

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

**SERVICE PERFORMANCE MEASUREMENT
SYSTEMS FOR MARKET-DOMINANT PRODUCTS**

DOCKET NO. PI2015-1

**COMMENTS OF THE ASSOCIATION FOR POSTAL COMMERCE
AND NATIONAL ASSOCIATION OF PRESORT MAILERS
(April 30, 2018)**

Introduction

The Association for Postal Commerce (PostCom) and National Association of Presort Mailers (NAPM) appreciate the opportunity to comment on Order No. 4562 regarding Service Performance Measurement Systems for Market Dominant Products (PI2015-1). While the instant proceeding has been underway for more than two years, this focus on service performance reporting is important. Through a series of technical conferences and information requests, the reports now produced by the United States Postal Service (USPS) show improvement. As noted in the Commission's Order, at the onset of this inquiry, the USPS' systems were "in early stages of development, and were not capable of reporting accurate, reliable, and representative service performance data." Order No. 4562 at 1. The quarterly performance information now being provided by USPS is much improved and, given ongoing increases in the number of mailpieces bearing intelligent mail barcodes (IMB), we expect that reporting can improve further. The following comments consider each of the three questions posed by the Commission in Order No. 4562 and include some recommendations on how the Commission should proceed going forward.

Are the Proposed Systems Capable of Reporting Accurate, Reliable, and Representative Service Performance Data?

Yes. USPS' investments in its Informed Visibility (IV) systems and mailer adoption of the IMB have fundamentally altered the degree and extent to which service performance information is available. Given the massive increase in available data points, service performance information collected in this fashion could be richer, more complete, and more timely than had been available through sample based measurement. Further, as USPS appears committed to continued investment of resources in IV, there is every reason to believe these systems can be improved over time. For these reasons, PostCom and NAPM believe that said systems are capable of reporting in a way that is consistent with 39 U.S.C § 3652(a)(2)(B)(i), such that the Commission can complete its Annual Compliance Determination (ACD). On the other hand, the absence of an objective third party in service measurement raises concerns. Moreover, given that the ACD has had limited success in raising service performance, the Commission should exercise caution as it considers these changes.

Objectivity in Service Performance Measurement

As implied by the wording of the Order's third question, a system that is operated wholly by USPS will by definition not be providing "objective" service measurement. While there is no reason to suspect USPS of operating - or planning to operate - in bad faith, reporting information on any topic requires interpretation and choices.

For example, USPS has a natural preference to aggregate performance information based on its reporting structure, and that structure changes sometimes. Hypothetically, if USPS were to consider future realignment of District or Area boundaries it could change how service information is reported and consumed. Moreover, to the extent USPS is considering such changes, there will be an intrinsic motivation to consider how any such changes will affect how

service performance is perceived. For example, consider a hypothetical example of a population center near the boundary of two Districts and/or Areas. Depending on the relative service performance of the distribution facility serving this hypothetical location, its placement within a specific District boundary in the case of a restructuring could have measurable impact on the reported service performance of a District irrespective of whether service performance actually changed.

In general, the Commission should try to avoid creating incentives for undesirable behavior when it considers changes to its methods and practices. Again, we are not suggesting that USPS has any intention to try to manipulate service performance information in the way described above. However, if the potential exists for rational actors to allow their decisions to be influenced by reporting requirements, some safeguards should be considered.

Further, we request that the PRC provide more clarity around how independent audits of the proposed internal USPS service performance measurement system will occur in the future. Although this proceeding included an outside audit of the measurement system *design*, it is not clear whether periodic audits of the *results* as reported by the USPS will be performed in the future. An independent third party should be able to view the data and the system logic or business rules to determine if the system is maintaining an “objective” presentation of the data. Such party also should perform periodic audits of the system to evaluate accuracy and transparency of the data, the system management and interpretation of the data, and be able to provide an opinion regarding any system deficiencies or recommendations for improvement. Such third party should be an independent resource with expertise in these kinds of measurement systems with audit experience.

Recommendations for Improvements

Service performance is of the utmost importance to PostCom, NAPM, and their member organizations. As PostCom has pointed out in multiple ACR dockets, the best way for the Commission to enable service improvement is by requiring transparency and completeness in USPS reporting. As the Commission's own FY2017 ACD indicates, there is still considerable room for improvement, and if the proposed systems are to foster that improvement, the following issues need to be addressed.

Aggregation

USPS generally reports on service at a fairly high level of aggregation. Results are produced *quarterly*, by *product* and by *District*. In part, this reflects continuation of conventions established when USPS relied heavily on sampling to measure service. To produce results that were statistically reliable, aggregation was necessary to balance the need for transparency with the costs that would be incurred in sampling. As USPS gets more and more mail in measurement and information is passively collected through normal operations, these conventions are ripe for reexamination.

PostCom proposes that USPS should report much more information about service than it currently provides. As a default, rather than roll up information to District level, USPS should report on service performance at a facility level. At a minimum, USPS should report monthly. Within products, there are sub-categories based on service type indicators (STI) used by mailers to make use of various ancillary services; information on service performance could also be disaggregated accordingly.

We anticipate that USPS might object to provision of more detailed information due to cost or relevance reasons. With regard to relevance, PostCom and NAPM are not in a position to know whether this information could provide valuable insights or diagnostic information because

it has never been provided. With regard to the cost of providing additional data, that data is collected passively in USPS operations, suggesting that the cost of sharing data inheres in how USPS packages and reports said information (see below).

Completeness

Today, a number of mailpieces are excluded from measurement for a number of reasons—for instance, when start-the-clock information is not available. While some editing might be warranted when determining compliance with regulated service standards, excluding information of any kind reduces its value to the stakeholders who have a legitimate business interest in its contents. While PostCom and NAPM acknowledge USPS' need to edit performance data for use in the ACD, it should make available complete, unedited service information on all commercial products that employ an IMB.

Natural Disasters

Regrettably, 2017 saw a number of weather related disasters that caused significant disruption to USPS service performance. Snow storms, hurricanes, tornadoes, and forest fires have all impacted USPS service during the last twelve months. As USPS provides services across a vast geographic area, it is quite likely that every single reporting quarter will include an event that has a measurable impact on USPS service; at least at a regional level. Today USPS does not adjust for the effect of these disasters when it reports to the PRC because current requirements dictate that USPS provide “complete” data. This is misguided. It does a disservice to USPS and its customers. USPS' performance might be negatively impacted by factors totally beyond its control. Conversely, customers are denied the ability to discriminate between service failures traceable to USPS performance and those arising from random natural events. PostCom and NAPM suggest that the Commission require USPS to identify service performance

indicators that have been significantly impacted by natural disasters. When such indicators are identified, USPS should provide both complete and “adjusted” service performance information.

Periodic Evaluation

As indicated above, PostCom and NAPM appreciate the deliberate, measured approach the PRC has taken in this proceeding. As PostCom indicated in its comments in Docket No. RM2017-3, informal technical conferences that allow iterative sharing of information are a welcome framework in general. The system under consideration does offer promise, but as we note in these comments there is much room for improvement. Furthermore, USPS’ capabilities in this area are constantly evolving as are customer needs and expectations. With that in mind, PostCom and NAPM recommend that the Commission revisit these issues in a future proceeding apart from the ACD.

Respectfully submitted,

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April 30, 2018