

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

REVIEW OF NONPOSTAL SERVICES

Docket No. MC2008-1

STATEMENT
OF
THOMAS J. FOTI
ON BEHALF OF THE
UNITED STATES POSTAL SERVICE

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Autobiographical Sketch

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My name is Thomas J. Foti

I began working for the Postal Service as a summer intern in 1988 at the Headquarters' building in Washington DC. I became a permanent Postal employee in 1990 and have served in numerous staff positions in Operations Support, Engineering and Marketing. In 2000, I was promoted to the executive ranks as Manager of Equipment Requirements and Economic Analysis in the USPS Engineering organization. I presently serve as the Manager of Integration and Planning in Product Development. I have had this post since 2002. In 2004, I assumed the responsibility of the functional group which manages the Customized Postage initiative, and in 2005 I assumed the responsibility of the organization which manage the USPS Electronic Postmark (EPM).

I have a Bachelor of Science degree in Management Science from the State University of New York at Geneseo and Master of Business Administration degree from the University of Maryland.

1 **I. Purpose and Scope of Testimony**

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3 The purpose of my testimony is to explain the nature of “Electronic Postmark®”
4 (USPS EPM). As background, I also provide a brief history of the USPS EPM program,
5 and its role as a nonpostal communication service. I also describe the Customized
6 Postage initiative.
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9 **II. USPS EPM**

10 Electronic Postmark (EPM) is a program whereby customers using an authorized EPM
11 provider obtain Postal Service-authorized timestamps for the purpose of substantiating
12 at a later period in time that the original form of the electronic information presented for
13 time-stamping has not been altered. Electronic Postmarks are produced by companies
14 approved under a certification process, then authorized to use Postal Service licensed
15 technology, intellectual property and patents. An Electronic Postmark is generated on a
16 secure server owned and maintained by the authorized EPM licensed provider. The
17 Postal Service issues a certificate to each licensee which provides a private signing key
18 used in the generation of Electronic Postmarks on each secure server, which also
19 serves to monitor USPS EPM usage. The Postal Service, through the use of the EPM,
20 provides an important public service as an impartial third-party witness to the event.
21

22 Postal Service approved time-date stamp providers are required to meet certified
23 standards prior to receiving a USPS license for creating a secured environment for the
24 auditable time stamps, digital signatures, and hash codes. These encompass the
25 structured transactions for file exchanging and storage of the electronic files. The Postal
26 Service does not retain nor view the contents of these time-stamped files. The Postal
27 Service receives on a regular basis, and maintains, information from any licensee that
28 could be used to build a backup verification service in the event that licensee no longer
29 performs that service.
30

31 The Postal Service first began exploring the offering of a value-added service for digital
32 content files in 1991 and created, through patents and other intellectual property, the
33 term “electronic postmark.” This helped lay the ground work for the evolving time-date
34 stamping industry. By 1995, the Postal Service began testing the concept and provided

1 the service commercially until 2001 when the Postal Service decided to restructure the
2 way this was offered. From 2001 to 2007, a partner was aligned to provide the USPS
3 EPM service to commercial entities, as well as public users and internet consumers.
4 Users of this service were regarded as postal customers. In late 2006, the Postal
5 Service published a Request for Information (RFI) to engage the time-date industry in
6 changing the Electronic Postmark model. Fifteen information technology organizations
7 participated and provided feedback in helping the Postal Service to determine its role in
8 the time-date industry. By August 2007, the former model of a postal-supported service
9 was changed to a licensing model that enabled the time-date industry to utilize our
10 intellectual property and aid in creating a trusted environment for industry users and
11 consumers of Electronic Postmarks – as time-date stamps. The Postal Service now
12 enables certified approved EPM providers to retain customers as their own with specific
13 limitations to how the EPM may be applied. Currently there is one provider of USPS
14 EPMs. The Postal Service is currently considering applications for new providers.

15

16 The current revenue model provides for an annual license fee, with additional licensing
17 fees for usage above a threshold.

18

19 During 2007, the time-date industry was instrumental in providing the Postal Service with
20 guidance and a current customer view of the public that made a convincing plea for our
21 continued participation in this industry. Key public need factors were a) the continued
22 existence of a trusted-third party to whom consumers could hold to a higher criterion for
23 legal support against fraud; b) for a certification process that places all licensed
24 providers on a higher but equal technology footing; and c) a rational fee structure that
25 was not burdensome on fledging industry providers and their unique specialties and
26 offerings.

27

28 In this increasingly digital age, there is both a public need for a USPS EPM to
29 authenticate digital records, and a unique role for the Postal Service as a disinterested
30 third party. It is for this reason that the Universal Postal Union (UPU) and a number of
31 national posts have adopted standards for such optional services and now offer them.
32 The Postal Service and the American public would be at an extreme disadvantage to
33 member UPU posts in this evolving digital age to be without the capabilities of the USPS
34 EPM and those key industry providers who are enabled to provide this trusted service

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2 III. Customized Postage

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4 Customized Postage is an initiative whereby customers of an authorized Customized
5 Postage vendor, can obtain Postal Service-authorized postage consisting of customer-
6 specific, customer-supplied images aligned with Postal Service-approved indicia of
7 postage payment. Customized Postage is not a postage stamp; it is produced by private
8 companies authorized by the Postal Service using PC Postage technology. The design
9 of Customized Postage includes a customer-supplied image and a state-of-the-art
10 secure barcode that helps ensure protection of Postal Service revenue. The typical
11 postage meter or PC Postage indicia design consists of two elements: a postage block
12 and a distinctly separate block typically called an “ad plate.” The historical use of ad
13 plates consists of printed advertising messages authorized, enabled, and controlled by
14 the postage meter or PC Postage provider. Customized Postage utilizes the “ad plate”
15 area to print the graphic image supplied by the customer. Unlike an ad plate, the
16 customer supplied image may be placed within the required 1/2 –inch clear zone to the
17 left of and below the postage block.

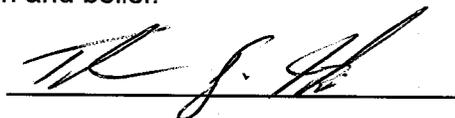
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19 Initially launched in 2004, the Customized Postage concept has been offered in a market
20 test environment . To become an authorized provider of Customized Postage, the
21 company must be an authorized PC Postage provider, authorized postage meter
22 manufacturer or distributor, or a company affiliated with an authorized postage provider
23 under conditions respecting postage revenue security approved by the Postal Service in
24 accordance with 39 CFR part 501.1 and subject to all procedures and regulations set
25 forth throughout 39 CFR Chapter 501. The Postal Service has entered into agreements
26 with such providers (currently Stamps.com, Endicia, Pitney Bowes, and Zazzle.com—
27 offering the customized postage product utilizing a postage indicia provided by Pitney
28 Bowes); the most recent agreement was an extension for the period commencing on
29 May 16, 2008 and running for a one-year period. As a condition for the providers to
30 participate in the program, the Postal Service has issued content guidelines for
31 submitted images; these guidelines are incorporated into the authorization letter granting
32 authority entered into with each provider. The Postal Service has received payments
33 from each of the providers in the form of a participation fee which enables the Postal
34 Service to monitor compliance with the Agreement, including policing of image control

1 and review, inspection of the provider's printing locations, and Postal Service trademark
2 usage. In addition, to the extent that the provider conducts printing in more than two
3 locations, an additional charge to permit inspection and monitor compliance is also
4 assessed. Under the Customized Postage program, the providers' customers pay an
5 amount which is greater than the face amount of the postage required for the sending of
6 the mailpiece. This price to the customer is set by each vendor, and is not controlled by
7 the Postal Service.

DECLARATION

I, Thomas J. Foti, declare under penalty of perjury that the foregoing statement is true and correct to the best of my knowledge, information and belief.

A handwritten signature in black ink, appearing to read "T. J. Foti", is written over a horizontal line.

Thomas J. Foti

A handwritten date "JUN 23, 2008" is written in black ink over a horizontal line.

Date