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Non-timely requests and/or petitions and contentions will not be entertained absent a determination by the Commission or the presiding officer of the Atomic Safety and Licensing Board that the petition and/or request should

be granted and/or the contentions should be admitted, based on a balancing of the factors specified in 10 CFR 2.309(c)(1)(i)-(viii).

Documents submitted in adjudicatory proceedings will appear in NRC's electronic hearing docket which is available to the public at [http://ehd.nrc.gov/ehd\\_proceeding/home.asp](http://ehd.nrc.gov/ehd_proceeding/home.asp), unless excluded pursuant to an order of the Commission, an Atomic Safety and Licensing Board, or a Presiding Officer. Participants are requested not to include personal privacy information, such as social security numbers, home addresses, or home phone numbers in their filings. With respect to copyrighted works, except for limited excerpts that serve the purpose of the adjudicatory filings and would constitute a Fair Use application, participants are requested not to include copyrighted materials in their submissions.

For further details with respect to this license amendment application, see the application for amendment dated January 31, 2008, supplemented by letters dated April 3, April 29, May 15, May 28, September 30, October 7, October 16, October 23, and October 28, 2008, which are available for public inspection at the Commission's PDR, located at One White Flint North, Public File Area O1 F21, 11555 Rockville Pike (first floor), Rockville, Maryland. Publicly available records will be accessible electronically from the ADAMS Public Electronic Reading Room on the Internet at the NRC Web site, <http://www.nrc.gov/reading-rm/adams.html>. Persons who do not have access to ADAMS or who encounter problems in accessing the documents located in ADAMS should contact the NRC PDR Reference staff by telephone at 1-800-397-4209, or 301-415-4737, or by e-mail to [pdr.resource@nrc.gov](mailto:pdr.resource@nrc.gov).

Dated at Rockville, Maryland, this 24th day of November 2008.

For the Nuclear Regulatory Commission.

**John F. Stang,**

*Project Manager, Plant Licensing Branch II-1, Division of Operating Reactor Licensing, Office of Nuclear Reactor Regulation.*

[FR Doc. E8-28678 Filed 12-2-08; 8:45 am]

**BILLING CODE 7590-01-P**

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## POSTAL REGULATORY COMMISSION

[Docket No. PI2008-1; Order No. 140]

### Postal Service Plan for Service Performance Measurement

**AGENCY:** Postal Regulatory Commission.

**ACTION:** Notice.

**SUMMARY:** This document approves most elements of a proposed Postal Service plan for service performance measurement. Both the Postal Service's plan and the Commission's approval respond to requirements in a 2006 federal law that revised and updated the regulatory approach to postal operations.

**DATES:** Postal Service response: June 1, 2009.

**FOR FURTHER INFORMATION CONTACT:** Stephen L. Sharfman, General Counsel, 202-789-6820 and [stephen.sharfman@prc.gov](mailto:stephen.sharfman@prc.gov).

#### SUPPLEMENTARY INFORMATION:

##### Regulatory History

72 FR 72395 (December 20, 2007)

73 FR 36136 (June 25, 2008)

73 FR 39996 (July 11, 2008)

#### I. Executive Summary

The Commission today approves a Postal Service request to employ internal service measurements developed from its Intelligent Mail Barcode (IMb) data to track service performance of bulk letters and flats. This data would be combined with externally collected information to provide the first system measuring the speed and consistency of delivery for most types of mail.

A major feature of the Postal Accountability and Enhancement Act of 2006 is the requirement that the Postal Service begin to measure and publicly report on its service performance for all market dominant products. That law directs that external measurement systems be used for this task unless alternate systems are approved by the Postal Regulatory Commission.

This order reviews a Postal Service request to employ both external and internal service measurement systems, and the public's comments on that proposal. The Commission authorizes most aspects of the plan.

The Postal Service states that reliable external measurement of all products would be very expensive and hard to implement. In particular, to be reliable, test pieces must be indistinguishable from "real mail" while being sufficiently physically diverse and geographically dispersed to reflect service performance for different types of mail in all parts of the country. The Postal Service claims this would be very difficult to achieve in any affordable fashion.

The comments agree that it is important to utilize reliable existing data sources where possible, and to avoid requiring costly new external measurement systems.

The Postal Service proposes to expand its existing external system for measuring single-piece First-Class Mail, and use its existing Delivery Confirmation data to measure parcel service. For the majority of its volume, letter and flat-shaped mail sent in bulk by businesses, it proposes to measure performance with a hybrid system that would use data from its new IMb program, scheduled for implementation in May 2009, in combination with already available externally derived service information.

A measurement system that tracks representative, live mail from deposit to delivery would provide the most meaningful measure of service performance. The Postal Service believes that its planned "full service" IMb program will meet that standard. It will allow the Postal Service to begin measurement when it receives mail, and track containers and individual pieces as they proceed through its processing and transportation networks. These data would be combined with externally measured data quantifying time from ready-for-delivery, to actual delivery, providing end-to-end service measurement.

Assuming IMb scanning and reporting technology can be successfully implemented, and full service IMb is utilized by a representative cross-section of mailers, this service measurement program should produce high quality, minimal cost results. Therefore, the Commission approves its use, and urges the Postal Service to proceed quickly to deploy this system.

The Postal Service is to provide quarterly public progress reports while full service IMb is being tested and implemented. The Commission will carefully monitor IMb implementation and usage to assure that accurate and representative performance data are obtained. If necessary, modifications to the service performance measurement plan will be developed. A separate public proceeding will be initiated shortly to establish specific requirements for the periodic reporting of service achievement by type of mail.

In one area, the Commission has identified problems that require immediate adjustment. The Postal Service proposes to combine the measurements for its diverse special services into an index. The Commission finds that the proposed measures fail to reflect actual performance for several of the more important services, including Delivery Confirmation and Return Receipt. More realistic measures of actual performance need to be developed in these areas.

## II. Background

The Postal Accountability and Enhancement Act (PAEA), Public Law 109-435, 120 Stat. 3218 (2006), requires the Postal Service, in consultation with the Postal Regulatory Commission, to establish by regulation a set of modern service standards for market dominant products. 39 U.S.C. 3691. Initial consultations between the Commission and the Postal Service concluded on November 16, 2007, with the Commission providing the Postal Service with comments addressing the Postal Service's service standards proposals.<sup>1</sup> The Postal Service completed this task by publishing as a final rule Modern Service Standards for Market-Dominant Products, December 19, 2007 (Service Standards).<sup>2</sup>

Having established service standards, the Postal Service is developing systems to measure actual service performance. On November 29, 2007, the Postal Service provided the Commission with a draft of its Service Performance Measurement plan (Initial Plan), and through a continuation of the consultation process, sought the views of the Commission. The Commission posted the Initial Plan on its Web site as an attachment to Order No. 48, which also established Docket No. PI2008-1 for this matter and provided interested persons an opportunity to comment on the Postal Service's service performance measurement proposals.<sup>3</sup> The Commission received 18 sets of comments and 9 sets of reply comments from the mailing community.<sup>4</sup>

Since November, the Postal Service has been consulting with its customers, working with its external measurement vendors, and working through the implementation of the Intelligent Mail Barcode system. This has led to the

<sup>1</sup> Comments of the Postal Regulatory Commission on Modern Service Standards for Market Dominant Products, November 16, 2007. The consultations are described as "initial" because of the ongoing nature of consultations that are necessary to transition from a set of standards to an operational measurement system encompassing performance goals (see uncodified section 302(b)(1) of the PAEA) and reporting mechanisms (see 39 U.S.C. 3652).

<sup>2</sup> 72 FR 72216 (December 19, 2007) (codified at 39 CFR parts 121 and 122).

<sup>3</sup> PRC Order No. 48, Notice of Request for Comments on Service Performance Measurement Systems for Market Dominant Products, December 4, 2008 (Order No. 48).

<sup>4</sup> The members of the mailing community that have filed comments, reply comments, and additional comments are identified after the signature of this order. As a matter of convenience, citations to these comments will identify the party's comments as comments, reply comments, or additional comments. For example, Pitney Bowes' comments are cited as Pitney Bowes Comments at xx; reply comments are cited as Pitney Bowes Reply Comments at xx; and additional comments are cited as Pitney Bowes Additional Comments at xx.

continuous refinement of the Service Performance Measurement plan. In June 2008, the Postal Service provided the Commission with a second draft of its Service Performance Measurement plan (Revised Plan). The Commission posted the June 2008 draft Service Performance Measurement document on its Web site as an attachment to Order No. 83, and again provided interested persons an opportunity to comment.<sup>5</sup> The Commission received 10 sets of additional comments addressing the Revised Plan.

## III. Statutory Requirements

The Postal Service's Revised Plan provides proposals both for performance measurement systems and for reporting data generated by the performance measurement systems. Performance measurement systems and reporting of data are linked, but evaluation of each requires consideration of different statutory requirements and issues unique to each area. They appropriately may be considered separately. The focus of this Order is on the first topic, the approaches proposed for the various measurement systems.

Because the Postal Service's Revised Plan also includes proposals for data reporting and comments were solicited in this area, this order also describes the Postal Service's proposals for data reporting and reviews the comments that were submitted, with limited Commission discussion. A comprehensive review of the data items required by the Commission for annual determination of compliance, including more detailed reporting on a quarterly basis, will await a rulemaking as previously suggested in Docket No. RM2008-4.<sup>6</sup>

### A. Internal Versus External Measurement Systems

An objective in designing service performance standards is for the Postal Service to provide "a system of objective external performance measurements for each market-dominant product as a basis for measurement of Postal Service performance." 39 U.S.C. 3691(b)(1)(D). However, "with the approval of the Postal Regulatory Commission an internal measurement system may be implemented instead of an external measurement system" for individual

<sup>5</sup> PRC Order No. 83, Second Notice of Request for Comments on Service Performance Measurement Systems for Market Dominant Products, June 18, 2008 (Order No. 83).

<sup>6</sup> See Docket No. RM2008-4, Notice of Proposed Rulemaking Prescribing Form and Content of Periodic Reports, August 22, 2008, at 11-12 for a discussion of the future rulemaking.

products. 39 U.S.C. 3691(b)(2). The Revised Plan presents the various measurement systems the Postal Service proposes to use to measure the standards presented in the Service Standards document. In the Revised Plan, the Postal Service proposes various internal, external, and hybrid (containing both internal and external elements) measurement systems to measure the performance of its mail products.<sup>7</sup>

The Postal Service submitted the Revised Plan for the Commission's "review, feedback, and concurrence."<sup>8</sup> In consultations with the Commission, the Postal Service indicated that it seeks approval of the direction that it is taking with its measurement systems, specifically whether the Commission finds any issues that may be "show-stoppers" to proceeding with the various external and hybrid measurement systems.

This order provides the Postal Service with the requested feedback. Specific approvals will be subject to review as the quality of the data produced is evaluated.

#### B. Data Reporting

The Postal Service's Revised Plan also describes how it proposes to report to the Commission the data generated by its measurement systems. The Postal Service states:

In accordance with § 3652 of the Postal Accountability and Enhancement Act, the Postal Service is required to report measures of the quality of service on an annual basis. The Postal Service's proposal for service measurement goes far beyond annual reporting and will instead provide quarterly reporting for all market-dominant products, almost entirely at a district level.

Revised Plan at 12 39 U.S.C. 3652 requires that the Postal Service include in an annual report to the Commission an analysis of the quality of service "for each market-dominant product provided in such year" by providing "(B) measures of the quality of service afforded by the Postal Service in connection with such product, including—(i) the level of service (described in terms of speed of delivery and reliability) provided; and (ii) the degree of customer satisfaction with the service provided."

As noted above, the Commission intends on initiating a rulemaking to

<sup>7</sup> For the purposes of the statutory requirements, the Commission will consider all hybrid systems to be internal systems because of the level of control that the Postal Service exerts over the internal elements of the proposed hybrid systems.

<sup>8</sup> Letter from Thomas G. Day, Senior Vice President, United States Postal Service, to Dan G. Blair, Chairman, Postal Regulatory Commission, June 3, 2008.

develop rules for both annual and periodic reports of service performance measurements through its authority to (1) prescribe by regulation the content and form (including the methodologies used) of the annual report to the Commission (39 U.S.C. 3652(a)(1) and (e)(1)), and (2) prescribe data reporting requirements as part of designing a modern system for regulating rates and classes for market dominant products (39 U.S.C. 3622(a)). The Postal Service proposals presented in its Revised Plan, along with all comments received, will be incorporated by reference and considered in that rulemaking docket.

#### IV. Review of the Postal Service Performance Measurement Systems Proposals

Many service performance measurement issues are common to multiple mail products. These issues include the structure and reliability of a hybrid measurement system, exclusions from measurement, and IMb adoption rates, among others. The Commission addresses these issues first, discussing its concerns with the Postal Service's proposals, including where applicable, concerns presented by mailers.

The Commission then reviews service performance measurement issues as applicable to the individual classes of mail. The review addresses specific Commission concerns and provides recommendations on the approaches that the Postal Service is proposing for service performance measurement systems and data reporting. It also considers mailer comments specific to individual mail products.

##### A. Multiproduct Issues

###### 1. The Hybrid Measurement System

The Postal Service proposes service performance measurement systems that incorporate both internal and external measurement elements to measure the performance of First-Class Mail presort letters and cards, Standard Mail non-saturation letters and flats, and Package Services presort flats. The systems for each type of mail share similar attributes. Collectively, these measurement systems are referred to as the "hybrid measurement system."

The hybrid measurement system hinges on successful implementation and mailer adoption of the internal IMb system.<sup>9</sup> Only mail using the full service option of IMb will be included in the

<sup>9</sup> The Intelligent Mail Barcode is a new data rich, four-state barcode that the Postal Service is in the process of introducing. The IMb system includes the process and documentation requirements for inducting mail into the postal system, and the data system to monitor and report on mail containing IMBs.

measurement.<sup>10</sup> The measurement system uses a sampling, not a census, of full service IMb-compliant mail.

A prerequisite for mail to be measured is the submission of electronic mailing documentation by the mailer. Generally, the mailer's submission of electronic mailing documentation and the documented arrival time at a postal facility starts the clock of the measurement.<sup>11</sup>

The hybrid measurement system measures end-to-end service performance in two steps. In the first step, a mail processing factor is developed. The mail processing factor is the time from the start-the-clock event described above to the last recorded mail processing scan using IMb system data. In the second step, a delivery factor is developed. The delivery factor represents the time from the last recorded mail processing scan to actual delivery of a mailpiece. In calculating the delivery factor, an external contractor uses the last recorded mail processing scan reported by the IMb system, and the actual delivery date recorded by external reporters with scanners capable of reading IMBs. The mail processing factor is combined with the delivery factor to provide an end-to-end measurement of service performance.<sup>12</sup>

A variety of mailers support the hybrid measurement system approach. AMEE Comments at 2; DFS Reply Comments at 1; MMA Comments at 2; NPPC Comments at 4; Pitney Bowes Comments at 3; and PostCom/DMA Comments at 7.

AMEE and MMA comment that the existing External First-Class (EXFC) infrastructure used by the hybrid system and external reporters will add credibility to the system. AMEE Comments at 2; and MMA Comments at 2. However, Pitney Bowes and Valpak suggest eventually eliminating the external reporters to reduce costs once IMb becomes widespread enough to ensure statistical validity of the system. Pitney Bowes Comments at 3; and

<sup>10</sup> Full service and basic options are available for IMb. Basic IMb requires mailers to use an IMb that includes a Barcode ID, Service Type ID, Mailer ID, Serial Number (does not have to be unique and can include all zeroes), and a Delivery Point ZIP Code. In addition to the requirements for basic service IMb, full service IMb mailpieces must include serial numbers that are unique for 45 days, unique Tray/Container barcodes, and electronic documentation.

<sup>11</sup> The actual start-the-clock takes into consideration the critical entry time (CET) for that type of mail.

<sup>12</sup> The external reporters generate an actual stop-the-clock event, which also can be used to develop an actual end-to-end measurement. At this time, it is unclear how this end-to-end measurement will be incorporated into the reported service performance measurement.

Valpak Comments at 8–9; *see also* IWCO Additional Comments at 1. PostCom/DMA and DFS also suggest eliminating the external reporters as a cost savings measure, but suggest using an independent study as an internal delivery proxy instead. PostCom Comments at 7; and DFS Reply Comments at 3.

*Commission analysis.* The Commission supports the approach the Postal Service is taking to implement the hybrid system for service performance measurement, with the following caveats.

The mail sampled by the hybrid system must be representative of the overall mail subject to performance measurement for the system to produce meaningful results. Representativeness is further discussed in section VI.A.2 which addresses mail excluded from measurement. A representative sample also may depend on mailers' adoption of the IMb system, which is further discussed in section VI.A.3.

The Commission notes the common analytical and statistical practice of combining the results of more than one separate and independent analytical sample. The Postal Service proposes to achieve an end-to-end measurement of service performance by combining the mail processing factor (step one estimation) with the delivery factor (step two estimation). It appears that the volume of data used in the step one estimations will be much larger than the volume used in the step two analysis. Although independence appears to hold between the two separate analyses for the two separate factors, the Commission suggests that it will be important to monitor if that independence is true for all components within each analyses for all classes of mail so as to avoid possible unintended bias effects.

The Commission also recommends monitoring and testing for potentially negative influences on measurement resulting from the type/frequency of mismatched data pairs that may enter the analyses such as a reliable start-the-clock with no final external reporter scan, or no reliable start-the-clock with a reliable final external reporter scan. The methodology for incorporating (or scrubbing) mismatch data pairs into the measurement may bias the measurement result. Thus, the methodology must be fully understood and disclosed to assure that any bias is reasonably limited.<sup>13</sup>

<sup>13</sup> For example, a mailpiece with a valid start-the-clock but without a valid stop-the-clock (due to the mailpiece never being delivered) that is scrubbed from the dataset will not be represented in the overall measurement of service performance, i.e., the measurement system will indicate a higher level

As suggested by AMEE and MMA, the Commission finds that the existing EXFC infrastructure and the external panel of reporters equipped with devices to scan all IMb First-Class, Periodical, and Standard letters/cards and flats delivered to their in-home addresses will add credibility to the hybrid system. The option of reducing or eliminating the use of external reporters to reduce costs may be considered at a later date.

## 2. Exclusions From Measurement

Mail that is excluded from measurement may impact the ability of the sampled mail to represent the total of the mail subject to measurement. For the IMb-based measurement systems, only mail participating in full service IMb is measured. This excludes mail participating in only the basic IMb service. Similar questions exist for DelTrak and Red Tag, and the Delivery Confirmation-based systems, where a significant portion of the mail does not utilize these systems. Finally, mailers express concern with the exclusion from measurement of mail that does not meet preparation requirements.

Valpak expresses concern that the exclusion from measurement of (Standard) bulk mail not using full service IMb raises the possibility of bias, and the possibility that the measurement is not representative of the wider universe. It suggests that the Postal Service provide an annual explanation of the universe from which performance data is derived and an explanation of what universe this data can be considered to represent. Where the represented universe is larger than the performance data universe, the Postal Service also should explain why the data universe is representative of the larger universe. Valpak Comments at 4–5; and Valpak Reply Comments at 7–8; *see also* Research International Additional Comments at 2.

GCA provides an example of where representativeness issues may exist with single-piece mail. It requests clarification on the treatment of mis- or badly-addressed single-piece mail in the measurement system. GCA Comments at 1.

MOAA comments that it is reasonable to exclude mail that does not meet mail preparation requirements, but further suggests procedures are necessary to inform mailers of any mail that is excluded from measurement.<sup>14</sup> MOAA

of service performance than what is actually occurring. This is a complex issue because the decisions concerning atypical data typically affect measurement bias.

<sup>14</sup> For bulk mail, the Postal Service proposes only to measure end-to-end performance of mail that is

Comments at 1–2. APWU contends that excluding mail that does not meet mail preparation requirements may cause measurements that are not reflective of the mail being sent. APWU Comments at 2. PostCom/DMA adds that data excluded from service performance measurement should be provided to mailers to resolve service issues and improve mail quality. PostCom/DMA Comments at 16.

*Commission analysis.* The Commission recognizes that the full service IMb mail used in the end-to-end service measurement calculations may not be representative of the larger populations it seeks to represent in making service measurement claims. The full service IMb mail and the remainder of the mail of a given class may differ in terms of mail characteristics, geographical location, and most importantly, service performance. If these two sets of mail groups do indeed differ significantly in important characteristics, then the “estimated” measures for the full service IMb mail may be very different than the service performance for the rest of the mail.

To assess this potential bias problem, the Commission recommends limited performance measurement tests be conducted for mailpieces excluded from the primary measurement system and used for comparison purposes. For example, the Postal Service could apply unique identifying barcode information to a random sample of mailpieces that do not use full service IMb to obtain an estimate of service performance. This estimate could then be compared to the estimate obtained from the full service IMb pieces to monitor how representative full service IMb pieces are as adoption rates increase. A plan for implementing a system for ascertaining the representativeness of annual compliance report (ACR) service performance measurements based on IMb should be provided with the 2009 ACR.

The Commission finds that the Postal Service is taking a reasoned approach to addressing the MOAA, *et al.* concerns of determining whether to include or exclude mail from measurement because of a variety of mail validation deficiencies. *See* Revised Plan, Appendix, para. 4. In some instances, the mailer will be provided an opportunity to correct the deficiencies and the mail then will be included in the performance measurement. In all

verified as satisfying mail preparation requirements associated with applicable price categories and that complies with the requirements of full service IMb. Revised Plan, Appendix, para. 4.

instances of this nature, communication between the Postal Service and the mailer is beneficial to reducing the occurrence of validation issues so that the mail system operates smoothly.

### 3. IMb Adoption

The IMb system, used to capture internal service performance data, is the centerpiece of several of the measurement systems proposed by the Postal Service. In particular, successful operation of the IMb system is necessary for implementation of the hybrid measurement system. Thus, the rate at which mailers are likely to start using the IMb, specifically the full service option of IMb that is required by the measurement systems, along with whether the IMb mail presented by the adopting mailers is representative of intended total population subject to measurement, must be considered.

AMEE has an expectation of rapid adoption of IMb, but comments that undefined Postal Service requirements, the mailer's own data requirements, the Postal Service IT infrastructure, and the issue of rate incentives could add uncertainty to its expectations. AMEE Comments at 4. NPPC comments that the effectiveness of the hybrid system will depend on IMb adoption rates; however, NPPC contends that it is unclear how fast IMb will mature, when the Postal Service will specify business requirements, and how mailers will convert to IMb. NPPC Comments at 4. Pitney Bowes asserts that the hybrid measurement system is critically dependent upon mailer participation in IMb, and suggests promoting adoption with meaningful price incentives and advance notice regarding the size of these incentives. *In accord*, PostCom/DMA Additional Comments at 5–6.

PostCom/DMA and Pitney Bowes suggest implementation of a data collection process to monitor IMb adoption. Pitney Bowes explains the adoption monitoring system can be used to assess the validity of the hybrid system. Additionally, PostCom/DMA assert that the Postal Service must work aggressively with mailers to overcome implementation barriers to IMb, and that a monitoring system can be used to explore alternate requirements or measurement systems if IMb adoption rates are significantly less than anticipated. Pitney Bowes Comments at 4; and PostCom/DMA Comments at 18–19.

Research International questions whether a system based on the natural adoption of IMbs for bulk mail will produce a measurement that is representative. It contends that adoption may be skewed by geography, size of

mailer, types of mailing, or other factors. Alternatively, Research International suggests a system using seeded mailings, including transponders, to give a more complete end-to-end measurement. Research International Comments at 1. To the extent that the Postal Service may need to supplement IMb data, McGraw-Hill comments that the Postal Service should evaluate the costs and benefits of the Research International approach. McGraw-Hill Reply Comments at 5.

*Commission analysis.* The Commission recognizes that mailer adoption of full service IMb that provides a representative cross-section of the mail population being measured is critical to the success of the hybrid system. It is uncertain, at this time, when sufficient adoption of IMb will occur. In the Initial Plan, the Postal Service projected presort First-Class and letter-shaped Standard Mail adoption at 25–50 percent in FY 2009 with a projected increase to 50–75 percent in FY 2010. The Revised Plan does not give projection percentages for full service IMb adoption.

The Postal Service has made several statements to the mailing community concerning the operational date of the IMb system and possibly developing differential rates specific to IMb mail. Uncertainty in the mailing community of IMb requirements, implementation dates, and applicable rates may lead to delay in the adoption of the system. Additional issues that may impede adoption are mailer concerns over final Postal Service requirements, mailer data requirements, and Postal Service IT infrastructure.

The Commission also finds that tracking the representativeness of the actual full service IMb sample is important. For presort mail, the sample of full service IMb presort mailers must be representative of the entire population of presort mailers. The Commission expects the Postal Service to develop a protocol for testing to assess whether this sample is in fact representative.

To the extent that uncertainty exists, the Commission agrees with the mailers' suggestions that it will be necessary to monitor IMb adoption rates so that possible solutions may be formulated to ensure reasonably representative and unbiased service performance estimates. The appropriate place to consider periodic reporting of IMb adoption rates and analysis of representativeness is the upcoming rulemaking on service performance data reporting requirements.

### 4. Start-the-Clock and Critical Entry Times

Most mailers concerned with a credible service performance measurement system comment on some aspect of start-the-clock. MOAA Comments at 2; MPA Comments at 2–3; NPPC Comments at 2–3; PostCom/DMA Comments at 14; Time Warner Comments at 2–3; NPPC Additional Comments at 2–5; Valpak Comments at 5–8; and McGraw-Hill Reply Comments at 4–5. Generally, start-the-clock is the date and time that a mailpiece enters the mailstream for the purpose of service performance measurement.<sup>15</sup> It is the starting point from which performance measurements are made. The issues are broad and encompass anything from documenting mail arrival times to mail acceptance. They include highly technical issues such as concerns with the need for better definitions of the electronic mailing information necessary to start-the-clock. AMEE Comments at 1–2; and MMA Comments at 2.

In many cases, there is a CET associated with start-the-clock. The Postal Service defines the CET as “the latest time that a reasonable amount of a class of mail can be received at designated induction points in the postal network for it to be processed and dispatched in time to meet service standards.” Revised Plan at 3. For mail accepted before the posted CET for that day, the day of entry is designated as the “start-the-clock.” For mail accepted after the posted CET for that day, the mailpiece has a start-the-clock date of the following applicable acceptance day. The Postal Service has established national CETs for destination-entered Standard Mail, and has established locally-defined facility CETs for all other classes of mail. A C/SA may identify an alternate acceptance window.

Several mailers ask the Postal Service to better define how CETs will be established and modified, and to develop a method for communicating CETs and changes to CETs to the mailing industry. AMEE Comments at 1–2; BAC Comments at 2; MMA Comments at 2; and Public Representative Reply Comments at 5. In addition, NPPC suggests specifying CETs in the service standards and providing a Web-based system for mailers to access CET information. NPPC Comments at 3–4. MPA supports

<sup>15</sup> Where applicable, start-the-clock takes into consideration critical entry times (CET) and customer/supplier agreements (C/SA). For certain Special Services, start-the-clock is the date and time when the mail service is initiated.

a centralized system for mailers to access CETs for all facilities, and also proposes the establishment of a centralized process for national mailers to negotiate C/SAs that cover all of their entry points. MPA Additional Comments at 4. Time Warner and DFS generally support locally established CETs that reflect local conditions. Time Warner Comments at 3; and DFS Reply Comments at 3–4.

The Postal Service indicates that it “will be centrally documenting local product-specific CETs on a facility-by-facility basis for the purpose of responding to mailer information access concerns.” Postal Service Reply Comments at 9.

*Commission analysis.* The Postal Service is to be commended for addressing many mailer concerns in the time between submitting its Initial Plan and its Revised Plan. Successfully generating accurate start-the-clock times is essential to the development of a credible performance measurement system. The Commission perceives start-the-clock as a detailed and difficult issue, and urges the Postal Service to continue working with the mailing community in developing a working, user-friendly, information system. The Commission supports the Postal Service’s proposal to document CETs and encourages it to develop systems to make this information publicly available in the very near future.

Bulk mailers that rely on CETs make several good suggestions for increasing the visibility and the transparency of CETs that the Commission fully supports. Additionally, the Postal Service is reminded that CETs also are important to low-volume and single-piece mailers when entering mail at a window or into a blue collection box. Easy access to CET information is essential to informing mailers of what service is to be expected.

The Commission also is aware of the potential impact that gradual small changes to CETs could have on service performance. Readily transparent access to CET information will allow for monitoring of this particular situation.

#### 5. Miscellaneous Issues

*Implementation benchmarks.* APWU suggests the establishment of benchmarks to track the development and implementation of the performance measurement system and to ensure that the system accurately reflects actual performance. APWU Comments at 2, *see also* PostCom/DMA Comments at 21; and Valpak Reply Comments at 3.

*External audits.* Noting the removal of the section describing external service performance measurement validation

from the Postal Service’s Revised Plan, PostCom/DMA stresses the need for independent external auditing and evaluation of the service performance measurement systems, processes, and data quality/accuracy. PostCom/DMA Additional Comments at 7.

*Data security.* BAC, NPPC, PostCom/DMA, and Time Warner are concerned with the security of the data generated by the performance measurement system and contend that this issue has not been adequately addressed by the Postal Service. BAC Comments at 1; PostCom/DMA Comments at 20; PostCom/DMA Additional Comments at 6; Time Warner Comments at 1–2; and NPPC Additional Comments at 5–6.

*Commission analysis.* The Commission recognizes the importance of each of these issues. Establishing benchmarks to track the various stages of system development are essential management tools that the Postal Service properly has been employing. The Commission concludes that public acceptance of IMb, and the use of IMb in service performance measurement reporting, will be significantly enhanced by greater transparency in this area. Therefore, the Postal Service is to provide reports at the beginning of each fiscal quarter on progress toward its benchmarks for implementing full service IMb for each mail shape. In the rulemaking on reporting that will shortly follow this order, the Commission will suggest for public comment specific periodic updates on the progress toward full implementation and the development of representative samples for measuring performance.

External audits will protect the credibility of various internal and hybrid measurement systems. Although the Postal Service no longer describes such audits in its proposal, the Commission expects to require appropriate verification that reported service performance is representative. This may well involve audits of service achievement in various processing streams. At this juncture, however, it seems premature to focus resources on exploring methods for auditing systems that are not yet operational.

Security also is an essential aspect of developing any information collection and reporting system. Mailers reasonably want assurances that data on their business activities will be properly safeguarded. The Postal Service may not have included extensive details on security in its request as this topic is somewhat tangential to whether IMb can provide robust performance data. As this system is implemented, the Postal Service will be expected to remain vigilant to preserve its long established

record of attention to data security issues.

#### B. Class-Specific Issues

The Postal Service proposes new measurement systems based on the IMb (the hybrid measurement systems), Delivery Confirmation scans (predominately the parcel-shaped mail measurement systems), DelTrak and Red Tag (the Periodicals mail measurement systems), and the International Mail Measurement System to measure the various types of mail. The Postal Service also will continue use of the External First-Class (EXFC) system for measuring most single-piece First-Class Mail. The DelTrak and Red Tag systems are proposed as interim measurement solutions until IMb-based systems become viable. IMb-based systems also may replace the Delivery Confirmation-based systems in the future.

The Commission finds that these measurement systems are likely to be representative of a significant portion of the mail sent as First-Class Mail, Standard Mail, Periodicals, and Package Services, and have the potential of producing meaningful data. Notwithstanding the concerns previously noted, and noted in the additional comments below, the Commission approves of the Postal Service’s general approach in these areas.

The Commission, however, cannot approve the approaches that the Postal Service is proposing for the majority of the Special Services. More robust measurement systems capable of generating data that is representative of the services being offered must be developed.

The remainder of this section discusses the Postal Service’s individual proposals for implementing performance measurement systems by mail class. Issues identified by the mailing community are discussed, and specific recommendations by the Commission are presented.

##### 1. First-Class Mail

First-Class Mail includes Single-Piece Letters/Postcards; Presorted Letters/Postcards; Flats; Parcels; Outbound Single-Piece First-Class Mail International; and Inbound Single-Piece First-Class Mail International. Of all domestic First-Class Mail, 38.0 percent are single-piece letters and cards, 3.3 percent are single-piece flats, 0.4 percent are single-piece parcels, 57.1 percent are presort letters and cards, 1.0 percent are presort flats, and 0.2 percent are presort parcels. Revised Plan at 13.

*Single-piece letters, cards, and flats.* The Postal Service proposes to continue

measuring single-piece letters, cards, and flats using the EXFC measurement system. EXFC is an end-to-end time to delivery measurement system administered by an external contractor. Mail droppers employed by the external contractor report the date and time test mailpieces are deposited into the mail system to the external contractor. The time and date that the mail is dropped starts the clock of the measurement. Mail reporters employed by the external contractor record the date they receive test mailpieces and report this information to the external contractor. The date the mail reporter receives the mailpiece stops the clock of the measurement. The difference, in calendar days, between the start-the-clock event and the stop-the-clock event is reported as the service performance measurement.<sup>16</sup>

The Public Representative suggests expanding EXFC to include a statistically valid measurement system for single-piece First-Class Mail letters and flats delivered to post office boxes. Public Representative Comments at 33.

The Commission asks the Postal Service to consider whether it is possible to incorporate pieces delivered to post office boxes and pieces requiring forwarding and return into its current EXFC design. The Postal Service should consider both the benefits of measuring pieces with these delivery characteristics and the added costs involved, and inform the Commission of its analysis by the conclusion of fiscal year 2009.

GCA stresses the importance of non-standard aspect ratio mailpieces which currently are not being represented by EXFC. GCA Comments at 1–2.

The Commission finds that EXFC does not include any non-machinable mail (such as square envelopes) in its seeded mailings, nor will nonmachinable mail be captured by the IMb-based systems. Consequently, this mail will not be represented in the performance measurement system. This issue eventually may require a special study to measure non-machinable mail performance.

BAC and NPPC suggest disaggregating the service performance measurement of remittance mail and treating remittance mail as a distinct category of First-Class Mail. BAC Comments at 2; and NPPC Comments at 7.

*Presort letters and cards.* The Postal Service proposes to use the hybrid measurement system to measure presort letters and cards.

*Presort flats.* The Postal Service does not propose a measurement system for presort flats. It proposes use of the EXFC measurement for single-piece flats (machine addressed only) as a proxy for the presort flats measurement. It states that presort flats make up only 0.4 percent of the total mailstream. The Postal Service notes the possibility of employing the IMb measurement system in the future if the volume of mailpieces with IMbs is sufficient to provide actual measurements.

Several mailers oppose the proposal to use the EXFC measurement for single-piece flats (machine addressed only) as a proxy for the presort flats measurement. They acknowledge the low volume of presort flats, but contend that to qualify for automation rates they will be required to adopt IMb and other processes that are identical between letters and flats. AMEE Comments at 2; MMA Comments at 2; Pitney Bowes Comments at 3–4; Pitney Bowes Additional Comments at 3; and PostCom/DMA Comments at 4–5. These mailers suggest using the hybrid system to obtain performance measurements. BAC adds that there should be enough presort flats with IMbs in the system to measure performance without the need to use a proxy. BAC Comments at 4. PostCom/DMA ponders why a statistically valid system cannot be developed for presort flats when the Postal Service proposes a distinct measurement system for retail parcels that comprise less mail volume. PostCom/DMA Comments at 4. The Public Representative views the proposal “a request to avoid measuring directly that price category of the First-Class Flats.” Public Representative Comments at 34–35.

The Commission acknowledges the mailer comments opposing use of the EXFC single-piece flat measurement as a proxy for presort flats. However, because the single-piece flat mail measured by EXFC is all machinable and does not include address correction, these pieces are likely to be representative of “clean” mail. Presort flats are also likely to be clean. Therefore, the Commission accepts the Postal Service’s proposal to use the EXFC’s First-Class single-piece flats measurement as a proxy for presort flats with the understanding that IMb will be used instead when it becomes possible to do so.

*Retail and presort parcels.* The Postal Service proposes an internal measurement system for retail and presort parcels. Only parcels that have purchased Delivery Confirmation will be measured. For retail parcels, the Delivery Confirmation scan at the time

of purchase at the retail counter starts the clock of the measurement. For presort parcels, the documented arrival time at the Postal Service acceptance facility along with the mailer provided electronic mailing documentation starts the clock of the measurement. The clock is stopped when the Postal Service scans the Delivery Confirmation label at delivery or attempted delivery. The difference, in calendar days, between the start-the-clock event and the stop-the-clock event is reported as the service performance measurement.

The Commission notes that use of Delivery Confirmation scan data when evaluating service performance for First-Class retail and presort parcels has limitations that relate to the limited use of Delivery Confirmation service by First-Class presort parcel mailers. Additionally, First-Class single-piece parcels using Delivery Confirmation is estimated to be only 3.9 percent. The Postal Service will have to analyze this system and demonstrate that it produces a representative measurement. The Postal Service should include such an analysis with its annual compliance report for fiscal year 2009.

*Inbound and outbound single-piece international letters.* Inbound and outbound single-piece international letter-shaped mail will be measured using the external International Mail Measurement System (IMMS). IMMS is an end-to-end system provided by an external contractor based on sample mailpieces entered into the system by droppers and received by reporters. Only domestic transit time will be measured. The system also relies on an internal ID tag and/or PLANET Code scan (PLANET Code will be phased out and replaced with IMb) to signal when the mailpiece either enters or leaves the control of the Postal Service.

*Single-piece international flats.* Single-piece international flats will not be measured, and single-piece domestic flats external EXFC data will be used as a proxy for its service measurement.

The Commission finds that single-piece domestic flats external EXFC data can be used as an acceptable proxy for single-piece international flats service measurement.

*Single-piece international parcels.* Single-piece international parcels will not be measured, and single-piece domestic parcels internal Delivery Confirmation data will be used as a proxy for its service measurement.

The Commission finds that single-piece domestic parcels internal Delivery Confirmation data can be used as an acceptable proxy for single-piece international parcels service measurement.

<sup>16</sup> Non-delivery days are factored into the service performance calculation.

*Miscellaneous comments.* The Public Representative contends that “the forwarding (and return or wasting) of undeliverable-as-addressed First-Class Mail remains a large and costly problem for the Postal Service.” Public Representative Comments at 10. This category of First-Class Mail is not measured. Thus, the Public Representative, joined by Pitney Bowes, suggest establishment of service standards for undeliverable-as-addressed, forwarded, and returned mail. Public Representative Comments at 8–12; and Pitney Bowes Reply Comments at 4. The Postal Service should explore the cost of periodically conducting studies of service performance for forwarded and returned First-Class Mail and inform the Commission of their feasibility by the conclusion of fiscal year 2009.

## 2. Standard Mail

Standard Mail includes High Density and Saturation Letters; High Density and Saturation Flats/Parcels; Carrier Route; Letters; Flats; and Not Flat-Machinables (NFM)s/Parcels. Of all Standard Mail, 61.1 percent are presort letters and cards, 38.3 percent are presort flats, and 0.6 percent are presort parcels. Revised Plan at 26.

*Saturation letters and flats.* The Postal Service proposes to use a variation of the hybrid measurement system to measure saturation letters and flats. Unique barcodes are not required on saturation mail, which presents additional challenges to stopping-the-clock for both mail processing and delivery measurement. The Postal Service states it will develop alternative methods for external recipients to identify saturation mail and to stop the clock of the measurement.

The Commission recognizes that using the hybrid system for saturation letters and flats is problematic. Service performance cannot be accurately measured without a valid stop-the-clock event. The Commission understands that the Postal Service is working to develop stop-the-clock measurements and encourages it to do so expeditiously.

*Non-saturation letters and non-saturation flats.* The Postal Service proposes to use the hybrid measurement system to measure both non-saturation letters and non-saturation flats.

*Miscellaneous comments concerning flats.* MOAA suggests that the Postal Service develop tracing at the destination delivery unit (DDU) for flats entered as carrier route mail. MOAA Comments at 3.

*Parcels.* The Postal Service proposes an internal measurement system for

parcels. Only parcels that have purchased Delivery Confirmation will be measured. The mailer’s documented arrival time at the Postal Service acceptance facility is used to start the clock of the measurement. The Postal Service’s scan of the Delivery Confirmation label at delivery, or attempted delivery, stops the clock of the measurement. The number of calendar days from when the clock is started to when it is stopped is reported as the measure of service performance.

## 3. Periodicals

Periodicals include Within County Periodicals and Outside County Periodicals. Of all Periodicals, 1.5 percent are letters, and 98.5 percent are flats. Revised Plan at 33.

As an interim solution, the Postal Service proposes using the external Red Tag and DelTrak service measurement providers to measure the service performance of Periodicals. The long-term solution is to switch to an internal IMb-based system once there is a sufficient volume of Periodicals mail using IMbs.

The Red Tag and DelTrak systems rely on mailer reported induction times to generate a start-the-clock event.<sup>17</sup> A delivery date reported online by external reporters generates a stop-the-clock event. The measurement of service performance is the number of calendar days from the start-the-clock event to the stop-the-clock event.

MPA supports the use of DelTrak and Red Tag as an interim solution until IMb is implemented for Periodicals. MPA Comments at 2. Research International expresses concern over the representativeness of DelTrak and Red Tag. It notes that mailers must pay to participate in Red Tag, Red Tag mail is identifiable to the Postal Service, and the receiving reporters are volunteers. Research International Additional Comments at 4–5.

McGraw-Hill asserts that “[a]ccurate service performance measurement is important for smaller mailers no less than for larger mailers.” It questions the eventual adoption rate of IMb by small mailers and whether measurements from IMb Periodicals will be representative of the class as a whole. It suggests studying the temporary use of seed mail. McGraw-Hill Reply Comments at 4–5. The Postal Service is

<sup>17</sup> It is unclear whether the mailer-reported induction time is reported to the Postal Service or directly to the external service measurement providers. If the information flow of the mailer-reported induction time is not directly from the mailer to the external measurement providers, the measurement system incorporates features of both internal and external measurement systems.

currently working to assure that Red Tag and DelTrak will provide it with a representative sample of Periodical publications. It should include an analysis of representativeness of the Periodicals measurements with its 2009 ACR.

NNA suggests that there are many hurdles to overcome before IMbs begin to appear on newspapers and comments on the many unique problems of representing smaller publications in the measurement system. NNA Comments at 3–6. NNA concludes that it is content with leaving Within County unmeasured for the time being. *Id.* at 11.

The Commission recognizes the opinion of Within County mailers that it is acceptable for the time being for their mail to escape measurement. Nonetheless, service problems for nationally distributed pieces paying Within County rates have been reported, and the statute does not provide an exemption from measurement for this significant segment of Periodicals mail. Thus, the Postal Service must strive to develop an appropriate measurement system for Within County mail and inform the Commission of its proposal by the conclusion of fiscal year 2010.

The Commission notes that an additional benefit of the Red Tag- and DelTrak-based systems will be to serve as a check on the IMb-based system that the Postal Service proposes for the future. Both systems should be run in parallel at the start to make appropriate comparisons.

## 4. Package Services

Package Services includes Single-Piece Parcel Post; Inbound Surface Parcel Post (at UPU rates); Bound Printed Matter Flats; Bound Printed Matter Parcels; and Media Mail/Library Mail. Package Services contains both parcel-shaped and flat-shaped mail. Of the parcel-shaped mail, 14.5 percent is considered retail and 85.5 percent is considered presort.

*Retail parcels.* The Postal Service proposes an internal measurement system for retail parcels based on Delivery Confirmation scans. Thus, only parcels with purchased Delivery Confirmation will be measured. The Delivery Confirmation scan at the time of purchase starts the clock of the service performance measurement. The Postal Service scan of the Delivery Confirmation label at delivery, or attempted delivery, stops the clock of the service performance measurement. The difference, in calendar days, between the start-the-clock event and the stop-the-clock event is reported as the service performance measurement.

*Presort parcels.* The Postal Service proposes an internal measurement system for presort parcels based on Delivery Confirmation scans. Thus, only parcels with purchased Delivery Confirmation will be measured. The documented arrival time at the Postal Service acceptance facility starts the clock of the service performance measurement. The Postal Service scan of the Delivery Confirmation label at delivery, or attempted delivery, stops the clock of the service performance measurement. The difference, in calendar days, between the start-the-clock event and the stop-the-clock event is reported as the service performance measurement.

Publishers Clearing House comments that industry and the Postal Service need to work together to overcome adoption barriers to placing Delivery Confirmation barcodes on small parcels (of all classes). Publishers Clearing House Comments at 1–2.

PostCom/DMA, joined by PSA, and Publishers Clearing House oppose using Delivery Confirmation data from retail Package Services as a proxy to measure presort Package Services. PostCom/DMA Comments at 5–6; PSA Comments at 6–7; and Publishers Clearing House Comments at 2. They infer that the Postal Service proposes to use Delivery Confirmation data from retail Package Services as a proxy to measure presort Package Services from its Initial Plan.<sup>18</sup> PostCom/DMA asserts that the Postal Service's intentions for measuring parcel-shaped presort Package Services are unclear. It contends that retail Package Services and presort Package Services have different entry and operational characteristics, and that there is adequate Delivery Confirmation data to separately measure retail and presort Package Services. PostCom/DMA Comments at 5–6.

The Commission notes that the references implying use of a proxy do not appear in the Revised Plan. The Revised Plan appears to indicate that retail and presort will be measured separately with Delivery Confirmation-based systems.<sup>19</sup> The Postal Service appears to propose separate measurement systems based on Delivery Confirmation scans for retail and presort parcel-shaped Package Services mail.

<sup>18</sup> "The existing Delivery Confirmation performance reports for mail originating at postal retail units can be used in the short-term to measure the service performance of all Package Services until service measurement can be extended to Presort parcels." Initial Plan at 11.

<sup>19</sup> See Revised Plan at 37–38, para. 7.2 (retail) and para. 7.3 (presort).

The Commission approves of the separate measurement approach.

*Presort flats.* The Postal Service proposes to use the hybrid measurement system to measure presort flats.

The Commission looks forward to the development of this aspect of the performance measurement system. Until the hybrid measurement system for flats becomes a reality, the Postal Service should include a discussion of its progress toward implementing this system with every annual compliance report.

#### 5. Special Services

Special Services are services offered by the Postal Service related to the delivery of mailpieces, including acceptance, collection, sorting, transportation, or other functions. Services within the Ancillary Services and the International Ancillary Services products can be purchased only in conjunction with the purchase of mail service. Other Special Services products can be purchased on a stand-alone basis. Special Services includes Ancillary Services;<sup>20</sup> International Ancillary Services;<sup>21</sup> Address List Services; Caller Service; Change-of-Address Credit Card Authentication; Confirm; International Reply Coupon Service; International Business Reply Mail Service; Money Orders; and Post Office Box Service.

*Delivery Confirmation, Signature Confirmation, Certified Mail, Registered Mail, electronic Return Receipt, and Collect on Delivery.* The Postal Service proposes service measurements for Delivery Confirmation, Signature Confirmation, Certified Mail, Registered Mail, electronic Return Receipt, and Collect on Delivery that use internally generated data from delivery event barcode scans to measure the time between when delivery information is collected to when the information is made available to the customer. The service performance score is the percentage of information available within 24 hours.

<sup>20</sup> Ancillary Services include Address Correction Service; Applications and Mailing Permits; Business Reply Mail; Bulk Parcel Return Service; Certified Mail; Certificate of Mailing; Collect on Delivery; Delivery Confirmation; Insurance; Merchandise Return Service; Parcel Airlift (PAL); Registered Mail; Return Receipt; Return Receipt for Merchandise; Restricted Delivery; Shipper-Paid Forwarding; Signature Confirmation; Special Handling; Stamped Envelopes; Stamped Cards; Premium Stamped Stationery; and Premium Stamped Cards.

<sup>21</sup> International Ancillary Services include International Certificate of Mailing; International Registered Mail; International Return Receipt; International Restricted Delivery; International Insurance; and Customs Clearance and Delivery Fee.

The Public Representative notes that the Postal Service is measuring only the time between when delivery information was collected and when that information was made available to the mailer. However, mailpieces that do not receive a delivery scan event to stop-the-clock will not be measured, *i.e.*, a failed performance will not be counted. The Public Representative suggests that the Postal Service also report the ratio of the number of pieces scanned at delivery to the number of such pieces scanned at acceptance. Public Representative Comments at 48–52.

*Confirm and automated Address Correction.* The Postal Service proposes service measurements for Confirm and automated Address Correction that use passive scans of individual IMb mailpieces on automated mail processing equipment. For Confirm, the start-the-clock event is the time stamp of the mailpiece scan, and the stop-the-clock is the date and time when data is made available to the subscribers. For automated Address Correction, the start-the-clock event is the date and time that data is transmitted to the Address Correction system, and the stop-the-clock is the date and time when data are forwarded to the participants. The service performance score is the percentage of on-time information availability.

The Public Representative finds deficiencies similar to what is discussed above with Confirm and Address Correction measurements. *Id.* at 52. PostCom/DMA makes similar comments in the areas of Confirm and Delivery Confirmation Service. PostCom/DMA Comments at 8–9.

*Post Office Box Service.* The Postal Service proposes a measurement for Post Office Box Service that uses internally generated scanning technology to measure the percentage of post office box sections that meet their up-time service standards.

The Public Representative notes that this system does not prevent the Postal Service from changing post office box up-times, and further contends that the system lacks controls to prevent premature scanning of the barcode to meet the up-time service standard. The Public Representative proposes expanding EXFC coverage and using EXFC reporters to measure post office box up-times. Public Representative Comments at 52–54; *see also* Popkin Reply Comments at 1–2.

*Insurance Claims Processing, Postal Money Order Inquiry Processing, and Address List Services.* For Insurance Claims Processing, Postal Money Order Inquiry Processing, and Address List

Services the Postal Service proposes to internally measure the percentage of time that the services meet their maximum processing duration standards. The system for Insurance Claims Processing generates a start-the-clock event when all information is received by the Customer Inquiry Claims Response System, and generates a stop-the-clock event upon the transmission to the customer of the adjudicator's decision to pay, deny, or close the claim. The system for Postal Money Order Inquiry Processing generates a start-the-clock event upon the purchase of the service, and generates a stop-the-clock event upon the transmission of a response to the customer. The system for Address List Services generates a start-the-clock event upon the receipt of the address list or address cards from the mailer at the delivery unit of the postal district Address Management System office, and generates a stop-the-clock event upon the transmission to the customer of corrected address information.

*Caller Service.* The Postal Service contends that measuring Caller Service is not practical because there is no one up-time as many customers arrange for multiple pickups each day. It proposes to address this issue through individual agreements.

Mailers concerned with remittance mail request establishing a service standard for Caller Service. MMA Comments at 3; NPPC Comments at 7; PostCom/DMA Comments at 9; Publishers Clearing House Comments at 2; and NPPC Additional Comments at 9–11. BAC further contends that using the single post office box up-time measurement does not represent the needs of remittance mailers. BAC Comments at 3.

*Change-of-Address.* The Postal Service does not propose a specific measurement system for Change-of-Address service.

Noting the challenges of keeping up with the current addresses of customers, BAC urges the Postal Service to establish standards for Change of Address Service. BAC Comments at 3. The Public Representative echoes this suggestion describing change of address requests and forwarded mail as the Achilles' heel of First-Class Mail service performance. Public Representative Comments at 8–12.

*Commission analysis of Special Services.* Special Services include approximately 35 postal services with diverse attributes and a wide range of revenue production levels.<sup>22</sup> This

diversity contributes to the challenges of designing meaningful performance measurement systems for each service. Some services such as Certificate of Mailing or Stamped Cards essentially are transactions that may not merit much performance measurement attention.<sup>23</sup> Other services such as Insurance and Delivery Confirmation are more complex and may warrant development of measurement systems specifically tailored to the services being provided.

The different levels of revenue production for the various services also may provide some indication of the effort warranted for developing measurement systems. However, just because a service does not produce a large revenue stream does not mean that the service is not important to the customer that undertakes the additional effort to purchase the service.

Three services—Certified Mail, Post Office Boxes, and Return Receipts—account for nearly 70 percent of overall Special Services revenue. It may be desirable to place special emphasis on these to assure that they maintain a high level of service performance based on revenue production alone.

For several of the services that include a barcode scan, the Postal Service proposes to measure the time from the barcode scan event to the time this information is made available to the customer. The percentage of time that this duration falls within the applicable service standard is reported as the measure of service performance. Although this measurement may provide some information on one component of the service, that measurement is not representative of the service that a customer has purchased or expects.

As an example, the Postal Service states in the Domestic Mail Manual that "Delivery Confirmation service provides the mailer with information about the date and time an article was delivered and, if delivery was attempted but not successful, the date and time of the delivery attempt." Thus, a typical mailer purchasing Delivery Confirmation reasonably could expect to be provided with information concerning the date and time of delivery or attempted delivery. If Delivery Confirmation performs as advertised (or slower than advertised), the proposed measurement system will capture whether or not delivery information was

provided to the customer in a reasonable period of time. However, if Delivery Confirmation fails to report any information at all to the customer, the measurement system will not report this as a failure. Failures such as not scanning a mailpiece at delivery or attempted delivery, or a failure of the scanning equipment itself, are failures that will not be reported through the proposed performance measurement system. In this case, the measurement is not representative of the service being offered. At a minimum, the Postal Service must incorporate into its proposed measurement systems for Delivery Confirmation and other similar electronic systems a factor for the volume of services purchased versus the volume of services successfully completed.<sup>24</sup>

The measurement system for Return Receipt service presents additional concerns. The Postal Service proposes to use the same measurement system as described for Delivery Confirmation. However, the vast majority of Return Receipt service is provided through delivery of the green return receipt card. It is not apparent how a delivery scan-based measurement system can be representative of the delivery of green return receipt cards. As mentioned above, Return Receipt is one of the highest revenue producing Special Services. It warrants a more robust, independent performance measurement system.

The problems discussed above are symptomatic of many of the measurement systems proposed for Special Services. The Commission finds that the proposed measurement system does not take into account the diverse attributes of these individual services, and does not provide informative insight into their level of performance. The Commission recommends that the Postal Service determine the attributes of each service including the customer's reasonable expectations of what is being purchased, and then design measurement systems considering these parameters. A cost benefit analysis factoring in the sophistication of the proposed measurement systems, the particular reliance a customer or group of customers may have on a service, and the revenue generated by a particular service also may be appropriate. Before providing the Postal Service with an

<sup>24</sup> Arguments have been made that this cannot be accomplished because the Postal Service does not know exactly when to expect a final scan or will not have an actual stop-the-clock. However, reasonable assumptions can be made that overcome these arguments. The Postal Service will now be developing and reporting measures of time-to-delivery for all products.

<sup>22</sup> As noted above, most of the approximately 35 individual services are components of either

Ancillary Services or International Ancillary Services.

<sup>23</sup> Similarly, some services such as Caller Service may not be susceptible to any meaningful measurement because of the nature of the service itself.

endorsement of its approach to these internal measurement systems, the Commission awaits further development of the systems to provide a representative measure of the service being provided. The Postal Service either should proceed with external measurement of service performance for Certified, Return Receipt, and Delivery Confirmation or develop an alternative internal measurement system by June 2009.

Post Office Box Service provides an exception to the above comments. The proposed measurement system for post office boxes, which measures the up-time, or the time that a day's mail becomes available to customers, should provide a reasonable measure of performance. The Commission recommends that the measurement system provide for internal audits to verify that up-times are properly recorded by Postal Service personnel, and that up-times are conspicuously available to mailers to both inform customers of when mail is available and to deter any tendency to shift up-times to later in the day in order to meet service standards.

The Commission also approves the proposals for internally measuring the percentage of time that Insurance claims processing, Postal Money Order inquiry processing, and Address List Services meet their maximum processing duration standards. For these systems, it appears appropriate to measure the noted processing times instead of attempting to develop a performance measurement of the product itself. These systems can be enhanced in the future if necessary.

## V. Review of the Postal Service Data Reporting Proposals

This section of the order provides a discussion of the Postal Service's proposals for reporting data generated by its performance measurement systems. The discussion includes consideration of the comments submitted by the mailing community with limited recommendations from the Commission. As mentioned previously, the Commission intends to comprehensively consider annual and periodic data reporting issues related to service performance measurement in a separate rulemaking. The discussion that follows is a first step in framing the issues that will be considered in that rulemaking.

It is important to note that this section does not discuss the additional data reporting requirements that need to be developed to assure that the measurement system provides representative and statistically valid

data. This also is an appropriate topic for future rulemaking.

### A. Postal Service Reporting Proposals

The Postal Service proposes providing two types of reports to the Commission. The first is an annual report for the purpose of reviewing compliance with service performance standards. Other reports will be provided on a quarterly basis and provide more detail than the annual report.

#### 1. Annual Report Proposals

*First-Class Mail.* The Postal Service proposes reporting three national aggregate annual percentage on-time service performance scores for single-piece First-Class Mail: Overnight, 2-day, and 3-day/4-day/5-day mail.<sup>25</sup> It proposes reporting three national aggregate annual percentage on-time service performance scores for presort First-Class Mail: Overnight, 2-day, and 3-day mail. It proposes reporting a single national aggregate annual percentage on-time service performance score for single-piece International First-Class Mail.

*Standard Mail.* The Postal Service proposes reporting a single national aggregate annual percentage on-time service performance score for Standard Mail. The score aggregates all of the 2-through 22-day service performance standard groups for letter-, flat-, and parcel-shaped mail.

*Periodicals.* The Postal Service proposes reporting a single national aggregate annual percentage on-time service performance score for Periodicals. The score aggregates each of the 1- through 8-day service performance standard groups for letter- and flat-shaped mail.

*Package Services.* The Postal Service proposes reporting a single national aggregate annual percentage on-time service performance score for Package Services. The score aggregates each of the 2- through 20-day service performance standard groups for Package Services mail.

*Special Services.* The Postal Service proposes reporting a single national "index" representative of all Special

<sup>25</sup> The business rules defining 1- through 5-day domestic First-Class Mail service standards appear at 72 FR 72225 (December 19, 2007). The Postal Service proposes to aggregate the reporting of 4-day and 5-day service standard mail (predominately mail with an origin and/or a destination outside of the 48 contiguous states) with the reporting of 3-day service standard mail (predominantly origin-destination mail within the 48 contiguous states). An estimated 99.7 percent of First-Class Mail pieces will have a service standard of either 1, 2, or 3 days, and 0.3 percent will have a service standard of either 4 or 5 days. *Id.* For brevity, 3-day/4-day/5-day mail will be referred to as 3-day mail hereafter.

Services. The index weights and aggregates the various Special Services.

#### 2. Quarterly Report Proposals

*First-Class Mail.* The Postal Service proposes providing data which reports First-Class Mail on-time service performance and service variances. Separate reports will be provided for domestic single-piece, domestic presort, and international single-piece mail.

The on-time service performance reports provide the same information as provided annually, but at a disaggregated level. The domestic reports will be disaggregated by postal district and by overnight, 2-day, and 3-day mail. The international reports will be disaggregated by postal administrative area level and by inbound and outbound mail.

The variance reports provide data on the percentages of mail delivered within 1 day, 2 days, or 3 days of the applicable service performance standard at the same level of disaggregation as the on-time service performance reports.

*Standard Mail.* The Postal Service proposes providing data which reports Standard Mail on-time service performance and service variances.

The on-time service performance report provides the same information as provided annually, but at a disaggregated level. The report will be disaggregated by postal district and by destination entry versus end-to-end mail.<sup>26</sup>

The variance report provides data on the percentages of mail delivered within 1 day, 2 days, or 3 days of the aggregated service performance standard. This report also will display data by postal district and by destination entry versus end-to-end mail.

*Periodicals.* The Postal Service proposes providing data which reports Periodicals on-time service performance and service variances.

The on-time service performance report provides the same information as provided in the Annual Compliance Report filing, but at a disaggregated level. The report will be disaggregated by postal administrative area level.

The variance report provides data on the percentages of mail delivered within 1 day, 2 days, or 3 days of the aggregated service performance standard. This report also will display data by postal administrative area level.

*Package Services.* The Postal Service proposes providing data which reports

<sup>26</sup> Destination entry includes destination bulk mail center, destination area distribution center, destination sectional center facility, and destination delivery unit.

Package Services on-time service performance and service variances.

The on-time service performance report provides the same information as provided in the Annual Compliance Report filing, but at a disaggregated level. The report will be disaggregated by postal district.

The variance report provides data on the percentages of mail delivered within 1 day, 2 days, or 3 days of the aggregated service performance standard. This report also will display data by postal district.

*Special Services.* The Postal Service proposes providing a performance score which aggregates Delivery Confirmation, Signature Confirmation, Certified Mail, Registered Mail, electronic Return Receipt, and Collection on Delivery reported by postal district. A quarterly score is reported for post office boxes disaggregated by postal district. The performance scores for Confirm, automated Address Correction, Insurance Claims Processing, Address List Services, and Money Order Inquiry Processing each will be reported separately at the national level.

## B. Concerns of the Mailing Community

### 1. Granularity of Reporting

*Reporting by product.* Pitney Bowes, joined by DFS, requests that the performance measurement plan reflect service performance data reported by product as required by 39 U.S.C. 3691(b)(1)(D). They contend that reporting by groups of products may make it difficult, or impossible, for a mailer of a particular product to assess performance. DFS Reply Comments at 3; Pitney Bowes Comments at 6–7; and Pitney Bowes Additional Comments at 7.

General support is expressed by others for performance reporting by product. PostCom/DMA contends that “[m]easurement at the class level obscures actual performance at product levels because of volume differences by shape.” PostCom/DMA Additional Comments at 2–3. McGraw-Hill supports disaggregate reporting by product. McGraw-Hill Reply Comments at 3. Valpak contends that saturation letters and carrier route flats are separate products and should be measured separately. Valpak Comments at 3–4; and Valpak Additional Comments at 5–7.

The Commission finds that compliance with the requirements of 39 U.S.C. 3691(b)(1)(D) is an appropriate issue to be considered in the previously mentioned rulemaking on service performance data reporting requirements.

*Reporting by shape.* Several mailers request shape-based reporting. BAC Comments at 3; NPPC Comments at 6; PostCom/DMA Comments at 12–13; Time Warner Comments at 3; Publishers Clearing House Comments at 1; Valpak Comments at 10; DFS Reply Comments at 2; and NPPC Additional Comments at 7.

MOAA extends this request to include separately reporting Standard Mail letters and flats, tracing flats entered as carrier route on the basis of entry as bundles or pallets, reporting by level of entry, and by rate tiers. MOAA Comments at 2–3.

PSA argues that Standard Mail parcels and First-Class Mail parcels are distinct products, and that the associated performance measurements should be reported separately from other mail shapes. PSA Comments at 3–5; and PSA Additional Comments at 3–4. PostCom/DMA also opposes aggregating the measurement of parcels with other shaped mail for each of the respective classes. PostCom/DMA Comments at 5–6.

The Postal Service contends that the PAEA does not require the establishment of standards based on price category or mailpiece shape to satisfy the Commission’s regulatory responsibilities. Postal Service Reply Comments at 5–6.

Shape-based reporting in general might be informative to evaluate the Postal Service’s mail processing systems, since most mail processing systems are designed around shape and not class or product. Thus, the Commission finds that reporting by shape is an appropriate issue to be considered in the previously mentioned rulemaking on service performance data reporting requirements.

*Reporting by service standard day.* To allow for adequate evaluation of service performance to the non-contiguous United States, PostCom/DMA suggests separate reporting of 3-day and 4/5-day First-Class Mail which is largely comprised of the 3-digit pairs that include the non-contiguous United States. PostCom/DMA Additional Comments at 4–5.

The Commission finds that the level of aggregation of service standard days is an appropriate issue to be considered in the previously mentioned rulemaking on service performance data reporting requirements. This issue is applicable to all classes of mail that have specific days to delivery standards.

*Data rich reporting.* Most mailers submitting comments are interested in obtaining service performance measurement data at a higher level of detail than proposed by the Postal

Service. Generally, they request reporting most statistics by 30-digit ZIP Code pairs. AMEE Comments at 2; NPPC Comments at 5; BAC Comments at 3–4; PostCom/DMA Comments at 10–11; PostCom/DMA Additional Comments at 2–3; NPPC Additional Comments at 6–8; Publishers Clearing House Comments at 2; DFS Reply Comments at 2–3; IWCO Additional Comments at 2; and Public Representative Comments at 46, 48.

In addition, some mailers request timely, or real time, Web-based access to this data. McGraw-Hill Reply Comments at 2–3; Pitney Bowes Comments at 5–6; and Time Warner Comments at 4. Other mailers propose monthly interim reports as opposed to the proposed quarterly interim reports. MMA Comments at 3; and PSA Comments at 5–6.

McGraw-Hill, MOAA, and Publishers Clearing House argue that mailers should be able to obtain reports on their own mail down to 3-digit pairs, together with the aggregate periodic reports. McGraw-Hill Reply Comments at 4, n.4; MOAA Comments at 2; and Publishers Clearing House Comments at 2.

The Postal Service responds that although the PAEA does not require the generation of customer-specific reports, it intends on working with the mailing industry in this area. It suggests that the degree of customer access to disaggregate service performance data (in excess of that required for the regulatory process), may have the character of an ancillary service. Postal Service Reply Comments at 6.

The Commission observes that business needs of some mailers may vastly exceed the needs of the regulator to perform its functions. Although the Commission may well specify reporting in a greater level of detail over time, it is not anticipated that the level of reporting will reach the provision of near real time data envisioned by some mailers. The Postal Service should be allowed time to explore the business needs of its customers and propose information products to meet those needs outside the context of the regulatory requirements.

*Reporting volume information.* AMEE and MMA suggest including reporting volumes to determine relative weightings of the data. AMEE Comments at 2; and MMA Comments at 2.

The Commission will require the reporting of volume data with the quarterly reports. The need to be able to aggregate the quarterly data up to annual levels was discussed during the consultation between the Commission and the Postal Service. This includes provision of respective volumes to

establish the necessary weighting of data. The Postal Service has verbally agreed to providing volume information and a means to aggregate the data from the quarterly reports up to the annual level.

*Separate reporting of inbound and outbound International Mail.* Separate reporting of service performance for inbound and outbound International Mail was discussed during the consultation between the Commission and the Postal Service. Currently, the IMMS report is not disaggregated in this fashion although the data to do so appears to be available. The Postal Service indicated that it is possible to provide separate reporting. This will be further examined in the previously mentioned rulemaking on service performance data reporting requirements.

## 2. Tail-of-the-Mail

A theme expressed in many comments is the need to expand tail-of-the-mail reporting to obtain a more accurate picture of service performance. The variance reports proposed by the Postal Service generally provide data on the percentages of mail delivered within 1 day, 2 days, or 3 days of the applicable service performance standard.

NPPC stresses the importance to the remittance industry of a system that distinguishes the distribution of late delivery by days of lateness. NPPC Additional Comments at 9. Commenters generally express opposition to truncating the variance reports at 3 days. Several mailers propose expanding the variance reports to include the additional days until delivery reaches a 99 percent level. BAC Comments at 4; MPA Additional Comments at 4–5; McGraw-Hill Reply Comments at 3–4; NPPC Comments at 5–6; NPPC Additional Comments at 8; PostCom/DMA Comments at 14; PostCom/DMA Additional Comments at 4; and Public Representative Comments at 45, 47–48.

Other approaches to expanding tail-of-the-mail reporting include adding a column to the variance reports to show mail that is not delivered within 3 days of the applicable standard (PSA Comments at 3), and calculating and presenting the average number of days by which all mailpieces are delivered in excess of the standard (Valpak Comments at 11–14; and Valpak Additional Comments at 3–4). Valpak also suggests reporting tail-of-the-mail in the annual report in addition to what is presented in the variance reports. Valpak Additional Comments at 4–5.

The other side of tail-of-the-mail is early delivery of mail. Standard mailers

in particular are sensitive to the consistency of delivery for planning advertising to reach homes on specific dates. These mailers propose expanding the variance reports to include reporting on early deliveries of mail. AMEE Comments at 2; BAC Comments at 4; MMA Comments at 2; IWCO Additional Comments at 2; MOAA Comments at 3; NPPC Additional Comments at 9; and Valpak Additional Comments at 2–3.

The Commission recognizes the benefits to mailers of more detailed reporting of delivery variance and consistency. The proposed measurement systems should be able to capture this type of data and provide the Postal Service with significant actionable data to troubleshoot its systems. However, the Commission is not convinced that data on early delivery is required for the Commission's purposes. Mailers will still be able to work with the Postal Service when specific problems are identified. This area is subject to re-evaluation once the measurement systems begin generating actual data and specific problems are identified.

## 3. Miscellaneous Issues

*Consideration of customer satisfaction.* The Public Representative contends that the plan does not adequately measure or report customer satisfaction, nor does it provide a mechanism to assess whether customers, especially those with physical impairments, believe their needs are being met. Public Representative Comments at 12–19.

The Postal Service asserts that it intends to redesign its Customer Satisfaction Measurement survey to meet the requirements of the PAEA and to generate customer satisfaction data on a product-by-product basis. Postal Service Reply Comments at 10–11. It notes that the survey's respondents are randomly solicited without regard to physical impairment, and can be expected to include the view of customers with such impairments. *Id.* at 12.

The Commission notes that the Postal Service is required to provide an analysis of customer satisfaction in its annual report to the Commission. *See* 39 CFR 3652(a)(2)(B)(ii). The Postal Service's Revised Plan addresses measurement systems and data reporting. Discussion of customer satisfaction appears beyond the scope of the Postal Service's proposals and was appropriately omitted until the Customer Satisfaction Measurement Survey has been redesigned.

*Quality of service performance index.* The Public Representative proposes a

Quality of Service Performance Index “to review objectively the results of the service performance measurements of the Postal Service.” The index can represent all postal products or groups of products. The index would reduce the variety of performance statistics to a single, or a few, numbers, and permit objective comparisons of service over time. Public Representative Comments at 19–32.

McGraw-Hill supports the idea of an index to track performance over time. McGraw-Hill Reply Comments at 1–3. NPPC calls this idea intriguing and worthy of consideration. NPPC Reply Comments at 5. PostCom/DMA does not oppose development of an index for each product or each group of products, but opposes one overall index because such an index would mask performance issues by specific products. PostCom/DMA Reply Comments at 4–6. The Postal Service argues that the index is beyond the statutorily defined scope of the Commission's regulatory oversight. Postal Service Reply Comments at 11.

The Commission finds the proposal to provide indexes for the entire service performance measurement system or for product groups therein noteworthy, but premature. The immediate goal is to develop and implement a performance measurement system and begin reporting data. Specific indexes may be considered in the future to evaluate the data once the measurement systems become operational.

*Class-specific miscellaneous issues.* MPA supports the revision to the Postal Service's original proposal to report Periodicals service measurement by performance area instead of only reporting a national aggregate. MPA Additional Comments at 2. However, it continues to suggest reporting Periodicals by postal district once IMb is in place. MPA Comments at 3; and MPA Additional Comments at 2.

BAC and NPPC suggest disaggregating the service performance measurement of remittance mail and treating remittance mail as a distinct category of First-Class Mail. BAC Comments at 2; and NPPC Comments at 7.

The Commission distinguishes separate reporting of remittance mail from treating remittance mail as a distinct category of First-Class Mail. The Postal Service has indicated to the Commission in consultations that it is considering ways to separately measure the performance of remittance mail, which indicates a future potential for separate reporting of remittance mail. However, treating remittance mail as a distinct category of First-Class Mail raises classification issues that are beyond the scope of this discussion.

## VI. Opportunity for Further Review

The PAEA provides the Postal Service and the Commission with the flexibility to develop a useful and beneficial performance measurement system over time. The Commission approves of the approach that the Postal Service is taking to establish most of its measurement systems recognizing that these systems are in the early stage of development.

The Commission is greatly appreciative of the Postal Service's efforts thus far in making the measurement of service standards a reality. The task is complex and will require continuing effort.

Inevitably, problems will arise as the systems are implemented that will require changes to these systems. Informal procedures are available for the Postal Service to keep the Commission apprised of developments and to seek consultation where necessary as the measurement systems progress. Regular meetings between the Postal Service and the Commission to provide updates on progress and problems are beneficial, including workgroup meetings at the staff level. Continuing attention is necessary to keep the implementation of the measurement systems on track. The Commission supports the ideas expressed in the comments for the Postal Service to share its internal milestones with the public, and to regularly report on progress. *See* APWU Comments at 21; PostCom/DMA Comments at 21; and Valpak Reply Comment at 3. The Postal Service will provide such reports to the Commission at the beginning of each fiscal quarter.

Many formal avenues also are available by statute for reviewing and improving the performance measurement system. These methods may be employed as the needs of the Commission, the Postal Service, and the mailing community change over time, or when specific issues arise that require closer examination. The Commission will shortly initiate a rulemaking to prescribe the content and form of public reports (and any nonpublic annex and

supporting materials) for performance data in the Postal Service's annual report to the Commission. 39 U.S.C. 3652(e)(1). It also may prescribe the methodologies used in preparing the annual report. 39 U.S.C. 3652(a)(1).

Progress towards a smoothly functioning, broadly representative, measurement system based on full service IMb must be monitored, and the Postal Service should include with its ACR, discussions of the extent to which various measures are representative. In this order, the Commission identifies several potential problem areas the Postal Service should focus on. Should it appear that progress toward reliable measurement has ceased, or that "the quality of service data has become significantly inaccurate or can be significantly improved[.]" proceedings may be initiated to remedy identified problems. 39 U.S.C. 3652(e)(2).

The effort to improve service through establishing standards and measuring performance will be continuing. The modern service standards are subject to review through the complaint process. 39 U.S.C. 3691(d). Additionally, the Commission may, if necessary, initiate reporting requirements through its obligation to establish a modern system for regulating rates and classes for market dominant products. 39 U.S.C. 3622(a).

## VII. Ordering Paragraphs

### *It is Ordered:*

1. The Commission approves of the approaches that the Postal Service is taking in developing internal measurement systems for various classes of mail as specified in the body of this order.

2. The Commission finds the proposed measurement systems for several Special Services are inadequate as specified in the body of this order. Remedial action is to be proposed by June 1, 2009.

3. The Postal Service is to provide progress reports and analyses of reliability for its measurement systems as specified in the body of this order.

4. The Motion of the Public Representative for Late Acceptance of Comments on United States Postal Service June 2008 Service Performance Measurement Plan for Market-Dominant Products, filed July 10, 2008, is granted.

5. The Secretary shall arrange for publication of this order in the **Federal Register**.

## VIII. Concurring Opinion of Commissioner Goldway

I agree with my colleagues that the initial approach to service performance measurement proposed by the Postal Service offers the potential of a reliable, low cost system. The Postal Service seeks to use scans of Intelligent Mail Barcodes (IMb) to gauge service performance by measuring the processing and transportation of bulk letters and flats.

The Commission identifies a number of areas where the ability of this system to accurately depict actual service performance will depend on whether a representative mix of mail uses "full service" IMb. For this reason, the Commission also directs the Postal Service to provide quarterly progress reports on IMb implementation and to include with its Annual Compliance Reports analyses of the representativeness of certain service performance measurement results.

I write separately to clarify that, while the language of the order offers options and suggestions on how to proceed to the Service, these analyses and reports must be undertaken promptly and be complete in their scope.

The Commission and the Postal Service have been consulting on these issues for almost two years. The Commission views accurate and comprehensive service performance measurement as a requirement of the Postal Accountability and Enhancement Act. Unjustified, further delay in obtaining reliable, representative service performance measurements will not be acceptable.

## ATTACHMENT A—COMMENTS TO SERVICE PERFORMANCE MEASUREMENT SYSTEMS FOR MARKET DOMINANT PRODUCTS

Participant	Title	Filing date
American Postal Workers Union, AFL-CIO (APWU).	Initial Comments of American Postal Workers Union, AFL-CIO, on Service Performance Measurement Systems for Market Dominant Products.	January 18, 2008.
Association for Mail Electronic Enhancement (AMEE).	Comments of the Association for Mail Electronic Enhancement.	January 18, 2008.
Association for Postal Commerce and Direct Marketing Association (PostCom/DMA).	Initial Comments of the Association for Postal Commerce Joined by the Direct Marketing Association.	January 18, 2008.

ATTACHMENT A—COMMENTS TO SERVICE PERFORMANCE MEASUREMENT SYSTEMS FOR MARKET DOMINANT PRODUCTS—  
Continued

Participant	Title	Filing date
	Reply Comments of the Association for Postal Commerce Joined by the Direct Marketing Association (Corrected Version).	February 1, 2008.
	Comments of the Association for Postal Commerce Joined by the Direct Marketing Association: Order No. 83.	July 9, 2008.
Bank of America Corporation (BAC) .....	Comments of the Bank of America Corporation ...	January 18, 2008.
Condè Nast Publications .....	Comments of Condè Nast Publications .....	July 8, 2008.
Discover Financial Services LLC (DFS) .....	Reply Comments of DFS Services LLC in Response to Notice for Request for Comments.	February 1, 2008.
Greeting Card Association (GCA) .....	Comments of the Greeting Card Association .....	January 18, 2008.
IWCO Direct .....	Comments of IWCO Direct .....	July 9, 2008.
Magazine Publishers of America, Inc. (MPA) .....	Comments of Magazine Publishers of America, Inc.	January 18, 2008.
	Comments of Magazine Publishers of America, Inc.	July 9, 2008.
Mail Order Association of America (MOAA) .....	Comments of the Mail Order Association of America on the Postal Service's "Service Performance Measurement" for Market Dominant Products.	January 17, 2008.
Major Mailers Association (MMA) .....	Comments of Major Mailers Association .....	January 18, 2008.
McGraw-Hill Companies, Inc. (McGraw-Hill) .....	Reply Comments of The McGraw-Hill Companies, Inc.	February 1, 2008.
National Newspaper Association (NNA) .....	Comments of National Newspaper Association on Service Performance Measurement Systems for Market Dominant Products.	January 18, 2008.
National Postal Policy Council (NPPC) .....	Comments of National Postal Policy Council .....	January 18, 2008.
	Reply Comments of National Postal Policy Council.	February 1, 2008.
	Comments of National Postal Policy Council .....	July 9, 2008.
Parcel Shippers Association (PSA) .....	Comments of the Parcel Shippers Association on Service Performance Measurement Systems for Market Dominant Products.	January 18, 2008.
	Further Comments of the Parcel Shippers Association on Service Performance Measurement Systems for Market Dominant Products.	July 9, 2008.
Pitney Bowes Inc. (Pitney Bowes) .....	Initial Comments of Pitney Bowes Inc. in Response to Notice of Request for Comments on Service Performance Measurement Systems for Market Dominant Products.	January 18, 2008.
	Reply Comments of Pitney Bowes Inc. in Response to Notice of Request for Comments on Service Measurement Systems for Market Dominant Products.	February 1, 2008.
	Comments of Pitney Bowes Inc. in Response to the Second Notice of Request for Comments on Service Performance Measurement Systems for Market Dominant Products.	July 9, 2008.
David B. Popkin (Popkin) .....	Initial Comments of David B. Popkin .....	January 18, 2008.
	Reply Comments of David B. Popkin .....	February 1, 2008.
Public Representative .....	Public Representative Initial Comments in Response to Notice of Request for Comments on Service Performance Measurement Systems for Market-Dominant Products.	January 18, 2008.
	Public Representative Reply Comments in Response to Notice of Request for Comments on Service Performance Measurement Systems for Market-Dominant Products.	February 1, 2008.
	Public Representative Comments on United States Postal Service June 2008 Service Performance Measurement Plan to Market-Dominant Products.	July 10, 2008.
Publishers Clearing House .....	Comments on Docket No. PI2008-1 Service Performance Measurement Systems for Market Dominant Products.	January 18, 2008.
Research International .....	Comments of Research International .....	January 14, 2008.
	Research International Second Notice of Request for Comments on Service Performance Measurement Systems for Market Dominant Products.	July 8, 2008.

ATTACHMENT A—COMMENTS TO SERVICE PERFORMANCE MEASUREMENT SYSTEMS FOR MARKET DOMINANT PRODUCTS—  
Continued

Participant	Title	Filing date
Time Warner Inc. (Time Warner) .....	Comments of Time Warner Inc. in Response to Commission Order No. 48.	January 18, 2008.
United States Postal Service (Postal Service) .....	Reply Comments of the United States Postal Service.	February 1, 2008.
Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc. (Valpak).	Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc. Comments on Service Performance Measurement Systems for Market Dominant Products.	January 18, 2008.
	Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc. Reply Comments on Service Performance Measurement Systems for Market Dominant Products.	February 1, 2008.
	Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc. Comments on Service Performance Measurement Systems for Market Dominant Products in Response to Order No. 83.	July 9, 2008.

By the Commission.  
Steven W. Williams,  
Secretary.

[FR Doc. E8-28643 Filed 12-2-08; 8:45 am]

BILLING CODE 7710-FW-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-59025; File No. SR-NYSE-2008-123]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by New York Stock Exchange LLC To Establish the Minimum Price Variation of \$0.0001 for Orders and Quotations in Equity Securities That Are Priced Below \$1.00 per Share

November 26, 2008.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 26, 2008, New York Stock Exchange LLC ("NYSE" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Exchange Rule 62 (Variations) to

establish the minimum price variation of \$0.0001 for orders and quotations in equity securities that are priced below \$1.00 per share, which will enable the Exchange to accept orders in sub-penny increments for those securities.

The text of the proposed rule change is available at <http://www.nyse.com>, NYSE's principal office, and the Commission's Public Reference Room.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

##### A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The Exchange seeks to amend Exchange Rule 62 (Variations) to establish the minimum price variation of \$0.0001 for orders and quotations in equity securities that are priced below \$1.00 per share, which will enable the Exchange to accept orders in sub-penny increments<sup>3</sup> for those securities.

<sup>3</sup> The Exchange is currently modifying its systems to enable it to quote and trade in sub-penny increments and will file a separate proposal with the Commission at a later date.

#### Background

On August 28, 2000, the Exchange began trading in decimals.<sup>4</sup> At that time, the Exchange amended NYSE Rule 62 to provide that bids and offers in securities traded on the NYSE would be at a minimum price variation set by the NYSE.<sup>5</sup> At the initiation of decimal trading, the NYSE announced that the minimum price variation for all stocks trading on the Exchange would be one cent (\$.01).<sup>6</sup> Rule 62 was subsequently amended to establish a minimum price variation of \$.10 (ten cents) for securities trading on the Exchange priced at \$100,000 and above.<sup>7</sup>

On April 6, 2005, the SEC adopted Regulation NMS, which is a series of initiatives designed to modernize and improve the national market system for trading equity securities. Rule 612 of Regulation NMS<sup>8</sup> permits markets to accept, rank and display orders priced less than \$1.00 per share in a minimum pricing increment of \$0.0001.

Currently the Exchange systems do not accept orders in sub-penny increments for securities priced below \$1.00; however, Exchange systems recognize protected quotations with a sub-penny component in its round-lot<sup>9</sup>

<sup>4</sup> See Securities Exchange Act Release No. 42914 (June 8, 2000), 65 FR 38010 (June 19, 2000).

<sup>5</sup> See Securities Exchange Act Release No. 43230 (August 30, 2000), 65 54589 (September 8, 2000) (SR-NYSE-00-22).

<sup>6</sup> *Id.*

<sup>7</sup> See Securities Exchange Act Release No. 49374 (March 8, 2004), 69 FR 11923 (March 12, 2004) (SR-NYSE-2004-10).

<sup>8</sup> See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496 (June 29, 2005) 17 CFR 242.612.

<sup>9</sup> The Exchange system enhancements that will enable recognition of sub-penny quotations for pricing of odd-lots in the odd-lot system are

Continued

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.