

BEFORE THE POSTAL REGULATORY COMMISSION

WASHINGTON, DC 20268

Service Performance Measurement

Systems For Market Dominant Products

Docket No. PI2008-1

**COMMENTS OF THE PARCEL SHIPPERS ASSOCIATION
ON SERVICE PERFORMANCE MEASUREMENT SYSTEMS
FOR MARKET DOMINANT PRODUCTS**

Introduction and Summary

The Parcel Shippers Association (PSA) appreciates this opportunity to respond to the Notice of Request for Comments on Service Performance Measurement Systems for Market Dominant Products. PRC Order No. 48 (December 4, 2007)(Order). That Order requests comments on the United States Postal Service (Postal Service) Service Performance Measurement Proposal (Proposal) which was appended to Order No. 48.¹ This is another step in implementing the Postal Accountability and Enhancement Act.²

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 PSA members is available on the association's 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

¹ In these comments, page numbers of the Proposal refer to the version appended to Order No. 48.

² Pub. L. No. 109-435, 120 Stat. 3198 (Dec. 20, 2006). Many provisions of the PAEA amend title 39 of the United States Code. In these comments section references are to sections of title 39 unless otherwise noted.

best possible service at the lowest possible costs. This docket presents an opportunity to promote both better service and lower costs.

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 §3631(a). PSA members also make extensive use of carriers other than the Postal Service. Its members, however, 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" and are addressed by this Order. See §3621(a).

The Postal Service's Proposal for market-dominant products will undoubtedly impact the service provided for competitive products. Thus, this system has widespread ramifications for the level of overall package delivery service that will be available to PSA members.

Because delivery service performance is critically important to the parcel shipping industry, PSA and its members actively participated in the Postal Service's MTAC Workgroup 114. That workgroup was tasked with making recommendations to the Postal Service regarding service standards.³ In fact, a PSA member chaired the subgroup working on standards for market-dominant packages. PSA and its members also filed comments with the Commission in Docket No. PI2007-1, Service Standards and Performance Measurement for Market Dominant Products, and to the Postal Service in response to its publication of its proposed service standards. Our previous comments addressed a number of issues related to service standards. Our comments here focus only on the Postal Service's measurement and reporting proposals.

In general, PSA believes that the Postal Service's proposal for measuring service performance for parcels is reasonable. Measuring service performance for parcels

³ The Postal Service published its final Modern Service Standards for Market Dominant Products on December 19, 2007. See 72 Fed. Reg. 72216 (Dec. 19, 2007).

using delivery confirmation follows the approach successfully used to measure and improve Parcel Select service performance

PSA applauds the Postal Service's proposal to report service performance data on late-delivered mail. This so-called "tail of the mail" results in customer dissatisfaction and inconvenience. It also results in increased costs for parcel shippers who often must send replacement shipments to satisfy customers waiting for late-delivered items. And, of course, customer return of a second item is often problematic. To better focus attention on this "tail of the mail," PSA recommends that the Postal Service add a column to its "mail variance" reports showing the percentage of mail that is not delivered within three days of the applicable service standard. Highlighting this undesirable service situation will focus management attention on correcting it.

PSA, however, is quite concerned about several aspects of the Postal Service's proposal for reporting service performance.

1. Standard Mail parcels⁴ and First-Class Mail parcels are distinct products for which performance should be reported separately.

To meet the needs of parcel shippers and the requirements of the PAEA, the Postal Service should report performance results for Standard Mail and First-Class Mail parcels separately. It should not include them in aggregate reports with letters and flats.

The Postal Service's proposal to report aggregate Standard Mail and First-Class Mail service performance (i.e., across all shapes, rather than *by shape*) does not adequately "take into account...the needs of Postal Service customers," see §3691 (c)(3), particularly parcel shippers, or meet PAEA's explicit reporting requirements. See §3652.

As PSA has communicated to the Postal Service on numerous occasions, such aggregate reports provide no useful information about the Postal Service's performance

⁴ For the purpose of these comments, "Standard Mail parcels" includes not flat-machinables (NFM's).

in delivering parcels since the parcel performance is masked by that of letters and flats.⁵ Thus, such aggregate results are of little value to PSA members. For example, since parcels comprise less than one percent of volume in both Standard Mail and First-Class Mail, the Postal Service could post high delivery performance scores for these classes in aggregate while performing quite poorly in delivering Standard Mail and First-Class Mail parcels. The parcel results would simply be lost in the aggregate. Further, the Postal Service's performance for delivering letters and flats, which represent essentially all of Standard Mail and First-Class Mail, is not a good proxy for its parcel delivery performance because parcels are prepared differently and processed through different equipment than are letters and flats. They are, in essence, in a different mail stream. Only by coincidence would letter and flat service performance results reflect what was happening with parcels.

In addition to not meeting the needs of parcel shippers, reporting performance essentially at the "mail class" level as the Postal Service proposes does not meet the explicit requirement of the PAEA to report performance by *product*. Section 3652 of the PAEA requires the Postal Service to submit to the Commission an annual compliance report that, "for *each market dominant product* provided in such year, provides[s] ... measures of the quality of service afforded by the Postal Service in connection with such product, including...the level of service (described in terms of speed of delivery and reliability) provided." (Emphasis added).⁶ Standard Mail parcels and First-Class Mail parcels are distinct products for which performance should be reported separately.

Furthermore, reporting performance for Standard Mail and First-Class Mail parcels separately from the other mail in these classes can be done at little additional cost to the Postal Service. As shown in Table 1 below, the Postal Service plans to measure performance for millions of Standard Mail and First-Class Mail parcels in FY 2009 and calculate parcel service performance separately from letter and flats. It just

⁵ PSA communicated this point through MTAC Workgroup 114, Docket No. PI2007-1 comments, *Federal Register* comments, and at Parcel Shippers Association meetings attended by Postal Service officials.

⁶ Similarly, §3691(b)(1)(D) says an objective of service standards is "[t]o provide a system of objective external performance measurements for *each market-dominant product* as a basis for measurement of Postal Service performance" (emphasis added).

doesn't plan to report them separately. This volume will grow further as the Postal Service increases the percentage of parcels sampled for performance measurement. See USPS Proposal at 16.

Table 1. Volume of Parcels Included in USPS Service Performance Measurement

Category	Number of Parcels
First-Class Mail Retail Parcels	14 million
First-Class Mail Presort Parcels	4.5 million
Standard Mail Parcels	2.7 million
Package Services Retail Parcels	14 million
Package Service Presort Parcels	5 million

Source: Proposal at 22, 24, 43, 52, and 54.

Finally, the need for reporting industry-wide parcel service performance is reinforced by the fact that many Standard Mail and First-Class Mail parcel shippers cannot purchase delivery confirmation for their parcels because the currently used delivery confirmation barcode is too large to fit on their parcels. Thus, in today's environment, industry-wide, rather than company-specific, reports are the only way these shippers can monitor Postal Service delivery performance. Although the Postal Service and the parcel shipping industry are working to solve this barcode "real estate" problem, no solution is imminent. The PRC should strongly encourage the Postal Service to continue its efforts to resolve this problem.

2. Service performance for parcels can and should be reported at a much more granular level than proposed.

As discussed above, the Postal Service proposes to measure performance for millions of parcels in each major market-dominant class of mail except Periodicals. PSA believes that this data set should be shared with the parcel shipping industry at a much more granular level than is being proposed. This will allow parcel shippers to

better plan their operations and work more effectively with the Postal Service to resolve service issues at little incremental cost to the Postal Service. There should be little additional cost because no additional data collection will be required.

To facilitate information sharing, the PRC should encourage the Postal Service to make more detailed performance reports available to parcel shippers (either through formal reporting to the PRC or reporting to shippers through the Postal Service website, www.usps.com). These reports should be modeled after the Parcel Select performance reports that are already available at mailtracking.usps.com.⁷ The Parcel Select performance reports allow shippers to view summary reports (e.g., by Area or District) and drill-down to more detailed reports. At a minimum, the Postal Service should provide parcel shippers with performance information at the following level of detail:

By month

By entry point (origin, DBMC, DADC, DSCF, DDU)

By destination 3-Digit ZIP Code

By origin 3-Digit ZIP Code

3. Retail Package Services performance should not be used as a proxy, even in the short term, for Presort Package Services performance.

PSA is concerned with the Postal Service Proposal to use Package Services retail parcel performance as a “short-term” proxy for the performance of Package Services presort parcels until performance measurement systems for presort parcels are established. Proposal at 11. In particular, we are concerned that this proxy will understate service performance for presort parcels and could lead the Postal Service to set inappropriately low performance goals for them.

⁷ For more detail on these Parcel Select performance reports, see <https://mailtracking.usps.com/mtr/resources/ppr/resources.pge>

For example, USPS on-time delivery performance for retail packages is only 55.6%⁸ while Parcel Select (i.e., destination-entered Parcel Post) on-time service performance generally exceeds ninety percent. The much higher on-time performance scores for Parcel Select than for retail packages is quite logical because workshared parcels require less processing than do retail parcels, which reduces the opportunity for service delays.

Because Package Services presort parcels are, by definition, workshared, PSA believes that Parcel Select on-time service performance would serve as a better short-term proxy for the service provided for Package Services presort parcels.

Conclusion

In general, PSA believes that the Postal Service's proposal for measuring service performance for parcels is reasonable, but it still falls short for parcel shippers.

Standard Mail parcels and First-Class Mail parcels are distinct products for which performance should be separately reported; not merely included in the overall data for letters and flats. Such performance measurements will not supply the needs of package shippers and, we believe, the Postal Service proposal is non-compliant with the PAEA requirement for an annual report to the Commission on the performance for each separate product. Delivery confirmation is simply impractical for many shippers because of the real estate problem on their parcels; there simply is not enough room, and no solution is imminent.

Parcel shippers also need a more detailed performance report made either to the PRC or to shippers. This detailed reporting should be modeled after the Parcel Select performance reports.

The proposal to use the retail Package Services performance as a proxy for presort Package Service performance is inadequate, even in the short term. Such

⁸ www.usps.com/serviceperformance/

reporting will understate presorted package performance and could lead to low performance goals for those packages. The use of Parcel Select on-time performance would be a much better short term proxy.

Respectfully,

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