

USPS-T-10

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

SIX-DAY TO FIVE-DAY CARRIER DELIVERY
AND RELATED SERVICE CHANGES, 2010

Docket No. N2010-1

**DIRECT TESTIMONY OF
THOMAS G. DAY
ON BEHALF OF THE
UNITED STATES POSTAL SERVICE**

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1 AUTOBIOGRAPHICAL SKETCH

2 My name is Thomas G. Day. Since 2007, I have served as the Senior
3 Vice President of Intelligent Mail and Address Quality for the United States Postal
4 Service.

5 I lead the Postal Service's organization responsible for Intelligent Mail
6 planning and standards, Intelligent Mail implementation, and address
7 management. With the ultimate goal of enhancing the value of mail through
8 innovative technology, my group works closely with the Engineering, Operations,
9 Marketing, Finance and Information Technology groups at headquarters, and the
10 mailing industry to set customer standards for barcoding, addressing, and other
11 information that mailers place on mail pieces and containers, including
12 envelopes, parcels, trays, sacks, and pallets. As an ancillary duty to this
13 position, I also serve as the Chairman of the Standards Board for the Universal
14 Postal Union.

15 Prior to serving in this role, I was the Senior Vice President of Government
16 Relations for two years. My responsibilities also then included oversight of the
17 offices of Public Affairs and Communications, the Consumer Advocate, and
18 Emergency Preparedness.

19 For over four years beginning in 2001, I was Vice President of
20 Engineering. In this capacity, I oversaw development of all engineering efforts
21 involving automation and operations, building and equipment maintenance, and
22 the Postal Service's award-winning environmental program.

1 From March 1984, when I began my career in the Postal Service, until my
2 selection as Vice President of Engineering, I have served in a variety of positions
3 in processing operations, delivery operations and logistics. Among the various
4 positions I held over the course of 17 years before coming to headquarters were
5 two assignments as a District Manager in the Triboro and Southeast New
6 England Districts.

7 Prior to my career in the Postal Service I served as an active duty officer
8 in the United States Army for five years.

9 My education includes a Bachelor of Science degree in General
10 Engineering from the United States Military Academy at West Point, a Master of
11 Arts in Management and Supervision from Central Michigan University, and a
12 Master of Science in Management from the Graduate School of Business at
13 Stanford University.

1 I. PURPOSE OF TESTIMONY

2 The purpose of my testimony is to describe the impact that the Postal Service's
3 planned elimination of Saturday delivery of mail to street addresses and related mail
4 processing changes will have in determining the "start-the-clock" and/or "stop-the-clock"
5 events that will be utilized for measuring end-to-end service performance for its mail
6 products. It also is my purpose to assure the Postal Regulatory Commission that the
7 Postal Service will implement appropriate and timely changes to its service
8 measurement systems as service changes are implemented.

1 II. BACKGROUND

2 For each of the following products -- Express Mail, Priority Mail, Parcel Select,
3 First-Class Mail, Single-Piece First-Class Mail International Letters, Periodicals,
4 Standard Mail and Packages Services¹ – the Postal Service has systems in place to
5 measure delivery service performance by comparing the number of days until delivery
6 to the service standard² applicable to mail within a particular product designation.
7 These systems are used to generate data that allow postal management to monitor the
8 quality of service and to submit periodic service performance reports to the Postal
9 Regulatory Commission to the extent required by 39 U.S.C. § 3652.³

10 The Direct Testimony of Samuel Pulcrano On Behalf of the United States
11 Postal Service (USPS-T-1) explains that no changes are being proposed in the
12 respective service standards that apply to the above-referenced mail products.
13 However, as explained in other testimony,⁴ the Postal Service is planning to implement

¹ The term “Package Services is used to refer to the following products that have the same service standards: Single-Piece Parcel Post, Media Mail, Bound Printed Matter and Library Mail.

² A service standard is a stated goal for service achievement for a mail Class. It represents the number of days to delivery between specific 3-digit ZIP Code pairs within the United States and its territories for a mail piece within a particular product designation. Service standards are based on such factors origin and destination, and the priority in dispatch and handling for a particular mail product within the U.S. postal system.

³ A detailed description of the systems used to measure First-Class Mail, Periodicals, Standard Mail and Package Services are contained in Docket No. PI2008-1, PRC Order No. 83, USPS Service Measurement Attachment (June 18, 2008). The document is accessible at the following link:
<http://www.prc.gov/Docs/60/60194/OrderNo.83Attachment.pdf> .

⁴ Direct Testimony of Dean Granholm On Behalf of the United States Postal Service

1 changes in the processing of some mail that enters the system on Saturday and
2 eliminate the delivery of mail to street addresses on Saturday. For some mail, this will
3 result in changes in the timing of the postal activity that constitutes the “start-the-clock”
4 event for purposes of service measurement. Likewise, elimination of mail delivery to
5 street addresses on Saturday will have the consequence of delaying the “stop-the-
6 clock” event for some mail that, in today’s world, is being delivered on Saturday. Under
7 the planned delivery changes, mail scheduled for delivery on Saturday in the current
8 six-day delivery environment will be delivered on the next scheduled delivery day, the
9 following Monday (or Tuesday, if Monday is a holiday).

10 As the above-referenced witnesses explain, the general elimination of Saturday
11 delivery to street addresses and associated operational and service changes are not
12 intended to affect Express Mail. Accordingly, my testimony below discusses the
13 remaining products that will be affected and identifies the changes in service
14 performance measurement that will need to be implemented to reflect corresponding
15 changes in “start-the-clock” and “stop-the-clock” events.

16

17 III. Changes In Operations Will Affect Service Measurement

18 A. The Fundamental Elements of Service Measurement

19 The two critical elements for service performance measurement of a mail piece
20 are the point in time when measurement begins and when it ends. Each delivery
21 performance measurement system identifies the “start-the-clock” event that initiates
22 service measurement and the date on when delivery occurs (or is first attempted),

(USPS-T-3); and Direct Testimony of Frank Neri On Behalf of the United States Postal Service (USPS-T-4).

1 otherwise know as the “stop-the-clock” event. The start-the-clock day zero is the date
2 on which the clock starts for purposes of service measurement. For a mail piece or a
3 bulk mailing, it is generally determined on the basis of the relationship between (a) the
4 day and time of day at which a mail piece is deposited in the mail stream or tendered to
5 the Postal Service and (b) the applicable Critical Entry Time.⁵

6 Generally speaking, when assessing mail piece service performance, one takes
7 into account the relevant origin facility Critical Entry Time (CET). The service provided
8 to a mail piece can then generally be viewed as the difference between the “start-the-
9 clock” and “stop-the-clock” dates, excluding non-delivery days. The resulting number of
10 days is then compared to the established service standard for the mail category to
11 assess service performance.

12 B. The Postal Service Employs A Variety of Measurement Systems

13 1. Overview of competitive product measurement systems

14 For Express Mail, Priority Mail, and Parcel Select, the Postal Service uses
15 internal systems to measure service performance based on the fundamental elements
16 of service measurements described in Section IIIA above.

17 Each piece must bear a unique barcode and receive a valid start-the-clock and
18 stop-the-clock scan event to be included in service performance measurement. The
19 unique barcodes intrinsic to the Express Mail product offering are leveraged for service

⁵ The CET is the latest time on a particular calendar day that a mail piece (or in the case of a bulk mailing, a reasonable amount of a class of mail) can be received at designated induction points in the postal network and still be processed and dispatched with an expectation that it will meet service standards based on the date of entry. Deviations from the standard start-the-clock Day zero Critical Entry Time may be established for a particular bulk mailer entering mail at a particular postal facility on the basis of a Customer/Supplier Agreement with the Postal Service.

1 measurement. Priority Mail and Parcel Select⁶ pieces must include Delivery
2 Confirmation service to be measured. Express Mail performance is measured against
3 established service standards consistent with the delivery speed required to achieve
4 guaranteed delivery by next-day or second-day at or before a specified time (10 am, 12
5 noon, 3 pm, or the end of day). Mail pieces must be physically tendered to the Postal
6 Service by the CET to qualify for guaranteed service. We anticipate no changes to
7 service performance measurement for Express Mail as it is the one mail product for
8 which there will be no start/stop-the-clock changes in a five-day delivery environment.
9 Express Mail collections and delivery will continue as they do today, six days a week,
10 with delivery on Sundays and Federal holidays available for an additional fee.

11 Service measurement for both Priority Mail and Parcel Select is based upon
12 acceptance and delivery scans on pieces for which Delivery Confirmation service was
13 included⁷. Similarly to Express Mail, Priority Mail and Parcel Select are measured
14 against service standards aligned with the delivery speed for the respective product,
15 and for Parcel Select, the entry facility type. Both require valid start- and stop-the-clock
16 scan events. However, the implementation of a five-day delivery environment for these
17 products will require adjustments to our measurement system to factor in an additional
18 non-delivery day.

⁶ Although Delivery Confirmation service is intrinsic to Parcel Select also, some customers opt not to include Delivery Confirmation service on their mail pieces. In these instances, such mail pieces cannot be included in service performance measurement because the requisite Delivery Confirmation barcode is not present.

⁷ Delivery Confirmation service may be purchased at retail for Priority Mail pieces. Electronic rate Delivery Confirmation service is available for customers who complete the necessary steps to mail at electronic rates. Delivery Confirmation service is intrinsic to the Parcel Select product offering; however, some customers opt not to use the service.

1 2. Overview of market dominant mail measurement.

2 As outlined in the June 2008, USPS Service Performance Measurement
3 document attached to PRC Order No. 83 in Docket No. PI008-1,⁸ the Postal Service's
4 External First-Class Measurement System (EXFC) generates service performance data
5 for single-piece First-Class Mail letters and flats.⁹ EXFC is based on the external
6 recording of information by anonymous reporters at the direction of a postal contractor.
7 The reporters record the date of entry of pieces into the mail stream and the date of
8 postal delivery of those pieces.¹⁰ IMMS operates in a similar fashion for measuring
9 letter service performance for inbound and outbound Single First-Class Mail
10 International. For letter and flat-shaped presort mail within First Class Mail, Periodicals
11 and Standard Mail services, the Postal Service uses an external measurement
12 approach that supplements mail scans available from an internal Intelligent Mail system
13 with externally collected data.

14 For parcel-shaped mail within First-Class Mail, Standard Mail, and Package
15 Services, the Postal Service uses an internal solution based on Delivery Confirmation
16 scans obtained at acceptance and during a delivery event (delivery or attempted
17 delivery).

⁸ Docket No. PI2008-1 PRC Order No. 83, USPS Service Measurement Attachment (June 18, 2008).

⁹ Within Single-Piece First-Class Mail International, the International Mail Measurement System, EXFC and origin/destination Delivery Confirmation scans are used to measure performance for letters, flats, and parcels respectively. Docket No. PI2008-1, PRC Order No. 83, USPS Service Measurement Attachment at 21-24 (June 18, 2008).

¹⁰ *Id.* at 14-15.

1 Measurement is performed by mail type and shape for First-Class Mail, Presort
2 Letters, Cards, flat shaped mail and parcels. For Presort First-Class Mail, Standard and
3 Periodical letters and for Standard and Periodical flats, the Postal Service's service
4 performance measurement system uses documented arrival time at the postal facility
5 BMEU were the mail is accepted to begin "start-the-clock" and external, third-party
6 "stop-the-clock" is collected via EXFC which employs anonymous reporters with
7 electronic scanners in their homes. Additional data on mail piece tracking from
8 Intelligent Mail barcode (IMb) scans are also used to supplement the external data.
9 However, data collected by the Postal Service are provided to an independent, external
10 contractor to calculate service measurement and compile reports.

11 For some commercial mail, a Customer Supplier Agreements (CSA) may also be
12 used to assign the "start-the-clock" Day-0 for purposes of service performance
13 measurement. For example, If the Postal Service accepts a mail piece either before
14 CET or within the acceptance window specified in the CSA on a given acceptance day,
15 the mail piece will have a "start-the-clock" date of the current day. If the mail piece is
16 accepted after the CET, and outside the acceptance window specified in the CSA the
17 mail piece will have a "start-the-clock" date of the following applicable acceptance day
18 for the facility.

19 The business rules for service performance measurement are intended to
20 maintain a clearly defined structure for and ensure the reliability of the measurement
21 system.

22

23

1 3. Full Service Intelligent Mail barcode measurement criteria

2 To qualify for service performance measurement, all Full Service Intelligent Mail
3 barcode (IMb) mailpieces must meet additional criteria based on the applicable mail
4 induction method. The determination of the CETs and the “start-the-clock” are based
5 on five induction methods which are derived using USPS operational and mailer data
6 which is passed to the Postal Service in an electronic method or eDOC. Each is
7 summarized below.¹¹

8 a. Business mail entry unit entered.

9 For the first method of measurement, Business Mail Entry Unit (BMEU) entered
10 mail, the start-the-clock calculation is based on the event for mail deposited at a BMEU.
11 If the BMEU is open and the mail is containerized for the local area of the plant, the mail
12 may qualify for a start-the-clock of the date of acceptance. Otherwise, the mail will
13 show a start-the-clock of the next business day.

14 b. Detached mail unit verified mailer transported.

15 For this second method of measurement, the start-the-clock calculation is based
16 on the event for when mail is deposited at a postal facility and Actual Entry Time (AET),
17 Critical Entry Time (CET), and Critical Acceptance Time (CAT) are aligned with current
18 start-the-clock requirements.

19 c. Detached mail unit verified USPS transported.

20 For this method of measurement, the start-the-clock calculation also is based on
21 the event for when mail is ready for transportation from a mailer facility and all electronic

¹¹ For detailed information of each of these methods, refer to Docket No. PI2008-1, PRC Order No. 83, June 2008 USPS Service Performance Measurement Attachment (June 18, 2008).

1 documentation is validated and all AET, CET, and CAT are aligned with start-the-clock
2 requirements.

3 d. Drop-ship at a mail processing plant.

4 The fourth method of measurement is drop ship at a Network Distribution Center
5 (NDC), Area Distribution Center (ADC), Destination Sectional Center Facility (DSCF), or
6 Auxiliary Service Facility (ASF). The start-the-clock calculation is based on the event
7 for when mail is deposited at a postal facility and AET, CET and CAT are aligned with
8 the current start-the-clock.

9 e. Drop-ship delivery unit and origin delivery unit.

10 For the final scenario, Drop Ship Delivery Unit and Origin Delivery Unit, the start-
11 the-clock calculation is based on the facility type (DDU or ODU). The start-the-clock
12 calculation is based on the event for when mail is deposited at a postal facility and AET,
13 CET and CAT are aligned with the current start-the-clock.

14 These methods, along with service standards, stop-the-clock, expected delivery
15 dates, actual delivery dates, service variance and exclusions are used to determine
16 service performance metrics. They will be aligned with five day delivery business
17 requirements, when the planned changes in service are implemented.

18

19 IV. Measurement System Changes Will Be Implemented To Account For Service
20 Changes

21

22 The elimination of Saturday delivery to street addresses and the initiation of
23 outgoing processing of some mail deposited or tendered on Saturday will lead to
24 changes in service measurement. However, no changes to Express Mail service
25 performance measurement need to be implemented since no processing or delivery

1 changes are being planned that would affect either the start-the-clock or stop-the clock
2 event for such mail.

3 For other mail products tendered on Saturday, the start-the-clock event will
4 ordinarily be the following Monday. BMEUs will continue to operate on Saturday and/or
5 Sunday to accept bulk mail. All mail classes accepted on Saturday and/or Sunday at a
6 BMEU will have a start-the-clock on Monday, with the exception of:

- 7 ▪ First-Class Mail that is Intra-Sectional Center Facility (using the operational L005
8 labeling list) accepted at a BMEU and is associated with a SCF plan will have a
9 start the clock of Saturday with the following conditions: Mail must be pre-sorted,
10 entered, and labeled to the appropriate SCF; and mail contained in mixed states
11 tray(s), (residual) or other containers will have a start-the-clock of Monday.
12
- 13 ▪ Standard Mail that is Local to NDC mail for the NDC service area (using the
14 operational L601 labeling list) accepted at a BMEU associated with the NDC will
15 have a start-the-clock of Saturday or Sunday with the following conditions: Mail
16 must be pre-sorted to the local NDC service area (using the L601 labeling list),
17 intra-SCF (using L005 labeling list) accepted at a co-located BMEU associated
18 with the SCF plant will have a start-the-clock of Saturday when mail is pre-sorted,
19 entered and labeled to the appropriate SCF.
20

21 When the implementation date for five-day delivery and related operational changes
22 becomes clear, my group and the USPS Consumer Advocate take action to ensure that
23 appropriate changes are made to the measurement systems that we manage. Those
24 changes will be intended to reflect changes in start-the-clock events for the various mail
25 products and to account for the fact that delivery to street addresses on Saturday will be
26 eliminated. With the exception of mail addressed to Post Office boxes and Express
27 Mail, Saturday will be added to the list of non-delivery days for mail addressed to street
28 addresses. As necessary, BMEU software, mailing statements, and manifests will be
29 adapted to conform to these changes.

1 V. Conclusion

2 In recent years, the Postal Service has consulted with the Postal Regulatory
3 Commission and made great strides in either expanding or developing service
4 performance measurement systems for its market dominant products. The Postal
5 Service recognizes the importance of providing the Commission with the data it needs
6 to make its Annual Compliance Determination under 39 U.S.C. § 3653. Appropriate
7 changes to measurement systems will be made when the service changes within the
8 scope of the request in this docket are implemented. Such changes will be vital to the
9 Postal Service's ability to obtain data that allow it to more effectively manage its
10 operations and improve customer satisfaction. Equally importantly, execution of the
11 changes will permit the Commission to continue to fulfill its service quality oversight
12 responsibilities.