

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 UNITED STATES POSTAL SERVICE  
IN RESPONSE TO ORDER NO. 4562  
(April 30, 2018)**

In response to Commission Order No. 4562, issued on April 2, 2018, the United States Postal Service (Postal Service) makes the following comments.

**INTRODUCTION**

Order No. 4562 recognizes that the Postal Service has made significant strides in the development of its proposed internal Service Performance Measurement (SPM) system. While the order notes that SPM was “not capable of reporting accurate, reliable, and representative service performance data” in its “early stages of development” (i.e., when this docket began in 2015), it finds that the Postal Service has since “undertaken extensive efforts that appear to have addressed known major issues highlighted by the Commission”, and that “the operation of the [SPM] system appears to have stabilized at this time.” *Id.*

Specifically, in response to various Commission directives, the Postal Service has provided the following:

- Data in parallel for both the external SPM system, and the proposed internal SPM system, for eight fiscal quarters<sup>1</sup>
- A statement of work (SOW) for provision of an audit of the new system by an external auditor<sup>2</sup>
- Contractor documentation explaining its audit and reporting process<sup>3</sup>
- A “trial run” audit<sup>4</sup>
- Official audit reports for three quarters’ worth of SPM data<sup>5</sup>

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<sup>1</sup> External reporting: Quarterly Service Performance Reports for Quarter 2, FY 2016 (May 10, 2016); USPS Quarterly Service Performance Reports, Quarter 3 of FY 2016 (August 9, 2016); USPS Quarterly Service Performance Reports for Quarter 4, FY 2016 (November 9, 2016); Quarterly Service Performance Reports for Quarter 1 of FY 2017 (February 9, 2017); USPS Quarterly Performance Data for Fiscal Year 2017, Quarter 2 (May 10, 2017); FY 2017 Quarterly Performance Data (August 9, 2017); FY17 Quarter 4 Service Performance Data (November 9, 2017); FY18 Quarter 1 Service Performance Data (February 9, 2018). Internal SPM reporting (in this docket): USPS-LR-PI2015-1/2 USPS Proposed Internal Service Performance Measurement System Data for Quarters 2 and 3 of Fiscal Year 2016 (August 10, 2016); USPS-LR-PI2015-1/3 USPS Proposed Internal Service Performance Measurement System: First Mile, Processing Duration and Last Mile Data for Single-Piece First Class Mail for Quarter 3 of Fiscal Year 2016 (August 11, 2016); USPS-LR-PI2015-1/5 USPS Proposed Internal Service Performance Measurement System Data for Quarter 4 of Fiscal Year 2016 (November 21, 2016); USPS-LR-PI2015-1/6 USPS Proposed Internal Service Performance Measurement System Data for Quarter 1 of Fiscal Year 2017 (February 16, 2017); USPS-LR-PI2015-1/10 USPS Proposed Internal Service Performance Measurement System Data for Quarter 2 of Fiscal Year 2017 (May 11, 2017); USPS-LR-PI2015-1/11 USPS Proposed Internal Service Performance Measurement System Data for Quarter 3 of Fiscal Year 2017 (September 29, 2017); USPS-LR-PI2015-1/12 USPS Proposed Internal Service Performance Measurement System Data for Quarter 4 of Fiscal Year 2017 (December 13, 2017); USPS-LR-PI2015-1/13 USPS Proposed Internal Service Performance Measurement System Data for Quarter 1 of Fiscal Year 2018 (February 21, 2018).

<sup>2</sup> Updated Response of United States Postal Service to Question 1 of Commission Information Request No. 1 (September 13, 2017).

<sup>3</sup> *Id.*

<sup>4</sup> Response of the United States Postal Service to Questions 1-16 of Commission Information Request No. 1 (June 12, 2017) (Response to Question 1.c. – Audit Report for FY 2017 Quarter 1).

<sup>5</sup> Second Updated Response of the United States Postal Service to Question 1 of Commission Information Request No. 1 (October 27, 2017) (FY 2017 Quarter 3 Audit Report); Notice of Filing of FY 2017 Quarter 4 Audit Report, USPS Response to Audit Report, and Updated Audit Plan (January 26, 2018); Notice of Filing of FY 2018 Quarter 1 Audit Report and USPS Response to Audit Report (March 16, 2018).

In addition, and as noted in more detail below in the discussion of the Commission's three questions presented in Order No. 4562, the Postal Service has continuously improved the internal SPM system.

## **RESPONSES TO COMMISSION QUESTIONS**

In Order No. 4562, the Commission solicited comments on three questions concerning the proposed internal SPM system. Each of these questions is presented below, followed by its response.

### **1. Please discuss whether or not the proposed systems are capable of reporting accurate, reliable, and representative service performance data.**

#### **Response:**

The proposed internal SPM system continues to demonstrate its capability of providing accurate, reliable, and representative service performance data for reporting and evaluation.

When the current external measurement system was implemented, the Postal Service was constrained by the technology available at the time. The methodology in the external measurement system is limited to utilizing only manually seeded mail that is inducted into the Postal Service processing network by an external network of droppers, and then scanned at delivery by an external network of reporters. The anonymity of the reporters also limits the Postal Service's access to granular first mile and last mile performance data.

Internal SPM is designed to utilize more advanced technology that is now available to the Postal Service, such as postal and mailer applied barcodes, enhanced

mail acceptance and processing equipment, GPS, and scanner technology. Internal SPM is built on a robust sampling methodology that utilizes the postal workforce to scan live barcoded mail at collection and delivery points that are randomly selected daily. Additionally, internal SPM utilizes census mail processing data from live barcoded mail to measure the processing duration, thereby vastly increasing the volume of measured mail compared to the external measurement system. This enables the Postal Service to provide accurate, reliable, and more representative service performance data than is possible with the legacy external measurement system.

In Fiscal Year (FY) 2018 Quarter 1, the internal SPM system measured over 4.2 billion Single Piece First-Class mail pieces, whereas the external measurement system only measured 527 thousand Single Piece First-Class mail pieces. Also, in FY 2018 Quarter 1, the internal SPM system captured First Mile performance from over 104 thousand randomly selected collection points and Last Mile performance from over 6.3 million randomly selected delivery points. By contrast, the external measurement system captured First Mile performance from only 18 thousand collection points and Last Mile performance from 16 thousand static delivery points. In addition, internal SPM measured over 20.9 billion commercial mail pieces in processing duration, sampling over 22.3 million pieces of mail from mailing customers covering 6.3 million randomly selected delivery points. By contrast, the external measurement system sampled only 3.1 million commercial pieces at the static 16 thousand reporter locations.

Internal SPM also includes insight on performance that is currently not being captured in the external measurement system. This includes measurement of mail

accepted at retail locations, mail destined to large businesses, and the capability to measure service performance within urban and rural induction and delivery zones. Furthermore, internal SPM provides end-to-end mail diagnostics that enable the Postal Service to continuously drive operational efficiencies in First Mile, Mail Processing, Transportation, and Last Mile.

To help ensure the accuracy, reliability, and representativeness of the internal SPM system, the Postal Service has implemented an independent audit plan currently consisting of 26 comprehensive audit measures. This independent plan is designed to audit key measures to ensure accurate, reliable, and representative measurement. As this docket has proceeded, the Postal Service has focused on these audit measures in improving the internal SPM system. For example, the most recent independent audit, conducted for FY 2018 Quarter 1, concluded that of the 26 audit measures defined for internal SPM, the Postal Service has achieved 20 measures and partially achieved six measures, thereby demonstrating an improvement from the results reported in the FY 2017 Quarter 4 audit, when the Postal Service achieved 18 measures.<sup>6</sup>

One of the audit measures the Postal Service partially achieved in FY 2018 Quarter 1 relates to the percentage of commercial mail in measurement. The Postal Service continues to increase the percentage of commercial mail in measurement through coordinated efforts between headquarters, mail entry, and field operations.

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<sup>6</sup> Compare Notice of Filing of FY 2018 Quarter 1 Audit Report and USPS Response to Audit Report (March 16, 2018) with Notice of Filing of FY 2017 Quarter 4 Audit Report, USPS Response to Audit Report, and Updated USPS Audit Plan (January 26, 2018).

Because of these efforts, the Postal Service has achieved a 3.3% improvement for mail in measurement from 74.9% in FY 2017 to 78.2% in FY 2018 to date.

Consistent with the Commission's observation in Order No. 4562 that "all issues in the new system have not been resolved," the Postal Service continues its efforts to improve internal SPM.<sup>7</sup> In FY 2018 Quarter 1, the Postal Service partially achieved five audit measures related to First Mile and Last Mile sampling targets in specific districts. To improve these First Mile and Last Mile sampling targets, the Postal Service has implemented a sampling quality improvement plan to help ensure sampling targets are met in those districts. This plan includes software enhancements that improve the capabilities of the Postal Service workforce in carrying out sampling work orders. In addition, the Postal Service has created a weekly monitoring process to identify Districts that are not meeting sampling targets. Districts that do not achieve the sampling target measures must implement a certification process on sampling procedures. This certification will help to ensure that sampling procedures are understood and correctly performed by clerks and carriers. The certification also requires an action plan to improve sampling targets. To support this effort, the Postal Service has created

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<sup>7</sup> It should be noted that the current external measurement system has evolved over time. For example, it began with limited areas of representation (3-Digits) and expanded to the current state. Another example of a design issue with the current/legacy system, is that it is currently based on third party reporters and their address and location. The current external system does not have the ability to portray a full representation of service performance for businesses. Internal SPM is designed for continuous improvement. As information and/or technology improves, internal SPM is well positioned to leverage and provide insights on service measurement that may be too impractical to conduct through a third party. Additionally, the external audit on Internal SPM is designed to help identify opportunities to improve its accuracy, reliability, and representativeness.

comprehensive training materials, including internal BlueTube® videos, to help educate the workforce on sampling procedures.

As evidenced by the Postal Service's quarterly data filings and audit measures performance (and steady improvement in that performance), the proposed internal SPM system is fully capable of reporting accurate, reliable, and representative service performance data.

**2. Please discuss whether or not the proposed systems are capable of reporting service performance data consistent with the Postal Service's annual reporting requirements pursuant to 39 U.S.C. § 3652(a)(2)(B)(i), such that the Commission can make its annual determination of compliance pursuant to 39 U.S.C. § 3653(b)(2).**

**Response:**

The Postal Service has demonstrated over eight consecutive quarters that the proposed internal SPM system is capable of reporting service performance data consistent with its annual reporting requirements. Over that period, the internal SPM system has produced quarterly performance reports for all market-dominant products including First-Class Mail, USPS Marketing Mail, Periodicals, and Package Service Bound Printed Matter Flats products in parallel with the current external measurement system. As stated in the requirements pursuant to 39 U.S.C. § 3652(a)(2)(B)(i), and consistent with data provided by the current external measurement system, internal SPM produces reports that provide measured mail volumes, weights, percent on-time service performance, service variance, margin-of-error, and confidence interval data disaggregated by mail product, entry type, service standard, area, district, quarter, and

fiscal year-to-date.<sup>8</sup> Additionally, as of FY 2018 Quarter 1, the internal SPM system has generated service measurement mail exclusion data as requested by PRC Order No. 3490.

**3. Please discuss whether or not the proposed systems are consistent with the service standard objectives and factors specified in 39 U.S.C. § 3691. Specifically, do the proposed systems “provide a system of objective external performance measurements for each market-dominant product as a basis for measurement of Postal Service performance” in consideration of the exception that “with the approval of the Postal Regulatory Commission an internal measurement system may be implemented instead of an external measurement system?” See 39 U.S.C. § 3691(b)(1)(D) and (b)(2).**

**Response:**

The proposed internal SPM system is consistent with the service standard objectives and factors specified in 39 U.S.C. § 3691 and provides a system of objective performance measurements for each market-dominant product as a basis for measurement of Postal Service performance.

To achieve an objective performance measurement, the internal SPM system uses publicly available defined service standards for market dominant products by class to measure service performance. For presort mail products, internal SPM combines mailer-submitted electronic documentation with mail processing scans, and delivery sample scans captured by the Postal Service, to measure end-to-end service performance against the established service standards. For the Single Piece First-Class Mail product, internal SPM combines collection sample scans, mail processing scans,

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<sup>8</sup> See 39 CFR 3055.1 – 3055.65.

and delivery sample scans captured by the Postal Service to measure end-to-end service performance against the established service standards.

Internal SPM also achieves objective measurement through a robust sampling methodology that randomly selects collection and delivery points on a daily basis ensuring that performance data is collected from the entire network of collection points and delivery addresses. Internal SPM captures collection and delivery scan data on live barcoded mail using GPS-enabled mobile devices and geo-fencing to trigger sampling work orders when the carrier is on the route, eliminating sampling bias. Internal SPM also captures scans from Point-of-Service (POS) retail terminal systems at the Post Office when First-Class mail products with special services are purchased and accepted. Internal SPM enables the Postal Service to measure first mile and last mile performance more comprehensively than the current external measurement system. In FY 2018 Quarter 1, Internal SPM captured first mile performance from six times more collection points than the external measurement system, and last mile performance from 400 times more delivery points than the external measurement system. Internal SPM also captured 6.4 million retail acceptance scans from 18 thousand Post Office locations in FY 2018 Quarter 1, further enhancing the accuracy and representativeness of service performance. Additionally, by utilizing census mail processing scans instead of manually seeded mail, internal SPM measures significantly more Single Piece First-Class Mail than the external measurement system. Specifically, in FY 2018 Quarter 1, internal SPM measured over 8,000 times more Single Piece First-Class Mail than the external measurement system. The Postal Service will continue the external audit of the

internal SPM system to ensure objectivity, accuracy, reliability, and representativeness of service performance data.

Using advanced technology, a robust sampling methodology, and census mail processing data, internal SPM provides a system of objective end-to-end service performance measurements for each market-dominant product in an accurate, reliable, and more representative manner than the current external measurement system and enables the Postal Service to continuously drive efficiencies in mail processing and delivery operations.

### **CONCLUSION**

For the reasons stated above, the Postal Service asks that the Commission approve its proposed internal SPM system as a basis for measurement of Postal Service performance pursuant to 39 U.S.C. § 3691.

Respectfully submitted,

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