

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

RATE AND SERVICE CHANGES TO IMPLEMENT
BASELINE NEGOTIATED SERVICE AGREEMENT
WITH BANK OF AMERICA CORPORATION

Docket No. MC2007-1

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS AYUB TO INTERROGATORY OF VALPAK DIRECT MARKETING
SYSTEMS, INC. AND VALPAK DEALERS' ASSOCIATION, INC.
(VP/USPS-T1-17)
(April 17, 2007)**

The United States Postal Service hereby provides the response of witness Ayub to the following interrogatory of Valpak Direct Marketing Systems, Inc., and Valpak Dealers' Association, Inc.: VP/USPS-T1-17, filed on March 9, 2007. The interrogatory is stated verbatim and is followed by the response.

UNITED STATES POSTAL SERVICE

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VP/USPS-T1-17. Please refer to your testimony at page 15, lines 15-19, where you state that “[t]here is no reason to believe that any individual mailer’s read and accept rates vary significantly from the system-wide average, since read and accept rates are likely to depend primarily on the generation of barcoding protocol used by the mailer and the scanning equipment used by the Postal Service—factors that are unlikely to generate wide mailer-to-mailer variations.”

- a. Does not this statement mean that the accept rate is determined by Postal Service scanning equipment, and is not under the control of the mailer? Please explain fully any answer that is not an unconditional affirmative.
- b. Is the “generation of barcoding protocol” used by the mailer under the control of the mailer or the Postal Service?
- c. Please identify all “generations” of barcoding protocol that are in use today on Postal Service letter sorting equipment?
- d. When a change in barcoding protocol is done: (i) how is it managed; (ii) how fast is it changed; and (iii) is the change voluntary on the part of the mailer? Please provide examples of two consecutive generations of barcoding protocol for letters, and indicate when they changed and what effect they had.
- e. Please list all differences in “scanning equipment” in use today on Postal Service letter sorting equipment, including when an altered scanning technology was implemented, what proportions of each kind of equipment are in use, and how much of an increase in accept rates each technology made.
- f. Please list any factors under Postal Service control, other than barcoding protocol and scanning equipment, that affects accept rates on the Postal Service letter sorting equipment.
- g. Please provide a list of things mailers can do to affect accept rates that are different from barcoding protocol and scanning equipment.
 - (i) If such things exist, why are they excluded from the above-quoted statement?
 - (ii) Do such things contribute to wide or even significant mailer-to-mailer variations?
- h. BAC witness Richard D. Jones, BAC-T-1, states at pages 10-11 that “BAC is offering to change its mail preparation and mailing practices in ways that will reduce the Postal Service’s cost of handling our mail” (BAC-T-1, p. 10, l. 24 to p. 11, l. 1).
 - (i) Does this conflict with your statement that accept rates are not under the control of mailers?
 - (ii) Is it your belief that a large number of mailers are in a position to change mail preparation and mailing practices that would increase accept rates, but they will not do them because it costs them too much, or because they have no interest in Postal Service costs, or because they have no understanding or their options or of the effects of their decisions?

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RESPONSE:

- a. It is my understanding that the system-wide average used to develop the read and accept rates in USPS-LR-L-110 in Docket No. 2006-1 reflects automation mail. The intent of my testimony at page 15, lines 15-19, was to emphasize that the read/accept rates of mailers who provide automation mail and satisfy current mail preparation standards should not vary significantly from the system-wide average. I do not intend to suggest that all mailers are uniformly dispersed around the system-wide average, nor do I intend to suggest that a mailer's accept rate is solely controlled by the Postal Service. As mentioned in my response to VP/USPS-T1-9 above, some factors are under the control of the mailer (but constrained by standards set by the Postal Service), for example, the quality of the barcode, placement of the barcode, mailpiece dimensions, and mailpiece materials.
- b. Currently, mailers may choose to use either existing bar-coding protocol or to adopt the Intelligent Mail Barcode. The Postal Service currently does not mandate which protocol customers may adopt.
- c. There are several barcoding symbologies in use today on postal letter sorting equipment, including: Four-State; POSTNET; PLANET; UCC EAN 128; Interleaved 2-of-5, Datamatrix PDF 417, FIM, Bar No Bar. There may be others, but I believe these to be the most significant codes in use.
- d. Changes to barcoding symbology are changes in the graphical representation of the barcode on mailpieces and involve complicated processes that take a considerable amount of time (e.g., two to six years or more). The Postal Service

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works very closely with the mailing industry throughout these processes to determine the consequences of such changes and optimal approaches for the deployment of the new symbology. For example, the Postal Service has been testing the Intelligent Mail barcode for several years internally, with the mailing industry, and with vendors. The Postal Service has engaged and will continue to engage in comprehensive communications and training programs to promote the use of this barcode before making it a requirement for automation rate mailings in 2009.

The Postal Service implemented the first generation barcode in the early 1980's. The first generation barcode incorporated the POSTNET symbology for letter mail. Although the Postal Service has designated other barcodes for special services and has added digits to the zip code to increase coded depth of sort, the POSTNET symbology (the graphical representation of the code) for sortation has not changed. The new Intelligent Mail Barcode (formerly called the Four-State barcode) is the first new barcode symbology. The Postal Service began developing the Intelligent Mail Barcode (or "IMB") in the Spring of 2003 and first tested it in the Spring of 2004. Live mail testing of the IMB began in February, 2005, and in August, 2006, the Postal Service announced that the IMB would become a requirement for automation mail in calendar year 2009. Several tests have been conducted to verify the readability of the IMB's, and it has shown marginal improvements over the POSTNET barcode. The main advantage of the IMB, however, is its ability to carry additional data that will, among other things, enable the Postal Service to track mailpieces and allow mailers to embed

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information on special services and other mailpiece characteristics into the barcode itself. For additional information and examples, please see my response to OCA/USPS-T1-14.

In January, 2004, the Postal Service introduced a barcode for Parcel Post mailpieces that incorporated "UCC EAN 128" symbology ("UCC EAN 128 barcode"). The UCC EAN 128 barcode was intended to supersede postal barcodes that were based on an "Interleaved 2-of-5" symbology ("I 2 of 5 barcodes"), a symbology that was used by a majority of Parcel Post customers. Because it is easier for postal processing equipment to recognize the UCC EAN 128 barcode than to recognize I 2 of 5 barcodes, the UCC EAN 128 barcode has achieved a slight improvement in readability over the I 2 of 5 barcodes.

However, the major advantage of the UCC EAN 128 barcode is that it contains more data than an I 2 of 5 barcode contains.

- e. All letter mail barcode reading technology is now standardized on the Wide Field Of View system. It is my understanding that Postal Service expects the Wide Field Of View system to be fully deployed by the end of this fiscal year (2007). However, I am unaware of any studies that analyze the relationship between the Wide Field Of View system and accept rates.
- f. Barcode symbology, processing equipment capabilities and technologies, and machine maintenance are the primary factors that are controlled by the Postal Service.
- g. As mentioned above, mailers can affect read rates through several variables such as barcode quality, barcode placement, mailpiece dimensions, mailpiece

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material etc. Please see my response to VP/USPS-T1-9, parts (a) and (b) above.

- (i) These factors are not excluded from testimony at page 15, lines 15-19. In that section of my testimony, I am focusing on the primary factors for the absence of wide mailer-to-mailer variations in read and accept rates (i.e., the generation of barcoding protocol used by the mailer and the scanning equipment used by the Postal Service).
 - (ii) No. Mailers are only required to meet mail preparation requirements set by the Postal Service, and there is no incentive to exceed them, so as a practical matter, the variables I refer to above do not contribute to wide or significant mailer-to-mailer variations.
- h. Please see my responses below.
- (i) No.
 - (ii) Perhaps. It is possible that certain mailers may be in a position to change mail preparation and mailing practices that would increase accept rates, but they are not likely to change such practices because of the factors identified in the interrogatory. I recognize that address quality control programs have an impact on budget and resources. Regardless, the USPS has been and will continue to work with the mailing industry to improve mail quality. For example, the seamless acceptance pilot program enables the Postal Service to test and provide mailers with more specific feedback on elements of address quality than can be provided under the

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current environment. These efforts will help the pilot participants to improve the quality of their address lists.

Moreover, based on my experience, I believe that mailers are concerned about the address quality of their mail and are dedicated to making improvements in their mailing practices given that address quality has an impact on the service performance they receive. By communicating feedback on mail quality as the Postal Service has done through the MERLIN initiative and through other verification programs, it continues to educate mailers on mail quality issues and improvement options.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

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