

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;
Mark Acton, Vice Chairman;
Tony Hammond; and
Nanci E. Langley

Service Performance Measurement
Systems For Market Dominant Products

Docket No. PI2015-1

SECOND INTERIM ORDER CONCERNING SERVICE PERFORMANCE
MEASUREMENT SYSTEMS FOR MARKET DOMINANT PRODUCTS

(Issued July 14, 2017)

On January 29, 2015, the Commission established Docket No. PI2015-1 to consider a Postal Service proposal to develop new internal service performance measurement systems for several of its market dominant products, including products within domestic First-Class Mail, Periodicals, Marketing Mail and Package Services.¹ The Postal Service appears to have been making steady progress in the development of the new measurement systems since that time.

¹ Order No. 2336, Notice of Request for Comments and Scheduling of Technical Conference Concerning Service Performance Measurement Systems for Market Dominant Products, January 29, 2015.

The Commission last issued an interim order concerning the Postal Service's proposal on June 17, 2015.² That order outlined the Commission's expectations of what would be required to complete a review of the Postal Service's proposal. These expectations are still applicable today. The order directed the Postal Service to run the External First Class (EXFC) and proposed internal measurement systems in parallel for sufficient time to ensure the internal system is operational and verifiable.

In Order No. 2544, the Commission noted that the Postal Service anticipated filing its statistical/operational plans with the Commission sometimes in June of 2015.³ The Postal Service filed its statistical design plan in August.⁴ This was followed by a technical conference in October of 2015.⁵

The Commission also noted that the Postal Service anticipated filing the systems' auditing plans sometime in July of 2015.⁶ In February of 2017, the Postal Service filed its auditing plan.⁷ This document outlined the Postal Service's approach to auditing its proposed service performance measurement system. It did not provide detail of how an actual audit would be conducted. The provision of the audit plan was followed by a technical conference in April of 2017.⁸

The ability to meaningfully audit the Postal Service's proposed measurement systems will increase confidence in the reliability of data produced by the new systems.

² Interim Order Concerning Service Performance Measurement Systems for Market Dominant Products, June 17, 2015 (Order No. 2544).

³ Responses of the United States Postal Service to Questions 1-16 of Chairman's Information Request No. 1, question 10, March 31, 2015 (Response to CHIR No. 1).

⁴ Notice of the United States Postal Service Concerning the Filing of the Statistical Design Plan for Internal Service Performance Measurement, August 25, 2015.

⁵ Order No. 2733, Order Scheduling Technical Conference Concerning the Statistical Design Plan, September 28, 2015.

⁶ Responses of the United States Postal Service to Questions 1 through 4 of Chairman's Information Request No. 3, question 4, May 14, 2015.

⁷ Library Reference USPS-LR-PI2015-1/7, Performance Audit Plan – Internal Service Performance Measurement, February 17, 2017.

⁸ Order No. 3813, Order Scheduling Technical Conference to Review the Audit Plan, March 2, 2017.

To gain an understanding of how the proposed measurement system would be audited, the Commission asked the Postal Service to provide the following:

- the contractual statement of work describing the auditing and reporting tasks required of the contractor,
- all documentation developed by the contractor explaining how it intends to perform audits and develop reports,
- the “trial run” audit report provided by the contractor, and
- the first official audit report encompassing at least one quarter’s data provided by the contractor.⁹

The above items are currently outstanding, and are awaiting the Postal Service’s selection of an independent auditor.¹⁰

In Order No. 2544, the Commission indicated that test results comparing the EXFC based systems and the new systems over a period of four consecutive fiscal quarters would be useful to demonstrate that the new systems are capable of generating objective and reliable performance measurements for all affected products and for all applicable standards.¹¹ This would include parallel service performance reporting pursuant to 39 U.S.C. part 3055, with the addition of providing data also disaggregated by the first mile, processing, and last mile factors for both systems, as applicable to the specific mail product. It would also include provision of the statistical data that historically has accompanied service performance reports (e.g., margins of error, confidence intervals, etc.).¹²

At the time Order No. 2544 was issued, the Postal Service expected to be able to generate service performance data using the new systems by the first quarter of

⁹ Commission Information Request No. 1, question 1, May 12, 2017.

¹⁰ See Responses of the United States Postal Service to Questions 1-16 of Commission Information Request No. 1, question 1, June 12, 2017 (Response to CIR No. 1).

¹¹ For example, reporting over four fiscal quarters may provide an indication that the proposed systems are not affected by seasonality issues. The Commission is mindful that the previously allowed IMb based measurement systems were in development for several years.

¹² See Response to CIR No. 1, question 5.

FY 2016.¹³ Although the Postal Service has been providing parallel quarterly reporting of service performance for some time based on both the new and the legacy systems, there have been a series of limitations, concerns, and unresolved issues associated with the data generated by the newly proposed systems.¹⁴ This was to be expected in light of the complexities of developing any new measurement systems. The goal of the Commission remains to obtain four consecutive quarters of data free of all major issues. Given the Commission's analysis of the data provided thus far, it appears that FY 2017, Quarter 3 data may be the first quarter in which data may meet this criterion.

As of this date, none of the data provided to the Commission has been audited. A demonstration that data can successfully undergo the auditing process will add confidence to the veracity of the data. Thus, of the four quarters of data, the Commission is updating its previous request and asks that at least two quarters of data undergo auditing and be deemed acceptable by the Postal Service's external auditor (ideally with one quarter being from quarter 1).

Finally, the Commission remains concerned about the representativeness of the proposed systems given the significant differences in service performance results obtained using the proposed versus the legacy systems for a number of measurements.¹⁵ While the Postal Service has provided some information concerning this issue, the Postal Service must present clear and convincing evidence that the differences are not the result of the proposed system being less representative than the legacy system. For example, differences in First-Class Mail scores that result from differences in the characteristics of the mail being measured by each system could shed light on the representativeness of the proposed system. Representativeness of a proposed measurement system is a major consideration when evaluating any new service performance measurement system.

¹³ Response to CHIR No. 1, question 9.

¹⁴ See Response to CIR No. 1, question 3.

¹⁵ See Response to CIR No. 1, question 2.

It is ordered:

1. The Postal Service shall provide the information described in the body of this Order.
2. The Postal Service shall plan to run the External First Class and internal measurement systems in parallel for sufficient time to ensure the internal system is operational and verifiable.

By the Commission.

Stacy L. Ruble
Secretary