

ORDER NO. 48

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Dan G. Blair, Chairman;
Mark Acton, Vice Chairman;
Ruth Y. Goldway; and
Tony Hammond

Service Performance Measurement
Systems For Market Dominant Products

Docket No. PI2008-1

NOTICE OF REQUEST FOR COMMENTS
ON SERVICE PERFORMANCE MEASUREMENT SYSTEMS
FOR MARKET DOMINANT PRODUCTS

(Issued December 4, 2007)

Section 301 of the Postal Accountability and Enhancement Act (PAEA), Pub L. 109-435, 120 Stat. 3218, requires the Postal Service, in consultation with the Postal Regulatory Commission (Commission), to establish by regulation a set of modern service standards for market dominant products by December 20, 2007.¹ By statute, the service standards must be measured by an objective external performance measurement system, unless the Commission approves the use of an internal measurement system. 39 U.S.C. 3691(b)(1)(D) and (b)(2).

¹ Section 301 of the PAEA is codified at 39 U.S.C. 3691. The Postal Service published its proposed service standards October 17, 2007. See 72 FR 58946.

The Commission and Postal Service have held a series of meetings to discuss service performance measurement issues.² In response to those meetings, the Postal Service has submitted a formal proposal to the Commission setting forth several proposed systems for measuring the service performance of market dominant products.³ The Proposal describes the measurement approaches the Postal Service seeks to use to measure the service performance of its various market dominant mail products. These approaches include, for example, the External First-Class (EXFC) measurement system to measure single-piece First-Class Mail, Delivery Confirmation for parcel-shaped mail, and a hybrid system for presort letters and flats that relies on Intelligent Mail Barcode (IMB) scans and independent, third-party reporters. In addition, the Proposal sets forth by product (or class of mail) the manner in which and the frequency with which the Postal Service proposes to report the service performance data. Lastly, because not all the proposed service performance measurement systems are fully operational, the Postal Service provides an adoption timeline and interim measurement solutions pending development and adoption of longer term measures.

Measurements from existing systems, *e.g.*, EXFC and Delivery Confirmation, will be utilized to report service performance in FY 2008.⁴ Beginning in January 2009, when the use of IMBs will be a prerequisite for certain rate discounts, the Postal Service anticipates being able to report service performance data for all products, except for Within County Periodicals.

The Postal Service seeks approval to move forward with the development of the proposed measurement systems “with the understanding that the approval is for the

² During the course of developing service standards, the Postal Service has also discussed service performance measurement systems with workgroups of the Mailers Technical Advisory Committee.

³ See USPS Service Performance Measurement Proposal, received November 29, 2007 (Proposal), which is reproduced below. The Proposal is also available on the Commission’s website, <http://www.prc.gov>.

⁴ In FY 2008, pilot programs involving IMBs may yield performance measurements as well.

conceptual approach [discussed in the Proposal] and is subject to review of the implemented systems.” *Id.* at 7. More specifically, it requests that the Commission:

Approve the EXFC measurement system for service performance measurement of First-Class Mail single-piece letters and flats, and as a proxy for First-Class Mail presort flats. *Id.* at 7; *see also id.* at 8, 17, and 22;⁵

Approve Delivery Confirmation service for service performance measurement of parcel-shaped market dominant mail. *Id.* at 7; *see also id.* at 22-23, 39, 52, and 53;

Approve a hybrid measurement system based on IMB scans and independent, third-party stop-the-clock scans for service performance measurement of presort letters and flats, *i.e.*, First-Class presort letters, Standard Mail letters and flats, and Periodicals letters and flats. *Id.* at 7; *see also id.* at 9, 20, 33, 35-36, and 43-44;⁶

Approve the use of Red Tag and DelTrak as interim service performance measurements for Periodicals until adoption of IMBs is sufficient to permit use of a hybrid internal and external measurement system. *Id.* at 7; *see also id.* at 43-44;

Approve the International Mail Measurement System (IMMS) for service performance measurement of First-Class Mail International letters, EXFC measurement of domestic single-piece First-Class Mail flats as a proxy for single-piece First-Class Mail International flats, and the measurement of single-piece First-Class Mail parcels as a proxy for First-Class Mail International parcels. *Id.* at 6-7; *see also id.* at 27-30;

Approve the use of internal data for service performance measurement of certain Special Services. *Id.* at 7; *see also id.* at 56-59; and

⁵ To measure First-Class presort flats, the Postal Service proposes to use EXFC data for machine-addressed flats only. *Id.* at 22.

⁶ Presort Package Services flats will be measured using the same approach as Presort Standard flats and be reported on a consolidated basis. *Id.* at 6, n.8, and 35. The Postal Service proposes not to measure single-piece Package Services flats due to the relatively small quantities of such mail. *Id.* at 6, n.9.

Approve the various service performance measurement reporting proposals specified in the Proposal. *Id.* at 7; *see also id.* at 25, 30, 40, 46, 54, and 60.

The Commission's role under section 3691 of title 39 is to consult with the Postal Service concerning the establishment of service standards for market dominant products. The service standards are required to be measured by an objective external performance measurement system, unless the Commission approves the use of an internal measurement system. Section 3691(b)(1)(D) and (b)(2). Given its obligations under the PAEA and the Postal Service's Proposal, which characterizes the various measurement approaches as either external or internal, the Commission is initiating this docket to solicit public comment on the Postal Service's proposed service performance measurement systems.

Interested persons are invited to comment on any or all aspects of the proposed service performance measurement and reporting systems. Comments are due January 7, 2008. Reply comments may be filed no later than January 21, 2008. The Commission intends to evaluate the comments received and use those suggestions to help carry out its performance measurement responsibilities under the PAEA. All comments will be available for review on the Commission's website, <http://www.prc.gov>.

It is ordered:

1. Docket No. PI2008-1 is established for the purpose of receiving comments regarding the Postal Service's proposed service performance measurement systems.
2. Interested persons may submit written comments on any or all aspects of the Postal Service's proposed service performance measurement systems and reporting systems by no later than January 7, 2008.

3. Reply comments may be filed by no later than January 21, 2008.
4. Kenneth E. Richardson, Acting Director of the Office of the Consumer Advocate, is designated to represent the interests of the general public in this docket.
5. The Secretary shall arrange for publication of this Notice in the *Federal Register*.

By the Commission.

Garry J. Sikora
Acting Secretary