

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

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

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**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](http://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](http://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

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

Dated this 16th day of July, 2007

## ***PARCEL SHIPPERS ASSOCIATION***

1211 Connecticut Avenue NW  
Suite 610  
Washington, DC 20036-2701

Tel: (202) 296-3690  
FAX: (202) 296-0343  
psaweb@erols.com

JAMES PIERCE MYERS  
EXECUTIVE VICE PRESIDENT

August 24, 2000

John Kelly  
President, Packages  
United States Postal Service  
200 East Mansell Court, Ste. 300  
Roswell, GA 30076-1110

Dear John,

I want to thank you and Larry for taking the time to meet with us on the 28<sup>th</sup> here in Washington. As always, we appreciate your openness and willingness to discuss our mutual concerns. Since the 28<sup>th</sup> we have been caucusing informally, and I want to share with you where we hope you and the Postal Service will focus in the future. As you know, competitive package services from the Postal Service are very important to PSA members. And, our members are very concerned with the inability of the Postal Service to grow its package business, particularly in the Parcel Select area.

### Delivery Standards, Performance Goals, and Measurement Systems

First, we remain concerned that the Postal Service is not adequately communicating its service standards for package delivery to its customers. We understand the standards are 3-2-1 from BMC-SCF-DDU respectively. We also understand that at this time these are just goals, not guarantees. But, where are they published or otherwise communicated to customers? Second, do you have performance goals, e.g. 97 percent 1-day delivery for DDU, by which you will judge performance of Postal Service managers? Will performance be a factor in your compensation program, i.e., in determining bonuses? Third, how will you measure delivery performance? Through delivery confirmation or some other mechanism? Finally, will you publicly report your results?

### Improving Delivery Unit Performance

Our members experience and their work through the Mailers Technical Advisory Committee raises concern about the ability of DDUs to handle increased parcel volumes should the Postal Service be able to grow its package business. Indeed, our members are

aware of many ZIPs today where packages often sit for more than one day, or where efforts to complete delivery are less than determined. What programs are underway or planned to increase awareness at the DDU of the importance of the package business, and to address facility or equipment needs to effectively handle increased package volume?

Affordable, user-friendly delivery confirmation is critical

We know you agree with us that in an ideal world delivery confirmation would be standard and available without charge. We will continue to work with you toward that goal. But there are other aspects of this value-added service that should be addressed.

PSA members are convinced further development is needed on the delivery confirmation product. Shippers know the product needs to be more user-friendly. The customer service divisions of these firms are requesting more of what we call value added services which, in the case of delivery confirmation, means more accessible data. We suggest a joint effort between industry and the Postal Service to find ways to provide these value-added services.

Perhaps delivery confirmation data could be available on an "as needed" basis. Today's program requires you to pay \$0.25 on every package to make sure the data is available when needed. The market response is the cost is too high and as a result little confirmation is being collected. We would like to explore the development of a pay as you use program. This program would require every package to be scanned by the Postal Service to meet the as needed requirement. The customer would pay a set fee for every package for which delivery confirmation data is requested. We should determine what the cost would be for such a pay as you use program. Ancillary benefits to such a program would be higher scan rates (hopefully close to 100 percent), availability of ample data for delivery performance measurement, and data for management purposes to address problem areas and implement corrective action.

We want to continue to work with you. How do you suggest we proceed? Should we charter a working group separate from MTAC or keep under auspices of MTAC, or some other means? And how, on the tactical side for this fall season, do we get an effective, forceful message to field (DDUs) that diligent, determined deliveries (the three Ds) are essential to parcel volume growth? The message should be that nothing should languish in the delivery unit. If recipients aren't responding, be proactive and get the product delivered or picked up.

Sincerely,



James Pierce Myers

cc: Clarence E. Lewis Jr.

**Chief Operating Officer and Executive Vice President  
United States Postal Service**

**John E. Potter  
Operations Senior Vice President  
United States Postal Service**

**Allen R. Kane  
Chief Marketing Office and Senior Vice President  
United States Postal Service**

**Nicholas F. Barranca  
Operations Planning Vice President  
United States Postal Service**

**George A. Martin  
Executive Director BMC Operations  
United States Postal Service**

**Michael Spates  
Manager, Delivery  
United States Postal Service**



## PARCEL SELECT DELIVERY PERFORMANCE JUNE 2007

### DDU Performance

Area	DELIVERY DAYS								
	0	1	2	3	4	5	6	7	8+
Capital Metro	x%	x%	x%	x%	x%	x%	x%	x%	x%
Eastern	x%	x%	x%	x%	x%	x%	x%	x%	x%
Great Lakes	x%	x%	x%	x%	x%	x%	x%	x%	x%
New York Metro	x%	x%	x%	x%	x%	x%	x%	x%	x%
Northeast	x%	x%	x%	x%	x%	x%	x%	x%	x%
Pacific	x%	x%	x%	x%	x%	x%	x%	x%	x%
Southeast	x%	x%	x%	x%	x%	x%	x%	x%	x%
Southwest	x%	x%	x%	x%	x%	x%	x%	x%	x%
Western	x%	x%	x%	x%	x%	x%	x%	x%	x%
<b>Grand Total</b>	<b>x%</b>	<b>x%</b>	<b>x%</b>	<b>x%</b>	<b>x%</b>	<b>x%</b>	<b>x%</b>	<b>x%</b>	<b>x%</b>

### DBMC Performance

Area	DELIVERY DAYS								
	0	1	2	3	4	5	6	7	8+
Capital Metro	x%	x%	x%	x%	x%	x%	x%	x%	x%
Eastern	x%	x%	x%	x%	x%	x%	x%	x%	x%
Great Lakes	x%	x%	x%	x%	x%	x%	x%	x%	x%
Northeast	x%	x%	x%	x%	x%	x%	x%	x%	x%
Pacific	x%	x%	x%	x%	x%	x%	x%	x%	x%
Southeast	x%	x%	x%	x%	x%	x%	x%	x%	x%
Southwest	x%	x%	x%	x%	x%	x%	x%	x%	x%
Western	x%	x%	x%	x%	x%	x%	x%	x%	x%
<b>Grand Total</b>	<b>x%</b>	<b>x%</b>	<b>x%</b>	<b>x%</b>	<b>x%</b>	<b>x%</b>	<b>x%</b>	<b>x%</b>	<b>x%</b>

**Note:** This report reflects delivery performance for Parcel Select packages shipped by several PSA members. Also, the report only includes performance for parcels with both a "start the clock" event (i.e., a scan of the PS Form 8125 barcode when the shipment is unloaded) and a "stop the clock" event (i.e., a scan of the parcel barcode at delivery point).

## ***PARCEL SHIPPERS ASSOCIATION***

1211 Connecticut Avenue NW  
Suite 620  
Washington, DC 20036-2701

Tel: (202) 296-3690  
FAX: (202) 331-8318  
psa@parcelshippers.org

### **PSA Position on USPS Network Realignment**

For almost two years, the Parcel Shippers Association (PSA) has been working with the United States Postal Service (USPS), through the Mailers Technical Advisory Committee (MTAC), to address industry concerns with respect to the USPS Evolutionary Network Development (END) initiative. This follows, and to some extent coincided with, PSA's participation in the USPS Network Integration and Alignment (NIA) effort, and participation before the Postal Regulatory Commission (PRC) in connection with Docket No. N2006-1, Evolutionary Network Development Service Changes, 2006.

In early 2006, PSA formed an END Committee, currently consisting of 12 members from throughout the parcel shipping industry, to provide input to MTAC and the Postal Service on this important issue. The efforts of that Committee led to the establishment of two END-related MTAC Workgroups – WG #107 “FAST/Surface Visibility for Parcels” and WG #109 “Optimizing Parcel Prep & Entry for Seamless Acceptance.” Numerous PSA members have been active on those workgroups.

The END process was encouraged and necessarily accelerated in December 2006 with the enactment of the Postal Accountability and Enhancement Act (Public Law 109-435). Among other things, that law requires the USPS to develop a “Facilities Plan” that must include “a strategy for how the Postal Service intends to rationalize the postal facilities network and remove excess processing capacity and space from the network.”

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.

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## **Consistent Delivery**

PSA members place a higher value on the Postal Service improving the predictability and consistency of delivery, than on reducing end-to-end delivery times, which in turn would result in a higher-cost network. Thus, the USPS should focus on eliminating the delivery tails – which for Parcel Select currently range from 4 to 7 days and sometimes more – experienced by shippers entering parcels at destination bulk mail centers (DBMCs), rather than on increasing the speed of delivery. Investments in facilities, automation, transportation and human resources should focus on improving compliance with the current Parcel Select 1- 2 day delivery standard and the MTAC Work Group #114 Service Standard recommendations for Standard, BPM, Media and Library mail parcels. Achievement of 98% on-time service performance (regardless of package size or ZIP Code) should be the goal. Further, given the importance of consistent, predictable delivery, the initial focus of the END initiative should be on improving service at poor performing facilities where the opportunities for improvement are substantial.

## **End-to-End Cost and Service**

Parcel delivery by the Postal Service is best viewed as a partnership between parcel shippers, consolidators, and the Postal Service. In most instances, parcel shippers and consolidators sort and transport parcels to destination postal facilities where the Postal Service sorts and prepares them for final delivery. Given the extent of this partnership, the Postal Service's competitiveness in the parcel delivery marketplace is determined based upon *end-to-end* costs and transit times (including both Postal Service and private sector cost and transit times), not just USPS costs and service levels. A further consequence of this partnership is that changes to the postal network not only affect USPS costs and delivery times, but also private sector costs to prepare and enter parcels at USPS facilities and the associated transit times.

Given this, when evaluating the impact of END, USPS must take into account not just its internal impact, but also how it affects private sector costs and transit times. Focusing only on the USPS side of the equation would almost certainly lead to a less-than-optimal network. For example, holding service levels constant, adjusting the postal network in a manner that reduces USPS costs by \$1 billion, but increases private sector mail preparation and transportation costs by \$2 billion would be terribly inefficient.

Of particular relevance to the END initiative, requiring parcel shippers to enter parcels at a greater number of destination facilities to qualify for the END equivalent of DBMC rates will increase private sector costs (e.g., transportation costs, containerization costs, handling for additional sorts, expanded dock areas) and transit times (e.g., by requiring shippers to “hold” parcels longer to generate sufficient volume to fill a container for a particular destination facility). Thus, a network that requires parcel shippers to enter parcels at a larger number of destination facilities would have to substantially reduce USPS costs and improve USPS delivery times just to maintain existing end-to-end cost and service levels.

## **Worksharing Discounts**

To garner industry support for realignment and encourage efficient parcel preparation and entry practices, the Postal Service should adjust the size of worksharing discounts that it offers *in unison* with changes to the postal network. Specifically, PSA understands that a likely realignment scenario is for the Postal Service to add “DBMC” entry points to the postal network. As discussed above, such a change would increase private sector transportation costs. Unless worksharing discounts are increased to reflect the USPS cost savings resulting from the additional private sector work, such realignment would increase the distribution costs faced by parcel shippers: postage rates would remain unchanged while private sector transportation costs would increase. Thus, shippers would not benefit even if the realignment increased overall efficiency. See PSA-T-1 in Docket No. R2006-1.

Second, adjusting discounts as the network is realigned to ensure that the discounts continue to be *cost-based* will encourage efficient preparation. As explained by Dr. John Panzar in Docket No. R2006-1, setting discounts equal to costs avoided “leads mailers to choose to perform worksharing if and only if doing so lowers total postal sector costs. The reason is quite intuitive. If the mailer’s cost is less than the discount offered, it is profitable for the mailer to do the work – and total postal sector costs decrease. If the discount is not sufficiently attractive, the Postal Service continues to provide the service component.”

## **Visibility**

For USPS to be competitive in the package delivery market, it must provide both shippers and their customers with the ability to track their packages as they flow through the postal system. As USPS realigns, it must ensure that its equipment is sufficient for this task. In particular, the Postal Service must be able to provide shippers with “scan” data showing where containers and parcels are in the network. Further, to allow parcel shippers to effectively monitor USPS service and effectively plan their mailings, the Postal Service should provide all parcel shippers with service performance data similar to the existing Parcel Select Performance Reports.

## **Containerization**

Containerization requirements have a significant effect on parcel shipping costs. Not only do they affect the direct costs to purchase and handle containers, they also influence shippers’ ability to efficiently utilize trailers, which is a critical driver of private sector transportation costs. For example, eliminating the option of bed loading parcels will likely reduce cubic utilization of trailers by approximately forty percent. Thus, the Postal Service should redesign its network with an eye towards retaining the maximum possible flexibility for containerizing parcels.

In particular, the Postal Service should retain bed loading as a containerization option wherever possible. Further, with the possible introduction of additional entry points, the Postal

Service should consider allowing shippers to use an “intermediate” container – such as the EO, EH, and E containers used by the Air Freight industry – that can hold more parcels than a sack, but less than a pallet. EO, EH, and E containers – which vary from approximately ¼ to ½ of the size of a pallet box – offer easy loading, stacking, cubic utilization, off-loads and facility movement for both USPS and parcel shippers.

Further, the Postal Service (in collaboration with the parcel shipping industry) should develop preparation and entry rules and procedures to ensure the efficient use of containers and trailers, including:

- Reviewing and, where appropriate, modifying rules related to the maximum height of and stacking limits for pallets;
- Establishing procedures to allow parcel shippers to reuse their containers, rather than using them just once;
- Revising preparation rules – e.g., allowing presort minimums to be met based upon combined parcel volume across all subclasses in a mailing, rather than on a subclass-by-subclass basis – to encourage the commingling of multiple subclasses of parcels in the same containers;
- Allowing all parcels – regardless of subclass and machinability – to be entered at the same facilities to qualify for destination entry discounts.

### **Automation**

Increasing the use of automated equipment to process parcels is critical to controlling parcel processing costs and providing shippers with visibility to their parcels as they flow through the postal system. PSA thus applauds the Postal Service for broadening the machinability criteria to encompass lighter weight parcels. As the Postal Service realigns its network, it should attempt to maximize the automated processing of parcels. PSA specifically encourages the Postal Service to --

- Evaluate whether the machinability criteria can be broadened further to include a greater scope of parcel dimensions as well as a greater scope of packaging (e.g. paperboard envelopes and bags which can be run on Automated Package Processing Systems (APPS)).
- Broaden the array of equipment that can read parcel barcodes in an automated fashion, reducing the need for manual intervention to orient and key the zip codes on the packages.
- Work with mailers to develop a smaller Delivery Confirmation barcode that can be accommodated on smaller parcels – e.g., Standard Mail parcels – with limited real estate.

To enhance visibility, the Postal Service should also expand the collection of scan data on parcel processing equipment and continue to share such data with the industry.

**Conclusion**

PSA looks forward to continuing to work with the Postal Service and encourages it to communicate contemplated network changes at early stages in their consideration to achieve END results which benefit all. Adhering to the principles discussed above will make such a result much more likely.