

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

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**Service Standards and Performance  
Measurement for Market Dominant  
Products**

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**Docket No. PI2007-1**

**REPLY COMMENTS OF PITNEY BOWES INC.  
IN RESPONSE TO NOTICE OF REQUEST FOR COMMENTS ON  
MODERN SERVICE STANDARDS AND PERFORMANCE MEASUREMENT  
FOR MARKET DOMINANT PRODUCTS**

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## **I. INTRODUCTION**

In its July 16, 2007 comments in response to PRC Order No. 21, the Postal Regulatory Commission's (Commission) Notice of Request for Comments on Modern Service Standards and Performance Measurement for Market Dominant Products (Docket No. PI2007-1), Pitney Bowes Inc. (Pitney Bowes) suggested that the Postal Service, in consultation with the Commission, develop modern service standards and a system of performance measurement for all major products that adhere to three important principles: (1) modern service standards should be realistic and attainable, (2) modern service standards should provide consistency and reliability, and (3) the system of performance measurement should be transparent and accessible. Modern service standards and a system of performance measurement that embrace these core principles will promote and sustain a vibrant, growing mailing industry, will enhance the value of the mail for senders and recipients, and will create an environment that encourages future investment in the mailstream.

We are pleased to note that a review of numerous comments of other parties reveals broad consensus within the mailing community in support of these principles.

## **II. DISCUSSION**

The Commission's Order invited public comment on two specific issues: (1) "what the modern service standards should be," and (2) "what system or systems of performance measurement should be utilized to evaluate whether those service standards have been met." PRC Order No. 21, at 2.

**A. What the Modern Service Standards Should Be**

1. Modern Service Standards Should Be Realistic and Attainable.

There is substantial agreement among the commenters that the Postal Service, in consultation with the Commission, should use the existing service guidelines as the baseline for the modern service standards. *See* Bank of America Corporation (BAC) Comments at 2; DMA Comments at 2; GHS Comments at 3; MPA / ANM Comments at 2; NAPM Comments at 3; NNA Comments at 2; NPPC / ABA Comments at 2; Pitney Bowes Comments at 3-4; Remittance Mail Coalition (RMC) Comments at 2-3. The use of existing service guidelines will establish a baseline of realistic and attainable service goals under the modern system.

Numerous commenters also recognized that the use of existing service guidelines as a baseline in the modern system comports with notions of fairness for both the Postal Service and the mailing community because the current cost relationships among different products and services are based, in part, on the existing standards. *See* APWU Comments at 2; DMA Comments at 1; NAPM Comments at 2-3; NPPC / ABA Comments at 2; Pitney Bowes Comments at 4; PostCom Comments at 2; *see also* 39 U.S.C. § 3691(c)(6). As NAPM correctly observed:

[because] the PAEA provides no mechanism by which the USPS can recover any increase in costs incident to increased service standards, it is clear that the service standards envisioned must be achievable without significant increase in costs. On the other hand, . . . a significant diminution of current service is also unwarranted as it could produce an unwarranted windfall to the Postal Service by significantly decreasing costs.

In view of the foregoing, it follows that a reasonable approach to the setting of service standards is to reflect, at least in the initial service standards, the sort of service currently being provided. Thus, the initial

service standards should be designed not to improve or reduce current service, but rather to reflect it.

NAPM Comments at 2-3.

The Postal Service and the Commission must develop an iterative process for remedying deficiencies and improving service standards. As OCA appropriately observes, the evolution and improvement of modern service standards must be based on customer needs and expectations. *See* OCA Comments at 14. OCA also is correct in urging the Postal Service to undertake more formalized market research to identify customer demand for service performance across product lines. *See id.* at 16. The Postal Service ought to provide anticipated service levels for any proposed new product to allow its customers to assess the value of new product offerings and to facilitate a better understanding of how a new product may be differentiated from similar offerings.

As noted by many commenters, however, there is an inherent trade-off between service improvements and costs. *See* APWU Comments at 2; DMA Comments at 2; NAPM Comments at 4; NPPC / ABA Comments at 2; RMC Comments at 3. Although there are undoubtedly opportunities for enhanced operational discipline that could improve service, service improvements will impose new costs on the Postal Service. Accordingly, the Postal Service and the Commission must strike a delicate balance in establishing modern service standards to promote enhanced value for senders and recipients of the mail without overburdening the system with additional costs.

2. Modern Service Standards Should Promote Consistency and Reliability.

The commenters are in accord that to preserve and enhance the value of mail, the Postal Service, in consultation with the Commission, must ensure consistent and reliable

delivery within the prescribed standards. *See* APWU Comments at 4; BAC Comments at 2; DMA Comments at 1; DMANF Comments at 2; DFS Comments at 2-3; Medco Comments at 1; NPPC / ABA Comments at 1-2; OCA Comments at 17; PSA Comments at 2; Pitney Bowes Comments at 4-5; PostCom Comments at 2; Publishers Clearing House (PCH) Comments at 1-2.

Additionally, numerous commenters recognized the importance of controlling the distribution of the variance from the established standard (i.e., the “tail of the mail”) as a critical element of modern service standards. *See* APWU Comments at 4; Medco Comments at 2; NPPC / ABA Comments at 4; OCA Comments at 17; PSA Comments at 2, 4; Pitney Bowes Comments at 5; RMC Comments at 4. The modern service standards should provide a disaggregated measurement of the delivery of mail in the trailing tail with distinct service standards.

**B. What System of Performance Measurement Should be Used To Evaluate Whether Those Service Standards Have Been Met**

1. The Performance Measurement System Should Be Transparent and Accessible.

Many commenters agreed that the development of an effective system of performance measurement is as important as the development of modern service standards. Specifically, many commenters urged the Postal Service, in consultation with the Commission, to establish a publicly available, verifiable, and accurate system of performance measurement to ensure compliance with the modern service standards. *See* APWU Comments at 4; BAC Comments at 3; DMA Comments at 3; MPA / ANM Comments at 4-7; NPPC / ABA Comments at 3-4; OCA Comments at 19; Pitney Bowes Comments at 6-7; PostCom Comments at 3; RMC Comments at 5-6.

Meaningful performance measurement will require that the Postal Service publish current, detailed data on actual performance. Several parties suggested that the Postal Service be required to make regular, periodic reporting of public service performance data. Pitney Bowes continues to believe that the Postal Service, in consultation with the Commission, should go further in designing a modern system of performance measurement. The Postal Service should be encouraged to make performance data publicly available in as close to real-time as possible at a level of sufficiently granular detail to provide senders and recipients increased visibility into the mailstream, thus, enhancing the value of the mail. Developing a system of performance measurement with such an open architecture will facilitate the availability of timely and accurate data which, in turn, will impose a discipline on the Postal Service to improve service and will enable senders and recipients of mail to adjust their operations and work with the Postal Service to address service issues.

2. The Modern System of Performance Measurement Should Fully Leverage Technology.

There is broad recognition among the commenters regarding the important role that technology can play in developing a performance measurement system. Specifically, many commenters identified the potential of emerging technologies such as the intelligent barcode and seamless acceptance to make cost-effective passive data collection increasingly prevalent and valuable. *See* DFS Comments at 5; MPA / ANM Comments at 4; Medco Comments at 2; NPPC / ABA Comments at 4; NNA Comments at 7; Pitney Bowes Comments at 6; PCH Comments at 2; RMC Comments at 5; Stamps.com Comments at 1-2; TW Comments at 5-6.

The Postal Service, in consultation with the Commission, should develop a system of performance measurement that fully leverages and expands the capabilities of a data-rich mailstream. Consistent with Pitney Bowes' Initial Comments, Stamps.com urges the Postal Service and the Commission to develop modern service standards and a system of performance measurement that incentivizes the expanded use of intelligent barcodes (e.g., a secure information-based indicia (IBI) or PC Postage indicia) and data-rich mail by consumer and small business mailers. Extending the reach of a data-rich mailstream to consumer and small business mailers via an IBI or PC Postage indicia will increase transparency and enhance the security of the mailstream while improving service measurement.

**C. The Modern Service Standards Should Facilitate the Postal Service Plan**

In its comments, the Parcel Shippers Association (PSA) appropriately recognizes the interdependence between the development of the modern service standards and the development of the Postal Service Plan under Section 302 of the Postal Accountability and Enhancement Act (PAEA). *See* Pub. L. 109-435, § 302, 120 Stat. 3198 (Dec. 20, 2006)(not included in Title 39). As noted in Pitney Bowes' Initial Comments, two components of the Postal Service Plan warrant specific attention in the development of the modern service standards: the Postal Service's facilities plan and the Postal Service's plan to expand alternate retail options (e.g., kiosks, postage meters, on-line postage) through rate incentives or other means. Again, these plans will present significant opportunities for the Postal Service to improve efficiencies and reduce total postal sector costs.

### III. CONCLUSION

Pitney Bowes appreciates the Commission's consideration of these comments. Pitney Bowes respectfully requests that the Postal Service and the Commission adopt modern service standards which are realistic, attainable, consistent, and reliable. Pitney Bowes further requests that the Postal Service and the Commission implement a system of performance measurement that is transparent and accessible.

Respectfully submitted:

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/s/

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