

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

**Service Standards and Performance
Measurement for Market Dominant
Products**

Docket No. PI2007-1

**COMMENTS OF THE PARCEL SHIPPERS ASSOCIATION
IN RESPONSE TO NOTICE OF REQUEST FOR COMMENTS ON
MODERN SERVICE STANDARDS AND PERFORMANCE MEASUREMENT
FOR MARKET DOMINANT PRODUCTS**

(JULY 16, 2007)

The Parcel Shippers Association (PSA) appreciates this opportunity to respond to PRC Order No. 21, the Postal Regulatory Commission's (Commission) Notice of Request for Comments on Modern Service Standards and Performance Measurement for Market Dominant Products (Docket No. PI2007-1). This is yet another welcome step by the Commission in its efforts to implement the Postal Accountability and Enhancement Act, Pub. L. 109-435, §302, 120 Stat. 3198 (Dec.20, 2006)(PAEA).

PSA is a voluntary industry association consisting of members that ship packages, largely from business to consumers, and companies that support those activities. A list of members is available on its web site at www.parcelshippers.org. PSA's mission is to promote competition in the package delivery sector. It strives to encourage a competitive environment that results in the best possible service at the lowest possible costs. As a result, it is vitally interested in Docket No. PI2007-1.

PSA's members, collectively, touch the vast majority of the Postal Service's product in the Package Services class now categorized as "competitive products." *See* 39 U.S.C. §3631(a). Its members also ship, or consolidate for delivery to the Postal Service, hundreds of millions of packages, such as First-Class Mail parcels, Standard Mail parcels, Bound Printed Matter, and Media Mail, that are now categorized as "market dominant products." *See* U.S.C. §3621(a). PSA members also make extensive use of carriers other than the Postal Service.

This docket deals with service standards and performance measurement for the latter, market dominant products. But, it undoubtedly will also impact the processing and delivery network for the former, competitive products. Thus, it has widespread ramifications for the level of package delivery service that will be available to PSA members.

PSA's message is simple. It wants service standards and performance measurement systems that will result in consistent, reliable, and affordable package delivery by the Postal Service and its partners. Both consistency and speed are important when it comes to the delivery of business and consumer products. We, however, wish to particularly stress consistency. Product delivery that is delayed beyond the expected time frame, the so-called "tail of the mail," is a serious problem for parcel shippers. This results in increased costs in terms of shipping of replacement goods, and decreased customer satisfaction.

PSA supports the efforts of the Postal Service, through the Mailers Technical Advisory Committee (MTAC), to work with the mailing community to reach recommendations with respect to service standards and performance measurement. In

fact, a PSA member chairs the subgroup working on standards for market dominant packages. We defer specific recommendations for specific products until we have the benefit of the MTAC product. We know this process can work, as it has for us before.

In 2000, we wrote to the Postal Service asking for delivery standards, performance measurement, and reporting for parcels. *See* Appendix I. That led to MTAC Workgroup #82, Parcel Delivery Performance Measurement Effectiveness. Several years of Postal Service/industry collaboration followed. Through this collaboration many difficult issues facing the current MTAC workgroup, the Postal Service, and the Commission—such as how to start and stop the service “clock” and critical entry times—were addressed and resolved. Today, there are standards for Parcel Select delivery—BMC (2/3 days); SCF entry (2 days); DDU entry (1 day). These same standards seem reasonable for market dominant parcels. Service is measured and reported using delivery confirmation data. This results in a significant amount of delivery data and allows service to be accurately measured and reported at a detailed level. In fact, through its website (mailtracking.usps.com), the Postal Service currently provides Parcel Select shippers with detailed (i.e., by 5-Digit ZIP Code) and aggregate reports summarizing the Postal Service’s performance delivery for the shipper’s own packages. In addition, PSA working with the Postal Service produces reports with aggregated data that permits shippers to compare their actual experiences with a broad spectrum of results. A sample report is attached. *See* Appendix II. PSA members have found this reporting helpful in planning their mailings and working with the Postal Service to resolve service issues. The Postal Service should provide similar reporting for shippers of all types of market-dominant parcels.

Admittedly, the universe of Parcel Select parcels is much smaller than those of many of the classes and subclasses of market dominant mail for which delivery standards and performance measurement systems must now be created. But, we believe our experience shows standards and performance measurement can be done successfully. Better technology, such as the Intelligent Mail Barcode, is now available to enable “transparency,” e.g, tracking and tracing. Equipment has been and is being deployed to take advantage of this technology. Unique identification of mail pieces should be the norm, not the exception.

The “tail of the mail” is a particular problem. Delivery delayed beyond the expected time frame is the primary cause of unnecessary cost and customer dissatisfaction. PSA strongly believes that any performance measurement system, to be effective, must disaggregate data on the “tail of the mail” as demonstrated in the service delivery reports in Appendix II.

The development of service standards is required to be completed by December 20, 2007. 39 U.S.C. §3691(a). Under section 302 of the PAEA, the Postal Service is required to submit a “Postal Service Plan” six months later dealing with how it will meet those standards. An integral part of that Plan relates to “Postal Facilities,” and in section 302(c) of the PAEA the Congress finds that “the Postal Service has more facilities than it needs and the streamlining of this distribution network can pave the way for potential consolidation of sorting facilities and the elimination of excess costs.” The Commission is familiar with many of the issues surrounding network consolidation, rationalization, or Evolutionary Network Development (END) as “streamlining” has been described in the

past, including Docket No. N2006-1, Evolutionary Network Development Changes, 2006. PSA participated in that docket.

PSA has been working with the Postal Service and the industry, again through MTAC, on END. It spearheaded the creation of two END-related workgroups: WG #107 “FAST/Surface Visibility for Parcels” and WG #109 “Optimizing Parcel Prep & Entry for Seamless Acceptance. PSA, through its END Committee also developed “input” for Work Group #109. *See* Appendix III. That Committee found:

The Facilities Plan must provide a “process for engaging policy makers and the public in related decisions.” Similarly, the PRC’s Opinion in Docket No. N2006-1 advised the Postal Service to solicit input from major mailers as it redesigns its network. PSA and its END Committee agree that the USPS END process and the eventual “Facilities Plan” can benefit substantially from suggestions as to what its customers find most important and how customers can benefit most from USPS services. This will result in better overall service.

The PSA END Committee has evaluated the needs and concerns of PSA members whose parcels represent the vast majority of Parcel Select and a substantial volume in other mail subclasses, particularly the Standard Mail Regular subclass. This paper briefly explains the principles that the Committee believes should guide the Postal Service as it realigns its network. These principles are organized as follows: (1) consistent delivery, (2) end-to-end cost and service, (3) worksharing discounts, (4) visibility, (5) containerization, and (6) automation.

Appendix III, p. 1. These same principles should be taken into account in efforts to develop service standards for market dominant products. PSA hopes that the same level of consultation that has been invoked with respect to service standards for market dominant products is also invoked in the development of the Postal Service Facilities Plan required under section 302.

CONCLUSION

What the Parcel Shippers Association wants is, we believe, what most business mailers want: consistent, reliable, and affordable delivery service.

Through its pioneering work with the Mailers Technical Advisory Committee, the Parcel Shippers Association has cooperated with the Postal Service in the establishment of parcel delivery standards and service measurements and reports on those standards. We think this can be a model for the development of standards and measurement procedures for market dominant products. We also think that that consultative process, and the current one with which the Commission is engaged, should also be a model for the facilities streamlining that is commanded by the PAEA (Section 302). The Commission's consultative efforts with the Postal Service on developing standards and measurement procedures, along with effective reporting, can be the determinative factor in the success of this project, and we thank the Commission for its efforts.

Respectfully submitted

Timothy J. May
Patton Boggs, LLP
2550 M Street, NW
Washington, DC 20037
Tel: 202 457 6050
Email: tmay@pattonboggs.com
Counsel, PSA

Dated this 16th day of July, 2007