



AMERICAN CATALOG  
MAILERS ASSOCIATION

May 29, 2008

Ms. Sharon Daniel  
Manager, Mailing Standards  
U.S. Postal Service  
475 L'Enfant Plaza, SW., Room 3436  
Washington DC 20260-3436

Dear Sharon:

We have joined as a signatory to the PostCom *et. al.* response to the IMB Federal Register Notice of April 30, 2008 (Vol. 73, No. 84); we agree with its content as it applies to our type of mail. Beyond comments addressed elsewhere, we would like to highlight particular issues of concern to catalog mailers. We acknowledge this is a complex topic with high difficulty of implementation. As a foundation that will shape our future, the USPS's IMB plans have undoubtedly produced many strong responses. Though we remain with serious concerns, our goal is to be constructive. We hope this response will be read in that light.

Timing and Speed:

We applaud the USPS's desire to accelerate the pace of innovation to reduce cost or improve the value of mail. We also note that the catalog industry and its supply partners are struggling financially due to a variety of factors we have documented elsewhere. This leads to several recommendations.

Since mailers face significant capital expenditures and process changes to comply with IMB requirements, maximum lead time for implementation will help reduce surprises and any cost premium from making large scale changes quickly.

It is common practice in industry to re-evaluate and defer planned capital expenses during times of economic difficulty or when company performance puts free cash flow under pressure. At the present time, both of these apply to catalog mailers and their suppliers. Current economic conditions argue for a more protracted implementation time frame than is currently envisioned.

Phased Implementation with Initial Voluntary Compliance:

We would suggest that the IMB implementation be phased to include a period of voluntary compliance before sanctions are levied. Simply getting the word out to a fractionalized industry of nearly 20,000 separate catalog companies is a challenge. Time is also required to shake down processes and procedures as it is unlikely all sides will get it 100% correct the first time around. The scale, breadth and complexity of the issues involved call into question the ability of mailers to meet the May 2009

implementation date, a situation made more difficult in that final specifications are still being determined.

Pricing Implications:

It is difficult to justify an expense when impact on profit is unknown. Should the USPS determine it is not possible at this time to fully establish price differentials between Basic and Full Service, advance guidance as to the expected price ranges would be helpful to evaluate justifications.

The catalog industry is particularly vulnerable in today's marketplace, and as with the FSS deployment, the wrong pricing signals could have further and seriously detrimental impacts on catalog businesses, catalog circulation volumes and thus the sustained viability of the Postal Service.

Cost versus Benefit:

Many catalogers do not now see significant benefits from the IMB implementation. While we note a variety of viewpoints on this issue within the catalog industry, the deferability of Standard Mail has many catalogers configured to accept a range of delivery dates. While the costs to comply are real, providing greater visibility to catalog movement through the USPS system is of uncertain value. This is not true of parcels, for which greater visibility is critical to large scale adoption for customer bound shipments.

Cost of Measurement Systems versus Benefit of Increased Data:

We believe that the cost of any additional measurement should be balanced against expected benefits of increased data from operations. What will be done differently as a result of the additional data gathering? How will this affect postal customers? How will this improve the bottom line?

As currently presented, some feel the IMB proposals are long on costs and short on benefits to the postal rate payer. While we acknowledge that increased measurement of service standards enabled by the IMB is a requirement in PAEA, we believe the purpose of this legislation is not to simply add additional cost to running the national mail system but to improve the value of mail, reduce total system cost, or both. Simply providing measurement feedback as required under PAEA without a clear understanding of the benefits is, we feel, antithetical to the spirit and intent of this legislation.

We hope that the costs and benefits of the IMB implementation will be carefully analyzed and balanced, both for the USPS and each group of mailers. The total system cost approach is one we heartily endorse. We suggest this calculation be made both holistically and separately on each side of the supply chain (i.e. for mailers and the USPS).

Timing of Benefit has Impact on Payback:

Clearly, to the extent mailer benefits are out of phase with mailer-borne cost to comply, the expected IRR from such expense worsens materially.

Making Capital Commitments is difficult without Clear Specifications:

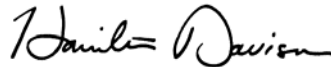
What tolerance will apply to IMB mail, and what requirements will the tolerance apply to? Such information is critical to designing systems and purchasing equipment as the wrong decisions can easily be made without a full understanding of the requirements and specifications.

Applying Penalties for Non-compliance:

Assessing Single-Piece First-Class Mail prices on Standard Mail pieces that exceed the error tolerance is an unacceptable position because it ignores the value and cost difference to USPS of worksharing or the deferability of Standard Mail. We urge that this idea be re-evaluated.

Thank you for providing an ongoing forum for resolving issues around IMB. We look forward to your further thoughts.

Respectfully submitted,  
American Catalog Mailers Association



Hamilton Davison  
Executive Director