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

Service Performance Measurement
Systems for Market Dominant Products **Docket No. PI2008-1**

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

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Pitney Bowes Inc. (Pitney Bowes) is pleased to provide these comments in response to PRC Order No. 83, the Postal Regulatory Commission's (Commission) Second Notice of Request for Comments on Service Performance Measurement Systems for Market Dominant Products (Docket No. PI2008-1).

Section 301 of the Postal Accountability and Enhancement Act (PAEA)[1] provides 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."[2] 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 previously submitted comments on the Postal Service's November 2007 draft Service Performance Measurement Plan.[3] Pitney Bowes commends the Postal Service for its efforts to refine and enhance its proposed service performance measurement systems. The June 2008 draft Service Performance Measurement Plan succeeds in presenting a more comprehensive and understandable vision for the service performance measurement systems.

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[1] *See* Pub. L. No. 109-435, 120 Stat. 3198 (Dec. 20, 2006). 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.

[2] 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).

[3] *See* Initial Comments of Pitney Bowes Inc. In Response to Notice of Request for Comments on Service Performance Measurement Systems for Market Dominant Products, dated January 18, 2008 (Initial Comments).

As noted in Pitney Bowes' prior comments, the Postal Service, in consultation with the Commission and the mailing community, must develop transparent and accessible service performance measurement systems to realize the full potential of the modern service standards. This will enhance the value of mail as a vital communications medium and create an environment that encourages future investment in the mailstream.

These comments focus primarily on the Postal Service's proposed system of service performance measurement based on start-the-clock data from PostalOne! and other USPS systems, full service 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. Measurement Issues

1. Support for the Postal Service's Proposed Use of Full Service IMb

Pitney Bowes continues to support the Postal Service's proposal to use the capabilities of the full service IMb to assess service performance measurement. The full service IMb should play an ever increasing role in measuring service performance by providing precise, real-time data points for performance measurements. Widespread use of the full service IMb and electronic documentation will also enhance the value of the mail by providing senders and recipients a higher degree of visibility and security. The 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).

2. First-Class Mail Presort Flats

Pitney Bowes again urges the Postal Service to reconsider its proposal to use EXFC as a proxy for service performance measurement of First-Class Mail presort flats. The use of EXFC rather than the system proposed for First-Class Mail letters is unfair and will result in inaccurate service performance measurement data. The proposal is unfair because First-Class Mail presort flats are required to adopt the IMb by the same deadline as First-Class Mail presort letters, May 2009, in order to qualify for automation discounts. Yet the information obtained through the use of the IMb for presort flats will not be used for service performance measurement and the mailers of First-Class Mail presort flats will therefore be denied the enhanced visibility into the mailstream that letter mailers will enjoy. The proposal will likely result in inaccurate service performance data because service performance for First-Class Mail presort flats may be sufficiently different from First-Class Mail single-piece flats.

3. Promotion of IMb Adoption

The proposed service performance measurement system is critically dependent upon mailer participation and the broad-based adoption of the full service IMb. Given the critical nature of the full service IMb to the proposed system of service performance measurement, the Postal Service should aggressively promote the adoption of full service IMb by providing: (1) meaningful price incentives to compensate mailers for the substantial costs to meet the requirements of the full service IMb option, and (2) specific, advance notice regarding the size of these price incentives. Communicating this pricing information *now* is critical because mailers are currently planning their 2009 budgets and making judgments as to whether to commit the significant financial and human resources

necessary to implement the full service IMb. Without advance information about the pricing incentives expected to take effect in May 2009, mailers will not be able to make informed choices as to whether the investment to implement is worthwhile, and likely will delay full service IMb implementation efforts.

It is also important for the Postal Service to promote the expanded use of full service IMbs by consumer and small business mailers via pricing signals. A data-rich single-piece letter mailstream would facilitate increased data points, transparency, and improved service performance measurement. Rate incentives for data-rich single-piece mail with an information-based indicia (IBI) could stimulate IMb use, promote the overall efficiency of the postal system, and open workshare opportunities (and pricing) to a broader segment of the mailing community.

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 needs to work closely with the mailing community to ensure that mailers of all sizes can manage the transition to the IMb with minimal disruption. The Postal Service should also establish a process to assess IMb adoption rates in order to assess the validity of the proposed system.

4. Critical Entry Times and Customer Supplier Agreements

One of the most significant changes to the November 2007 draft proposal is the welcome discussion of Critical Entry Times (CETs) and Customer / Supplier Agreements (C/SAs) as they pertain to "start-the-clock" calculations. The discussion of C/SAs reflects the Postal Service's effort to better align CETs with postal operational requirements. When mailers prepare their mailings so that they can bypass certain postal

operations and thus be processed more rapidly, it makes sense to allow them to enter their mail later in the day without adversely affecting their "start-the-clock" calculations. C/SAs will promote network and operational flexibility by appropriately rewarding mailers who are willing to commit to undertake certain activities that facilitate improved mail processing.

B. Reporting Issues

1. Transparent, Verifiable Service Performance Measurement Data

There is a critical need for publicly available, real-time, verifiable and accurate service performance data. To meet this need the proposed service performance measurement system must be transparent and accessible.

Pitney Bowes stresses again, as it did in its Initial Comments, that the Postal Service's proposed service performance measurement system ought to be developed with an "open architecture." An open architecture is necessary 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.

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.

2. Real-time, Web-based Access to Service Performance Measurement Data

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. Accordingly, 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.

As an initial step, the Postal Service's service performance measurement system should provide web-based public data at a sufficiently disaggregated level, such as the 3-digit Origin / Destination ZIP Code pair. Over time 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.

3. Data Reporting Requirements

Timely service performance data is necessary for mailers to efficiently manage postal resources. Thus, the Postal Service's proposal to report service performance data on a quarterly and annual basis is sufficient if and only if the service performance measurement system is designed with an open architecture as discussed above. If the system is designed in a manner that permits mailers real-time access to data (their own mailing data as well as public aggregate data), quarterly reporting will be sufficient. To the extent mailers do not have the ability to independently verify real-time service performance measurement data, the quarterly data reports will be of limited utility and will be insufficient to meet the need for timely, actionable service performance data.

4. Product Specific Data is Required

Pitney Bowes renews its request that the Postal Service modify the proposed service performance measurement systems to reflect that service performance data will be reported *by product* as required by PAEA. *See* 39 U.S.C. § 3691(b)(1)(D). Again, 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 service performance with respect to that product where the performance of a group of products does not reflect the performance of a particular product within the group.

Respectfully submitted:

/s/

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