

**BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON DC 20268-0001**

SERVICE PERFORMANCE MEASUREMENT)
SYSTEMS FOR MARKET DOMINANT PRODUCTS) Docket No. PI2008-1

**COMMENTS OF
NATIONAL POSTAL POLICY COUNCIL
(January 18, 2008)**

The National Postal Policy Council (“NPPC”) respectfully submits these comments in response to Order Nos. 48 and 49, *Service Performance Measurement Systems For Market Dominant Products*, issued by the Commission on December 4 and 11, 2007, and published in the Federal Register at 72 Fed. Reg. 72395 (December 20, 2007).

Although the Postal Service’s performance measurement systems obviously will require further development, testing and refinement for a number of years, the proposals set forth in the Notice are an excellent start. The Postal Service should be commended in particular for proposing to rely on a combination of EXFC and IMB data as an interim measure, and for expanding the number of 3-digit areas covered by the EXFC measurement system. 72 Fed. Reg. at 72396, 72398-72400, 72401.

Certain aspects of the proposals, however, warrant modification or expansion. In these comments, we discuss the following issues: (1) measurement issues (start-the-clock and critical entry times); (2) reporting issues (geographic disaggregation and frequency of reports, and reporting the distribution of variance from standard (tail-of-the-

mail), and disaggregation by shape); and (3) specific measurement issues for particular services (remittance and reply mail and caller service).

I. MEASUREMENT ISSUES

A. Start-The-Clock

As the Commission recognizes in its Notice, the start-the-clock point is an important definitional issue for performance measurement. 72 Fed. Reg. at 72396 § II.B, 72398 § II.C.2.1, 72402 § II.C.3.3.3, 72406 §§ II.C.5.2.2 and 5.3.2. Appropriate measures of service performance must reflect the elapsed time for end-to-end service, not just the time between intermediate points that fail to include both original entry and ultimate delivery. While the latter data may also be useful, much of the potential delay in mail service occurs at the extremes of the network—at the point of entry, before containers of mail receive their initial processing, and at the delivery unit.

The Notice is not entirely clear, however, on precisely when the measurement clock shall start to run. At several points, the Notice states that the starting point is the “documented arrival time at the Postal Service unit.” 72 Fed. Reg. 72402 § II.C.3.3.3 (Presort First-Class Mail); *id.* at 72407 § II.C.5.2.2 (Standard Mail Non-Carrier Route Letters). Presort First-Class and Standard mail generated by a large mailer, however, typically is accepted at the mailer’s facility by a detached mail entry unit clerk. For this mail, the clock should start running when the Postal Service clerk accepts the mailing or the postal truck leaves with the mail.

When mail is entered at a Postal Service facility rather than at the mailer’s premises, the clock should start running when the mail arrives at the Postal Service

facility and is available for unloading. Mail on trucks may wait for hours after its arrival at a Postal Service facility before unloading by the Postal Service. Deferring the start-the-clock moment until Postal Service employees unload and scan the containers in the trucks would result in performance data that ignore a potentially significant component of potential delay in end-to-end service.

B. Critical Entry Times (“CET”)

Critical entry times (“CET”) should also be specified in the service standards, and changes in CETs should be subject to the same review process as changes in delivery times. Advancing the critical entry time forward is equivalent to moving the delivery time backward. Advancing the CET for a First-Class mailing from 9:00 PM to 3:00 PM, for example, effectively disqualifies a substantial portion of the mail entered during that day for next day delivery in the overnight service area. For that mail, an additional day has been added to its delivery time. This is a significant issue for NPPC’s members. Large mailers can generate tens of thousands of pieces of mail in an hour—for some mailers close to a hundred thousand pieces. A five hour advance in the CET change could amount to a one-day delay in delivery for several hundred thousand pieces of mail each day from such a mailer.

Accordingly, there should be clear and detailed guidelines to govern the establishment and change of CETs. The standards need to be flexible to meet Postal Service logistic requirements, but CETs should not be based arbitrarily on the earliest logistic requirement, or modified in an ad hoc fashion that could cause discrimination or competitive injury among mailers.

Finally, CET data should be made available to mailers in a timely, accurate, and user-friendly fashion, preferably through a web-based system along the lines recommended by MTAC Workgroup 114.

II. DATA ISSUES

The Postal Service has proposed to measure the performance of both presort First-Class and Standard Mail letter service with a combination of IMB and EXT data. 72 Fed. Reg. at 72396, 72398-72400, 72401, 72407. NPPC supports this approach. We note, however, that the effectiveness of this scheme, and the reliability of the resulting data, will depend on the adoption rate of IMB by these mail classes, as well as the reliability, accuracy and functionality of the IMB-based component of the measurement system. It is unclear at this point how fast the IMB will mature and, in particular, when the Postal Service will specify the necessary business requirements (including tray and pallet labeling, electronic documentation, FAST, etc.), and how mailers will convert to IMB. These issues warrant careful monitoring by the Commission.

III. REPORTING ISSUES

A. Geographic Disaggregation and Frequency of Reports

Performance reports that are highly aggregated in terms of geography handicap mailers from protecting themselves by changing their mail entry locations, and allow regional or local service problems to evade public scrutiny. Likewise, performance data that are more than a few weeks old have diminishing value for mailers in the day-to-day management of their businesses.

The Postal Service has proposed quarterly reporting for both First-Class and Standard Mail, aggregated by administrative district. 72 Fed. Reg. at 72402 § II.C.3.7.1; *id.* at 72408 § II.C.5.7.1. Quarterly data have little value, however, except as historical artifacts. Likewise, performance reports should be disaggregated by geography as finely as the data permit. For now, performance be reported quarterly at the District level, and monthly by 3-digit ZIP Code pairs, with rollup to AADC and District.

B. Reporting The Distribution Of The Variance From Standard (“Tail of the Mail”)

As a number of commenters have emphasized, the performance reports should indicate not only the *average* time for mail delivery between two points, but the *distribution of the variance* from standard for the portion of the mail that is delivered late (sometimes referred to as the “tail of the mail”).

The “tail of the mail” issue is particularly acute for the remittance mail industry. Every additional day that a remittance transaction remains undelivered imposes an equal additional cost on the addressee, based upon the size of the payment and the collecting firm’s cost of capital. Additionally, bill payers generally hold the payment processor responsible for any delays in payment posting that cause late fees, interest rate increases, credit rating deterioration, or other negative consequences – whether the actual cause was within the payment processor’s control or not. In particular, many bill payers time the release of payment with expectation of mail performance and have little forgiveness for deviation. The remittance industry needs a performance measurement system that distinguishes the distribution of late delivery by days of lateness.

The Postal Service, recognizing the need for reporting on the degree of variance from standard, has proposed a quarterly report showing the distribution of variance from standard. 72 Fed. Reg. at 72403, § 3.7.1 (presort First-Class Mail); *id.* at 72409 § 5.7.1 (Standard Mail). This proposal is insufficient in several respects, however. First, the reporting should be provided each month, not just quarterly. Second, the variance reported should not be arbitrarily truncated at 3 days beyond the standard. Rather, mail variance should be reported until the cumulative portion of the mail delivered reaches 99 percent. In addition, the Service should also provide reporting that reflects “early mail delivery”—i.e., within a shorter period than specified by standard. For many mailers—e.g., senders of Standard Mail solicitations—avoidance of premature delivery is also an important dimension of service performance.

C. Disaggregation by Shape

Performance reports should also be disaggregated by shape. Letters and flats are, to a large extent, processed on different equipment, and actual performance can vary significantly by shape. The lack of shape-specific performance data prevents mailers from making informed decisions regarding format choice, properly staffing call centers, and managing relationships with customers. Averaging performance data across the shapes within a class also obscures service performance changes resulting from realignment of the postal network or the implementation of Flat Sequencing System (“FSS”) and other shape-specific equipment.

IV. SPECIFIC ISSUES RAISED BY PARTICULAR MAIL CATEGORIES AND SPECIAL SERVICES

A. Remittance and Reply Mail

As NPPC and others have noted, businesses that rely on remittance and reply mail need a specific measurement system for these kinds of mail. Measures of performance that are adequate for First-Class Mail generally are insufficiently precise and disaggregated for remittance and reply mail, for which changes in performance of just a few hours can have enormous financial consequences.

Given that this mail is likely to carry Intelligent Mail Barcodes in any event, developing the measurement capabilities for this mail should be relatively straightforward. The Postal Service could start the clock at the facer-canceller, and set standards for both date and time of delivery. Failure to adopt at least some measurement system promptly could have a serious financial impact to remittance mailers, and handicap the Postal Service in competing with electronic payment systems.

B. Caller Service

For similar reasons, specific service standards should also be established for post office box caller service. Businesses that use a post office box to receive payment mail typically collect mail from the box several times a day, and sometimes hourly. Service reported in terms of in time-of-day “uptime” does not provide the necessary specificity and precision.

The Postal Service has proposed to deal with these concerns through individually negotiated arrangements, rather than a uniform service standard. The option of individually negotiated arrangements for Caller Service certainly should be permitted. Minimum generally-applicable standards are necessary, however, as a baseline.

CONCLUSION

NPPC respectfully requests that the Commission base its recommendations on the principles stated in these comments.

Respectfully submitted,

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