

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

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**Service Performance Measurement  
Systems for Market Dominant Products**

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**Docket No. PI2008-1**

**INITIAL COMMENTS OF PITNEY BOWES INC.  
IN RESPONSE TO NOTICE OF REQUEST FOR COMMENTS ON  
SERVICE PERFORMANCE MEASUREMENT SYSTEMS  
FOR MARKET DOMINANT PRODUCTS**

James Pierce Myers  
Attorney at Law  
1211 Connecticut Avenue, NW  
Suite 620  
Washington, DC 20036  
Telephone: (202) 331-8315  
Facsimile: (202) 331-8318  
E-Mail: [jpm@piercemyers.com](mailto:jpm@piercemyers.com)

Michael F. Scanlon  
KIRKPATRICK & LOCKHART  
PRESTON GATES ELLIS LLP  
1601 K Street, NW  
Washington, DC 20006  
Telephone: (202) 778-9000  
Facsimile: (202) 778-9100  
E-Mail: [michael.scanlon@klgates.com](mailto:michael.scanlon@klgates.com)

Counsel to PITNEY BOWES INC.

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## I. INTRODUCTION

Pitney Bowes Inc. (Pitney Bowes) is pleased to provide these comments in response to PRC Order No. 48, the Postal Regulatory Commission's (Commission) Notice of Request for Comments on Service Performance Measurement Systems for Market Dominant Products (Docket No. PI2008-1). The Postal Accountability and Enhancement Act (PAEA or Act), Pub. L. No. 109-435, 120 Stat. 3198 (Dec. 20, 2006),<sup>1</sup> provides unique and complementary roles for both the Commission and the Postal Service in developing, implementing, and administering modern service standards and performance measurement systems for market dominant products.

The PAEA directs that "the Postal Service shall, in consultation with the Postal Regulatory Commission, by regulation establish (and may from time to time thereafter by regulation revise) a set of service standards for market-dominant products."<sup>2</sup> 39 U.S.C. § 3691(a). The PAEA also requires the establishment of a system of objective performance measurement. *See* 39 U.S.C. §§ 3691(b)(1)(D), (b)(2). By statute, the service standards must be measured by an objective external performance measurement system, unless the Commission approves the use of an internal measurement system. *See* 39 U.S.C. § 3691(b)(1)(D) and (b)(2).

Pitney Bowes commends the Commission for soliciting public comments to help it fulfill its continuing obligations under the PAEA concerning the service performance measurement systems for market dominant products. Pitney Bowes also commends the Postal Service for its efforts to solicit the input of the mailing community, particularly

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<sup>1</sup> The PAEA amends various sections of title 39 of the United States Code. Unless otherwise noted, section references in these comments are to sections of title 39.

<sup>2</sup> The Postal Service published its final Modern Service Standards for Market Dominant Products on December 19, 2007. *See* 72 Fed. Reg. 72216 (Dec. 19, 2007).

through its work with the Mailers Technical Advisory Committee (MTAC) Workgroup 114, in developing these important proposals. The Commission, the Postal Service, and the mailing community must continue to work together to establish meaningful service standards and performance measurement systems.

The modern service standards adopted by the Postal Service appropriately reflect the importance of consistency and reliability; both are essential for maintaining and enhancing the value of mail as a vital communications medium and for creating an environment that encourages future investment in the mailstream. To realize the full potential of the modern service standards, however, the Postal Service must also establish service performance measurement systems that are transparent and accessible.

## **II. DISCUSSION**

As the Commission's Order recognizes, the Postal Service is seeking "approval to move forward with the development of the proposed measurement systems 'with the understanding that the approval is for the conceptual approach . . . and is subject to review of the implemented systems.'" Order at 2-3. Accordingly, Pitney Bowes submits these comments on the Postal Service's "conceptual approach" and urges the Postal Service to continue to work with the mailing community and the Commission to develop the specific elements of the service performance measurement systems.

These comments focus primarily on the Postal Service's proposed hybrid system of service performance measurement based on Intelligent Mail Barcode (IMB) scans and independent, third-party stop-the-clock scans for service performance measurement of presort letters and flats, i.e., First-Class Mail presort letters, Standard Mail letters and flats, and Periodicals letters and flats.

**A. The Commission Should Approve, as an Interim Measure, the Proposed Hybrid Measurement System Based on IMB Scans and Independent, Third-Party Stop-the Clock Scans for Presort Letters and Flats**

Pitney Bowes commends the Postal Service for proposing a system of performance measurement that seeks to leverage and expand on the capabilities of intelligent barcodes and a data-rich mailstream. The adoption of the intelligent barcodes and seamless acceptance can, and should, play an increasingly important role in verifying service performance by providing precise, real-time performance measurements. Encouraging the widespread adoption of intelligent barcodes to facilitate service performance measurement will also enhance the value and security of the mailstream. The hybrid measurement system thus furthers the statutory goal of establishing a service performance measurement system that “enhance[s] the value of postal services to both senders and recipients.” 39 U.S.C. § 3691(b)(1)(A).

MTAC Workgroup 114 recommended that the Postal Service develop a system of service performance measurement that is based exclusively on intelligent mail barcodes, rather than third-party stop-the-clock scans. Pitney Bowes appreciates the cost savings and efficiencies that would be gained by such a system and supports its ultimate adoption. In the meantime, however, Pitney Bowes supports the proposed hybrid system as a necessary interim measure. Pitney Bowes urges the Postal Service to dispense with third-party stop-the-clock scans as the adoption of the IMB becomes sufficiently widespread to ensure the statistical validity of the service performance data.

Pitney Bowes also recommends that the proposed hybrid system be used to measure service performance of First-Class Mail presort flats rather than using the External First-Class (EXFC) measurement system as a proxy. As with First-Class Mail

presort letters, First-Class Mail presort flats will be required to adopt the IMB by January 2009 to qualify for automation discounts and, therefore, should have sufficient IMB adoption rates to allow for meaningful service performance measurement with the hybrid system.

**B. The Postal Service Should Establish a Process to Assess IMB Adoption Rates to Ensure the Integrity of the Hybrid Service Performance Measurement System**

The Postal Service correctly observes that “[m]ailer participation and adoption of the Intelligent Mail series of barcodes and associated electronic mailing information is critical to the success of service performance measurement.” USPS Service Performance Measurement Proposal, at 49. Widespread adoption of the IMB is a shared goal among the Postal Service and the mailing community. Nevertheless, many mailers are concerned that they may not be ready in time for the January 2009 deadline prescribed by the Postal Service.<sup>3</sup> Given the critical nature of the IMB to the proposed hybrid system of service performance measurement, the Postal Service should establish a process to analyze IMB adoption rates in order to assess the validity of the proposed hybrid system.

Pitney Bowes further urges the Postal Service to continue to coordinate its efforts to implement the IMB with the mailing community to ensure a seamless transition. The Postal Service will need to work closely with the mailing community to ensure that mailers of all sizes can manage the transition to the IMB with minimal disruption.

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<sup>3</sup> These concerns are, in large part, caused by what is perceived to be a lack of detailed information regarding the requirements for complying with the new IMB standards and a lack of information regarding the pricing of the proposed “Basic” and “Full” IMB standards. While many of these specific issues will likely be addressed in the related Advanced Notice of Proposed Rulemaking, “Implementation of Intelligent Mail Barcodes,” 73 Fed. Reg. 1158 (Jan. 7, 2008), these issues have important implications for the current proceeding. For example, without the appropriate financial incentives to invest in the “Full Service” IMB implementation, many mailers may choose the “Basic” IMB option. Yet, without a sufficient level of “Full” IMB mailings, the Postal Service may not have sufficient data to implement a robust service performance measurement system.

**C. The Postal Service Should Seek to Expand the Reach of Intelligent Barcodes to Small Volume Mailers to Improve Service Performance Measurement**

Service performance measurement systems should also incentivize the expanded use of intelligent barcodes by consumer and small business mailers. A single-piece letter mailstream enabled with an information-based indicia (IBI) would facilitate increased data points, transparency, and improved service standards. Rate incentives that encourage this expansion can drive the benefits and efficiencies of technology to a broader segment of the mailing community. Expanding the benefits of technology is also consistent with the PAEA's promotion of Alternate Retail Options under section 302.

**D. The Proposed Hybrid Service Performance Measurement System Must Be Transparent and Accessible**

There is a critical need for publicly available, real-time, verifiable and accurate service performance data. The Postal Service's proposed hybrid service performance measurement system should be developed with an "open architecture" to allow mailers to *independently* access their own mailing data as well as aggregate data. Providing mailers access to their own data and to public aggregate data will permit them to better manage their mailings and verify service performance while reducing their costs and the costs of the Postal Service. A transparent and accessible system will also diminish the need for external performance measurements thereby reducing the cost of administering the service performance measurement system.

Consistent with the recommendations of MTAC Workgroup 114, the Postal Service's service performance measurement system should provide real-time access to web-based public data at a sufficiently disaggregated level, such as the 3-digit Origin / Destination ZIP Code pair. The expanded use of intelligent barcodes will enable even

further disaggregation of the data for certain classes by shape, forwards and returns, payment evidencing channel, and presort level. To facilitate transparency and accessibility, the performance measurement system should also measure other important dimensions of quality of service for senders and recipients, including undeliverable as addressed (UAA) mail, forwarded mail, and returned mail. Timely access to mailer-specific data and public aggregate data will enhance the value of the mailstream and help the Postal Service improve service performance.<sup>4</sup>

The Postal Service's proposal to report service performance data on a quarterly and annual basis is sufficient *provided that* the service performance measurement system is designed with an "open architecture" that permits mailers close to real-time access to their own mailing data as well as aggregate data. Timely service performance data is necessary for mailers to efficiently manage their postal resources.

The Postal Service's proposed service performance measurement systems should be clarified to reflect that service performance data will be reported *by product* as required by PAEA. *See* 39 U.S.C. § 3691(b)(1)(D). Providing data for only groups of products may make it difficult, or impossible, for a mailer of a particular product to assess the Postal Service's performance with respect to that product where the

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<sup>4</sup> Pitney Bowes is concerned that the Postal Service may be seeking to leverage IMB information and requirements rather than providing this public aggregate data to mailers. For example, in the related Advanced Notice the Postal Service states that a "full IMB" will receive certain address correction and mail induction information at no additional charge, but that it understands that "some mailers will be interested in more granular information" and states that it plans to "make such information available at an additional charge, either through an existing service such as Confirm or through a service that [USPS] will develop later." 73 Fed. Reg. at 1160. Notwithstanding the importance of the intelligent barcode to service performance measurement, the Postal Service must exercise caution in limiting itself to providing postal services as well as in establishing its rules and regulations to ensure that it does not impermissibly create an unfair advantage for itself in violation of the PAEA. *See* 39 U.S.C. § 404a(a)(1).

performance of a group of products does not reflect the performance of a particular product within the group.

Finally, service performance measurement systems must be accurate and auditable. In this regard, we commend the Postal Service for proposing a hybrid service performance measurement system designed to ensure the statistical validity of the service performance data. As noted above, the ultimate adoption of a system of service performance measurement that is based exclusively on intelligent mail barcodes will further enhance the accuracy, auditability, and transparency of the system.

**E. Service Performance Measurement Systems Should Be Flexible Enough To Accommodate Future Changes**

Service performance measurement systems must evolve with market, technological, and demographic changes. The PAEA contemplates that the development and revision of the service standards and the system of performance measurement will be an iterative process, addressing the needs of mailers through changes in mail volumes and the effects of “changes in technology, demographics, and population distribution.” 39 U.S.C. § 3691(c)(7). Accordingly, the Commission and the Postal Service should periodically assess whether further refinements are necessary to the service performance measurement systems adopted through this proceeding.

