



Association for Postal Commerce

1901 N. Fort Myer Dr., Ste. 401 • Arlington, VA 22209-1609 • Ph: +1 703 524 0096 • Fax: +1 703 524 1871 • Web: <http://postcom.org>

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Office of the Secretary
Postal Regulatory Commission
901 New York Ave N.W., Suite 200
Washington DC 20268-0001

Re: Docket No. PI-2007-1

The Association of Postal Commerce ("PostCom") appreciates the opportunity to present its views on the establishment of service standards and performance measurement systems for market dominant products as specified in the Postal Accountability and Enhancement Act ("PAEA"). These issues are of great importance to PostCom's members. The Association has long been a vocal advocate for the creation of meaningful service standards and the need for performance measurements for Standard Mail in particular, but more generally, for all of the products that comprise the market-dominant group of products.

The Postal Accountability and Enhancement Act places principal responsibility for the promulgation of regulations and the establishment of performance measurement systems with the Postal Service. We note that the Postal Service, quite commendably, has established a Mailers Technical Advisory Committee workgroup to address these issues. We hope these comments will enhance the Commission's understanding of how mailers and mail-service providers use service standards, in particular in their interaction with the Postal Service as they seek to achieve lowest combined costs of service, and to enhance the value of mail.

We believe that the establishment of service standards and performance measurement reporting are inextricably intertwined. Although we address these issues separately, the interconnection between the two should be clear. Meaningful standards without a full public report of actual performance is of little value to those who rely on mail for business communication and transactional purposes.

Service standards and the public reporting of service performance should lead to improvements in mail service and add to the value of mail as a business transactional medium. In most instances, our members find that service predictability and consistency are of greater value than actual speed of delivery, with the exception of time-sensitive matter such as First-Class Mail. We believe that service standards should recognize the different service expectations associated with various levels of presort, destination entry and other aspects of mail preparation. This would enable mailers to make informed decisions regarding the value of additional mail preparation and transportation prior to entry. Service performance standards and reports of service performance measurement should be developed primarily with the needs of users in mind while maintaining some balanced consideration of actual Postal Service costs.

I. SERVICE STANDARDS

In the comments that follow, we outline what our members need in the way of service standards, how such standards fit into their ongoing business operations, what mailers expect in terms of performance measurement systems, and how such data can and should be used by mailers and the Postal Service.

A. Performance Goals

We believe the Postal Service must establish meaningful performance goals for achieving its service standards for all market-dominant products. The Postal Service defines "performance goals" as its internal target for meeting a particular service standard (e.g., 95% of First-Class Mail that has an overnight service standard, etc.). That is a perfectly workable definition. It also provides a baseline against which the initial performance standards can be met and measured. Where performance goals exist today, such as for First-Class Mail overnight, 2-day and 3-day service standard areas, the new performance goals, at a minimum, must be equal to those that exist. There should also be a Postal Service plan and time line for incremental improvement of performance standards.

For market-dominant products where the Postal Service currently does not have performance goals (e.g., Periodicals, Standard Mail and market-dominant Package Services), PostCom strongly recommends that such goals be established and initially set at a level for business mailers' needs. For instance, setting the performance goals for Standard Mail at 80% would not meet the service needs of users of that product. The performance goals for these market-dominant products should also include a plan and time line for incremental improvement.

B. Future Review Process

We believe that there is a need to develop a regular review process for service standards and goals, with a formal mechanism for business mailer input. A formal review process should occur with regular frequency, such as annually. There will also be need for "mid-course corrections" as the Postal Service's deployment of new technology and growth and realignment of the network occur. In other words, from the mailers' perspective, the establishment of service standards and performance goals is not a static, one-time event. Because mailers' business operations and the operation of the postal system are both dynamic, the process of standard setting and performance goals must also be dynamic.

C. Critical Entry Times (CETs)

Critical Entry Times (CETs) are the cut-off times used by the Postal Service to determine whether a particular type of mail is entered or arrives at a postal facility in time to make the necessary processing and transportation time lines to meet the service standard for that product. CETs and service standards are integrally linked: changing CETs can equate to changes in service standards. If a postal facility moves the CET for Periodicals Mail earlier, any mail entered at (or arriving at) the facility after that CET would have an additional day added to its service standard.

CETs form a central component of the mailers' business plans. For example, there is considerably more to the process of developing a catalog than simply printing the catalog, sorting it and entering it into the postal system. For the typical catalog, the planning actually starts with the targeted in-home date; that date must coincide with the availability of the products that are being sold through the catalog; further, since most orders are now typically taken through toll-free numbers, the operation and staffing of the call center must also be timed to the expected in-home date. The targeted in-home date thus drives the development of content (which, in turn, determines inventory) the press run and bindery production schedules and the mail plan. If, however, the CET at one or several key postal facilities is changed without notice, the entire business plan is upset at considerable cost to the mailer and inconvenience to its customers.

PostCom believes it is important, therefore, that the Postal Service make available to mailers the CETs upon which service standards are based. PostCom also recommends that the Postal Service inform mailers of any potential significant or widespread changes in CETs, and provide customers with an opportunity to give input on such changes. PostCom holds that the CET data must be available along with service standards so that mailers can appropriately determine service expectations. Publishing and adhering to consistent critical entry times enables mailers and mail service providers to adjust their schedules and thereby work in tandem with the Postal Service to advance delivery reliability consistent with the objectives of the PAEA.

D. Communications

PostCom submits that there needs to be substantial improvement in the information the Postal Service provides about service standards for market-dominant products. The Postal Service provides subscriptions to

a Service Standards CD at no charge. However, information on the existence of the software and its representation of the service standards is lacking. Even on the Postal Service's recently developed web page for service performance measurement (<http://www.Postal Service.com/serviceperformance/welcome.htm>), there is no mention of this software, or any mechanism for customers to find information on the service standards. In polling its members, PostCom has found that very few were aware of the existence of the software or that the Postal Service even has service standards for non-First-Class Mail products. This lack of adequate publicity and information creates a barrier to productive interaction between the Postal Service and its customers.

PostCom strongly recommends that the Postal Service develop web-based tools as well as hardcopy communications that detail its service standards for all products and where to find more information. Some mail users need this information in a simple format, others need it in the level of detail currently provided by the Service Standards software (e.g., 850,000+ 3-digit Origin/Destination ZIP Code pairs). Based on feedback from users of the Service Standards software, PostCom recommends that the Postal Service form a group to provide it with specific recommendations on enhancements and features that will make the software more user-friendly and meet the needs of business mailers. In addition, the software functionality should be available through the Postal Service's web site (e.g., ability to search service standards by product by 3-digit ZIP code pairs, etc.).

Currently, the Postal Service distributes an updated version of its Service Standards CD on a quarterly basis, but changes since the last release are not highlighted or identified separately. PostCom recommends that the Postal Service include a feature in the software (as well as any web-based tools that are developed) that identifies changes in service standards, by product, since the last update/release.

II. Service Performance Measurement

From the mailer's perspective, service standards and performance goals are central to the business planning process. But without useful data as to how the Postal Service's actual performance matches up against the performance goals, mail use is hampered. Publicly available aggregate service performance measurement data are essential, not only to motivate the Postal Service to improve service, but to enable mailers to manage costs at their end. Aggregate performance data are required so that mailers better understand whether delivery standards are being met, what factors are contributing to performance issues and how mailers should respond. Performance data are essential for effective postal management, oversight and accountability and critical to mailers' business planning.

In the PAEA, service performance measurement systems are described as "external" or "internal." PostCom interprets external to include those measurement systems based on data external to the Postal Service (such as seed programs), while internal includes measurement systems based on data internal to the Postal Service (such as Intelligent Mail-based systems). PostCom does not interpret "internal" to mean that aggregate data would be available only internally to the Postal Service.

PostCom offers the following specific comments relative to service performance measurement.

A. Actionable Data

PostCom strongly recommends that any service performance measurement system provide the Postal Service and product users with actionable data that they can use to identify and resolve service issues. Measurement systems will have to differ by product to match the difference in standards of any product. However, systems that lack the ability to provide sufficient information in a readily useable format are of little value. Such systems may show a service deficiency exists, but will not provide the Postal Service or mail users with the ability to pinpoint and resolve the issue, or to work around the problem while it is being solved.

B. Evolutionary Solutions

Service performance measurement systems/solutions must evolve as technology and industry practices change. To the extent existing data collection systems provide adequate representation of the product mailstream, PostCom recommends Intelligent Mail-based measurement systems because the data collection is largely passive and inexpensive. In addition, the level and amount of data would provide mailers with

actionable data to resolve service issues and reduce costs. PostCom recognizes, however, that there may be product mailstreams that cannot be measured using Intelligent Mail solutions, so that alternative cost-effective systems will need to be created. PostCom supports establishment of evolutionary measurement systems. For instance, if an Intelligent Mail-based measurement solution is not yet viable, an interim solution may be adopted. The costs and impact on product users of interim measurement solutions must be taken into account, however, particularly if more viable solutions are likely to be available in the near future.

C. Small Volume Product Mailstreams

PostCom recognizes that service performance measurement for small volume product mailstreams may be difficult to achieve with the same statistical precision, or over the same period of time, as for large volume mailstreams. PostCom supports the use of less statistically rigorous measurement methodologies, or measurement over a longer time period.

D. Review of Measurement Systems

PostCom recommends that the Postal Service establish a regular review process of measurement systems with a formal mechanism for mail user input. Such a review may be necessary more frequently in the next one to three years as measurement technologies/systems and mailer adoption of Intelligent Mail solutions evolve. This sort of formal and regular review is plainly contemplated by Congress, which recognized that changes in technology not only would affect the service standards, but the measurement of performance, as well.

E. Audit of Measurement Systems

PostCom recommends that the Postal Service be subjected to regular audit of any internal service performance measurement systems by external third party or regulator to ensure that data used for service performance measurement are accurate and representative of the product mailstream being measured.

F. Measurement Data Reporting

One of the key objectives in the PAEA relative to establishment of service standards is to assure reliability of service to both senders and recipients. PostCom members need service performance measurement data to manage their own businesses and to interact within the postal system. PostCom urges the Postal Service to provide business mailers with aggregate service performance measurement data, broken out (at a minimum) by product, shape (letters, flats, parcels) and geography.

As our earlier catalog example shows, mailers work from an expected in-home data in the development of their business plans. Knowing the CET time is important; it is just as important to be able to know that for a specific product, the Postal Service has met the standard 95% of the time in the recent past. And, knowing that this goal has not been met at a particular facility or a region of the country is also important: this information enables mailers to adjust their plans accordingly. Transparency in terms of actual performance is thus essential to an efficient and modern postal system.

Mailers today go to great lengths and expense to closely monitor service performance through a variety of means. While individual mailers/service providers today can obtain measurement data on their own mailings through services such as Confirm, business mailers also need aggregate service performance data in order to better use the mail and manage their business. For instance, mailers often have a need to evaluate the service performance of their own mail against aggregate data to determine whether characteristics of their mailing may have caused service issues or low response rates. Shifts in customer responses/payments often correlate to service issues. Being able to attribute product performance to service performance allows the business to pinpoint the issue and keep it from making incorrect assessments of its products and mailing lists. Thus, transparency of performance can enhance future mail volumes.

Mailers can plan accordingly when they know that service issues exist for specific types of mail or geographic areas. For instance, if performance data show that service standards between specific geographic locations are not being met, mailers may opt to enter mail at different geographic locations to achieve better service. It is difficult for mailers to plan mailing dates if there is a wide variance in service performance. For cost

reasons, mailers prepare mailings "just in time," and have difficulty making adjustments last minute. Being able to see service performance trends over time would allow these mailers to more easily make adjustments to mailing dates and practices.

Business mailers also plan post-mailing activities around service performance expectations. Aggregate service performance measurement data can provide mailers with the ability to better manage their service expectations and react when data show standards are not being met for a particular product, mail type or geographic area. Catalog companies are not the only mailers whose business plans are keyed to in-home forecasts. For example, nonprofit mailers forecast in-home delivery dates in order to time their mailings to avoid competition in the mailbox for a prospective donor's attention, thus increasing response rates and making mail more attractive as a fundraising medium. Mailers also manage staffing, resources and personnel needs for handling returns based on service performance data.

Accordingly, PostCom strongly urges the Postal Service to provide business mailers with aggregate service performance measurement data, broken out by product, shape (letters, flats, parcels) and geography. Ideally, business mailers would like to have near real-time access to aggregate data on a web-based system where users can define the parameters of the data they need. Scan data provided through Intelligent Mail-based measurement systems will automatically be collected and stored by the Postal Service. It is much less costly to allow mailers to access aggregate data than to require the Postal Service to develop and distribute detailed measurement data reports. In addition, PostCom members strongly prefer allowing users to set the parameters of the characteristics of data they need rather than a "one size fits all" Postal Service reporting solution.

G. Remedies

Last, but by no means least, it is important to consider the consequences if the Postal Service fails to set meaningful performance goals or persistently fails to achieve its performance goals. PostCom hopes and expects that neither of these issues will arise and that the processes that the Commission and the Postal Service have put in place will make these questions moot. Nonetheless, Congress provided a safeguard in the PAEA, should either or both of these issues arise.

If there is a failure to establish meaningful standards or establish and maintain reasonable performance goals, the Commission has a readily available remedy: it can, under the Act, direct the Postal Service to make changes supported by the record it develops in an appropriate complaint proceeding.

The question of failure to meet performance objectives is a little more complex. The Commission must make it very clear first, that it will not entertain complaints from an individual mailer - no matter how large or small - about service received by that mailer. The fact that any one individual or company has not received service at the level that the individual or entity believes is required or believes it is entitled to expect simply does not constitute a failure of service. Only complaints that deal with inadequate performance goals or a failure performance at the product level can be entertained if this system is to work as Congress intended it. The Commission must make that absolutely clear through its rules and its public pronouncements.

Second, even at the product level, departures from standards cannot be treated as actionable unless the departure is persistent, significant and there is reason to conclude that the Postal Service has not taken corrective action or has not responded with sufficient vigor. To illustrate, the fact that the Postal Service has failed to meet standard in one region of the country or one zip code by a very small percentage point during one quarter of the year cannot be considered characteristic. On the other hand, the persistent failure of the Postal Service to meet standard by a growing margin in that same region over a year is an issue that may legitimately require the Commission's attention.

Finally, the Commission must make it clear that the remedy it will impose in such cases is no broader than absolutely necessary in order to achieve compliance with the applicable standard. While the Commission cannot and surely should not engage in micro-management, it can, under the PAEA, order that remedial action be taken. But the Commission should avoid punitive sanctions such as fines. They are ineffective remedies because the fines are ultimately paid by the Postal Service through revenues it derives from the very mailers who are suffering from inadequate service.

CONCLUSION

PostCom hopes that these comments provide the Commission with useful information on the needs and expectations of our members with respect to service standards, service performance and service measurement. We look forward to working with both the Postal Service and the Commission as this process goes forward.

Sincerely,

A handwritten signature in black ink, appearing to read "Gene A. Del Polito". The signature is written in a cursive, flowing style with a large initial "G".

Gene A. Del Polito
President