

adequate rule of thumb in the past, they are no longer adequate in today's environment of network redesign, automated bundle and piece sorting, and in the not too distant future FSS. The days of "one size fits all" are gone. In order for mailers to have a predictable in-home delivery window and the Postal Service to have a realistic yardstick for measuring its performance, new standards need to be developed that are more closely aligned with the way that mail is actually processed

Today, if our Time Inc. division identifies a problem with service for its Periodical publications, the Postal Service immediately asks: "Where was the mail entered? Was the mail entered before the Critical Entry Time? Was the mail on a pallet or in a sack, and what was the level of the container? What was the presort level of the bundle that the mail piece arrived in?" The Postal Service asks these questions because they represent the key drivers of mail processing and delivery. Once the answers are known, it becomes relatively easy to determine what kind of delivery performance the mail ought to be receiving and to identify problem areas that may be the cause of service failures.

To establish a new service standard, the Postal Service needs to take into account several key pieces of information including the Point of Entry (POE), Critical Entry Time (CET) for each facility, containerization of the mail to be processed, and bundle presort. Each of these factors will have an impact upon how mail moves through a facility. What's more, as the USPS continues to process more mail on automated equipment, the predictability of delivery will increase--but only if the Postal Service knows what type of mail it is receiving.

Consider the following example. If a mailer enters a 3-digit pallet of Periodicals class mail at the destination SCF (DSCF) prior to the Critical Entry Time (CET) for that facility, the pallet will be processed on the AAPS or SPBS machines that evening and the carrier route bundles will be transported to the DDU's overnight. The standard should reflect the fact that those carrier-route bundles will be cased and delivered the following day. However, any working bundles on that same pallet will require an additional piece sort and may or may not receive next-day delivery, depending upon the AFSM 100's sort scheme and schedule.

To develop service standards that reflect operational realities, the Postal Service needs first to create a table that defines the various key components mentioned above for each type of USPS facility. For Periodicals class mail, for example, these service components would mirror the rate components in the Periodicals rate structure that went into effect on July 15, 2007. In addition, the service standards need to include the CET component, since CET is the primary factor in determining when a piece of mail is processed. Once such a table is created, mailers, the Postal Regulatory Commission and the Postal Service will be able to easily identify what the service level should be for a given product. We believe that this level of transparency is required by PAEA.

2. The development of performance measurements

The establishment of such detailed, operationally based, transparent service standards would also require the development of new systems for measuring performance against the standards. Further changes in systems of performance

measurement can be expected to result from the implementation of the Intelligent Mail Barcode and the use of data from the PostalOne! system, including FAST.

The first phase of performance measurement under the PAEA will occur in the absence of the widespread use of the Intelligent Mail Barcode. Currently, many Periodicals publishers, including Time Inc., analyze delivery performance by utilizing seed programs. In an effort to minimize duplication of efforts and cost, Time Warner recommends that the Postal Service and the Commission adopt these external seed programs for Periodicals Class service measurement until the development of a system based on use of the Intelligent Mail Barcode.

The seed program could work as follows. First, the Postal Service and a cross-section of Periodicals mailers would review the publishers' existing systems and agree upon the reliability of the measurements. The Commission would then review them to ensure that they are representative of Periodicals Class mail. Publishers whose seed programs had passed both stages of review would then produce periodic service reports on an agreed upon schedule to both the Postal Service and the Commission. We emphasize again that we suggest the use of this approach on an interim basis only, until the implementation a system based on use of the Intelligent Mail Barcode.

We propose that the data supplied by the publishers clearly take into account any failures that occur prior to delivery of the magazines to the Postal Service. The measurement system currently used by Time Inc., which we will briefly describe, does this. The Time Inc. Delivery Tracking System (Deltrak) consists of 735 "reporters" who are geographically distributed throughout the United States in

proportion to the subscriber base of our magazines. Each day they receive their mail, the reporters enter the delivery information into a website that captures the data and compares it to the expected in-home delivery. If, for any reason, there is a supply chain delay prior to entering the magazines into the mail, the expected in-home delivery date is adjusted accordingly. When all of the data have been compiled, a series of reports comparing the expected delivery to the actual delivery is generated (an example is attached to these comments). The format of these reports can easily be modified to show the comparisons most useful to the Postal Service and the Commission. Should the Commission wish to review the seed programs employed by Time Inc., we would be more than happy to provide a demonstration of the system's capabilities (the Postal Service has full access to this system today).

A subsequent phase of performance measurement would begin when the Postal Service requires mailers to use the Intelligent Mail Barcode. The current schedule for the implementation of this requirement is 2009. Use of the Intelligent Mail Barcode will give the Postal Service the ability to capture data from containers, bundles, and individual mail pieces. The Postal Service will have scanning capabilities at its docks that will make it possible to scan an arriving truck's bill of lading just prior to the truck being unloaded, thus establishing the time at which the clock starts for the purpose of measuring delivery performance. For mail entered locally, a scan from the local Detached Mail Unit (DMU) Clerk at the printing plant can be used to start the clock. When the mail is processed on the Flat Sequencing System (FSS), the Intelligent Mail Barcode will be scanned and the mail will be

placed into a delivery tray for the letter carrier. At that point, it can safely be assumed that the mail will be delivered in the next available delivery cycle. With data on the time that the mail is delivered to the Postal Service and the time that it receives FSS processing, a delivery report comparing the actual delivery performance to the standard can be generated. (In the areas where FSS is not deployed, either a similar system can be developed using AFSM 100 scan data or a seed program similar to phase one can be used.) In addition, mailers will also be supplying data on mail preparation and entry to the Postal Service via PostalOne! With the mail preparation data from PostalOne! and the scan data from the USPS' mail processing operations, a report that reflects mail preparation, time of entry, and delivery time is quite feasible.

Our proposal is intended to ensure that the service standards and the measurement system properly reflect the operational capabilities of the USPS. As a publishing firm, we know that a number of variables, including decisions by the editors to cover a late breaking story, production problems in getting our advertising or editorial material to the printer, printing production problems, and transportation failures, can result in a late delivery of our products to the Postal Service. Clearly these failures are not the fault of the Postal Service and should be taken into account in any measurement of Postal Service performance.

Plainly, it would not be realistic to hold the Postal Service to a 100% achievement level for its performance. None of the vendors that Time Warner uses for product distribution achieves 100% on-time delivery. At best, we experience delivery in the 90%+ range. That said, we also expect continuous improvement and

push our vendors to make year-over-year progress in on-time delivery. The same logic could and should apply to the Postal Service. It must manage an incredibly complex supply chain, so that expecting perfection is not reasonable. But 90% on-time delivery would be a realistic standard of performance as a starting point for the new system.

It is also important that the new system avoid any type of delivery bias that may result from efforts to influence delivery percentages. Neither the Postal Service nor the mailing industry wants to re-experience the EXFC scandal of several years ago. Therefore, the new measurement system should rotate various publishers through as the targets. This should be a relatively simple task in a system like that outlined above, which would measure delivery performance for specific levels of entry, containerization, and bundle preparation. The identities of the publications whose delivery is being measured should not be relevant to either the Postal Service or the Commission.

(3) Commission enforcement of compliance with service standards

Assuming that an acceptable set of delivery standards and an effective measurement system are developed, there will remain the challenge of identifying how the Commission should view performance data and what actions it should take in the event of a failure to meet the standards. We recommend that the Commission evaluate Postal Service performance over a twelve-month period to determine if the Postal Service achieved a 90% (or better) on-time delivery rate.

Throughout the process of crafting postal reform legislation, Time Warner has strongly advocated the inclusion of financial incentives for good performance by Postal Service managers. Corporate America widely utilizes bonus systems to motivate managers and achieve goals. The Postal Service ties its EXFC scores to its bonus system, with the result that managers throughout the system pay close attention to the scores and work hard to ensure successful outcomes. The same principle applies here. Rather than developing a system for penalizing the Postal Service for failing to meet delivery standards, the Commission should endeavor to devise an approach that focuses on payment of a bonus if the goals are met and decreasing that bonus if the goals are not met. A system that employs punitive measures to deal with Postal Service failures to achieve delivery standards would actually penalize mailers, who must ultimately bear the costs of all burdens that are imposed on the Postal Service. We hope that the Postal Service and the Commission can work out a reasonable approach that ensures that performance failures do not become additional mailer expenses.

Time Warner also believes that the achievement of service standards should be reviewed on a class level and not on the level of the individual mailer. We therefore believe that in proceedings under § 3662 the Commission should entertain complaints based on a Postal Service failure to achieve service standards only if the alleged failure relates to a class or subclass and not where it relates to individual mailers. Commission hearings on service complaints from individual mailers would have the potential to tie up the entire system. Such problems are better resolved with local USPS management.

Time Warner thanks the Commission for providing this opportunity to comment and looks forward to the development of service standards and a new service measurement system for all classes of mail.

Respectfully submitted,

s/ _____
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DelTrak - Percent By Day

04/01/07 - 06/30/07

Postal Area:

	Apr				May				Jun				3 Month Total			
	# Rcpt	On Time	1 Day Late	2+ Days Late	# Rcpt	On Time	1 Day Late	2+ Days Late	# Rcpt	On Time	1 Day Late	2+ Days Late	# Rcpt	On Time	1 Day Late	2+ Days Late
All Titles																
Capitol Metro	1291	84	13	3	1019	86	12	2	1163	86	12	2	3473	85	12	2
Eastern	1641	89	10	2	1281	88	10	2	1441	89	10	2	4363	88	10	2
Great Lakes	1706	80	16	4	1371	86	10	4	1538	86	12	2	4615	84	13	3
New York	1441	86	12	2	1130	85	13	2	1285	85	13	2	3856	85	13	2
Northeast	1253	87	11	2	991	88	10	2	1129	86	12	2	3373	87	11	2
Pacific	1730	88	10	2	1365	86	12	2	1546	89	9	2	4641	88	11	2
Southeast	1470	90	8	2	1158	92	6	1	1337	88	10	2	3965	90	8	2
Southwest	1349	91	8	1	1067	91	7	2	1220	90	8	2	3636	90	8	2
Western	1934	90	9	1	1524	89	9	2	1685	90	8	2	5143	90	9	2
Mag Total	13815	87	11	2	10906	88	10	2	12344	88	10	2	37065	88	10	2