

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Dan G. Blair, Chairman;  
Mark Acton, Vice Chairman;  
Ruth Y. Goldway;  
and Tony Hammond

Service Standards and  
Performance Measurement  
For Market Dominant Products

Docket No. PI 2008-1

COMMENTS OF NATIONAL NEWSPAPER ASSOCIATION  
ON SERVICE PERFORMANCE MEASUREMENT SYSTEMS  
FOR MARKET DOMINANT PRODUCTS  
(January 18, 2008)

Pursuant to Commission Order No. 49, the National Newspaper Association hereby provides its responses to the request for comments on Performance Measurement Systems for Market Dominant Products.

The National Newspaper Association (NNA) is a 2,500 member trade organization. NNA represents owners, publishers, and editors of America's community newspapers. NNA has frequently appeared before this body's predecessor, the Postal Rate Commission, with testimony on chronic problems in the periodicals delivery outside originating SCF areas. NNA submitted testimony in July on the service standards themselves, and urged the Commission to take into account some of the unique problems of measuring newspaper delivery. Here, NNA reiterates some of those comments and suggests that the systems being proposed are likely to miss the most critical problems in newspaper delivery. In some cases, NNA believes that maturing mailer practices and increased use of automation by the Postal Service for handling newspaper mail may provide greater visibility. However, much depends upon the Postal Service's

next steps on development of the Intelligent Mail Bar Code (IMB) and that after its deployment, automation equipment is actually used to sort newspapers. In the end, NNA continues to believe that the Commission, over the short term, will be unable to carry out its mandate under the Postal Accountability and Enhancement Act (PAEA) with respect to mailed newspapers unless some system for capturing mailer and newspaper subscriber complaints is developed.

Following, NNA lays out its concerns. Also, NNA explains in detail its position on the measurement of Within County Periodicals.

At the outset of these comments, NNA also wishes to express again its appreciation for the Postal Service's work in development of the service standards themselves. The standards proposed by the Postal Service seem to NNA to be fair and justifiable. If they were consistently met for newspaper mail, much that goes wrong in the mailer/USPS relationship would be rectified. NNA holds out some hope that in time the deployment of Flats Sequencing equipment for long distance newspaper mail<sup>1</sup> will interrupt the cycle of manual handling of newspapers in many incoming mail plants, wherein some of the problems of poor service are buried. But until the promise of transparency through use of Intelligent Mail Barcodes is realized, proposed systems will fail to capture much information about newspapers. For local mail, NNA maintains its immutable belief that destination entry of both in-county newspapers and the newspaper shoppers and Total Market Coverage publications that travel as carrier route Standard flats will be essential in the FSS era. NNA here addresses some of its comments to the question of capturing data for In County destination-entered periodicals.

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<sup>1</sup> For ease of reference, NNA refers to copies sent outside the immediate circulation area of the newspapers as "long-distance mail" even though those copies may be delivered only to the next state or destinations covered by a different Area Distribution Center. The reference is used to distinguish the newspaper mail from copies being entered and delivered at destination offices within the publisher's county or in nearby areas reached by exceptional dispatch.

**1. The Intelligent Mail Bar Code will see slow adoption among newspaper mailers.**

The Postal Service's proposal rests heavily upon the adoption of the Intelligent Mail Barcode (IMB). It states in section 2.2 of its proposal that it proposes to require use of the IMB in January 2009. Accordingly, it has recently circulated a preliminary outlook for the specifications to be required of printers for the IMB.

NNA participated actively in the Mailers Technical Advisory Committee's Work Group that examined the IMB addressing standards. It found generally that the problems anticipated by magazine and catalog mailers were less likely to be experienced by newspaper mailers. To the extent that concerns developed—such as a passing fear that a label might have to be pasted in the middle of the news columns of a broadsheet newspaper—the Postal Service's technical and operational staff worked cooperatively to allay the concerns. At this juncture, NNA's postal experts are reasonably satisfied that if newspapers can print the IMB on the mailpiece, the IMB could facilitate automation. But many hurdles remain before the IMB begins to appear upon newspaper pages.

- a. Many newspapers—particularly smaller rural papers—do not use in-line inkjet addressing.*

Unlike the sophisticated addressing units attached to web offset presses used by major national printers, the older web presses used by many local newspapers do not have addressing units attached. The copies are addressed with adhesive labels, some even attached manually. Even at many large metropolitan newspapers, address labels are used because mail delivery is not a significant component of the delivery scheme. Mailrooms are set up at many of

these newspapers where small volumes of out-state mail can be addressed and sacked.

These labels are created by print output files created by the several newspaper-oriented postal software vendors. The vendor provides a menu selection for the printer or publisher to use after processing a list that creates the protocol for the desired address vehicle—a label, a merge file with barcode or an in-line system. When the vehicle is an adhesive label, the typical product will be one of the many Avery® or other office supply lines.

Experience with the existing PostNet® barcodes has taught publishers and printers to be creative with the Avery® labels. The paper stock that allows for an optional endorsement line, a 3 or 4 line address and a wide PostNet® code for an 11 digit ZIP code can require the labels to be printed in 8 point type, or kerned to squeeze all of the information onto the label.

It remains to be seen how all of the information the IMB will require will fit an Avery® or similar label. And if it does not, we can expect a large number of newspaper publishers to give up on IMB implementation before even giving it a try.

*b. Educating large and widely dispersed printing companies will slow implementation.*

The Postal Service is accustomed to communicating with periodicals customers through the handful of large printing companies that generously contribute their experts to helping the industry with problem-solving. Finding protocols that fit those national and regional printers helps to develop the leaders for change within the industry.

But newspapers are not printed by those printers. Newspapers are printed locally, often six to eight titles by one larger paper in the area. These printers represent an array of equipment types, ownership models and capabilities. Replicated in 49 other states with community newspapers, these businesses are generally smaller than the companies USPS sees at its vendor meetings. It will take several years for investments to be made and printing practices to change. And, in fact, some of these printers will be unable to adapt. While the adoption curve is mounted, newspaper service data will be scarce.

*c. Software and printer vendors must lead this charge, but they are already battle fatigued and frustrated.*

To the degree the change occurs, it will depend heavily upon leadership by the postal software companies, which will create the programs that go on the presses or addressing machines.

But for newspapers, these vendors are few, and the small field is woefully stressed by the obligations placed upon them by the Commission's decision in R2006-1. Massive reprogramming was required for compliance with the July 2007 rates—and even to date some companies are struggling with fine points like making sure all the addresses served by a within county carrier route are flagged, and that stray pieces that do not fit into a carrier route or 5 digit bundle do not wander into a higher-level sack where delivery may be delayed for weeks. Publishers have understandably resisted price changes to accommodate these programming costs, because the size of the postal rate increase was daunting enough, and because the retooling of the software offers nothing to improve or enhance service. It is simply a tax.

Whether the software companies will be willing and able to absorb yet another round of major changes to produce IMBs and electronic manifests remains to be seen. Whether they will be tempted to look longingly at more

lucrative and less trying markets instead of tolerating the complexity and demands that the Postal Service requirements place upon the small periodicals customer base also remains to be seen. But to the extent the system forces rapid change within this narrow market, consolidations and vendor shrinkage will follow in due proportion. The loss of even one qualified vendor will be enough to force more newspaper mailers to abandon the mail.

*c. Finally, resistance to change will come from mailers disappointed by the automation results of the past 3 decades.*

NNA has led its industry to adopt PostNet barcodes, urging publishers to create the opportunity for automated sorting even when USPS declined to use it. The shrinking discounts for automation flats in recent years have discouraged usage somewhat, but nothing has dampened enthusiasm like learning that even when the barcodes are on the pieces, USPS is shelving them in flats cages to await manual handling in most cases. The manual sorts are delayed until volumes are persuasive enough to attract attention—and therein is the culprit that gobbles up newspaper delivery standards. If Commissioner Hammond wonders, as he did at a public hearing in 2007, why his Missouri community newspaper is so slow arriving at his home in the Washington DC area, he can most likely peer into this dark hole of unimproved mail practices. Can the pieces be sorted by machine? Yes, certainly in the UFSM 1000; and often on the AFSM 100. But are they? Often, no, because plant personnel have convinced themselves for a variety of reasons not to use the machines for newspapers.

So after a sizeable educational effort by NNA to encourage PostNet use for naught, the next generation of lessons on IMBs is going to reach a skeptical audience indeed.

**2. The FAST system does not capture many newspaper acceptance incidents, therefore start-clock data may elude the data collectors.**

The Postal Service explains in Section 6.2.4 of its proposal how the FAST system will help in capturing Start-clock data. That is, mailers make advance appointments, providing certain information about the mail to be entered, and thereby create a starting point for data whose collection will begin when the appointment is kept and scans of containers will begin. It also notes that some facilities have no FAST system, but that start-clock will happen when the mail arrives.

The proposal does not address the circumstances where the mail “arrives” at 3 a.m., deposited on the loading dock of a small post office whose postmistress has long gone for the day. It does not address the offices where electronic scans may not be feasible because no scanning equipment has yet been furnished to the office. It isn’t clear how, exactly, the start-clock for this mail will occur. But it is important to point out that the standards have been crafted around the typical practices of larger periodicals mailers. The Commission should take steps to insist that some sampling of data from even these small, non automated offices occurs. Otherwise, a category of the class will be opaque in the new system of transparency.

**3. Outside vendors are not likely to be used by newspaper mailers**

*a. The price of admission to an organization like Red Tag is steep, and provides no measurable value to the mailer.*

NNA is familiar with the services provided by Red Tag, and respects the organization’s work. Indeed, Red Tag once was housed in the NNA offices. It is

less familiar with Del Trac. NNA has no objection to the use of either of these services for measurement of periodicals accustomed to using them.

But it is highly unlikely that either of them will be used by community newspapers (or larger newspapers, for that matter, except for the national mailers within the industry) unless steps are taken to reduce their costs to the publishers. Red Tag's lowest membership rate is \$2,000 per year. Monitoring of a weekly publication costs an additional \$2,000 per year. For the investment, the publisher receives regular reports on trouble spots, which enables the publisher to set in motion USPS diagnostics to figure out the source of the problem and fix it.

But community newspapers do not need a national monitor to know which subscribers are not receiving the newspaper on time. The subscribers are their own monitors, and are notoriously vocal about their dismay. NNA members with egregious problems seek the assistance of the NNA Postal Committee. If solutions are to be found, the committee and its colleagues at USPS generally are able to find them. (And sometimes not...) Given the small circulations of most mailed newspapers, investing \$4,000 for a report that tells the publisher what he already knows would be profligate.

These outside monitoring organizations, therefore, will undoubtedly fill an important data gap for the magazine industry. They will not produce data of great value on newspaper delivery.

- b. Data collectors are admittedly in high density areas, whereas newspaper deliveries in those areas are through private carriers. . In rural areas where mailing is more prevalent, professional monitors seem to be scarce.*

Even if Red Tag or Del Trac were able to recruit newspaper members during the interim time of external contractors monitoring periodicals, the admittedly urban disbursement of the monitors will defeat the purpose of collecting data about most community newspapers. The typical mailed community newspaper is a 3,000 to 5,000 circulation paper located in an exurban or rural area, and its subscribers are in those same areas, or in nearby communities.

These negative comments are not intended to discourage use of Red Tag or Del Trac as interim systems. To the contrary, NNA supports their use. NNA hopes that some data from magazine and newsletter publishers with shape and sortation characteristics similar to newspapers will be reported out from Red Tag and can be used as a surrogate for newspaper data. But a surrogate isn't as good as the real thing. We can only hope, like a rising tide lifting all boats, service issues unearthed by these measurement systems will result in system wide performance enhancement that aids newspapers as well as other mail.

In the absence of a good fit for statistical reporting or rosier prospects for IMB adoption to trigger USPS systems, NNA continues to urge the Commission to recognize systematic anecdotal service complaints in some way in its monitoring and compliance reports. The continued availability from data from ePub Watch should be examined to fill a portion of this gap.

- 4. Start-clock measurements of containers for DU entered mail consisting of newspapers and associated Standard Mail publications should be considered satisfactory for PAEA*

*compliance—unless a pattern of complaints for last-mile delivery problems develops.*

For the typical community newspaper, the DU entered mail will be In County periodicals and saturation or high density Standard mail pieces.

The Postal Service's proposal asserts in footnote 21:

“The Postal Service is still attempting to determine how an accurate measurement system for In-County Periodicals could be developed. In the interim, the Postal Service is hopeful that existing systems like Red Tag could be expanded to provide data in the short-term and that mailer adoption of IMBs will provide additional granularity in the long-term.”

NNA has discussed the problem of measuring In-County Periodicals with the Postal Service. NNA agrees that developing an accurate measurement system will be problematic for mail that is customarily entered at the Delivery Unit level and moved back out on the last mile within the same day. The overwhelming majority of these pieces will be carrier route level pieces in carrier route bundles, will not carry barcodes of any sort and will never touch a mail processing machine. Theoretically, the Postal Service could develop a system for scanning bundles as they are entered, and follow the same procedures for these mail pieces as it proposes in Section 5.5.3 for saturation flats.

But NNA's view, expressed directly to the Postal Service during the development of the service standards, is that creating a measurement system for a segment of the mail stream where notable service problems are rare has no purpose. The system would be created at some cost for a subclass that already struggles because of its size. If reports are accurate, they will show problems are rare. As the primary advocate for In-county mailers, NNA believes the exercise would be pointless and tautological. NNA therefore urges the Commission to agree with the Postal Service that systems developed for Outside County periodicals may suffice for Periodicals class for now.

However, NNA's support for this position will evaporate quickly if the deployment of FSS machines causes newspaper mailers to lose DU entry privileges. Despite the fact that NNA has vigorously urged the Postal Service to preserve DU entry for newspapers, the Postal Service has not yet announced its decision on this point. The entry of local newspapers at FSS facilities will alter the current cost-effective and service-friendly mailer practice and put timely service in jeopardy. Though NNA believes many newspaper publishers faced with the loss of the privilege will remove all mail volumes—both periodicals and Standard Mail saturation flats from the mailstream and resort to private delivery—any mail that does remain within the system will need to show up in delivery statistics. One might think that scans on the FSS machines will produce these data if newspapers are being sorted on them, but it is far from clear that a newspaper mailer forced to enter at an FSS plant will be guaranteed mail processing on the machines. It is entirely possible the publisher would lose local entry because the Postal Service has decided not to permit carrier casing and to force the publisher to haul bundles to an FSS plant entry only to have the pieces sorted manually and returned to the DU area with the automated flats. That scheme would be disastrous. NNA would then petition the Commission to require an accurate measurement system for In-county periodicals to capture data for any mail that may remain in the subclass. But the scenario has not yet developed, and it may never. For the time being, NNA is content with leaving In-County service unmeasured.

In sum, the Postal Service's proposal is acceptable to NNA as far as it goes. For newspapers that fit into the round hole of IMB-driven start-clock and stop clock data, the new system should work. But the square peg newspaper will be the one without an IMB code because its printer cannot produce one, or the newspaper with an IMB code that is nonetheless sorted manually and misses necessary scans, or the unfortunate newspaper that was once DU entered but is hauled haplessly along to an FSS zone plant for manual sorting before it is

hauled back again. Service problems of the sort the Commission is supposed to be tracking will not show up under the monitoring systems so far proposed. But NNA is hopeful that IMB adoption will come in time and that it will indeed help in making transparent the service problems newspapers have suffered for years. Until automated systems begin to produce helpful information, NNA believes anecdotal data of persistent, systemic failures should be accepted by the Commission and recognized in its analysis of service.

Respectfully submitted,

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#### Certificate of Service

I hereby certify that I have this 18th day of January, 2008, caused to be served the foregoing document in accordance with sections 12 and 20(c) of the rules of practice.

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Association