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BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON DC 20268-0001

SERVICE STANDARDS AND	)	
PERFORMANCE MEASUREMENT FOR	)	Docket No. PI2007-1
MARKET DOMINANT PRODUCTS	)	

COMMENTS OF NATIONAL POSTAL POLICY COUNCIL
AND AMERICAN BANKERS ASSOCIATION
(July 16, 2007)

The National Postal Policy Council ("NPPC") and American Bankers Association ("ABA") respectfully submit these comments in response to Order No. 21, *Notice of Request for Comments on Modern Service Standards and Performance Measurement for Market Dominant Products*, issued by the Commission on June 13, 2007, and published in the Federal Register at 72 Fed. Reg. 34424 (June 22, 2007).

We very much appreciate the opportunity to comment on these important issues. The quality and consistency of mail service performance greatly affect the value of the market dominant postal products used by our members (primarily the automation categories of First-Class and Standard Mail). Members of NPPC and ABA have been active participants in MTAC Workgroup 114, *Establish Service Standards and Measurement*. The purpose of these comments is to identify several general principles that we believe the Commission should follow in discharging its responsibilities under 39 U.S.C. § 3691. Section I of these comments discusses service standards; Section II discusses performance measurements.

I. SERVICE STANDARDS FOR MARKET-DOMINANT PRODUCTS

Modern service standards should be realistic, attainable, consistent and reliable. The Postal Service's existing service standards for First-Class Mail and Standard Mail, if consistently met, would serve as an appropriate starting point, although greater recognition needs to be given to the effect of presorting, destination entry and containerization on service performance.

Future changes to the standards obviously need to strike a balance between service quality and cost, and recognize the general consensus of mailers and the public in retaining universal service (including Saturday mail delivery). With the improvement of technology over time, however, one would expect an improvement in service standards as well.

The Postal Service should not be permitted to lower existing service standards in any significant way by unilaterally defining them down. While limited changes to service standards may be appropriate (*e.g.*, the realignment of standards for specific city pairs as the postal network changes), any major downward redefinition of acceptable service levels should not be permitted to occur without independent review.

Critical entry times ("CET") should also be specified in the service standards, and changes in CETs should be subject to the same review process as changes in delivery times. A critical entry time is defined as "[t]he latest time a particular class of transported mail can arrive at the destination post office to meet the service standard for mail processing, dispatch, and final delivery."[1] An advance in the critical entry time is a

[1] USPS Library Reference N2006-1/1, Glossary of Postal Terms at 29.

mirror image of a delay in the applicable delivery time: both amount to changes in the service standard.

II. PERFORMANCE MEASUREMENTS FOR MARKET-DOMINANT PRODUCTS

The development of an effective system of performance measurement is as important as the development of service standards. If anything, an effective performance measurement system is more important. Adequate data on actual service performance serve two vital roles for mailers. First, to the extent that actual service performance falls short of standard—either in actual delivery time or in the range of variance from the standard—mailers rationally base their mail entry times and points on actual service, not on nominal service standards. Accurate performance data enable mailers to identify locations and facilities where service has worsened, and thereby enable mailers to adjust entry times and entry points to mitigate, to the extent possible, the resulting commercial injury to the mailer.

Second, credible public data on service performance provide an incentive for Postal Service managers to prevent and eliminate service problems. Indeed, this is probably a more effective incentive than fines or penalties.[2] ”Sunlight is said to be the best of disinfectants; electric light the most efficient policeman.” Louis D. Brandeis, *Other People's Money* 62 (1933).

[2] It is possible that financial penalties for major, systemwide failures to meet service standards may be appropriate at some point in the future. Until the Postal Service has accumulated a pool of retained earnings, however, financial penalties are likely to be borne by mailers, through a further degradation of service or, at the ultimate extreme, an additional rate increase under 39 U.S.C. § 3622(d)(1)(E).

To accomplish these purposes, however, data on actual performance must be detailed (*i.e.*, geographically disaggregated), accurate, reliable and current. Moreover, the performance reports should indicate not only the *average* time for mail delivery between two points, but the *distribution* of *the variance* from standard for the portion of the mail that is delivered late (sometimes referred to as the "tail of the mail"). Performance reports that are infrequent or highly aggregated handicap mailers from protecting themselves by changing their mail entry times or locations, and allow regional service problems to evade public scrutiny.

In the medium and long run, a passive data collection system such as Intelligent Mail is likely to offer the most cost-effective system for collecting the necessary data. Until Intelligent Mail is fully debugged and deployed, however, interim data collection systems may also be necessary.

CONCLUSION

NPPC and ABA respectfully request that the Commission base its recommendations on the principles stated in these comments.

Respectfully submitted,

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