



Association for Postal Commerce

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November 15, 2007

Ms. Wanda Ayala
U. S. Postal Service
Modern Service Standards for Market-Dominant Products Comments
P.O. Box 23280
Washington DC 20026-3280

Re: Proposed Rule, Modern Service Standards for Market-Dominant Products, CFR Vol 72 No. 200, 58946-58970

Dear Ms. Ayala:

We are writing regarding the proposed Modern Service Standards for Market-Dominant Products, published by the USPS in the Federal Register on October 17, 2007. Our comments represent feedback from our large membership, which is comprised of such companies as direct marketing firms, printers, lettershops, suppliers, and others who either use or support the use of mail for business communication and commerce.

Historically, PostCom has been integrally involved with all initiatives relative to establishing meaningful service standards and performance measurement for all market-dominant products.

MTAC Workgroup 114.

PostCom co-chaired the Mailers Technical Advisory Committee (MTAC) workgroup tasked with providing the USPS with recommendations on development of modern service standards for all market-dominant products (MTAC Workgroup #114). The workgroup was comprised of nearly 200 representatives and held over 45 meetings between February and September 2007. The output of this effort was a 131-page recommendations report, which was issued to the Postal Service on September 21, 2007.

PostCom commends the Postal Service for utilizing the MTAC process to obtain feedback from business customers on their needs from modern service standards and service performance measurement. PostCom supports the recommendations of the MTAC Workgroup, and commends the Postal Service for the aspects of its proposed service standards that reflect the Workgroup's recommendations.

Some recommendations from the workgroup are not included in the USPS' proposed service standards. In its comments below, PostCom reiterates the importance of these recommendations and the need for further dialog between the USPS and its business customers on these issues.

Issues Related to Service Standards for All Market-Dominant Products.

PostCom members are concerned with the following issues pertaining to all market-dominant products:

1. Critical Entry Times (CETs). The MTAC Workgroup raised significant issues concerning Critical Entry Times (CETs). CETs are integrally linked to service standards because the standard applies to mail entered prior to the CET. Service performance measurement must also be linked with CETs, in order

for the USPS to be held accountable to the appropriate service standard. For purposes of measurement, presumably, mail entered after the established and published CET will be considered entered on the following day.

Despite the laudable efforts of MTAC Workgroup 114, a number of issues surrounding CETs and service standards/measurement remain to be resolved. The Postal Service should consider these issues in collaboration with its customers. These issues include: how local USPS facilities establish and change CETs and how that information is communicated to mailers; how major customer needs are taken into account by local facilities in establishing CETs; how mailers will obtain CET data for all USPS facilities in order to model their operations to meet the appropriate CET; how CETs will be linked to service performance measurement systems; and USPS plans to establish national standardized CETs for Standard Mail and Package Services.

PostCom anticipates that CET policy changes may be included in the plan that the USPS must submit to Congress and the Postal Regulatory Commission (PRC) prior to June 20, 2008. PostCom urges the Postal Service to collaborate with its business customers during the process of developing this plan so that appropriate feedback can be obtained on the impact of CET policies being considered by the USPS.

PostCom strongly supports MTAC Workgroup 114's recommendation that a new MTAC workgroup be formed to explore the issues raised by CETs.

2. Improving Service Consistency. Product users for all market-dominant categories expressed their business need for more consistent service during the MTAC Workgroup 114 meetings, and included recommendations designed to improve and measure USPS service consistency in the group's final report.

Consistent and predictable service is a critical need for all market-dominant product users, and speed of delivery is also important to more time-sensitive product groups such as First-Class Mail and Periodicals. In all cases, however, product users unequivocally agreed that inconsistent service (e.g., the "tail of the mail") has a significant adverse impact on their businesses.

The MTAC Workgroup recommended several steps designed to improve service consistency, including establishment of USPS consistency performance goals and measurement for all market-dominant products, as well as specific consistency goals recommended for First-Class Mail and Package Services. Such goals would provide the USPS with a specific number of days beyond the applicable service standard to achieve 99% delivery (e.g., for First-Class Mail with a 2-day service standard, the consistency goal would be to achieve 99% delivery within a total of 5 days).

PostCom urges the Postal Service to establish performance goals and measurement systems designed to identify and reduce the "tail of the mail," both in terms of the volume of mail that does not achieve the primary service standard as well as the length of the "tail" (e.g., the total number of days to delivery). PostCom recommends that measurement reporting for each product group include the percent of mail delivered "on-time" to the service standard as well as the percent of mail delivered by day, both earlier and later than the service standard, until 99% of delivery has been achieved.

3. Service Performance Goals. Although MTAC Workgroup 114 made several recommendations relative to the establishment of service performance goals for each market-dominant product group, postal officials participating on the workgroup advised industry participants that establishment of service performance goals would come under the auspices of the USPS and Postal Regulatory Commission and would be part of the June 2008 plan due to Congress/PRC.

PostCom supports MTAC Workgroup 114's recommendation that performance goals should be aggressive, attainable, and affordable. PostCom also supports the Workgroup's recommendation that service performance goals, measurement, and reporting to illustrate service performance consistency (e.g., the percent of product volume delivered each day before, on, and after the service standard) as well as on-time service performance. PostCom supports the Workgroup's recommendation that performance goals be reviewed and raised over time.

4. Shape-Based Distinctions. During MTAC Workgroup 114's work, postal officials discouraged workgroup participants from recommending shape-based service standards within product groups, advising participants that although different mail shapes may be processed in different operations, the product groups are combined in terms of dispatch and transportation, therefore the same service standard should apply to all shapes in a product group (e.g., all First-Class Mail letters, flats and parcels). Accordingly, MTAC Workgroup 114 did not recommend separate shape-based service standards within product groups. The Workgroup did recommend, however, that measurement systems report separate service performance results by shape (letters, flats, parcels) within each product group.

At the November 7, 2007, Mailers Technical Advisory Committee (MTAC) meeting, the USPS presented its service performance measurement proposal. During that presentation, the USPS emphasized that it will measure service performance only for "that for which a service standard is established." PostCom members are concerned that the measurement reporting by shape within each product group, which the MTAC Workgroup 114 participants were assured by the Postal Service would be performed, now is not part of the USPS' measurement plan.

PostCom recommends re-visiting the issue of shape-based service standards. While this could be a daunting task with a challenging time line (since the Postal Accountability and Enhancement Act requires new standards to be established by December 20, 2007), PostCom members advise that having service performance measurement data reported by shape is critically important to their businesses. This data likely is critical to the USPS as well, and we envision that the USPS will have the data available to perform service issue resolution diagnostics. It is imperative that mailers also have access to this data. At minimum, PostCom recommends that the USPS provide mailers with service performance reporting data separated by shape.

5. Non-Contiguous U.S. Locations. The Postal Service proposes, for all product groups, new service standards for non-contiguous United States locations, which it says are based on existing network capabilities.

While PostCom makes no recommendation on the specific service standards proposed by the USPS for 3-digit ZIP Code origin/destination pairs, we do recommend that the USPS conduct a review of its service standards for non-contiguous U.S. locations once a year's worth of service performance measurement data is available. The purpose of this review would be to re-evaluate the service standards for non-contiguous U.S. locations, with customer input, to determine if these baseline standards should continue. Product users are concerned that the standards should reflect the USPS' existing network and not add or extend the time for delivery beyond that currently being achieved.

6. Communications and Information Resources. PostCom reiterates the recommendations of the MTAC Workgroup that the USPS needs to improve its communications and information resources relative to service standards.

The information as to what the existing service standards are for market-dominant products is difficult to locate on the USPS web site and currently is not in a logical place (currently located in the Address Management section of the USPS' web site).

In addition, the USPS provides, on subscription request at no charge, software with the existing service standards by origin/destination 3-digit ZIP Code pairs, however few business mailers are aware of the software and how to obtain it.

Service standards information should be part of the product information for each product, as well as part of the rate/service tools the USPS provides customers to help them determine how to mail items. There should also be a dedicated area on the USPS' web site for service standards and service performance measurement information, resources, and tools. PostCom concurs with the MTAC workgroup's recommendations that a web-based tool be developed to allow users to determine specific service standards by product, shape, entry, and specific 3-digit ZIP Code origin/destination pairs, as well as a flat data file with the information for more sophisticated users that include this information in their mail preparation and tracking systems.

The USPS in its proposed rule does not discuss how the service standards information will be available to customers. PostCom requests that the USPS address this issue in its final rule so that customers know where and how to obtain the service standards in the future.

First-Class Mail Service Standards Issues.

The following issues pertain specifically to the USPS' proposed First-Class Mail service standards.

1. Remittance Mail and Caller Service Issues. The Remittance Mail industry is a crucial segment of First-Class Mail, and a segment heavily used by financial services companies, credit card companies, retailers, utilities, and others, for receipt of bill payment by consumers and businesses. Over \$20 billion is carried in the remittance mailstream on any given day (source: USPS web site), and the service given to these funds directly affects cash flow management for both the recipient and the mailer.

Consistency of service is extremely important to First Class mailers that depend on remittance mail. The "tail of the mail" (e.g., mail not delivered within the standard) is a serious issue for remittance mail. Payments not received on time cause late charges to be incurred by the consumer, interest rate increases in some cases, deterioration of credit rating, and negative consequences for both the consumer and remittance mailer. Delayed receipt of bill payments for small businesses can seriously disrupt cash flows. Additional payment reminders or collection notices are sent in many cases when the payment is not received on time. Lastly, delayed receipt of remittance payments causes significant loss of interest to those business mailers.

Changes in USPS mail processing operations often cause the timeliness of remittance mail processing and delivery to vary widely. The impact of this is severe. Product customers spend additional labor going back and forth to post offices to attempt to collect all available remittance mail - sometimes on an hourly basis. In addition, these customers spend additional labor hours handling customer complaints, which often are the result of substandard delivery service. For remittance mail, it is crucial that the Postal Service apply consistency goals and measurement to ensure that the amount of mail not delivered within the service standard is aggressively reduced, and that the length of time for delivery of this mail is reduced (e.g., the length of the "tail of the mail").

PostCom urges the Postal Services to ensure that service performance consistency goals are established, that consistency is measured and reported for all products, and that additional steps be taken to improve service for the remittance mail industry.

Another serious issue, not only for the remittance mail industry but for fulfillment operations and other industry segments, is the availability of mail delivered via Caller Service. The USPS in its proposed rule states that, "it is infeasible to establish a service standard for Caller Service pickup." This is unacceptable to these product users. Caller Service is not the same as P. O. Box service, it is a premium service for which mailers pay significantly more than for a P.O. Box. Having no service standard for Caller Service pickup times means that the local postal facility can deliver that mail to whatever standard they deem appropriate, as long as it is no worse than the P.O. Box "up time." Remittance mail processors, fulfillment service companies, and other users of Caller Service need consistency and predictability of end service because the volumes and availability of mail has a critical impact on their staffing needs and operations.

PostCom stresses the need for service standards for Caller Service, and urges the Postal Service to develop standards that meet the needs of these product users.

2. Forwarded/Returned Mail. MTAC Workgroup 114 made comprehensive recommendations for development of service standards/expectations for mail that is forwarded or returned by the USPS. Specific standards were recommended for Change of Address (COA) orders, and forwarded mail. The USPS does not address these recommendations in its proposed rule, or include any discussion of how it plans to develop such standards in the future.

PostCom recommends that within one year from the implementation of these modern service standards, the USPS propose service standards for forwarded/returned mail and Change of Address

(COA) orders. The USPS should begin service performance data collection for this mail at the same time as measurement for First-Class Mail, for the purpose of developing service standards for forwarded/returned mail. We continue to support the principle of "that which is measured, is improved," and accordingly recommend that service standards and measurement processes be developed that are designed to improve the performance of these services.

Standard Mail Service Standards Issues.

PostCom commends the USPS and Postal Regulatory Commission (PRC) for updating the service standards for Standard Mail, which have not been comprehensively reviewed or updated by the Postal Service in over 30 years. PostCom also commends the Postal Service for proposing destination-entry standards which recognize the existing Standard Mail environment, in which over 75% of the volume is drop shipped.

The following issues pertain specifically to the USPS' proposed Standard Mail service standards.

1. Specific Service Standards. Because existing service standards are outdated, PostCom members compare the proposed standards to available service performance data (CONFIRM), and to the Fall Mailing Guidelines published by the USPS beginning in 1998 and used by Standard Mail users in planning their Standard Mail service expectations. In many cases, mailer's data show that their existing service performance is better than the proposed standards, particularly for drop ship-entered Standard Mail, which represents about 75% of Standard Mail volume. Thus, the proposed service standards, particularly those applicable to destination-entered mail, may not be aggressive enough to ensure that existing service levels will be maintained.

PostCom recommends that the USPS establish aggressive, attainable and affordable service standards for Standard Mail that, at a minimum, reflect current service. In addition, PostCom recommends that the USPS re-evaluate the service standards for Standard Mail after one year's service performance data is available, to determine that the standards reasonably ensure that service performance is maintained and improved over time.

2. Aggressive Service Performance Goals. PostCom recommends that the USPS establish aggressive, attainable, and affordable service performance goals for Standard Mail, with a plan for improvement over time. PostCom recognizes that the establishment of service performance goals will be accomplished as part of the plan that the USPS is required to provide to Congress/PRC in June of 2008. It is our position that service performance goals are interrelated with service standards.
3. Negative Impact of Early Delivery. PostCom recommends that the service standards, performance goals, and measurement systems for Standard Mail letters and flats recognize the negative impact of early delivery on product users. MTAC Workgroup 114 recommended that Standard Mail service standards for letters and flats (not Standard Mail parcels) be developed as a 2-3 day window range of days. While the USPS' proposed service standards imply a range of days in that delivery prior to the proposed service standard is considered to have met the service standard, the proposed standards do not recognize or discourage early delivery of Standard Mail.

Standard Mail letters and flats users are adversely affected by early delivery. Standard Mail users generally model their mail preparation, entry, and drop-ship operations, as well as staff incoming telephone ordering operations, based on an anticipated 2-3 day delivery window. A broader delivery window (e.g., less predictable delivery) is particularly problematic for Standard Mail letters/flats users that perform multiple mailings in the same week. Timing the pre- and post-mailing activities often associated with Standard Mail use is impossible for multi-promotion weeks if the potential delivery window is 5 days, such as that proposed by the Postal Service for Destination BMC-entered drop ship Standard Mail.

While the USPS' proposed service standards for DDU-entered mail (2 days) and SCF-entered mail (3 days) generally meet the needs of Standard Mail product users (including Standard Mail parcels) in terms of offering a 2-3 day delivery window, the USPS' proposed DBMC-entered mail service standard (5 days) does not. PostCom recommends that the Postal Service further consider reducing the proposed DBMC delivery window for Standard Mail to recognize the impact of early delivery and to better meet the business needs of product users, particularly for destination-entered Standard Mail.

4. Seasonality. Standard Mail letters and flats (not parcels) product users are concerned with the typical downgrades in service performance experienced during the heavy fall mailing season (September through December). It is critical that during this peak usage period, product users can predict service performance. MTAC Workgroup 114 had recommended that an additional one day be added to the service standards for Standard Mail letters and flats during this period, so that product users' service expectations would match the reality of USPS service performance during a period when the network capacity typically is exceeded.

The USPS has not proposed any adjustment in service standards during the heavy fall mailing season for Standard Mail. PostCom feels that it is unrealistic to expect that the USPS will achieve the same service standards for Standard Mail letters/flats in October that it might in May. It is unclear how the USPS intends to maintain the necessary service levels in the fall mailing season to consistently meet the service standards. PostCom members would rather have the service expectations modified slightly during this period than have the USPS incur significant costs to maintain service performance. Consistency and predictability are key to Standard Mail product users. Predictability would not be achieved merely by adjusting annual or monthly performance goals.

PostCom recommends that the USPS continue to work with Standard Mail letters and flats users to determine the best way to establish and achieve reasonable and cost-effective service standards for Standard Mail letters and flats during the fall mailing season.

5. Requested In Home Dates. Inconsistent and unpredictable USPS service performance for Standard Mail has led to the widespread use of mailer "Requested In Home Dates" on mail pieces, unit loads (e.g., bundles), or containers. MTAC Workgroup 114 makes extensive recommendations relative to the use of Requested In Home Dates (RIHDs).

PostCom supports the recommendations of the MTAC Workgroup and recommends that the USPS attempt, where practical, to continue to honor the mailer Requested In Home Dates, even when the dates are later than existing service standards would deliver. PostCom supports the MTAC Workgroup's recommendation that another workgroup be formed to discuss issues relative to how service performance data for RIHD mail is included in service performance measurement systems. PostCom recommends that as much RIHD mail as possible be included in service performance measurement as this represents a considerable Standard Mail volume, and service-sensitive industry segment (retail/catalog).

6. Bound Printed Matter (BPM) Flats. The USPS does not mention BPM flats in its proposed service standards, but generally states that Bound Printed Matter is included in the Package Services service standards. MTAC Workgroup 114 recommended that Bound Printed Matter (BPM) flats be subject to the same service standards as Standard Mail flats because, as confirmed by postal officials participating on the workgroup, they are processed in the same mailstream and transportation. PostCom supports this recommendation.

Package Services Mail Service Standards Issues.

The following issues pertain specifically to the USPS' proposed Package Services Mail service standards.

1. Package Services Standards. PostCom commends the Postal Service for its proposed end-to-end Package Services standards, which reduce the total potential service standard range from the current 2-9 days to a proposed 2-8 days. PostCom also commends the Postal Service's proposed destination-entry standards which recognize the existing Package Services mail environment.
2. Standard Mail Parcels. In its proposed service standards, the USPS includes all Standard Mail shapes in the Standard Mail service standards, rather than applying the Package Services standards to all parcels. MTAC Workgroup 114 recommended that drop ship-entered Standard Mail parcels be subject to the same service standards as other drop ship-entered Package

Services because, as confirmed by postal officials participating on the workgroup, they are processed and transported in the same mailstream.

PostCom supports the recommendations of MTAC Workgroup 114 that drop ship-entered Standard Mail parcels should be subject to the same service standards as other parcels (Package Services). At minimum, Standard Mail parcel service performance should be measured and reported separately to support future re-evaluation of the service standards with the goal of having one set of standards for all parcels that are processed and transported in the same mailstream.

Service Standards for Special Services.

MTAC Workgroup 114 included an extensive section in its final report dedicated to numerous recommendations for service standards for a variety of USPS Special Services that predominantly are used by business mailers. Very few of these recommendations are included in the USPS' proposed service standards for Special Services.

PostCom members support all the Special Services recommendations made by the MTAC Workgroup. But PostCom must emphasize the importance of the service standards recommendations for electronic mail tracking services such as Confirm and Delivery/Signature Confirmation. These services represent the core data upon which much of the USPS' proposed service performance measurement and reporting solutions will be based. If there are no standards to ensure the completeness, accuracy and quality of this data, then the underpinnings of the USPS' measurement system come into question.

In addition, the quality, integrity, timeliness and completeness of the data returned to customers that pay for these services is a fundamental and integral part of the service. Without standards around these aspects of the service, the USPS is not held accountable when it does not provide what customers have paid for.

Accordingly, PostCom urges the Postal Service to further review MTAC Workgroup 114's recommendations for service standards for all Special Services, particularly those for Confirm and Delivery/Signature Confirmation. In addition, PostCom makes recommendations to establish service standards for Caller Service (see previous section in this document) that meet the needs of those product users.

Future Review of Service Standards and Measurement Systems.

The USPS in its proposed rulemaking notes,

"After the establishment of baseline modern service standards as a result of this rulemaking, the Postal Service intends to place a high priority on annual internal review of the service standard day ranges and business rules for its market-dominant products. The Postal Service expects to consider the aforementioned statutory factors as a part of any such internal review. As a part of this review, the Postal Service, at its discretion, may solicit either informal or formal public comment regarding current standards or proposals for change. The Postal Service also will give due consideration to its obligation to formally request advisory opinions from the PRC regarding any changes which may be at least 'substantially nationwide' in scope, under the terms of 39 U.S.C. 3661."

MTAC Workgroup 114 issued comprehensive recommendations on developing a formal ongoing review process for service standards and measurement. The recommendations included a quarterly update of service standards for minor changes, as well as a more in-depth annual review of service standards and measurement that included a collaborative process between the USPS and product users.

PostCom supports the recommendations of MTAC Workgroup 114 and recommends that the USPS and PRC work to establish a formal review process for evaluating service standards and measurement against product user needs, USPS network capabilities and mail trends.

Service Performance Measurement and Reporting Issues.

Although the USPS does not include in this rulemaking any proposals relative to service performance measurement and reporting, PostCom believes these processes are intimately linked to service standards. While service standards identify an abstract goal, performance measurement and reporting will help the Postal Service and product users identify and resolve service issues and ultimately, consistently meet the standards.

PostCom urges the Postal Service to publish full details of its proposed measurement and reporting solution in the Federal Register for comment, with a minimum 60-day comment period. In addition, PostCom concurs with MTAC Workgroup 114's recommendation that customer collaboration in developing a measurement and reporting solution is key to its success, and recommends that the USPS continue to engage product users through the MTAC venue as it develops its measurement and reporting proposals as well as the end processes necessary to support that system.

In Conclusion.

PostCom appreciates the opportunity to comment on the Postal Service's proposed service standards for market-dominant products, as well as the opportunity to provide and encourage further input from product users relative to processes inter-related with service standards, such as service performance measurement and reporting.

If you have any questions, or if I can be of any service to you, please be sure to contact me.

Sincerely,

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

Gene Del Polito
President