

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

Annual Compliance Review, 2020)
) Docket No. ACR2020
)

**COMMENTS OF THE ASSOCIATION FOR POSTAL COMMERCE
AND DELIVERY TECHNOLOGY ADVOCACY COUNCIL
ON FY2020 REPORT AND FY 2021 PLAN
(March 1, 2021)**

Pursuant to Order No. 5803, the Association for Postal Commerce ("PostCom") and the Delivery Technology Advocacy Council ("DTAC") submit these comments on the Postal Service's 2020 annual performance report (FY 2020 Report) and FY 2021 annual performance plan (FY 2021 Plan) (Library Reference USPS-FY20-17, December 29, 2020). It should be noted at the outset, however, that on the date that these comments are being filed, the 2021 Fiscal Year is nearly half over, which renders the Commission's consideration of comments and suggestions a purely formal matter; lacking in practical import. Were the Commission to take action to remedy the deficiencies identified in the FY 2020 Report or adjust the FY 2021 plan, there is no reason to believe such an effort would produce results in the current year.

I. THE POSTAL SERVICE DOES NOT PROVIDE THE SERVICE THAT ITS CUSTOMERS PAY FOR

As shown in the FY 2020 Report, the Postal Service failed to meet service standards for any of its market dominant products during FY2020. Unfortunately, this state of affairs is not unusual. In fact, as the table below illustrates, this is as much the rule as it is the exception (red numbers indicate instances where standards were not met).

USPS Service Performance Summary: 2010-2020											
Category	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
First-Class Mail											
Single-Piece Overnight	96.3	96.2	96.5	96.1	96	95.6	NA	NA	NA	NA	NA
Single-Piece Two-Day	93.6	93.4	94.8	95.3	94.9	93.2	94.7	94.7	93.8	92	91.5
Single-Piece 3-5 Day	91.6	91.2	92.3	91.6	87.7	76.5	83.7	85.6	82.5	80.9	78.8
Presort Overnight	93.4	90.8	96.8	97.2	97	95.7	96.2	96.5	96	95.5	94.7
Presort Two-Day	92.7	89.1	95.7	97	96.4	93.6	95.1	95.6	94.9	94.1	92.8
Presort 3-5 Day	88.2	90.6	95.1	95.1	92.2	87.8	91.7	93.7	92	92	89.9
Periodicals	76.7	75.5	68.7	82	80.9	77.7	80.1	85.6	85.6	85.7	80.9
Marketing Mail											
Origin Entry	59	38.4	56.5	63.3	63.5	59.6	65.9	69.8	66.4	66.2	72.2
Destination Entry	83.4	70.8	82	88.8	89.9	89.1	92.3	93.7	91.6	91.9	91.5
Package Services	79.4	76.7	87.2	87.5	86.3	84	82.5	89.6	89.2	87.3	85.8

The Postal Service has not met service standards for all of its market dominant products for any fiscal year since the passage of the Postal Accountability and Enhancement Act. As illustrated above:

- Since 2010, the Postal Service has never met service standards for Periodicals, Package Services, Origin-entered Marketing Mail (formerly Standard Mail), Overnight Single-piece First-Class Mail, and 3-5 Day Single-piece First-Class mail.
- In five different years, the Postal Service met none of its service standards.

In fact, these dismal results represent an overly rosy depiction of what users of USPS' market dominant products have to contend with. For instance:

- The Postal Service's targets are highly aggregated and therefore obscure worse performance on subcategories. For example, service performance on flats is

routinely much worse than on letters within the same category. Because letters greatly outnumber flats, reported service performance results are a distortion. For mailers of flats, service performance is much worse than reported by the Postal Service.

- The Postal Service does not begin measuring compliance with standards until a mail piece has an acceptance scan. In recent months there have been numerous instances of trucks bearing commercial mail being held for days at postal facilities awaiting unloading despite having confirmed appointments. Those added delays are not reflected in the way the Postal Service self-reports.
- Mail pieces may be excluded from measurement for a number of reasons, including pieces that get lost in the USPS network. Unedited service performance reports would certainly show that service is worse than depicted.

Service standards are necessary under price cap regulation to protect captive users of monopoly products from the incentive for the monopolist to degrade service in order to reduce cost in the name of “financial stability,” which is, in effect, tantamount to an increase in rates. By enabling and abetting the Postal Service overcharging its customers for more than a decade, the Commission has failed one of its most fundamental objectives.

II. REPORTING ON SERVICE PERFORMANCE IS TOO OPAQUE

As noted above, the Postal Service’s preference for highly aggregated reporting on – and setting targets for – service performance presents a misleading view of how the Postal Service is performing. When the Postal Service transitioned from external measurement of service to an internal, Intelligent Mail Barcode (IMb) based system, one of the presumed benefits was greater

availability of performance data. Indeed, since that time, the Postal Service has imposed numerous requirements on its commercial customers, such as conversion to Seamless Acceptance, that have the effect of providing the Postal Service with greater information about the mail in its network. Simultaneously, the Postal Service has invested heavily in its Informed Visibility platform and scanning equipment to track mail and packages through its system.

Given these changes, the Commission's continued reliance on quarterly data that is highly aggregated and edited by the Postal Service is a disservice to the mailers who depend on the Postal Service. Toward the end of FY2020, the Postal Service implemented structural changes in its field operations that will further reduce the amount and specificity of service reporting information. Through Q4 of FY2020, the Postal Service reported service performance for 67 distinct Districts, which were aggregated to seven administrative areas. In Q1 of 2021, service reporting is based on two administrative "regions" and only twelve "divisions." Against this backdrop, the addition of the Market Dominant Composite service indicator appears to be an attempt to further obfuscate the Postal Service's performance. Furthermore, the aforementioned administrative changes are coincident with marked declines in service performance. As indicated below, the Commission should consider whether these administrative changes were part of a larger effort to enact de facto changes in service standards.

For service performance targets – and results – to be useful and meaningful, they should correspond to how customers use the Postal Service, not how the Postal Service organizes itself administratively or legacy product structures. The current classification schedule – largely unchanged in fifty years – does not provide a usable framework for determining whether the Postal Service is actually delivering "High-Quality Service." For instance, Single-Piece First-Class Mail contains both personal correspondence between individuals, but also remittances to

financial institutions and statements that are aggregated at destination by commercial mailers. The information available on the exterior of a mailpiece has increased significantly thanks to the IMb. Performance targeting, and reporting should evolve to reflect emergent technological capabilities and customer expectations, *e.g.* separate reporting for First-Class Mail pieces bearing a facing identification mark (FIM) indicating that the mail piece includes a remittance (see suggested remedy below).

The Postal Service clearly understands this, as indicated in their self-published report on election mail performance. See https://about.usps.com/newsroom/national-releases/2021/usps_postelectionanalysis_1-12-21_georgia.pdf. Election mail is not a product. Rather, it is a specific use of various postal products for a distinct purpose. Despite the fact that this report touts statistics that are not clearly tied to actual performance standards, it demonstrates that – when properly motivated, in this case by a desire to tout performance – the Postal Service has the ability to measure and report on service that relates to how customers use its products. This report also catalogs extraordinary efforts undertaken by the Postal Service to serve a particular customer niche. That niche, through lobbying and use of the Courts, has been able to motivate the Postal Service to measure and perform well. Customers of the Postal Service should not have to resort to such efforts; that is the job of the Commission.

Frequency of reporting is also an issue. In response to a judicial ruling in advance of the 2020 election season, the Postal Service began supplying weekly service performance data for market dominant products by district. Clearly, the Postal Service has the ability to provide much better and more frequent data on service performance on a timely basis than the Commission currently requires. Some suggested improvements to the Commission's reporting requirements include:

- Explicit reporting, by product, of how many pieces of mail were excluded from measurement, including historical data going back as far as PI2015-1
- Scan data captured on Single Piece First-Class Mail pieces at the point of delivery to provide visibility into last-mile impacts.
- Scan to home data to provide additional visibility into last-mile impacts and allow mailers to better coordinate mail with other channels

III. THE POSTAL SERVICE'S 2021 PERFORMANCE TARGETS ARE INSULTING, UNREALISTIC, AND PERVERSE

The lack of service performance targets for 2021 demonstrates contempt for the ACR process and postal customers. At the time of filing, the COVID-19 pandemic, cited by the Postal Service as the reason for not developing 2021 targets (Report at 35) was in its tenth month. The Postal Service ought to have had ample time to analyze baseline service performance from which to set targets for 2021. Those targets might have been lower than FY2020 and may have been more prone to error than in a typical year, but the Postal Service would have an opportunity to address these issues when it files the FY2021 Annual Report. To elect to forgo targets altogether is a tacit abandonment of its mission by the Postal Service, and the Commission should expect and demand better.

Other performance targets defy cogent explanation. For example:

- The Controllable Income (loss) target is worse than FY2020, despite USPS outperforming last year's target. *See* Report at 46. It is also lower than any of the last five years, despite USPS revenues greatly exceeding planned levels during the last year. *Id.*
- The target for the Customer Experience Composite Index is set above last year's target, despite the fact that the Postal Service's actual performance in FY 2020 was well below targeted levels. Report at 33.

- The Engagement Survey Response Rate Target appears to be set arbitrarily to just exceed more than 50 percent. Actual performance has been declining every year and last year was at 33 percent. Report at 33. A 51 percent target for FY2021 is unrealistic.
- It appears, based on the Total Accident Rate target, that the Postal Service is endeavoring to be less safe than in FY2020. Report at 33.

IV. THE COMMISSION’S APPROACH TO REGULATING SERVICE HAS FAILED – AND IS FAILING – POSTAL CUSTOMERS

The table presented in Section I above is ample evidence that the ACR process has not been effective in driving improved service performance. Consequently, while the issuance of an Annual Compliance Determination technically satisfies a basic statutory requirement, the end result is that the spirit of the Postal Accountability and Enhancement Act (PAEA) is thwarted to the extent that PAEA vested regulatory authority to oversee service with the Commission. A new approach is needed to ensure that postal customers receive the service that they pay for.

In the foregoing paragraphs, using examples from the Postal Service’s 2021 performance plan and recent results, we have highlighted several issues that warrant Commission action. There are more. In the latter part of 2020, the Postal Service made a number of operational and structural changes including:

- Instructing field managers to minimize use of overtime and reduce reliance on unscheduled inter-facility trips to meet service standards
- Removal of sortation and other equipment from postal facilities
- Implementation of a surface transfer network to consolidate highway transport of mail, including remittance pieces previously transported by air.

There may be others. The result of these changes has been a measurable decline in service performance for the Postal Service’s market dominant products (see table below).

Considered separately, any of these actions would not necessarily be considered an intentional degradation in service standards, but collectively performance has declined, raising the question of whether or not these operational changes constitute a de facto change in service standards. If so, then the Postal Service should have sought an advisory opinion from the Commission before implementing these practices. Indeed, Judge Sullivan specifically found that this decline in service likely constituted a change in the nature of postal services requiring an advisory opinion under 39 U.S.C. § 3661(b). *See, e.g., New York v. Trump*, Case No. 20-cv-2340, Memorandum Opinion at 28 (D.D.C. Sept. 27, 2020).

USPS Service Performance by Product						
FY2021 Quarter 1						
Product	Origin / Destination					
	Overnight	Two-Day	Three-To-Five-Day			
	Percent On Time	Percent On Time	Percent On Time			
First-Class Mail Presort Letters & Cards	N/A	82.0	54.8			
First-Class Mail Single Piece Letters & Cards	91.6	85.0	78.3			
First-Class Mail Flats	71.0	67.2	55.9			
	Origin / Destination					
	Overall			End-To-End		
		Three-To-Five-Day (SCF)	Five-Day-And-Above (NDC)	Overall		
	Percent On Time	Percent On Time	Percent On Time	Percent On Time		
USPS Marketing Mail Overall Letters	85.9	88.1	91.4	70.7		
	Origin / Destination					
			End-To-End		Overall	
	Three-To-Five-Day (SCF)	Five-Day-And-Above (NDC)	Three-To-Five-Day	Six-To-Ten-Day	Eleven-Day-And-Above	
	Percent On Time	Percent On Time	Percent On Time	Percent On Time	Percent On Time	Percent On Time
USPS Marketing Mail Flats	74.1	78.2	65.6	44.8	63.1	69.1
USPS Marketing Mail Carrier Route	81.5	88.6	85.1	72.9	74.6	81.9
	Origin / Destination					
	Within County	Outside County				
		Destination Entry	End-To-End	Overall		
	Percent On Time	Percent On Time	Percent On Time	Percent On Time		
Periodicals	69.8	73.1	59.0	69.5		

V. THE COMMISSION SHOULD CONDUCT A SEPARATE RULEMAKING PROCEEDING

The issues identified in the preceding sections are too important and too complex to be remedied in the ACR process. As this proceeding unfolds, postal customers are experiencing service levels that are historically bad. The role of a regulator is more than just checking a box to

see that a report is filed on the time. The Commission must initiate a proceeding to explore better alternatives to performance measurement and enforcement than the ACR process provides.

These questions of service standards and service performance are not merely academic. Failures of service do not just inconvenience senders and recipients of mail matter. Rather, they have significant financial consequences for both individuals and business users of the mail. As these consequences accrue, the value of the mail declines, and the Postal Service's customers will look for alternatives where they can.

The consequences to individuals should be obvious. Late-delivered invoices and payments can lead to service cancellations and impacts to consumers' credit with long-lasting consequences. In an effort to avoid such consequences, consumers will continue to shift to electronic bill payment, furthering the trend of declining First-Class Mail volume.

The Postal Service's business customers rely on the Postal Service's service standards to plan marketing campaigns around sale dates, schedule call center coverage, and time invoices and remittance payments. Delivery of promotional offers and coupons after sale dates diminish returns on postage investment and may void such returns altogether. Delayed mail also disrupts mailer operations. For instance, when an offer is expected in home in 3 days, the mailer will staff a call center based on the call volume it will expect to receive once that offer arrives. If the offer arrives in 7 days instead, not only will the mailer have paid its call center staff to receive calls that never arrived, but it may not have sufficient staffing available to handle the call volume when the offer does arrive. The mailer will lose sales and frustrate its customers. And it will then seek alternative marketing channels that are more predictable and reliable.

When the Postal Service operates as it should, the response businesses receive from mail can exceed what they receive from electronic marketing. But if an offer only reaches a customer

after its expiration date, or when the company doesn't have anyone on call to accept the sale, the service provided by the Postal Service is worthless to the business. The business will have wasted the money it spent on postage and lost the value it expected to receive from its marketing campaign.

Indeed, the Postal Service's recent service problems have had a significant impact. PostCom members have struggled with these very issues, causing significant financial impacts to their businesses from lost sales, extra staffing, and postage paid for mail not delivered within a time frame that serves any business purpose. Put simply, businesses are paying for a service that is costing them money instead of making them money. That situation is unsustainable.

If businesses received the level of service they have received from the Postal Service from any other vendor, they would have recourse—at least for the value of the services rendered, if not for the consequential damages as well. They would also contract for performance guarantees to ensure these problems would not occur in the future. But because the Postal Service is a government-owned monopoly, these options are not available to its customers. The Postal Service doesn't guarantee its services and is not liable for not performing them. As a result, it has collected billions in revenue for services that did not meet the requirements of its customers.

The Commission's job is not to support the Postal Service. It is to protect postal customers by ensuring the Postal Service carries out its mandate. The Commission should open a rulemaking to develop a new service performance review process that will allow the Commission to address service failures in closer to real time and take meaningful corrective action. As part of this process, the Commission should consider adding enforcement mechanisms to its review of Postal Service performance. For instance, if the Postal Service fails

to meet service standards with respect to a particular product or category of mail, the Commission could restrict its ability to increase prices for that product or category. While some of these issues may be discussed in Docket No. RM2021-2, an inquiry focused specifically on service performance would provide a more targeted platform to address these issues.

VI. CONCLUSION

PostCom and DTAC respectfully offer the foregoing comments on the Postal Service's FY 2020 Performance Report and FY 2021 Performance Plan. As noted above, the contents of the Postal Service's performance plan raise serious concerns. Given perpetual underperformance on service, we believe that the ACR process is inadequate to drive the necessary improvements and therefore request that the PRC initiate a separate rulemaking proceeding to develop a performance review process that will enable customers of the Postal Service to receive the service for which they have paid.

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