THE Calmark GROUP
where ideas originate

Ruth Y. Goldway
Chairman
Postal Regulatory Commission
Washington DC 20268-0001

Docket Number: R2013-6 Technology Credit Promotion

Dear Ms. Goldway:

My name is Stephen Colella, Vice President Postal Affairs for the Calmark Group. I am writing to comment on the USPS desire to provide a Technology Credit for adoption of the Full Service IMb.

Background on the Calmark Group:

The Calmark Group was formed in May 2012 with the merger of Superior Mailing Services (SMS) of Bedford Park, IL and Calmark Inc. of Chicago, IL. SMS has been a mail service provider for the direct mail industry since March 1, 1996 and handled the 2010 Census Mailing. Calmark has been a mail service provider since 1960. The Calmark Group mails approximately 750 million pieces annually for its customers. This mail is primary Standard Class letters however we do handle Standard Class Flats, First Class Letters and Flats and some Package Services. Much of this mail is Full Service eligible and some of this mail has mailed as Full Service mail. In fact Calmark was the first mail service provider in Chicago to be authorized to mail Full Service IMb.

I have been in the mailing industry since 1973 and have been involved with MTAC since 1995. I attended MTAC meetings first as a visitor and then in 2006 became one of AMSP (Association of Marketing Service Providers formally MFSA-Mailing Fulfillment Service Association) MTAC representations. I still hold that position. I also held the Standard Class Leadership position from 2008-2010.

The Technology Credit was first presented to the industry in a meeting at MTAC. At that meeting both Pritha Mehra, USPS Payment and Acceptance and Jeff Williamson, Pricing, presented the Tech Credit as a way to help defray some of the costs experienced by the mail service providers in adopting Full Service IMb. At this meeting the USPS was not ready to provide details of the plan but just wanted to judge how receptive the service providers would be to a credit. Since Full Service IMb does create challenges and added expense to process the industry was open to the credit. At that meeting Pritha Mehra stress the need to keep the credit simple and manageable so they could not make the credit available to everyone.

The next meeting of this group took place about a month later. It was at that time that the industry learned the credit also would be available to mail owners as well as service providers. Additionally it was learned that the Tech Credit would be available for anyone that mailed more than 125,000 pieces in the test year (later to be determined to be from October 1, 2011 to September 30, 2012). Almost every one of my clients would meet this volume threshold. Having such a low threshold, in my opinion, would not keep this credit small or manageable. Additionally mail owners that use a service provider have no outlay of expense or liability in mailing at Full Service IMb rates. They need do nothing but direct their service provider to mail at Full Service, yet they are still eligible for the credit.

Full Service IMb creates a variety of challenges, expense, and liability for mail service providers. Each Full Service IMb mail piece requires a unique number and that uniqueness must be maintained for 45 after the mail date. Tray tags and pallets flyers also must have IMb with unique numbers that remain unique for 45 days. Additionally pallet flyers must be affixed to the outside of the wrapped pallet because the USPS scanners cannot scan through plastic wrap-not even a single layer. The IMb on the mail piece also must contain a service type ID that indicates the type of mail. All of these requirements add additional cost for service providers. These costs include not only processing costs but cost to develop and implement more stringent quality assurance programs to ensure perfection in meeting all the data and physical requirements of Full Service IMb.

The USPS has announced their intent to begin the penalty phase in July 2014. So in addition of the added expenses to convert to Full Service IMb and ongoing costs in producing the Full Service IMb, service providers have the potential cost of losing the automation discount should they fail any of the Full Service IMb verifications. Considering that the lost discounts (after 2014 when mail will be downgraded to non machinable) far exceed the service providers charge to their client for services rendered it would only take a few failures to bankrupt some smaller service providers.

As mentioned earlier, Calmark was the first service provider in Chicago to be authorized to do Full Service IMb and we converted all our clients to Full Service IMb within 3 months of getting that authorization. The $1.00 per thousand piece discount for Full Service Standard mail was passed through to our clients hoping it would provide us with a competitive edge over other service providers. Unfortunately it did not and when the USPS announced they would begin a penalty phase beginning January 2011 we informed our clients in December 2010 that we would no longer mail at Full Service rates because of the potential liability. About two weeks after we quit Full Service IMb the USPS backed off their penalty phase. We did not reinstitute Full Service IMb.

Another cost to mail service provides is the cost to review the mail quality reports. While the reports have been improved with suggestions from the industry through MTAC, the reports are still difficult to retrieve and read. Larger mailers such as Calmark would have to hire a person just to review the reports and determine which jobs we may want to explore further with the USPS. These expenses cannot be passed through to our clients.

Full Service IMb truly does not provide any benefit to a service provider. As mentioned previously, the discount is passed through to the mail owner or at best the service provider can take some or the entire discount to attempt to cover some of their cost.

The USPS has touted better delivery and total visibility. We have not seen any change in delivery times from the Basic IMb, Full Service IMb or even Postnet. The USPS equipment reads all the barcodes. Visibility has been available through Confirm for years with Planetcode and the Postnet barcode. It is now available with both Basic IMb and Full Service IMb by the Service Type ID, one of the 5 fields that make up the IMb. Certainly this method is better than printing two barcodes on the mail piece as first required. However the visibility the USPS touts is not 'free'. It is true that the USPS no longer charges for delivery data however the USPS only provides raw data. The end user must have a database management system in place internally to create usable reports to use the data or use a third party service such as Intelisent or Track My Mail. Whether the mail owner creates their own data base or uses a third party there is a cost to use the visibility data Full Service IMb offers. And again this visibility is available with Basic IMb today.

Giving this credit to mail owners that have not and will not incur any cost to convert to Full Service IMb is illogical. For example Calmark mailed over 500,000,000 of full service eligible mail during the test period and is entitled to a $5,000 Tech Credit. We have a small nonprofit client that mailed approximately 1,600,000 pieces during the same time period. This client received three letters from the USPS informing them of their Tech Credits. The letters indicated they had three CRIDs in two different cities. The CRID in Chicago, IL where they mailed 1,164,000 pieces entitled them to a $3,000 Tech Credit. The CRIDs in Berwyn, IL entitled them to two more credits, one for $2,000 and one for $3,000. I brought this to the attention of the USPS after attending a Tech Credit session at our local PCC meeting. After some research the USPS contacted the client and informed them that only one CRID in Berwyn, IL would be eligible for the credit. So the client will now receive a $2,000 credit for the Chicago CRID and another $3,000 from the Berwyn CRID. So they qualify for $5,000 in credit despite not meeting the 2 million piece threshold to receive a $5,000 credit.

The way the program is set up the tech credit is given based on a single CRID per single permit. So if Company A owns 5 permits in 5 different cities and mailed over 2 million pieces in each city that company is entitled to five $5,000 credits. So this single corporate entity with multiple branches will receive $25,000 in credits to convert to Full Service IMb. That I believe was not the intent of the program. Additionally if this company is truly just a mail owner having the service providers handle the conversion to Full Service that the company is being handsomely rewarded for doing nothing!

I believe the USPS is about to give millions of dollars to cover some of the cost to convert to Full Service IMb to hundreds if not thousands of companies that have no costs to recover from IMb conversation. On a positive note if nothing else the Tech Credit exercise has helped the USPS clean up their CRID database which the industry has pointed out for years was full of bad data.

I urge you not to approve the Tech Credit. It makes little sense to spend approximately $62 million to 'incent' companies to move to Full Service when it is going to be mandated 6 months after the Tech Credit program begins. It makes even less sense to continue to 'incent' companies to move to Full Service for another 6 months after Full Service is mandatory for automation discounts. It also makes little sense to give credits to hundreds if not thousands of companies that have no incurred or will not incur any cost to migrate to Full Service.

In fact if Full Service IMb truly had benefits beyond the meager per thousand discounts the industry would have readily adopted the program years ago and the program would not have been mandated.

Again I urge you to deny the USPS request.

Thank you for your consideration.

Stephen Colella
Vice President Postal Affairs
773-426-9067
scolella@calmarkgroup.com

CC: Robert Sidman