

Before the  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

Postal Rate and Fee Changes, 2005

)

Docket No. R2005-1

OFFICE OF THE CONSUMER ADVOCATE  
MOTION REQUESTING THE COMMISSION TO INSTITUTE  
RULEMAKING PROCEEDING TO ESTABLISH PERIODIC REPORTING  
REQUIREMENTS FOR THE UNITED STATES POSTAL SERVICE FOR  
QUALITY OF SERVICE PERFORMANCE STANDARDS AND MEASUREMENTS AND  
TO AMEND RULE 54(n) TO REQUIRE THE MOST CURRENT PERFORMANCE  
STANDARDS AND MEASUREMENTS TO BE INCLUDED IN FORMAL REQUESTS  
FOR CHANGES IN RATES AND FEES

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(October 26, 2005)

Pursuant to Rule 21 of the Rules of Practice of the Postal Rate Commission,<sup>1</sup> the Office of the Consumer Advocate (“OCA”) hereby moves that the Commission institute a rulemaking proceeding to establish within Rule 102,<sup>2</sup> periodic reporting requirements for the United States Postal Service regarding quality of service performance standards and measurements. This motion also requests the Commission to amend Rule 54(n)<sup>3</sup> to enlarge and expand upon the requirements for quality of service performance standards and measurements to be included in Postal Service requests for changes in rates and fees filed pursuant to 39 U.S.C. § 3622.

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<sup>1</sup> 39 C.F.R. §3001.21

<sup>2</sup> 39 C.F.R. §3001.102.

<sup>3</sup> 39 C.F.R. §3001.54(n).

I. MEASURES OF THE QUALITY OF SERVICE ACTUALLY PROVIDED BY THE POSTAL SERVICE ARE REQUIRED BY THE PRA BUT THE DATA PROVIDED IS INADEQUATE OR NON-EXISTENT.

A. Introduction

The quality of service provided by the Postal Service is of paramount importance to the Postal Service, the public and to this Commission. The Postal Service's own recently issued Strategic Transformation Plan 2006-2010 states as a transformation strategy under the heading, "Improve Service," that none of its planned outcomes to increase revenues, reduce costs or achieve results will occur unless the Postal Service keeps "its eye fixed squarely on its *paramount goal to provide great service...*" (Emphasis supplied at 55-6). The Postal Reorganization Act ("PRA") and its legislative seed both assign high significance to measuring the value of mail service provided. The PRA and the Report of the Kappel Commission,<sup>4</sup> which led to that law, both elevate the quality of postal services to even greater significance than rates and fees, the calculation of which consumes a great deal of PRC resources. In the PRA, the list of the general duties of the Postal Service refers first and foremost to providing "adequate" postal services before "efficient" postal services and further before "fair and reasonable rate and fees." (§403(a).) The adequacy of postal services cannot be determined without proper measurement of the quality of the service provided.<sup>5</sup>

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<sup>4</sup> "Towards Postal Excellence," *The Report of the President's Commission on Postal Organization*, June 1968. ("Kappel Commission Report")

<sup>5</sup> We do not consider adequate to mean merely that, on balance, mail is delivered and, most often, on time as measured by either the lack of a public outcry or the absence of public demonstrations at postal facilities. Nor does "adequate" mean that only a small indeterminate number of patrons are disgruntled by lost or damaged mail or unsatisfactory special services, but that the Postal Service intends to improve service. See Strategic Transformation Plan 2006-

The Kappel Commission Report focused initially and specifically upon the deficient service quality of mail deliveries at the time of the report. For instance, the very first part of the Kappel Commission's report, "The Quality of the Postal Service" (Kappel Commission, Chapter 1, Part A) points directly to quality of service issues—and found that "delays occur even in first-class mail; backlogged bulk mail is common." (Kappel Commission Report at 12) Further, the Kappel Commission was concerned with the "adequacy of day-to-day service" (Id. at 12) and, "The Commission has found a pattern of public concern over the quality of mail service." It cited to not only "[d]elayed letters but erroneous deliveries, damaged parcels and lost magazines." (Id. at 13). The complaint "heard most often was that service is not dependable. All but a tiny fraction of the mail ultimately reaches its destination, but late mail is often no better than lost mail." (Id. at 13) Thus, the Kappel Commission focused primarily on quality of service before it discussed other problem areas such as personnel practices and, lastly, finances. Quality of service was viewed in the Kappel Commission as the number one problem and it led directly to the PRA.

The Kappel Commission noted the then recent Postal Service implementation of quality control measurements "on a continuous and scientific basis" pointing to the fact that 71 percent of First-Class letters were delivered the day after mailing. (Id. at 14) It concluded its discussion of quality of service by noting the "dearth of systematic market information" and with the admonition that the "correction of service deficiencies" should be made the first priority of postal

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2010. More scientific measurements of quality of service must be more universally applied to measure the adequacy of service and must be provided to this Commission.

management and a high level of performance can be attained if management is given the incentive to respond to this urgent need. (Id. at 14) Thus, there is no doubt where the Kappel Commission stood: it favored development of measurements of service on a continuous and scientific basis and systematic market information.

B. Comprehensive And Appropriate Quality Of Service Standards And Measurements Should Be Periodically Available to the Commission.

Congress recognized the importance of the quality of the service and included within the regulatory scheme of the PRA a requirement for the Commission to consider the value of the mail service actually provided. (§3622(b)(2).) The PRA requires that the Commission “shall” make a recommended decision on a request for changes in rates or fees “in accordance with the policies of [title 39] and ... the value of the mail service actually provided each class or type of mail service....” (§3622(b)(2).) For the Commission to satisfactorily meet this mandate, quality of service performance measurements must be available to the Commission in order to recommend rates pursuant to §3622(b)(2) of the PRA.

Over the years the Commission has considered the subsection (b)(2) factor and discussed it in rate opinions. The quality of service provided by a particular class or subclass of mail is a factor weighed by the Commission in assigning cost coverages.<sup>6</sup> The quality of service provided should be measured objectively using appropriate and statistically accurate methods. Testimony of a

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<sup>6</sup> See for instance, PRC Op. Docket No. R84-1 at 516.

subjective nature and unsupported by rigorous analysis is less desirable as it is not as persuasive or as useful as periodically reported data. The Commission must assign institutional costs reasonably on the basis of the factors set forth in §3622(b). On appeal, the Court's "task is only to ascertain that all of these factors were taken into account."<sup>7</sup> Thus, the Commission must take subsection (b)(2) value of service into account in assigning institutional costs. The better the information concerning the value of service actually provided, the better the decision regarding the appropriate cost coverages.

The D.C. Court of Appeals has provided a general interpretation of the meaning of "value" in §3622(b)(2):

What "value," as there used, means is the economic concept of "value-of-service," an approach which looks to demand factors, "what the traffic will bear." *Payne v. Washington Metropolitan Area Transit Com'n.*, 134 U.S. App.D.C. 321, 415 F.2d 901, 916 (1968). See J.C. Bonbright *Principles of Public Utility Rates* (1961). P. 287.<sup>8</sup>

Thus, the value of service provided is determined by looking at the demand for service, and the demand for a service will change as the quality of the service changes. Demand is normally assessed by calculating the demand elasticity in order to design rates to recover the residual costs pertinent to the area of value of service.<sup>9</sup> Yet, demand elasticity, alone, does not provide a full measure of the

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<sup>7</sup> *Direct Marketing Association v. USPS*, 778 F.2d 96, 102 (CA2 1985).

<sup>8</sup> *Association of American Publishers v. U.S. Postal Service*, 485 F.2d 768, 775 (D.C. Cir. 1973). The Court rejected the argument that "value" referenced there required the Commission to consider educational and cultural values.

<sup>9</sup> "Demand elasticity is pertinent only in the stage of designing rates to recover residual costs, and that is precisely the area where the statute permits "value of service" to be considered." *Nat. Ass'n of Greeting Card Publishers v. USPS*, 607 F.2d. 392, 415 (CADDC, 1979) (*NAGCP III*).

value of service. While demand elasticity may provide a measure of the value as conceived by the mailer, if the mailer does not have correct information or has imperfect information about the quality of service received or, if the quality of service is unknown to anybody, then the elasticity as a measure of demand, and therefore value as conceived by the mailer, will not measure true demand for the service actually provided. Only by requiring correct and appropriate measures of service quality, and informing consumers of the quality of service actually provided, can the Commission be confident that the elasticity of demand accurately reflects true consumer demand. Meaningful measures of service quality, based upon a thoughtful analysis to determine what aspects of service quality should be measured, how they should be measured, and the results of those measurements are imperative if the Commission is to apply the (b)(2) factor appropriately.<sup>10</sup>

The PRA has been in effect for over 34 years. The goal to improve measures of the service through scientific and continuous measurements and systematic market information has not been met. As a predicate to instituting comprehensive systems to measure the quality of service, management should first determine the appropriate measures of the quality of service for each class, subclass and other services spreading across two or more classes of service. That is, what characteristics of service quality, if measured, will yield a good

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<sup>10</sup> The Court also noted with respect to rate cases that no one ought to suppose there is a correct answer “to determine a complicated rate structure” or that there is a specified number of ingredients but that, “A conscientious, competent rate-making body proceeds by opening its mind to relevant considerations, and closing its ears to irrelevant ones. It is governed by policies not politics.” *Association of American Publishers v. U.S. Postal Service*, *supra*, at 774.

indication of the level of service quality provided? The Postal Service has established delivery standards for some but not all of its mail services. Because the primary service provided for each class of mail is delivery, standards for delivery time are clearly the most significant measure of quality. For Special Services, delivery time often, but not necessarily, attaches to the underlying class of mail or delivery time may be irrelevant in other cases. Characteristics other than delivery time may be better indicators of service quality or more than one indicator may be required to provide a complete assessment of service quality.

Delivery service performance is but one aspect of service quality—arguably the most important. Nevertheless, service quality is multi-dimensional, and other measures of service quality are lacking but are also appropriate. The Postal Service must develop measures of delivery performance as well as additional measures of service quality in order to create a more robust service quality measurement system for use in evaluating value of service in the context of rate proceedings.

The Postal Service has not developed standards of service quality in some cases and in others, where it has developed standards, the standards are not publicized. In addition, for services that cross some or all of the classes of mail and for which no fee is charged, there do not seem to be standards. In other cases, standards have been established, such as waiting times in post office lines. In those cases, it is not clear whether continuous and scientific measurement systems have been developed and introduced. Finally, where they have, the data is not available to the Commission on a periodic or standardized

basis in an organized format to enable review for determining whether the quality of service provided is adequate and in compliance with the policies of the PRA. More significantly, in those cases where the Postal Service refuses to report quality of service data, neither the Commission, nor the public, nor Congress can possibly determine the quality of the service the Postal Service actually provides.

The recently issued report of the President's Commission on the Postal Service, which was established with the purpose of recommending postal reform, recognized this deficiency where it stated that at one extreme ratemaking procedures burden competitive products, and "At the other, the *quality* of services entrusted to the Postal Service on a monopoly basis largely escapes scrutiny altogether."<sup>11</sup> In recommending transformation of the Postal Service, the Report concluded, "the scope of regulatory review should be extended...the quality of services provided in monopoly markets should be held to a strict accounting."<sup>12</sup>

The proposed postal reform legislation requires the quality of service to be considered by the PRC. The House bill, H.R. 22, Section 204, would require the Postal Service to prepare and submit to the PRC a report including, among other things, service quality, timeliness, and reliability of products not later than 90 days after the end of each year. It would require the analysis in the report to conform to methodological specifications *prescribed by the PRC*. (Emphasis

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<sup>11</sup> "Embracing the Future, Making the Tough Choices to Preserve Universal Mail Service," *Report of the President's Commission on the Postal Service*, July 31, 2003 at 54.

<sup>12</sup> *Id.* at 55. While that part of the Report is focusing on monopoly services, until postal reform legislation is passed, if ever, strict accounting for service quality should apply to all classes of services currently subject to review by this Commission.

supplied.) There is a similar provision in S. 662, except that it would not empower the PRC to prescribe the methodology.

The proposed legislation is also specifically concerned about improving the delivery service for Periodicals. It includes a provision to study ways to improve the delivery of periodicals. Section 707 of H.R.22 provides, the USPS and PRC would be required to collaborate on a study concerning "...any opportunities that might exist for improving" efficiencies in the collection, handling, transportation, or delivery of periodicals by the Postal Service, including pricing incentives for mailers.<sup>13</sup>

Undoubtedly, the PRA has had a salutary effect upon personnel practices and the establishment of fair and reasonable rates. The Postal Service is now self-sustaining and is debt free. The general impression is that the Postal Service has also improved service in numerous ways since the passage of the PRA. According to the press releases provided by the Postal Service and other public statements, on-time deliveries of First-Class Mail are steadily improving. New services have been added, outdated services such as Special Delivery eliminated, and other services have been improved such as the addition of Priority Mail, Express Mail, and alternative worksharing subclasses within First-Class Mail and other classes.

OCA has continually attempted to obtain information on the quality of service provided to the public. The need is apparent for an organized repository of the standards of performance, the measures of performance and the results of

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<sup>13</sup> The Senate version does not include a similar section concerning Periodicals.

those measures. In addition, where no standards of service performance exist or where they are being developed or where other less statistically significant measures of quality performance are utilized, the Postal Service should provide that information.

Three years ago, OCA issued a report on the quality of service provided to the public by the Postal Service.<sup>14</sup> One of the purposes of that OCA Report was “to see whether the Postal Service’s proposed cost coverage levels appropriately reflected the quality of service associated with particular classes and services....”<sup>15</sup> That report did not cover all classes of service but focused upon Priority Mail, and Special Services Certified Mail, Return Receipt and Insurance. It also covered a facet of service quality relevant to crossing several classes of service: long waits in line at Post Offices.

OCA recommended that customers needed to be better and fully informed of the standards of service performance and of the differences between First-Class Mail and Priority Mail. Likewise, OCA recommended improvements in handling of Certified Mail and Return Receipt. The latter services had not conformed to the DMM, particularly with respect to bulk handling such as IRS mail. In past rate cases, the Commission has found these failures justified downward adjustments to the proposed fee for Certified Mail in Docket Nos. R97-1 and R2000-1.<sup>16</sup> Despite adverse reports by the Postal Inspection Service in

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<sup>14</sup> “Report of the Consumer Advocate on Quality of Services Provided by the Postal Service to the Public” (herein “OCA Report”), Docket No. R2001-1, March 6, 2002.

<sup>15</sup> Id. at 1.

<sup>16</sup> PRC Op. R97-1, para. 5951 and PRC Op. R2000-1, para. 6083, 6074. See OCA Report, at 23-4.

1999<sup>17</sup> and the Inspector General in 2001<sup>18</sup> regarding Certified Mail delays and the institution of steps by postal management to solve the problems, the 2002 OCA Report concluded “there does not appear to be a firm enough commitment to provide all of the services promised for the Return Receipt service.”<sup>19</sup> Most significantly, there were “no programs currently in place to improve the percentage of Return Receipt mailpieces that are processed in accordance with the DMM.”<sup>20</sup> According to testimony in Docket No. R2001-1, postal insurance claims were processed in 62 days when the policy was to process insurance claims within 30 days. The OCA Report also found customers were not fully apprised of the terms of insurance and recommended improvements.<sup>21</sup> In each of the instances cited, improvements in the quality of service are clearly desirable. The manner by which postal management determines whether improvements are accomplished and the results of that measurement should be reported to this Commission to determine the adequacy of that service over time and the degree of improvement.

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<sup>17</sup> Special Services Case No. 040-1241887-PA(2), titled “Area Coordination Audit, Special Services.” The portion of the Postal Inspection Service Report addressing Certified Mail deficiencies (pages 18-23) was part of the evidentiary record in Docket No. R2000-1 (Tr. 14/5469-74).

<sup>18</sup> “Office of Inspector General Audit Report Number AC-AR-01-001-Certified Mail Processing and Delivery Functions,” March 9, 2001.

<sup>19</sup> OCA Report, at 29.

<sup>20</sup> Id. at 31.

<sup>21</sup> Id. at 31-33.

Another area directly related to service quality, but not directly related to postage or fees, is the long wait in lines at Postal facilities.<sup>22</sup> This too can be measured over time on a continuous and scientific basis. The Postal Service does have some information on this through its Consumer Affairs Tracking System of complaints. Also non-postal service surveys, such as the Customer Satisfaction Measurement system,<sup>23</sup> measure customer satisfaction. The OCA Report noted increased use of vending machines would be a less costly remedy than increasing the number of clerks at retail facilities. It is not our intent to direct the manner by which the Postal Service provides adequate and improving service. However, we believe the Postal Service must have, or should have, objective measures of the impact of steps taken to improve service quality such as the increase in vending machines and the impact on wait times in postal facilities. This information should be reported on a regular basis. The information provided from various sources, when relied upon by management as a measure of the adequacy of service, should be organized and reported in an orderly fashion to enable this Commission to recommend appropriate rate and other actions to provide adequate service.

C. How Adequate is the Service Actually Provided?

Elaborate measurement systems to measure costs are continuously being updated at great expense to the Postal Service. On the other hand, while the

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<sup>22</sup> Id. at 35-39.

<sup>23</sup> Strategic Transformation Plan 2006-2010 at 57.

quality of a few services is measured on a continuous and apparently scientific basis (such as EXFC measurement of First-Class Mail letter delivery service), measurements of other classes are lagging (Packages Services for instance), and there are entire classes of service that apparently have no meaningful measure of service quality. In short, overall, the adequacy of the service actually provided is not and cannot be ascertained on a continuing, measured, objective and comprehensive basis. The adequacy of delivery service is measured for only part of two of the major classes of service, Express Mail and First-Class Mail, as well as the Priority Mail subclass, but the adequacy of other characteristics of service quality are, for the most part, not measured continually and scientifically.

When discussing service quality improvements, the Postal Service is notably lacking in objective data from which to reach judgments about the adequacy or improvements in service. The Strategic Transformation Plan 2006-2010 lists four primary goals—one of which is to “improve service.”<sup>24</sup> It states, “Under the 2002 Transformation Plan, the Postal Service successfully improved service performance across all product lines.”<sup>25</sup> Yet it provides no objective data in support of that conclusion. In fact, if there are no performance standards for many services, how could there be measurable improvement across all product lines? Perhaps the Postal Service is relying on internally generated informal measurements. If the management is relying upon them as a measure of

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<sup>24</sup> Id. at 65.

<sup>25</sup> Id. at 56.

management's success, they should be made available to this Commission. The Transformation Plan goes on to state, "New service measurement approaches will be developed to allow for an even more open and transparent mail system."<sup>26</sup> It also says, "Approaches have been focused on improving service for all products."<sup>27</sup> "Aggressive efforts will continue to improve quality by further expanding standardization, developing new data on in-process quality problems and improving the exchange of information with customers."<sup>28</sup> In another general statement it says, "By combining the passive scanning of the various barcodes with improved start-the-clock acceptance information via improved bulk acceptance systems, it will be possible to measure service performance for **all** classes." (Emphasis supplied.)<sup>29</sup> Several other general statements of intention, without specific goals, are spread throughout in the section labeled "Improve Service". The Postal Service's focus on improving service is laudatory and desirable. But, again, there are no references to specific objectives of the new measurements or of the standards that will be measured. The Commission should be notified in detail about the measurement systems being applied and the conclusions reached as well as access to the underlying data. Just as the Commission analyzes the support for costing methodologies, the Commission should be able review the underlying statistical support for conclusions regarding service quality.

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<sup>26</sup> Ibid.

<sup>27</sup> Id. at 57.

<sup>28</sup> Ibid.

<sup>29</sup> Id at 58.

The Commission should also have the opportunity to verify the conclusions from the Postal Service's "Customer Satisfaction Measurement system discussed in the strategic Transformation Plan."<sup>30</sup> That is an ongoing independent assessment of customers' experiences which apparently determined residential and business customer satisfaction. In the Postal Service's view, the customer satisfaction is high, but the back-up for conclusions should be available to the Commission and others for verification and to determine the classes of mail studied and, more importantly, the classes and subclasses of mail not covered by the study.

The Postal Service also points to another independent survey, the *Phoenix-Hecht Postal Survey*<sup>TM</sup>, as determining a reduction in the average amount of time for delivery of remittance-type mail since 2001 of more than 8 hours.<sup>31</sup> This is a specialized survey relevant to the value of remittance-type mail service actually provided. However, studies must be generated over time to determine the level of improvement or reduction in service quality and can be taken into account when establishing the appropriate mark up for mail of this type. Again, the statistical analysis must be available for verification routinely to determine the adequacy of the service provided.

Incredibly, after all these years of functioning "on a business-like footing" the Postal Service does not measure scientifically its service performance for at

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<sup>30</sup> Id. at 57.

<sup>31</sup> Ibid.

least two major classes of mail, Periodicals or Standard Mail<sup>32</sup> In addition, although service standards are available in the Postal Service's CD-ROM by ZIP Code pairs for Periodicals and Standard Mail (as well as other classes), the underlying reasoning for establishing standards from between overnight and up to seven days for Periodicals and from two days up to nine days for Standard Mail, are not well defined. Even if compliance with standards were not measured, at least having explicit standards of delivery service for those two classes would provide employees at all levels some amount of guidance, not to mention the benefits to the mailing public of clearly defined performance standards. The Postal Service does have internal indicators of the service it provides for all classes. The Commission, mailers and recipients of mail should know what they are.

Apart from delivery service performance, other measures of quality should be available; such as how often periodicals are lost or delayed and how that is measured and reported. There are also large gaps, if not black holes, in the measurement of quality of service for Special Services sold as products ancillary to other classes of mail or as stand alone products, such as Insurance or Return Receipts.

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<sup>32</sup> Tr. 8D/4690 OCA/USPS-24(d)), Tr. 8D/4696 (OCA/USPS-30). The Commission noted in the Opinion in Docket No. R97-1:

Another factor in developing the recommended cost coverage is the inconsistent levels of service Periodicals apparently receive, §3622(b)(2). The Postal Service acknowledges the limited information available to mailers on the levels of service being received by Periodicals. It appears that in some instances the published standards are not being met. This issue also should receive attention. The Commission hopes this attention will extend to small-circulation periodicals, as well as to large-circulation ones. (PRC Op., para. 5819, at 533.)

Thus, for several postal services there still is apparently no regularly collected data available to the Commission or the public to measure adequacy of service. Some data is made available publicly as the Postal Service desires and a limited amount of information is provided in rate requests by the Postal Service pursuant to Rule 54(n). Very few steps have been taken toward the fundamental goal of the Kappel Commission to provide systematic measurement across all classes of mail. The data is simply not available on a periodic and continuing basis, nor is it available on an updated current basis in rate requests for anybody, either this Commission or the public, to determine the level of service actually provided and the extent to which the correction of service deficiencies as the Kappel Commission wished, is a first priority of postal management.<sup>33</sup>

The PRA cannot be adequately implemented to establish rates unless the quantitative data (as opposed to limited favorable press releases or specialized data) is regularly and consistently available. The Postal Service must apprise the Commission of the knowledge it has about the measurements of the quality of service being provided. Specific reporting requirements would regularize and standardize the information made available regarding the service actually provided and provide at least the first step for a determination that the quality control measurements are being implemented on a “continuous and scientific basis.”

There is now lacking a procedure for attaining even the most fundamental of quality of service measurement information on a regular basis and during rate proceedings. To be sure, interrogatories may gain some insight into certain

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<sup>33</sup> Kappel Commission, at 14.

internal controls used by the Postal Service. But even the most intrepid are able to glean only a few disjointed bits of information concerning quality of service measurements about systems held internally and confidentially by the Postal Service.

For instance, in this rate case, numerous interrogatories from OCA were required to determine even the most basic details from the Postal Service regarding its performance standards. Other detailed questions were asked by intervenors Carlson and Popkin to determine information that should be routinely available to the public through the Commission's periodic filing requirements. For instance, their interrogatories involved issues of delivery service for Package Services. Interrogatories also related to an Express Mail offering with a newly coined term of service known as 2<sup>nd</sup> delivery day. This information should be regularly provided to, and used by, the Commission to make its recommendations pursuant to §3622(b)(2) based upon the "value of mail service actually provided each class or type of mail service."

Merely requiring quality of service information to be filed periodically with the Commission or to be included in rate requests does not infringe upon the Postal Service's management's prerogative to determine the standards of service performance for its classes of service. Nor does it infringe upon their right to determine how to collect data on service provided. But the law requires this Commission to consider the service actually provided.

Absent the Commission actually establishing and undertaking to measure, on its own, the service actually provided, it is incumbent upon the Postal Service

to undertake to provide details as necessary for recommending rates and rate differentials for the service that is actually provided. The Postal Service spends millions of dollars to determine on a continuous and scientific basis the attributable costs of its various classes of service. It can and should also determine appropriate measures of quality of service, standards of performance based on those measures of quality and measure on a continuing and scientific basis the service actually provided. It should also determine the value of that mail service--not the theoretical value--but the value of that service that is actually provided as determined by marketing analysis.

- D. OCA's Settlement Provided For The Publication Of Certain Performance Data On The USPS Website To Aid Retail Postal Customers, But It Is Limited And Not Sufficient For Commission Analysis And Does Not Apply To Several Types Of Service.

The Postal Service's commitment to make existing service quality information for several mail services widely available will benefit retail postal customers. This data will be available for the limited purpose of informing postal customers as an aid to their purchasing decisions. However, additional measures of service quality are needed to be provided to this Commission for ratemaking purposes.

An important outcome of this proceeding which will be of benefit to retail postal customers is the Postal Service's commitment to increase access to a considerable amount of service quality information for Express Mail, Priority Mail,

First-Class Mail, and Package Services.<sup>34</sup> The Postal Service's commitment, detailed in a letter from the Postmaster General (herein "OCA-Postal Service agreement" or "agreement") dated July 22, 2005, will result in currently collected service performance data being regularly posted on the Postal Service's website for retail postal customers in exchange for the OCA's agreement not to file a direct case.<sup>35</sup>

The Postal Service is to be commended for expanding access to existing service performance information that can be used by retail postal customers in their purchasing decisions for these mail services.<sup>36</sup> Postal customers can only benefit from greater access to service performance information for the postal products and services they use most often. Nevertheless, the information to be published on the web site is limited and does not apply to several classes and subclasses of service. It was not intended to be sufficient for Commission analysis during ratemaking proceedings and it is not sufficient for that purpose.

E. The OCA-Postal Service Agreement Will Ensure Greater Access to Certain Existing Service Performance Data and Better Inform Retail Postal Customers About Service Quality for Several Classes of Mail

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<sup>34</sup> Office of the Consumer Advocate Notice to the Commission of An Agreement Reached With the Postal Service that OCA Will Not File A Direct Case, In Exchange for Postal Service Commitments Beneficial to Consumers (herein "Notice of Agreement"), July, 19, 2005, at 1.

<sup>35</sup> Office of the Consumer Advocate Notice of Receipt of Letter From Postmaster General Potter Detailing the Agreement Reached Between the Postal Service and OCA, July 25, 2005. This notice attaches a letter from Postmaster General Potter (herein "PMG Letter"), dated July 22, 2005.

<sup>36</sup> Pursuant to the agreement, the Postal Service also commits to "establish a working group, to include OCA, to investigate the possibility of a non-denominated stamp that, once purchased, would be valid in the future for first-ounce, single-piece, First-Class Mail postage, regardless of the then-current rate." Notice of Agreement, at 1.

Retail postal customers are extensive users of Express Mail, Priority Mail, First-Class Mail, and Package Services. Under the agreement, the Postal Service commits to post on its website national service performance data for these classes of mail.<sup>37</sup> The agreement, however, does address service quality information for other postal services used by retail customers, such as special services.

The service performance data will consist of statistical estimates of on-time delivery as measured against stated service standards, or delivery data derived from scans of Delivery Confirmation barcodes. Such statistical estimates and aggregated barcode scan data are generally not accessible to retail postal customers. The Postal Service's commitment to expanded access to delivery performance data via its website will benefit postal customers in evaluating service quality and price when making purchase decisions for delivery services.

Delivery performance data for Express Mail, First-Class Mail, Priority Mail, and Package Services will be provided from several statistical data systems. Express Mail delivery performance data will be derived from the Postal Service's Product Tracking System (PTS). The External First-Class Mail measurement system (EXFC) and the Priority Mail End-to-End (PETE) measurement system will be the source of data for First-Class Mail and Priority Mail, respectively.<sup>38</sup>

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<sup>37</sup> The Postal Service agrees to post the most recent quarterly service performance data on its website beginning the first full quarter following implementation of the rates established in this docket. PMG Letter, at 2.

<sup>38</sup> Id.

The delivery performance data for Package Services will be obtained from the Delivery Confirmation system.<sup>39</sup>

For Express Mail, the Postal Service will provide statistical estimates representing the percentage of mailpieces scheduled to receive overnight, second day and second delivery day service that are actually delivered overnight, by the second day, and by the second delivery day, respectively.<sup>40</sup> Similar statistical estimates are to be provided for First-Class Mail overnight-, two-, and three-day service, and for Priority Mail overnight and two-day service.<sup>41</sup> The Postal Service agrees to use Delivery Confirmation data to develop performance statistics for Package Services.<sup>42</sup>

The data from these statistical data systems is often not available to the general public, or it is not readily accessible for use by retail postal customers. For example, the Comprehensive Statement on Postal Operations, published

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<sup>39</sup> The Delivery Confirmation system is the name given to the source of Delivery Confirmation service performance information that can be located on the Postal Service's website, <https://mailtracking.usps.com/mtr/resources/ppr/pprLaunch.pge>. However, the Postmaster General's letter does not refer to the Delivery Confirmation "system." PMG Letter, at 2.

<sup>40</sup> Id. Also, with respect to Express Mail, the Postal Service agrees to provide a chart that explains to postal customers the scheduled day of delivery for Next Day and Second Day service, and delivery on the "second delivery day." The "second delivery day" can be a source of confusion to postal customers since Express Mail is offered as a one-day or two-day delivery service. However, the "second delivery day," defined as delivery on the next regular delivery day, may be three or more days after the day of entry of the mailpiece. Tr. 8D/4675 (OCA/USPS-13(b)). The chart, to be modeled after a chart included in interrogatory OCA/USPS-194, is an attempt to eliminate uncertainty by providing an immediate visual guide for customers as to the day of delivery when the Postal Service does not provide Express Mail service on Sunday or Federal holidays in certain ZIP Codes.

<sup>41</sup> PMG Letter, at 2. Priority Mail is offered to postal customers with "a service standard that can be overnight, 2<sup>nd</sup> day, or 3<sup>rd</sup> day." Tr. 8D/4676 (OCA/USPS-14(a)). However, PETE is a performance measurement system for Priority Mail with one- and two-day service standards. Tr. 8C/4505 (DFC/USPS-53(b)).

<sup>42</sup> PMG Letter, at 2.

annually and posted on the Postal Service's website, states that the actual delivery performance of Express Mail and Priority Mail is "Proprietary Information."<sup>43</sup> Nor is Express Mail and Priority Mail delivery performance data to be found elsewhere on the Postal Service's website. While the Postal Service provides such data pursuant to discovery requests in Commission proceedings, or in response to Freedom of Information Act (FOIA) requests,<sup>44</sup> such proceedings and requests are not designed to facilitate easy access to delivery performance data by the general public or use by postal customers.

Unlike Express Mail and Priority Mail, delivery performance data for First-Class Mail is given wider release than Commission proceedings and FOIA requests. Such data is available publicly in the aforementioned annual Comprehensive Statements, and quarterly through Postal Service news releases issued in conjunction with regularly scheduled meetings of the Board of Governors.<sup>45</sup> However, First-Class Mail delivery performance data is not readily accessible on the Postal Service's website or otherwise presented in a user-friendly format for postal customers as they make their purchasing decisions.<sup>46</sup>

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<sup>43</sup> See "2003 Comprehensive Statement on Postal Operations," U.S. Postal Service, at 107.

<sup>44</sup> 5 USC § 552.

<sup>45</sup> See [www.usps.com/communications/news/press/2005/pr05\\_064.htm](http://www.usps.com/communications/news/press/2005/pr05_064.htm).

<sup>46</sup> For example, the "2004 Comprehensive Statement on Postal Operations" displays the five-year trend in national First-Class Mail service performance for overnight, two-day and three-day scheduled mail for the period FY2000 – 2004. This information is presented in the body of the report, a PDF document located on the Postal Service's website. However, the relevant pages are not referenced using the search function on the website with such obvious terms as "First-Class Mail service performance," "First-Class Mail delivery service," "First-Class Mail on-time delivery," "First-Class Mail overnight delivery," "First-Class Mail delivery performance," "EXFC," etc. Using such terms as "First-Class Mail delivery performance" and "EXFC," however, did produce references to several press releases containing quarterly EXFC results by

Package Services delivery performance data collected from the Delivery Confirmation system is presented in Product Performance Reports. However, such reports are not available to retail postal customers; they are only “available to internal Postal users and participating customers.”<sup>47</sup> Package Service performance data from Delivery Confirmation barcode scans is provided in response to discovery requests.<sup>48</sup>

F. OCA’s Initial Brief Discussed Some Specific Inadequacies in the Current Postal Service Measurements of the “Value of Service Actually Provided” and the Deficiencies of Rule 54(n) Requiring Modification.

OCA’s initial brief in this proceeding discusses at length the deficiencies in existing service performance data for purposes of evaluating the ratemaking criterion: value of service.<sup>49</sup> As we explained there, traditionally the Postal Service has applied two concepts of value of service—intrinsic value and economic value. The former, intrinsic value of service, considers the operational features of the service—that is, the “promise.” The latter economic value has been treated as one of consumer perception—how well the service is received—the “fulfillment.” In rate cases, the Postal Service has not generally included a measure of the service actually provided. And in all or most all cases, the underlying documentation of the measurement data is not available. OCA

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performance cluster (i.e., 3-digit ZIP Codes), although the releases were from previous fiscal years.

<sup>47</sup> <https://mailtracking.usps.com/mtr/resources/ppr/pprLaunch.pge>.

<sup>48</sup> See for example DFC/USPS-11. Tr. 8C/4443.

<sup>49</sup> OCA Init. Brief at 97-109.

believes the measure of the service actually provided must be in comparison to stated service standards to provide a truly objective means for evaluating the value of service.

As part of a request for changes in rates, the Postal Service must provide service performance information responsive to Commission Rule 54(n).<sup>50</sup> Rule 54(n) requires the Postal Service to:

identify any performance goals which have been established for the classes and subclasses of mail . . . . [t]he Request must identify the achieved levels of service for those classes and subclasses of mail and mail service for which performance goals have been set.<sup>51</sup>

1. Service standards

In response to Rule 54(n), the Postal Service provided the “currently effective service standards for mail” in only a one-page chart entitled “United States Postal Service Service Standards.”<sup>52</sup> The chart covers the following classes of mail: Express Mail, Priority Mail, First-Class Mail, Periodicals, Standard Mail (referred to in the chart as “Standard A”), and Package Services (referred to as “Standard B”).

The Postal Service’s response to Rule 54(n) is woefully lacking as a basis for determining achieved levels of service performance. A prerequisite to the development of meaningful service performance data is the establishment of standards of service for mail classes and services. The chart submitted pursuant

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<sup>50</sup> OCA’s Initial brief explained the shortcomings of the present rule. The following discussion of the problems essentially copies, with footnotes renumbered, OCA’s initial brief, at 100-106.

<sup>51</sup> 39 CFR §3001.54(n).

to Rule 54(n) does not include certain mail services for which service standards have been established.<sup>53</sup>

The Postal Service identifies several special services for which service standards have been established. Those special services are 1) processing times for properly completed and supported claims seeking payment of Postal Insurance; 2) delivery scan rates for Delivery Confirmation and Signature Confirmation services used in conjunction with Priority Mail, First-Class Mail parcels, and Package Services; and, 3) response times for the correction and return of mailing lists with respect to Address Changes for Election Boards, Correction of Mailing Lists, and ZIP Coding of Mailing Lists services.<sup>54</sup> Other special service service standards include post office “Box Up Times,” and scan rates for Certified Mail.<sup>55</sup> These mail services and their accompanying service standards are not referenced in the chart.

The Postal Service’s chart is insufficient to identify the service standards for the mail classes and services, as required by Rule 54(n); rather, identification

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<sup>52</sup> Attachment F to Request, Docket No. R2005-1, at 35.

<sup>53</sup> Service standards have not been established for all mail services. According to the Postal Service, “There are no service or performance goals, objectives, or directives for the special services listed in Tables 11 and 12 of USPS-T-28,” with three exceptions. Tr. 8D/4698 (OCA/USPS-32). The special services listed in Tables 11 and 12 without service standards are Registry, Insurance, COD, Money Orders, Return Receipts, Stamped Cards, Stamped Envelopes, PO Box/Caller Service, Bulk Parcel Return Service, Meter Service, Permit Imprint Permits, Restricted Delivery, and Shipper Paid Forwarding. As a preface, however, the Postal Service states that “Special services generally are ancillary to the mail classes, which have their own service standards.” Id. To the extent the Postal Service is suggesting that service standards of the underlying mail classes are relevant to the special services, it should be noted that such underlying service standards are insufficient. For example, a separate service standard is necessary for Return Receipt as to the number of days between the day of mailing and the day a return receipt is received by mail, or received electronically. Similarly, separate service standards are warranted where certain service features are bundled in the mail class, such as forwarding service in First-Class Mail.

<sup>54</sup> Tr. 8D/4698 (OCA/USPS-32).

of the service standards occurred through discovery, and are scattered in various sources. The Postal Service concedes that the chart presents the performance goals required to be identified by the Rule only “[i]n a general sense.”<sup>56</sup>

Discovery was necessary to gather the information that should have been provided pursuant to Rule 54(n). Through discovery, the Postal Service cites the Domestic Mail Manual (DMM) for the service standards for Express Mail, and the aforementioned correction and return of mailing lists.<sup>57</sup> Discovery was also necessary to obtain a Postal Service cite to Publication 122 as the source for the written service standard for the payment of properly completed and supported claims for postal insurance.<sup>58</sup> The Postal Service’s service standards for Delivery Confirmation and Signature Confirmation, also provided in response to an interrogatory, are in the Web-Enabled Enterprise Information System (WEBeis).<sup>59</sup> For the mail classes listed in the chart, the Postal Service references the USPS Service Standards CD-ROM, published quarterly. The service standards

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<sup>55</sup> Tr. 8D/4948 and Tr. 8D/4945 (OCA/USPS-166 and 164), respectively.

<sup>56</sup> Tr. 8D/4670 (OCA/USPS-9).

<sup>57</sup> DMM §113.4.2 and 4.3. (Express Mail); and, DMM §507.6.3.6 (Address Changes, and Correction and ZIP Coding of mailing lists).

<sup>58</sup> Tr. 8D/4698 (OCA/USPS-32). Publication 122 is entitled “Customer Guide to Filing Domestic Insurance Claims or Registered Mail Inquiries,” dated April 2005.

<sup>59</sup> Id. WEBeis is a web-based reporting system that gathers information from various Postal Service systems, including finance records, performance measurements, and mail products and mailing facility details.

identified for these mail classes in the CD-ROM is equivalent in detail to the information presented in the chart.<sup>60</sup>

In general, the chart and its notes fail to identify details of service standards, which the Postal Service provided only in response to discovery requests.<sup>61</sup> In some cases, responses to interrogatories first reveal the existence of service standards. As noted above, the Postal Service's response to interrogatories is the only indication in this record that it has established a service standard for Certified Mail<sup>62</sup>—a scan performance goal of 98 percent—and Delivery Confirmation and Signature Confirmation, i.e., scan rates of 98 percent, 97 percent and 97.5 percent for Priority Mail, First-Class Mail parcels, and Package Services, respectively.<sup>63</sup> Similarly, a service standard exists for post office box service, known as the "Box Up Times," which varies by office but is generally between 9:00 a.m. and 12:00 p.m.<sup>64</sup> This too was identified only in response to an interrogatory and not in response to Rule 54(n).

## 2. Achieved levels of performance

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<sup>60</sup> See "Service Standards [1.0]," Service Standards CD-ROM. It should be noted that the Service Standards CD-ROM is interactive, which permits users to determine the service standard in days between specific 3-digit origin and destination ZIP Code areas by class of mail.

<sup>61</sup> See for example responses of the U.S. Postal Service to OCA interrogatories OCA/USPS-14, 20, 23, 26, and 29. Tr. 8D/4676, 4684, 4688, 4692, and 4695, respectively.

<sup>62</sup> Tr. 8D/4948 (OCA/USPS-166).

<sup>63</sup> Tr. 8D/4698 (OCA/USPS-32).

<sup>64</sup> Tr. 8D/4945 (OCA/USPS-164).

More problematic is the Postal Service's failure to "identify the achieved levels of service" in response to Rule 54(n). The Origin-Destination Information System (ODIS) Quarterly Statistics Reports,<sup>65</sup> filed at the Commission quarterly as part of the periodic reporting requirements, is the only source cited by the Postal Service for the achieved levels of performance for the mail classes listed in the chart.<sup>66</sup> Further reference is given to USPS Library Reference LR-K-82, which contains copies of the quarterly ODIS reports for FY 2004.<sup>67</sup> However, use of ODIS for measuring achieved levels of performance is unsatisfactory.<sup>68</sup> ODIS measures time-in-transit between 3-digit origin and destination ZIP Codes.<sup>69</sup> ODIS does not measure entry to exit (delivery receptacle), an end-to-end measurement<sup>70</sup>—the only true measurement for assessing achieved service performance. For these reasons, the Postal Service concludes that "ODIS-RPW is not the best tool for measurement of service standard performance" and, its insight to service performance is only "indirect."<sup>71</sup>

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<sup>65</sup> The ODIS and RPW systems were merged effective October 1, 2003, or Postal Service Quarter 1, FY2004. Tr. 8D/4866 (OCA/USPS-7(d)). Herein, the acronym "ODIS" is used.

<sup>66</sup> Attachment F to Request, Docket No. R2005-1, at 35-36.

<sup>67</sup> Attachment F to Request, Docket No. R2005-1, at 36.

<sup>68</sup> Nevertheless, ODIS does produce data that is not duplicated elsewhere, such as comparison of the percentage of First-Class Mail and Priority Mail delivered for Day 1 through Day 10. Tr. 8D/4681 (OCA/USPS-18(c),(e)).

<sup>69</sup> Tr. 8D/4677-78 (OCA/USPS-15).

<sup>70</sup> Id.

<sup>71</sup> Id.

Consequently, ODIS does not address levels of achieved performance for overnight and second day Express Mail<sup>72</sup> Nor does ODIS provide levels of achieved performance for overnight, 2<sup>nd</sup> day, and 3<sup>rd</sup> day service standards for Priority Mail.<sup>73</sup> ODIS does not provide data on the achieved levels of performance for Periodicals Mail,<sup>74</sup> or Standard Mail.<sup>75</sup> Similarly, ODIS cannot provide data on achieved levels of performance for First-Class Mail or Package Services (for discrete service days).

Finally, it should be noted that even where end-to-end service performance data is available, the Postal Service did not provide it in response to Rule 54(n). EXFC and PETE are measurement systems that provide end-to-end data directly responsive to the requirement to provide achieved levels of service performance. The Product Tracking System provides similar service performance data for Express Mail. However, data for these mail classes was not provided in response to Rule 54(n). Service performance data for these services was provided only in response to discovery requests.<sup>76</sup>

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<sup>72</sup> Tr. 8D/4672 (OCA/USPS-11).

<sup>73</sup> Tr. 8D/4677-78 (OCA/USPS-15).

<sup>74</sup> Tr. 8D/4690 (OCA/USPS-24(d)).

<sup>75</sup> Tr. 8D/4696 (OCA/USPS-30).

<sup>76</sup> See for example responses of the Postal Service to OCA interrogatories providing EXFC national overnight, two-day and three-day scores by quarter for Fiscal Years 2002-04, Tr. 8D/4876-78 (OCA/USPS-120(a)), and PETE national overnight and two-day scores by quarter for the same fiscal years. Tr. 8D/4882 (OCA/USPS-122(c)).

G. Limitations Of Existing Service Measurement Systems Do Not Measure The Service Actually Provided For All Mail Classes Or Services.

With few exceptions, the Postal Service does not have in place continuing and scientific performance measurement systems that can measure service actually provided. The exceptions are EXFC and PETE, and, to a certain extent, the Product Tracking System for Express Mail. In addition, the Postal Service is able to provide delivery scan rates for only a few special services: Certified Mail, Delivery Confirmation and Signature Confirmation from the Product Tracking System,<sup>77</sup> and processing times for claims requesting payment of postal insurance.<sup>78</sup>

Performance measurement systems have not been established for important classes of mail. The Postal Service states that “no systematic measures are known to exist” on achieved levels of performance with respect to Periodicals.<sup>79</sup> The Postal Service also states, “No such statistical or other measurement system is known to exist” that provides data on the achieved level of performance with respect to Standard Mail.<sup>80</sup> For special services, there are no statistical or other measurement systems that provide data on the level of service for special services, with the exception of the Product Tracking System

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<sup>77</sup> Tr. 8D/4948 (OCA/USPS-166).

<sup>78</sup> Tr. 8D/4836 (OCA/USPS-110).

<sup>79</sup> Tr. 8D/4690 OCA/USPS-24(d)).

<sup>80</sup> Tr. 8D/4696 (OCA/USPS-30).

used to measure delivery scan rates for Certified Mail, Delivery Confirmation, and Signature Confirmation.<sup>81</sup>

While there are measurement systems other than ODIS, the performance data produced is not statistically representative for the mail classes and services as a whole. With respect to Standard Mail, CONFIRM is used to track service performance. However, the Postal Service acknowledges that CONFIRM is not statistically representative for Standard Mail pieces.<sup>82</sup> With respect to Package Services, data on performance is derived from scans of Delivery Confirmation and Signature Confirmation. However, such data is not statistically representative for Package Services since scans can only occur on pieces that have Delivery Confirmation and Signature Confirmation barcodes, and where “the pieces receive both an acceptance scan and a delivery scan.”<sup>83</sup>

H. Service Performance Measurement Systems Should Be Developed for All Mail Classes and Services, As Well As New Measures of Service Quality, To Evaluate Value of Service.

Direct measurement of the service actually provided as measured against stated service standards should be the cornerstone for any meaningful evaluation of value of service. Some Postal Service measurement systems, such as EXFC and PETE, produce data that directly measure the service actually provided. Still others have inherent limitations, such as ODIS, that make direct

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<sup>81</sup> Tr. 8D/4699 (OCA/USPS-33).

<sup>82</sup> Tr. 8D/4846 (OCA/USPS-115(c)).

<sup>83</sup> Tr. 8C/4442 (DFC/USPS-11).

measurement of the service actually provided problematic. However, for some mail classes, there are no service performance measurement systems in place.

As delivery is the most important service of the Postal Service, it is only appropriate that delivery performance measurement systems be established for all mail classes and services. Toward that end, the Postal Service should establish delivery performance measurement systems for Periodicals, Standard Mail, and Package Services, and establish service standards and service performance measurement systems for special services where such standards and systems do not already exist.

However, even where the actual service provided is known through measurement of delivery performance, it should not be the only measure of service quality. The reason: the service actually provided may be degraded in ways that are not captured by measurement of delivery service performance alone. That is, unchanged service standards and delivery performance results could mask a degradation of service quality.

For example, EXFC measures First-Class Mail delivery performance between overnight, two-day, and three-day ZIP Code pairs. However, the Postal Service generally changes service standards quarterly for several ZIP Code pairs, upgrading certain ZIP Code pairs from three-day to two-day or overnight, or two-day to overnight, and downgrading others from overnight to two-day or three day, or two-day to three-day.<sup>84</sup> Such changes may not alter reported overnight, two-day and three-day EXFC scores. However, the net change in ZIP

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<sup>84</sup> Tr. 8D/4839-40, 4843-44 (OCA/USPS-112, 114).

Codes may result in a larger percentage of First-Class Mail volume receiving a lower standard of service between the affected ZIP Code pairs.

This suggests the need for measurement of service actually provided in several different ways in addition to delivery service performance. In the case of First-Class Mail, upgrades or downgrades in service standards for ZIP Code pairs could be accompanied by the percentage increase or decrease in mail volume receiving higher or lower service standards.

In another example, measurement of service actually provided other than delivery performance should involve damaged mail. The delivery performance for damaged mail may very well track the delivery performance for all mail within a subclass. However, damage to the mail represents degradation in service actually provided.

Similarly, postal customers who move often experience delays in mail being forwarded from their previous address. The forwarding of mail is a distinct service feature of some classes of mail, such as First-Class Mail and Periodicals. The delivery performance in days of forwarded mail should be measured separately. Of course, appropriate measures of quality need to be determined, then service standards should be established, and the service actually provided with respect to forwarded mail should then be measured and reported.

II. THE OCA PROPOSES THAT THE COMMISSION INSTITUTE A RULEMAKING TO REQUIRE PERIODIC REPORTING AND REVISE RULE 54(n).

As can be seen from the above discussions the Postal Service's systems for measuring quality of service is spotty at best. Detailed systems for measuring the quality of delivery service are more refined for some classes of mail than for others. The extent or existence of delivery service quality data for special services appears to be virtually non-existent. If systems do exist or there are only informal measurements not statistically reliable, they are unknown or unavailable to the Commission. Other measures of quality of service for the mail classes such as lost mail, damaged mail, delays for forwarded mail, that impact across all classes of mail are unknown. The quality of service actually provided for special services for which a fee is charged is virtually unknown. A few pieces of information are gleaned from interrogatories in a piecemeal fashion: for instance, the performance standard for completing claims for registered mail claims, or the time expected for resolving insurance claims, or for returning return receipt requested forms to the mailer. Other special services sold to the public do not have performance standards by which to measure the quality of service, much less its improvement over time.

Another category of service quality relates to matters for which no rate or fee is charged but which are often cited as matters of great interest to consumers such as the wait in the postal service line. The Strategic Transformation Plan 2006-2010 recognizes this as a critical attribute of service quality: "customers form expectations on critical attributes such as waiting time in line based on their

experience with other similar services, and compare Postal Service performance to best-in-class providers.”<sup>85</sup> The Postal Service goes on to list the various actions it will take to reduce waiting times. The success of these plans ought to be measured in a scientific and continuous manner and reported to this Commission. If there is no plan to measure the success of these activities and to measure the impact on waiting times, then that too ought to be explained to the Commission.

The amount of postal supplies provided for customers is another facet of service for which no fee is charged. Parking availability in postal facilities is another important consideration. We are unaware of any provision for measuring the quality of these and other non-fee services or for comparing the quality of the provision of these services over time. Without serious scientific continuous measurement and reporting in an organized fashion, the Commission and the public have no way of knowing whether there has been any improvement in these areas in the last 34 years. More importantly, going forward, this information can serve as a benchmark for future improvements in postal service.

Even if there are unscientific systems utilized internally by postal management, these should be made available. If they are inadequate, then those who oversee the Postal Service ought to know what they are and how they can be improved. The benefits of transparency do not stop with merely opening those file cabinets filled with financial information. It is a concept as applicable to quality of service as it is to finances. The Postal Service, being a federal entity, has a special obligation to make information available to assure that quality of

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<sup>85</sup> Strategic Transformation Plan 2006-2010, at 60.

service is not only receiving high priority but that the service quality provided is being measured in a way that permits comparisons year to year. Informed oversight of the service actually provided can only be successful if the relevant information is available.

- A. The Commission Should Establish Rules Providing For Periodic Reporting Of The Quality Of Service Measurement Systems And The Measurements For Each Class Of Service.

The previous discussion of measurement systems is not intended to be exhaustive. To be sure, it is exhausting extracting much of the obscure information from the Postal Service about little known service performance measurement systems, but there is no doubt other quality of service performance systems exist that are not discussed above. Only by requiring comprehensive reporting of the quality of service management systems and their measurements can the transparency sought by many in the Postal community be achieved. The Commission's rules should not be limited to reporting only favorable results or only of those systems that are fully satisfactory to Postal Service management or that meet all tests of statistical reliability. The underlying principle to apply is that, first, appropriate measures of quality for all service must be determined, then performance standards established and the systems designed to measure performance and, finally, the measurements should be reported. The burden should be on the Postal Service to demonstrate why particular quality of service measurement systems should not be reported periodically and applied in determining the value of service actually provided.

There are virtually no Commission reporting requirements relating to quality of service. Currently, only Rule 54(n) asks for limited data in rate requests where there are performance standards. The limitations of that Rule were already discussed. This Rule deserves more vigorous enforcement and to be strengthened and expanded.

By establishing periodic and comprehensive quality of service measurement reporting requirements the Commission and the public will have in one place the data necessary to determine how far along the Postal Service is in meeting the goal of the PRA to provide adequate postal service. It would enable all interested persons to determine objectively for ratemaking purposes what service is actually being provided, as measured scientifically, both for internal postal service operations and outside from a marketing and consumer perception standpoint. No longer would the Commission be forced to rely only upon the good news presented by the Postal Service, but it will have all of the quality of service news that is gathered.

Currently, Postal Service press releases relating to quality of delivery service speak consistently of improving First-Class on time performances. There is never a press release about the performance record for Periodicals or Standard Mail—nor could there be, simply because there is no statistically reliable service data. While the good news is helpful and does indicate results from hard work by the employees at the Postal Service, we are also concerned about the silence regarding the quality of service for other classes of mail and special services. Like Sherlock Holmes, we are more interested in the dog that is

not barking than one that is.<sup>86</sup> At some point, rather than obtaining only data that puts forth positive results time and again, the Commission must obtain all the measurement data, both good and less than good.

B. Summary Of Quality Of Service Standards And Measurement Systems Made Available By The Postal Service.

The performance goals and achieved levels of service are often confusing if not misleading to those who attempt to obtain a clear understanding of what postal services are available, their goals and their achieved level of service. In part, this is due to the many subclasses and rate categories of mail within classes of mail. It is easy to misunderstand exactly what type of subclass service is being measured as well as the shape of the mail within a certain subclass that may or may not be measured.

The following listing is intended to provide as nearly as possible a unified picture of the performance goals as provided by the Postal Service in this proceeding through its Request, library references, and testimony, including cross-examination and the DMM. It is clear that some studies pertain only to portions of subclasses of mail and that other parts of subclasses and particularly

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<sup>86</sup> Inspector Gregory: "Is there any other point to which you would wish to draw my attention?"

Holmes: "To the curious incident of the dog in the night-time."

"The dog did nothing in the night time"

"That was the curious incident," remarked Sherlock Holmes.

*From "The Adventure of Silver Blaze" by Arthur Conan Doyle.*

rate categories do not have a service standard or it is ignored or not formally measured. By focusing not only on subclasses with measures of achieved levels of service, but on those that do not have such measures, it is hoped to bring attention to the lack of measurements for most of the subclasses and highlight the need for realistic and meaningful measurements of delivery service quality and other qualities of service for those areas of service.<sup>87</sup>

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<sup>87</sup> International mail service quality is not covered by this motion.

**U.S. Postal Service Classes and Subclasses of Service**  
**Performance Standards and Measurements**<sup>88</sup>

**Express Mail (Rate Schedules(RS) 121, 122, 123)**

Subclasses

Custom designed (RS 121)

Next Day and 2d Day –PO to PO (RS 122)

Next Day and 2d Day—PO to Addressee (RS 123)

Performance Standards

DMM§113.4.0, Express Mail Next Day Service Directory at post offices. Customers may access delivery information at usps.com.

Performance Measurement Systems

Measurements by Product Tracking System (PTS) (overnight, 2nd day service).<sup>89</sup> Measures scans at acceptance and delivery rather than using test mail.<sup>90</sup> Measures hours, not days.<sup>91</sup> Provides the percent on time and average days of delivery.

Express Mail Validation System (EMVS) is an external measurement system. It compares PTS results. EMVS is not a service performance system<sup>92</sup>

Refund data for failure to meet delivery standards is tracked by revenue, not claims.<sup>93</sup>

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<sup>88</sup> Rate Schedules (“RS”) as listed in Attachment A, Postal Service Request filed in this docket, April 8, 2005.

<sup>89</sup> Express Mail service performance reporting requirements are provided at Tr. 8C/4465-68 (DFC/USPS-26). PTS does not distinguish between next day and 2 day Custom Design—it is either on-time or late. Tr. 8C/4370 (DCF/USPS-6).

<sup>90</sup> Tr. 8C/4090 (DBP/USPS-74(f)).

<sup>91</sup> Tr. 8C/4254 (DBP/USPS-140).

<sup>92</sup> Tr.8C/4286-7 (DBP/USPS-168), EMVS is area level study measuring only overnight service standards. Tr. 8D/4841 (OCA/USPS-113).

<sup>93</sup> Tr. 8C/4017 (DBP/USPS-25(d)).

**First-Class Mail** (Rate Schedules 221, 222 and 223)Subclasses

Letters and sealed parcels (RS 221)

Single-piece Presort

Automation letters

Automation flats

Cards (RS 222)

Regular—

Presorted —

Automation

Performance Standard

DMM§133.2.1 mail receives expeditious handling and transportation, uniform guidelines, but does not guarantee delivery within a specified time.

Delivery standards for ZIP code pairs are listed on the USPS Service Standards CD-ROM. ZIP Code pair standards for overnight, two day, and three day are modified from time to time. Delivery standards apply to letters, cards, parcels, flats; even if the item includes special services.<sup>94</sup>

Performance Measurement Systems

EXFC,<sup>95</sup> tests only certain types of letters.<sup>96</sup> ODIS measures on-time delivery based on in-transit times, not entry to exit times (does not measure presort or automation or automation flats).<sup>97</sup> Some non-statistical EXFC service performance data is available for mail destined to post office boxes.<sup>98</sup>

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<sup>94</sup> Tr. 8C/3999 (DBP/USPS-8).

<sup>95</sup> EXFC is an independent external, “unbiased” source of performance information. Tr. 8C/4004 (DBP/USPS-11(c)). EXFC tests only mail deposited in collection receptacles, 90 percent of First-Class Mail volume on origination and 80 percent on destination. Tr. 8C/4006 (DBP/USPS-13). The statement of work for the EXFC measurement system is in LR-K-127.

<sup>96</sup> EXFC does not test letters that cannot be processed on automated sorting equipment, Tr. 8C/4372 (DFC/USPS-7), which is not studied by the USPS. Tr. 8C/4005 (DBP/USPS-13(d-e)). EXFC tests for shape, printed, typed, or handwritten address, but does not test for items with additional services such as certified mail, registered mail, COD or Insurance. Tr. 8C/3999 (DBP/USPS-8(g)). Tr. 8C/4242 (DBP/USPS-129). EXFC data is available quarterly by performance cluster. Tr.8C/3951 (DBP/USPS-5).

<sup>97</sup> Tr. 8C/4370 (DFC/USPS-4). Quarterly ODIS Reports for FY 2004 are in LR-K-82. Tr. 8D/4677-78 (OCA/USPS-15).

<sup>98</sup> Tr. 8C/4477-8 (DFC/USPS-28).

**First-Class Mail** (cont.)SubclassPriority Mail-zoned (RS 223)<sup>99</sup>Performance Standards

DMM§123.2.2. Delivery standards for ZIP code pairs are listed on the USPS Service Standards CD-ROM. Priority Mail receives expeditious handling and transportation. The USPS follows uniform guidelines for distributing and delivery mail but does not guarantee delivery within specified time. Service standard can be overnight, 2<sup>nd</sup> day or 3<sup>rd</sup> day.<sup>100</sup> ZIP Code pairs for Priority Mail may have different delivery standards than for other First-Class Mail.<sup>101</sup>

Performance Measurement Systems

Priority End-to-End (PETE) system uses test mail.<sup>102</sup> The percent delivered within up to two days (not three) is measured.<sup>103</sup> ODIS measures on-time delivery.<sup>104</sup>

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<sup>99</sup> Each zone relates to a unique range of distance which most certainly measurably affects the quality of delivery service.

<sup>100</sup> Tr. 8D/4676 (OCA/USPS-14(a)).

<sup>101</sup> Tr. 8D/4832 (OCA/USPS-106(a)).

<sup>102</sup> Tr. 8C/4089-90 (DBP/USPS-74(f)).

<sup>103</sup> Tr. 8C/4442 (DFC/USPS-11), Tr. 8C/4505 (DFC/USPS-53(b)), Tr.8C/4181 (DBP/USPS-105).

<sup>104</sup> Tr. 8C/4368 (DFC/USPS-5). The statement of work for the PETE measurement system is in LR-K-127.

**Standard Mail**<sup>105</sup>

Regular (RS 321A)

Letters

Nonletters

Automation (RS 321B)

Letters

Flats

Enhanced Carrier Route (RS 322)

Letters

Nonletters

Nonprofit (RS 323A)

Letters

Nonletters

Nonprofit-Automation (RS 323B)

Letters

Flats

Nonprofit-enhanced carrier route  
(RS 324)

Letters

Nonletters

Performance Standards

Delivery standards for ZIP code pairs listed on USPS Service Standards CD-ROM which list delivery standards of 3-10 days for 50 states.<sup>106</sup>

Performance Measurement Systems

CONFIRM tracks performance (not statistically accurate)<sup>107</sup>

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<sup>105</sup> Volumes for each rate subclass are available in the ODIS-RPW reports. Each subclass has several additional discrete piece rates and destination entry discounts for which the quality of delivery service might be found to vary if measured separately.

<sup>106</sup> Tr. 8C/4065 (DBP/USPS-61), Tr. 8C/4344 (DBP/USPS-253).

<sup>107</sup> Tr. 8D/4846 (OCA/USPS-115(c)).

**Periodicals**<sup>108</sup>Subclasses

## Outside County (RS 421)

- Basic
- 3-Digit
- 5-Digit
- Carrier Route

## Within County (RS 423)

- Basic
- 3-Digit
- 5-Digit
- Carrier Route

Performance Standards

Delivery standards for ZIP code pairs are listed on the USPS Service Standards CD-ROM.

Performance Measurement Systems

None

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<sup>108</sup> Similar to Standard Mail, each subclass has several additional discrete piece rates and destination entry worksharing discounts for which the quality of delivery service might be found to vary if measured separately.

## Package Services<sup>109</sup>

### Subclasses

#### Parcel Post

Inter-BMC-zoned (RS 521.2A)<sup>110</sup>

Intra-BMC-zoned (RS-521.2B)

Parcel Select Destination Bulk Mail Center Rates-zoned (RS 521.2C)

Parcel Select Destination Sectional Center Facility (RS 521.2D)

Parcel Select Destination Delivery Unit Rates (RS 521.2E)<sup>111</sup>

Parcel Select Return Services Return Delivery Unit (RS 521.2F)

Parcel Select Return Services Machinable Return BMC Rates-zoned (RS 521.2G)

Parcel Select Return Services Nonmachinable Return BMC Rates-zoned (RS 521.2G)

### Performance Standards

DMM§153.2.2 USPS does not guarantee delivery within a specified time. Parcel Post might receive deferred service. There are no delivery standards for destinations outside of the contiguous 48 states--CD-ROM lists standards for ZIP Code pairs.<sup>112</sup> Delivery standards are from 2 to 9 days.<sup>113</sup>

### Performance Measurement Systems

ODIS provides the percent delivered and volumes by individual delivery days-1-9.<sup>114</sup> Data is also available as a single category of 10-30 days for Parcel Post, BPM, Media and Library Mail.<sup>115</sup> Delivery Confirmation System data is in USPS Product Performance Reports.

<sup>109</sup> The USPS provided a table of service standards and the average days to delivery for all package services other than two parcel select services. Tr. 8C/4442 (DFC/USPS-11). The table suggests there are delivery standards for all of parcel select. Delivery is not guaranteed nor is a day of delivery promised.

<sup>110</sup> Each zone relates to a unique range of distance which most certainly measurably affects the quality of delivery service.

<sup>111</sup> Service standard is one day. Scanned bar code labels provide data. Tr. 8C/4442 (DFC/USPS-11).

<sup>112</sup> Tr. 8C/4034 (DBP/USPS-38), Tr. 8C/4346 (DBP/USPS-259).

<sup>113</sup> Tr. 8C/4065 (DBP/USPS-61).

<sup>114</sup> ODIS results are reported periodically. LR-K-82 in this record.

<sup>115</sup> Tr. 8D/4850-74 (OCA/USPS-118). There is a variation in transit time among the Package Services. Tr. 8C/4345 (DBP/USPS-258).

**Package Services (cont.)**SubclassesBound Printed Matter<sup>116</sup>

- Single-piece –zoned (RS 522A)
- Presorted and Carrier Route-zoned (RS 522B)
  - Flats
  - Parcels and Irregular parcels
- Presorted, Destination Entry<sup>117</sup>-zoned (RS 522C)
  - Flats
  - Parcels and Irregular Parcels
- Carrier Route rates, Destination Entry<sup>118</sup>-zoned (522D)
  - Flats
  - Parcels and Irregular Parcels
- BPM (Bulk Parcel Mail) Return Service –zoned (RS 522E)

Performance Standards

DMM§163.2.1 USPS does not guarantee delivery within a specified time. Bulk Parcel Mail might receive deferred service.

Performance Measurement Systems

ODIS provides the percent delivered and volumes by individual delivery days-1-9.<sup>119</sup> Data is also available as a single category of 10-30 days for Parcel Post, BPM, Media and Library Mail.<sup>120</sup> Delivery Confirmation System data is in USPS Product Performance Reports.

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<sup>116</sup> Each zone relates to a unique range of distance which most certainly measurably affects the quality of delivery service.

<sup>117</sup> Delivery service quality could vary with each of the three destination entry points types: DDU, DBCF and DBMC zoned.

<sup>118</sup> Ibid.

<sup>119</sup> ODIS results are reported periodically. LR-K-82 in this record.

<sup>120</sup> Tr. 8D/4850-74 (OCA/USPS-118). There is a variation in transit time among the Package Services. Tr. 8C/4345 (DBP/USPS-258).

Media Mail<sup>121</sup> (RS 523)Performance Standards

DMM§173.2.1 USPS does not guarantee delivery within a specified time. Media Mail might receive deferred service.

Performance Measurement Systems

ODIS provides the percent delivered and volumes by individual delivery days-1-9.<sup>122</sup> Data is also available as a single category of 10-30 days for Parcel Post, BPM, Media and Library Mail.<sup>123</sup> Delivery Confirmation System data is in USPS Product Performance Reports.

Library Mail<sup>124</sup> (RS 524)Performance Standards

DMM§183.2.1 USPS does not guarantee delivery within a specified time. Library Mail might receive deferred service.

Performance Measurement Systems

ODIS provides the percent delivered and volumes by individual delivery days-1-9.<sup>125</sup> Data is also available as a single category of 10-30 days for Parcel Post, BPM, Media and Library Mail.<sup>126</sup> Delivery Confirmation System data is in USPS Product Performance Reports.

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<sup>121</sup> This subclass has rate categories of single-piece, 5-digit presort and basic presort which may provide different delivery qualities of service.

<sup>122</sup> ODIS results are reported periodically. LR-K-82 in this record.

<sup>123</sup> Tr. 8D/4850-74 (OCA/USPS-118). There is a variation in transit time among the Package Services. Tr. 8C/4345 (DBP/USPS-258).

<sup>124</sup> Ibid.

<sup>125</sup> ODIS results are reported periodically. LR-K-82 in this record.

<sup>126</sup> Tr. 8D/4850-74 (OCA/USPS-118). There is a variation in transit time among the Package Services. Tr. 8C/4345 (DBP/USPS-258).

**Special Services**<sup>127</sup>

Address Correction Service (RS 911)

Service Standards and Measurements

Unknown

ZIP Coding of Mailing Lists/Correction of Mailing Lists/Address Changes for Election boards/ Sequencing of Address Cards (RS 912)

Service Standards and Measurements

DMM §507.6.3.6. Service standard is 15 workdays.<sup>128</sup>  
Response times are not measured.<sup>129</sup>

Post Office Box and Caller Service (RS 921)

Service Standards and Measurements

Limited standard. There is a standard for “Box Up Times” when mail is to be placed in boxes, which varies, but generally between 9:00 a.m. and 12:00 p.m. The success in meeting that standard is “generally” 98 percent of the time.<sup>130</sup>

Business Reply Mail (RS 931)

Service Standards and Measurements

Service standards are the underlying standards for First-Class Mail and Priority Mail.

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<sup>127</sup> In the absence of performance goals, the Postal Service tracks volumes and revenues and receives customer complaints. No statistical or other measurement systems are used except for Delivery Confirmation and Signature Confirmation. Tr. 8D/4699 (OCA/USPS-33).

<sup>128</sup> Tr. 8D/4698 (OCA/USPS-32).

<sup>129</sup> Tr. 8D/4837 (OCA/USPS-110(d)).

<sup>130</sup> Tr. 8D/4945 (OCA/USPS-164).

**Special Services** (cont.)

Merchandise Return Service (RS 932)

Service Standards and MeasurementsNo Standard<sup>131</sup>

On-Site Meter Service (RS 933)

Service Standards and Measurements

No standard

Bulk Parcel Return Service (RS 935)

Service Standards and Measurements

No Standard

Shipper Paid Forwarding (RS 936)

Service Standards and Measurements

No standard

Certified (RS 941)

Service Standards and MeasurementsScan rates are measured-goal is 98 percent scan rate.<sup>132</sup>

Registered Mail (RS 942)

Service Standards and Measurements

No Standard. The number of claims filed and paid and reasons therefore are available by the fiscal year. The number of claims filed and paid for items lost in transit is collected.<sup>133</sup>

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<sup>131</sup> The only applicable standard is based on the underlying class of mail. Tr. 8D/4947 (OCA/USPS-165). This and other special services listed here with "No Standard" is based on the response to OCA/USPS-32. Tr. 8D/4698.

<sup>132</sup> Tr. 8D/4945, 4948 (OCA/USPS-164, 166).

<sup>133</sup> Tr. 8C/4454 (DFC/USPS-23), Tr. 8C/4149 (DBP/USPS-80).

**Special Services (cont.)**

Insurance (RS 943)

Service Standards and Measurements

No standard on insurance. A standard exists for processing times for properly completed claims forms--usually paid within 10-15 days<sup>134</sup>

COD (RS 944)

Service Standards and Measurements

No standard

Return Receipts (RS 945)

Requested at time of mailing  
Requested after mailing  
Return receipt for Merchandise

Service Standards and Measurements

No standard

Restricted Delivery (RS 946)

Service Standards and Measurements

No standard

Certificate of Mailing (RS 947)

Individual  
Bulk

Service Standards and Measurements

Unknown

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<sup>134</sup> Publication 122, "Customer Guide to Filing Domestic Insurance Claims or Registered Mail Inquiries," April 2005. Tr. 8D/4698 (OCA/USPS-32). But see, OCA Report, *infra*, indicating a 30 day policy to pay claims. The number of claims filed and paid and reasons therefore are available by the fiscal year. Tr. 8C/4454 (DFC/USPS-23).

**Special Services (cont.)**Delivery Confirmation<sup>135</sup> (RS 948)Service Standards and Measurements

Standard is 98 percent scan rate for Priority Mail, 97 percent for First-Class Mail parcels, and 97.5 percent for Package Services according to WEBeis. The Web-enabled Enterprise Information System (WEBeis) indicated 94 percent scan for First-Class Mail letters and sealed parcels (that are parcel shaped) in the 2d quarter of 2005.<sup>136</sup>

Signature Confirmation<sup>137</sup> (RS 949)Service Standards and Measurements

The standards are 98 percent scan rate for Priority Mail, 97 percent for First-Class Mail parcels, and 97.5 percent for Package Services according to WEBeis.<sup>138</sup>

## Parcel Air Lift (RS 951)

Service Standards and Measurements

Unknown

## Special Handling (RS 952)

Service Standards and Measurements

Unknown

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<sup>135</sup> There is a separate rate class for each rate category, with delivery service either by retail, electronic or both. Service quality may vary as between retail and electronic and between classes of mail. Performance Report Requirements are at Tr. 8C/4464 (DFC/USPS-26).

<sup>136</sup> Tr. 8D/4698 (OCA/USPS-32), Tr. 8C/4444 (DFC/USPS-12).

<sup>137</sup> There are separate rate classes for three mail classes, each with electronic and retail delivery.

<sup>138</sup> Tr. 8D/4698 (OCA/USPS-32).

**Special Services (cont.)**

Stamped Envelopes (RS 961)

Service Standards and Measurements

No standard

Stamped Cards (RS 962)

Service Standards and Measurements

No standard

Money Orders (RS 971)

Service Standards and Measurements

No standard

Following is a tentative list of non-fee services impacting quality of service for which quality of service standards should be established, measured and filed periodically with the Commission:

Forwarding Service<sup>139</sup>

Waiting time in line at retail postal facilities

Damaged Mail (by class)

Parking availability and congestion at retail postal facilities

Postal Facilities Located Proximate to Market

Collection Boxes availability and service<sup>140</sup>

Saturday window service hours<sup>141</sup>

Supplies available to mailers (by class if applicable, e.g., Priority or Express Mail envelopes)

The Postal Service also relies upon measurement systems cutting across several service subclasses; for instance, the Transformation Plan 2006-2010 indicates management's reliance upon the "Customer Satisfaction Measurement" system,<sup>142</sup> an ongoing independent assessment of customer's experience which rate residential and business customer satisfaction. The precise services measured and the underlying statistical support for that study should be provided

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<sup>139</sup> All forwardable mail in the CFS unit has to be processed in 24 hours. Tr. 8C/4154 (DBP/USPS-85). First-Class Mail includes Forwarding and Return at no additional charge. DMCS § 253. For classes that do not include Forwarding and Return service, e.g. Periodicals and Standard Mail, additional fees equal to the First-Class Mail rate are applied. DMCS §§ 453 and 353, respectively.

<sup>140</sup> The Collection Box Management System supplements traditional collection box testing procedures and for missed collections pick-ups. Tr. 8C/4315 (DBP/USPS-203).

<sup>141</sup> A database exists to calculate post offices with Saturday service. Tr. 8C/4084 (DBP/USPS-71(f)).

<sup>142</sup> In some instance, the customer satisfaction surveys do provide ratings for specific classes of mail.

to the Commission for verification if the Postal Service is relying upon that system as a measure of its success in providing a high quality of service to the public.

The Phoenix-Hecht Postal Survey™ measuring the delivery time of “remittance type” mail is also mentioned in the Transformation Plan 2006-2010. The actual classes studied and the statistical bases for that study should be provided where the Postal Service management relies upon it as a measure of its quality of service provided.

A limited measure of customer satisfaction with the actual performance or service actually provided may be determined by the systematic collection of complaints by the Postal Service. The Postal Service compiles quarterly a list of complaints for various categories of services not directly related to a particular rate schedule or class of service.<sup>143</sup> The categories covered with many subheadings are Delivery/Mail Pick Up, Personnel, Post Office/Equipment, Retail and Web Site/Contacting USPS. Many of the categories have complaints numbering into the thousands. We do not know if there is a level of complaints relating to these categories that is deemed an acceptable goal.

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<sup>143</sup> Tr. 8C/4347 (DFC/USPS-3).

C. Proposed Rules Requiring Filing Of Annual Reports And Updates In Rate Requests On Quality Of Service Performance Goals Together With Achieved Levels Of Service For All Classes And Subclasses Of Mail And Special Services.

To establish an orderly procedure for comprehensive Commission oversight of the Postal Service's provision of quality of service, OCA proposes the following amendment to Rule 102, Filing of reports, by adding a new section (a)(13) Quality of Service.

§3001.102 Filing of reports

\* \* \*

(a) Annual reports.

\* \* \*

(13) Quality of Service

(i) By rate schedule, (a) identify appropriate measures of quality of service, (b) performance goals established for each class and subclass of service of mail and special services, (c) methods designed to measure established performance goals, and (d) achieved levels of service for which performance goals have been set as measured using continuing and scientific methods, and (e) any and all other measures of service quality, both internal and external, relied upon by Postal Service management as an indicator of service quality and customer satisfaction.

(ii) By rate schedule, where no performance goals have been set, the report shall include an explanation as to why performance goals have not been set, together with (a) an identification of appropriate

measures of quality of service, (b) continuing scientific measurements of service quality, and (c) any and all other measures of service quality relied upon by Postal Service management as an indicator of service quality and customer satisfaction for each class and subclass of mail and special services.

OCA also proposes the following amendment to Rule 54(n):

§3001.54 Contents of formal requests.

\* \* \*

(n) *Performance goals.*

\* \* \*

(2) \* \* \*

By rate schedule, the request shall include continuing scientific measurements of service quality, and any and all other measures of service quality relied upon by Postal Service management, both internal or external, as an indicator of achieved level of service quality and customer satisfaction for each class and subclass of mail and special services.

(3) In addition to paragraph (1) of this section, by rate schedule the request shall include a list of the mail classes and subclasses of mail and special services for which performance goals have not been set and an explanation as

to why performance goals have not been set, together with continuing scientific measurements of service quality, and any and all other measures of service quality relied upon by Postal Service management, both internal or external, as an indicator of achieved level of service quality and customer satisfaction for each such class and subclass of mail and special services.

- (4) Workpapers available to the Postal Service detailing the information and methodologies underlying the performance data submission shall be provided to permit independent analysis of the quality of service and customer satisfaction provided to each class, subclass or special service.<sup>144</sup>

### III. CONCLUSION

Wherefore, for the reasons set forth above, OCA respectfully requests that the Commission commence a rulemaking proceeding to require periodic reporting of quality of service information as proposed in this motion and to amend Rule 54(n) regarding the contents of rate requests to expand upon the information required to measure the value of service actually provided.

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<sup>144</sup> Rule 54(o) requires workpapers detailing information underlying data submissions for paragraph (n) to permit independent analysis of each cost component and for the attribution or assignment of costs. Workpapers are included in the proposed language to make clear that the underlying data supporting conclusions about quality of service also will be provided to the Commission.

Respectfully submitted,

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