels in the case of Ancillary Service Endorsements as well as issues of consistency between the different Move Update products offered by the USPS? NCOALink returns more stringent match results, than ACS as well as addresses can in some instances move into different return code categories.
19. If the request by the USPS is approved to change threshold tolerances at their own discretion, how will mailers ever be able to know they have a stable process, without having to continuously sink additional programming hours or capital into their processes?
20. Does the USPS believe mailers will continue to stay in the mail if the Move Update/ PBV issues create a scenario for which the Law of Diminishing Returns shows mail unit cost outweighs the return for mailing?
21. How can the USPS even consider tightening the thresholds before all of the current issues are resolved?

22. If mailers decide that the cost outweighs the benefits to use the USPS because of all of the issues and major mailers move to alternative means of communication, what will the impacts be to the consumer? Will the consumer bear the burden for substantially higher first class single piece rates?
23. Why does the sample set for PBV vary drastically for different mailers in different facilities in different parts of the nation? Some mailer report the USPS using a sample set of 1000 pieces for a continuous combined mailing at some mailing facilities and upwards of 6000 to 7000 mailpieces as a sample set for PBV at other mailing facilities.
24. How does the USPS justify such vastly different sample set criteria as the sampling methodology may show undue favoritism to some mailers on their PBV scores?
25. How can the USPS justify implementing PBV with all of the current issues that need to be resolved for requirements, sampling error, sample size variation, compliance definitions of the USPS and USPIS?

**Robert W. Mitchell**

1. At the time the Postal Service made Move Update a requirement for all Standard Mail and made it clear that non-compliant mailings had no option apart from paying Single-piece First-Class rates:
  - a. Explain whether you viewed these changes as (1) eliminating an existing product and introducing a new product; (2) making qualitative changes to an existing product; (3) splitting an existing product into two categories, one with a Move Update requirement (paying the same rates as before) and the other without a Move Update requirement (paying the Single-Piece First-Class rates); or (4) something else.
  - b. Explain any extent to which you do *not* agree that: (1) the mailers primarily affected were probably small mailers, many of whom might mail at nonprofit rates; (2) any mailers affected could have voluntarily used Move Update before it became a requirement, but chose not to; (3) the changes imposed burdens on affected mailers (either to incur the cost of Move Update or to pay Single-piece First-Class rates).
  - c. Do you agree that a rate option was removed from affected mailers? (They had a rate category available with certain requirements, and they no longer have that rate category available.)
  - d. Explain any dissimilarities you see between the changes made and the Postal Service saying: “ We will place a high rigidity requirement on all catalogs. If catalogs do not meet this new requirement, they will have to pay First-Class rates.”

2. Suppose you believe that a mailer's operations would be more effective and profitable if his mailings were Move-Update compliant. Would this justify imposing a Move Update requirement on the mail he uses?
  
3. a. As follow-up to the 5.2-cent figure contained in the response to Q 3 of CHIR No. 1, for the higher-volume rate categories and flow paths at least, provide an explanation of the difference in cost between (1) pieces that are processed to the point of successful delivery and (2) pieces that are arrested and destroyed due to Move Updates being non-actionable because the pieces are not eligible for forwarding.

For example: Two 3-digit presort letters could be processed at an incoming primary. Letter 1 is read upon induction, found to have a bad address, and discarded, at a cost of xx. Letter 2 receives full primary processing, goes on to a DPS machine, gets two sorts there, goes on to the carrier, and is delivered by the carrier on a route, at a cost of yy.

Among other things, this question seeks to identify the locations where mail with bad addresses might be captured. Relatedly, the testimony of Marc D. McCrery in Docket No. R2006-1 (USPS-T-42) explained on page 9: "Postal Automated Redirection System (PARS) - This program automates the handling of machinable Undeliverable-As-Addressed (UAA) letter mail. It intercepts approximately fifty percent of move-related mail at the originating processing facility and as appropriate either forwards, returns, or wastes the piece, thus eliminating many multiple downstream handlings."

- 3b. Do the cost differences above capture the benefits to the Postal Service of having an updated address on the piece instead of destroying the piece? If there are other benefits, what are they?
- 4a. When certain Standard mailers suddenly had to pay Single-piece First-Class rates, did they experience a rate increase of a kind that should be included in a rate index to be compared with a price cap? If so, in what rate index should these increases be included?
- 4b. From among hundreds of possible examples, explain the justification for the rate increases in the following two:
- (1) A 2-oz. nonprofit auto letter entered at a DBMC, paying 61.0 cents at First-Class rates (no Move Update req'd) instead of 11.6 cents in Standard, for an increase of 425.8%.
  - (2) A 3-oz. commercial non-auto flat entered at a DSCF, paying 122 cents at First-Class rates (no Move Update req'd) instead of 32.4 cents in Standard, for an increase of 276.5%.

## **National Postal Policy Council**

1. What is the Postal Service's definition of "noncompliance" with Move Update?
2. If the Move Update Assessment Charge is not for "noncompliance," then:
  - a. please clarify any distinction between noncompliance and verification;
  - b. please clarify whether a mailer could be subject to two additional charges in a Move Update violation situation; and
  - c. please explain why this doesn't constitute a form of double jeopardy for a mailer.
3. What are the standards applied by the Postal Inspection Service in determining whether there has been Move Update compliance and/or verification by a mailer?
4. Does the Postal Service believe that standards for determining Move Update compliance and/or verification should be:
  - a. transparent;
  - b. uniform across the entire Service, specifically including the Inspection Service; and
  - c. if not, why not?
5. Does the Postal Service believe that ongoing investigations, and any assessments imposed as a result thereof, into Move Update violations by the Inspection Service since the announced deferral in March, 2009, of Move Update assessments until January 4, 2010, as proposed in this Docket, constitute compliance with:
  - a. the letter of the deferral; and
  - b. the spirit of the deferral?

6. On MERLIN/PBV sampling, does the Postal Service agree that:
  - a. initial sample sizes are identical in all verification efforts;
  - b. if not, why not?
  
7. Does the Postal Service agree that small samples can lead to statistical anomalies more easily and often than larger samples?
  - a. If not, why not?
  
8. One of NPPC's members recently had the following situation occur: the mailer produced a large mailing, broken up across five days. On four of the days, the PBV score was in the high 90s. On the fifth, it failed the PBV threshold test. All names and addresses were from the same file and had gone through the same processes.
  - a. Does the Postal Service agree that this constitutes an anomaly?
  - b. If not, why not?
  
9. If a sample indicates a violation, and the mailer claims it is such an anomaly, why isn't the appropriate, not to mention simplest, swiftest and most just, response to take a larger sample to verify or rebut the initial sample?
  - a. Would doing so avoid the problems inherent in attempting to appeal when the evidence, the addresses on pieces included in the allegedly noncompliant or unverified mailing, has been dispersed, and may be unrecoverable, through delivery?
  - b. Should the initial sample be far larger than currently contemplated in order to minimize just such anomalies?

10. What will the Postal Service do to minimize, or optimally eliminate, mailers' exposure to assessments in full or in part predicated on MU verification false positives, such as:
  - a. Moved Left No Forwarding Address (MLNA) and Closed Post Office Box;
  - b. those generated because federal, state or local rules require confirmation of address changes with the addressee, regardless of whether the addressee has filled out a Change of Address form with USPS; and
  - c. those apparently many and growing cases in NPPC members' experience where addressees will notify the mailer of the address change, but not USPS?
  
11. In the cases of MLNA and Closed PO, does the Postal Service agree that these are newly added to the universe of addresses subject to MU requirements?
  - a. if not, please clarify.
  - b. if so, please clarify why before guidance and processes are developed for mailers concerning how to respond to them and avoid false positives.
  
12. Turning to commingling or co-mailing provided by mailing services companies, or otherwise, where an MU violation is found:
  - a. why is there a limit of three mailers in the particular mailing for the purposes of identifying and allocating responsibility;
  - b. so long as the mailing services provider can identify to USPS' satisfaction that responsibility lies with a particular mailer, why should there be any limit at all?

13. Numerous problems have been identified by commenters in this proceeding (eg, MMA, AMEE and Postcom) concerning not only MERLIN/PBV, but alternatives such as NCOALink, ACS, the 99% rule, and more. If both the primary means, and all alternative means, of verification are flawed, should those flaws not be repaired before mailers must rely on those means or face a higher likelihood of assessments?
  
14. Hence, does the Postal Service expect that the questions raised in this document, and the numerous other serious issues raised by other commenters to be resolved to the mutual satisfaction of USPS and the mailing community by January 4?
  - a. If not, should the January 4, 2010, implementation date hold?
  - b. If so, please justify when there is such substantial confusion and consternation among your customers about what will be required of them.