BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC  20268-0001

Service Performance Measurement )
Systems for Market Dominant Products )

Docket No. PL2008-1

VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS’ ASSOCIATION, INC.
COMMENTS ON SERVICE PERFORMANCE MEASUREMENT
SYSTEMS FOR MARKET DOMINANT PRODUCTS
(February 18, 2008)

BACKGROUND

On December 4, 2007, the Commission issued Order No. 48, Notice of Request for
Comments on Service Performance Measurement Systems for Market Dominant Products,
requesting comments on the Postal Service’s proposed performance measurement systems
(“Postal Service proposal”). The original deadline for comments was January 7, 2008, and the
deadline for reply comments was January 21, 2008. Commission Order No. 49 extended the
deadlines for comments to January 18, 2008, and for reply comments to February 1, 2008.

Valpak Direct Marketing Systems, Inc., and Valpak Dealers’ Association, Inc.
(hereafter “Valpak”) hereby submit these joint comments in response to Order No. 48.

Under the Postal Accountability and Enhancement Act (“PAEA”), Public Law 109-435, the Postal Service is required to measure actual performance against service standards for
market dominant products (which it issued on December 19, 2007, 72 Fed. Reg. 72216) by
“objective external performance measurements.” The Postal Service may substitute an
“internal measurement system” with approval of the Commission. 39 U.S.C. § 3691(b)(1)(D)
and (b)(2).
The Postal Service’s proposal for service performance measurement was submitted to the Commission as part of a proposal requesting approval of several internal measurement systems. Although PAEA appears to give the Commission only the authority to approve or disapprove internal measurement systems, the Commission requested comments on the entire Postal Service proposal. See Order No. 48, p. 4.

Decisions of the Commission on approvals requested by the Postal Service are significant for two reasons. First, results of service performance measurements will be part of the Postal Service’s Annual Compliance Report to the Commission (39 U.S.C. § 3652(a)(2)(B)) and the Commission’s subsequent Annual Compliance Review (39 U.S.C. § 3653(b)(2)). Second, noncompliance with service standards is subject to review by the Commission based on filing of a complaint (39 U.S.C. § 3691(d)). Although the Commission has not issued regulations governing complaints, it is anticipated that the Postal Service’s service performance data could be important evidence in such complaint cases, particularly if a complainant sought to demonstrate system-wide noncompliance, or a pattern of noncompliance involving a particular product, or a Postal Service effort to degrade service to reduce costs.
COMMENTS

I. SATURATION LETTERS AND CARRIER ROUTE FLATS SHOULD BE MEASURED SEPARATELY.

The Postal Service’s Service Performance Measurement proposal groups Standard Mail (a) Saturation letters and (b) Carrier Route flats together in the same category for measurement.¹ No explanation is provided as to why this decision was made, other than that both types of mail are primarily DSCF-entered, and that they share certain (unspecified) “distinct characteristics.” See Postal Service proposal, section 5.4, pp. 36-38.

Saturation letters not only have a different shape than Carrier Route flats, they are prepared differently and processed separately. All saturation letters are barcoded, and many are run over delivery point sequence (“DPS”) equipment. Currently, no Carrier Route flats are required to be barcoded, and none are run over letter DPS equipment. Further, only automation flats, and no Carrier Route flats, will be required to be barcoded in January 2009. See Advance Notice of Proposed Rulemaking: Implementation of Intelligent Mail Barcodes, 73 Fed. Reg. 1158 (January 7, 2008). And, Carrier Route flats — even if later required to be barcoded — will never be run over letter DPS equipment, although they may be run on Flats Sequencing System (“FSS”) equipment. Moreover, under the current product listing,

¹ The Postal Service proposal states that Carrier Route flats constitute 12.29 percent of the total mailstream in FY2006 (p. 36), but this is not accurate. In FY2006, the billing determinants show that there were 12.053 billion Carrier Route commercial nonletters and 1.006 billion Carrier Route nonprofit nonletters, for a total of 13.059 billion Carrier Route nonletters, which is 6.15 percent of the total domestic mailstream (and almost all of these nonletters were flats). Although the Postal Service states no comparable percentage for saturation letters, there were 3.534 billion commercial saturation letters, and 0.653 billion nonprofit saturation letters, for a total of 4.187 billion pieces, which is 1.97 percent of the total domestic mailstream.
Saturation letters and Carrier Route flats are different products. See Commission Order No. 43, Appendix A, p. 4. Aggregating these categories would make it impossible to distinguish between service for these two separate products, if such information were to become necessary.

II. THE AUTHORITY TO EXCLUDE MAIL FROM MEASUREMENT MUST BE REGULATED.

The Postal Service proposal states:

Mail that does not meet mail preparation standards will be excluded from service performance in order to ensure that the system produces a valid, reliable measurement score. [P. 37.]

It is not entirely clear which mail preparation standards are being referenced. For example, it is possible that this could reference the mail preparation requirements to qualify for “full service” Intelligent Mail Barcode (“IMB”).

The Postal Service proposal anticipates that only 25 percent of Standard Mail will participate in service performance measurement by January 2009. See Postal Service proposal, p. 42. This raises a question about the accuracy of a measurement based on only 25 percent of the mail. If it is known that performance is being measured only for mail with the full service IMB, it is conceivable that systematic efforts would be made to provide such mail with better service, e.g., give it priority in handling, starting at the acceptance unit. That, in turn, would produce a biased result. Alternatively, a second measurement system could be developed for the other 75 percent of standard mail.
It is assumed that the above-referenced text applies to currently operative mail preparation standards, not involving IMB. If so, there is some logic to this statement, as improperly prepared mail would adversely affect performance data. However, this raises the question as to how improperly prepared mail gets accepted by the Postal Service, and into the mail stream. It also raises a question as to the volume of such mail. If no record is kept of the volume of mail excluded, and the reason therefor, such an unlimited authority could result in an erroneous ad hoc finding that mail standards were met. This one provision could introduce an undesirable escape hatch into the measurement system that could jeopardize reliability of the results obtained.

III. THE POSTAL SERVICE PROPOSAL IS UNCLEAR AS IT APPLIES TO MEASURING SERVICE FOR SATURATION FLATS.

The Postal Service proposal is not clear with respect to DDU-entered mail. Of course, since the discount for DDU-entry of saturation letters was eliminated in Docket No. R2006-1, the overwhelming volume of this Standard DDU-entered mail is now Standard ECR saturation flats. The Postal Service proposal states:

To facilitate an accurate “start-the-clock,” mailers will prepare mail with IMBs and submit electronic mailing information that describes the mail profile. During mail induction, the Postal Service will scan barcodes to record mail arrival at sites that are equipped with scanners. At other sites, the “start-the-clock” will be the documented arrival time at the Postal Service unit…..

For presort letters and flats entered at Delivery Units that do not receive processing scans, postal delivery personnel will scan IMBs to indicate intention to deliver same-day. The delivery factor differential for the performance measurement between the
date of the **last IMB scan** and the date reported in-home will be
determined for each mail category.  [Pp. 9-10, emphasis added.]

The meaning of the latter of the two above-quoted statements is unclear, for the reasons set out
below. First, is the scan of the intent to deliver same-day intended as:

(i) the “start-the-clock” scan, or

(ii) the “stop-the-clock” scan?

If the former, this language implies that the “start the clock” scan would occur on the
same day that the Postal Service intends to deliver — not when the mail is inducted, implying
same day delivery. Previously, the Postal Service proposed that the service standard
applicable to DDU entered mail is two days — not same-day service. *Final Rule, Modern
Service Standards for Market-Dominant Products*, 72 Fed. Reg. 72216, at 72229, Dec. 19,
2007. It is unclear if this same-day “intention” is at odds with, or constitutes an implicit
modification of the service standard for DDU entered mail. If so, it should be made clearly
and directly. Further, Postal Service proposal states “the start-the-clock” for Standard Mail
saturation flats will be the documented time of arrival at the Postal Service unit. Postal Service
Proposal, section 5.5.2. It does not specify how this documented time of arrival will be
recorded, which is not inherently obvious, as neither the mail itself, nor the bundles or
containers have a barcode that can be scanned.

However, if it is a “stop the clock” scan, such procedure would seem to obviate the
role of reporters, while rendering performance reporting of DDU-entered saturation flats
vulnerable to manipulation by delivery personnel.
To elaborate, it appears that neither Carrier Route nor Saturation flats will be required to have IMBs under the USPS Notice of Advance Rulemaking. See generally Advance Notice of Proposed Rulemaking: Implementation of Intelligent Mail Barcodes, 73 Fed. Reg. 1158, 1159 (January 7, 2008). Therefore, for DDU-entered saturation flats the “start the clock” scan seemingly would be of the pallet or other container at the time of acceptance, as described in the first of the above-quoted statements — not when delivery personnel intend to deliver. The Postal Service proposal states “[i]n order to be included in service performance measurement, Standard Mail saturation flats mailers must provide electronic mailing information.” Postal Service proposal section 5.5.1. No express requirement or option for mailers is discussed in section 5.5 (regarding Standard Mail Saturation Flats) of using “Intelligent Container barcodes” for Saturation Flats, as apparently there is for Carrier Route Flats and Saturation Letters as discussed in section 5.4 (Standard Mail Carrier Route Flats & Saturation Letters). If there will be “Intelligent Container barcodes” for saturation flats, this option should be made express. Even assuming there are “Intelligent Container barcodes” for saturation flats, how reporters [or delivery personnel] would “stop the clock” is not clear. Elsewhere, the Postal Service proposal advises that it is:

exploring methods for external reporters to capture the “stop-the-clock,” such as encouraging mailer adoption of [unique] IMBs for this mail category or through the application of alternate barcodes that will allow postal delivery unit personnel to “stop-the-clock” via scanning. As a contingency, the external service measurement contractor will be required to train reporters to

2 See p. 37, § 5.4.3, which states that “unique barcodes are not required on carrier route or saturation flats.”
The Postal Service only speculates how the problem can and will be solved with respect to Saturation flats. See discussion at section 5.5.3 (p. 38), where the options apparently include “alternate barcodes” and manually recording delivery.

We would urge that the Commission obtain further information as to (1) how the Postal Service will “start-the-clock” and “stop-the-clock” for these Carrier Route and Saturation Flats, (2) whether the exemption from IMBs for Saturation Flats makes sense, (3) whether there will be an “Intelligent Container barcode” for Saturation Flats available even as an option, and (4) whether Saturation Flats (like Saturation Letters) should be required to use IMBs to facilitate performance measurement.³

IV. THE POSTAL SERVICE AND THE COMMISSION SHOULD BE OPEN TO THE POSSIBILITY THAT REPORTERS MAY NOT BE NEEDED IN THE FUTURE FOR STANDARD MAIL.

The Postal Service proposal states:

The end-to-end service measure will have two parts, (1) how long mail pieces take to get through processing, and (2) how long mail takes from the last processing scan to arrive in-home — the second portion will be used as a delivery factor differential to

³ Requiring such IMBs for saturation flats (as will be required for saturation letters) would allow the Postal Service the additional flexibility for Saturation flats to be processed on FSS equipment (just as saturation letters can be processed on DPS equipment), should that operational approach be optimal in certain circumstances. Exempting saturation flats from the IMB requirement makes that mail difficult to sort without incurring large expense, so that it can only be brought to the street as a third-bundle, and the number of third-bundles which can be handled in this way are limited in many circumstances.
determine the percent of mail not delivered on time even though it made through processing timely. [P. 9.]

For letters, the first part can be described as from “start-the-clock” to final DPS scan. The second part can be described as from final DPS scan to “stop-the-clock” with reporters. These reports will be examined to see whether delivery occurs on the same day as the final DPS scan. Should it be determined over a sufficiently long period of time that delivery can be reliably expected the same day as the final scan on DPS equipment, then it might be that the reporter function for Standard Mail could be reduced or even phased out sometime in the future, saving the associated costs. For example, thus far, some mailers have found from their own observations that Confirm data from DPS scans are reliable in predicting delivery dates.

V. THE POSTAL SERVICE PROPOSAL NEEDS TO BE CLARIFIED WITH RESPECT TO THE VOLUME OF MAIL GOING TO A REPORTER.

The Postal Service proposal states: “The volume of mail going to a reporter will remain unchanged” (p. 13). It seems clear that the Postal Service can control the volume of First-Class single piece mail going to a reporter, since it is seeded. However, for First-Class presort and Standard Mail, each of which is mailer-initiated (and not seeded), the Postal Service proposal does not explain how it plans to control “the volume of mail going to [an anonymous] reporter” such that “the volume of mail … will remain unchanged.” Although one could speculate, the document does not explain why holding volume constant is necessary to measure service performance. It would clarify the record if the Commission would request clarification with respect to each of these points.
VI. THE POSTAL SERVICE SHOULD CLARIFY WHETHER QUARTERLY PERFORMANCE DATA WILL CONSTITUTE A REPRESENTATIVE SAMPLE FOR EACH DISTRICT.

The Postal Service plan for Service Performance Measurement states (p. 40) that “quarterly reports will provide service performance scores for letter, flat, and parcel-shaped Standard Mail.” Inasmuch as this statement distinguishes each shape — rather than simply referring to “all Standard Mail” — it is not clear whether separate quarterly reports will be available for letters and flats in the format shown, or whether only one report covering all shapes will be made available. Since letters, flats, and parcel-shaped pieces are processed separately, Valpak suggests that (1) separate reports for letters and flats would be helpful, and (2) if the volume of data are not sufficient to support separate reports initially, the Postal Service should aim for separate reports when use of the IMB increases to a level sufficient to support separate reports. With respect to quarterly service performance for Standard Mail, and the proposed format for reporting thereon (shown on p. 40), Valpak would pose the following questions and suggests that the Commission seek clarification before approving the proposed plan:

- Will quarterly performance data for Standard Mail at the district level be representative of, as well as statistically valid for, each district?
- If those quarterly performance data will not be sufficient to be considered representative at the district level, what is the minimum level (e.g., area, region, nation) at which such quarterly data can be considered representative, as well as statistically valid?
If quarterly performance data for Standard Mail will not be representative of performance within each district, to what use should such data be put?

What is the average number of reporters planned for each district? For each area?

Will the location of those reporters be distributed in rough proportion to the rural, suburban, and urban population within each district?

If not, what needs to be done to assure that data collected for Standard Mail are representative of performance within the district?

What is the fewest number of reporters planned for any district?

It is vital that the Postal Service and its contractor insure that data generated by external reporters constitute a representative sample because, as noted previously, these service performance data could become important evidence in complaint cases. Since these performance data could become the foundation for a decision by the Commission, the measurement system approved now must be representative, lest Postal Service later be positioned to argue that the performance data resulting from this new measurement system are inappropriate because they do not constitute a representative sample.

VII. THE VARIANCE REPORT FOR STANDARD MAIL CAN AND SHOULD BE IMPROVED.

When tracking performance, accurate measurement and reporting of service that does not constitute timely delivery should be viewed as an integral component of any plan to
measure service performance. In recognition of this need, the Postal Service’s plan proposes a quarterly Variance Report for some of the Standard Mail which fails to meet the service standard (commonly referred to as “the tail of the mail”). Commendably, the Variance Report for Standard Mail, on page 41 of its proposed Service Performance Measurement plan, would show Standard Mail delivered within 1, 2, or 3 days of the established service standard.

With respect to Service Standards previously proposed by the Postal Service, comments by mailers from every class mentioned that a matter considered extremely important is consistency of performance — as opposed to delivery that is erratic and inconsistent. That is, the larger the volume of mail that falls into the tail of the mail, and the longer the tail, the more inconsistent is delivery performance. Conversely, the smaller and shorter the tail, the more consistent is delivery performance. Thus, changes in the tail of the mail are directly correlated with consistency. Significantly, the only report capable of shedding light on consistency of performance is the variance report.

Valpak, like many other mailers, is extremely interested in knowing about the consistency of delivery, and hence, in having a variance report that reflects the full extent of failure to meet the established service standard. In this regard, Valpak notes that the proposed format conveys no information on Standard Mail that is delivered in excess of 3 days beyond the service standard. Regrettably, Valpak knows of occasions when it has experienced 2-week delivery of its SCF-entered mail, and Valpak respectfully suggests that mail delivered 10 to 12 days late receives substantially worse service than mail delivered only 1 to 3 days late. Consequently, Valpak recommends that Commission approval of the Variance Report for Standard Mail, as proposed on page 41 of the Postal Service’s proposed Service Performance
Measurement plan, be conditioned upon the Postal Service expanding the proposed variance report to include the **average number of days** by which all measured pieces were delivered in excess of the service standard. Generating this recommended statistic is a straightforward exercise, does not require any additional effort on the part of reporters, and can be calculated readily, as described below.

Succinctly, under the Postal Service’s proposed plan, each piece of measured mail will have a “stop-the-clock” date, as recorded by scans from the reporters. Therefore, for all pieces reported as not meeting the service standard, the number of days late will be available. Indeed, this is the information that the Postal Service proposes to use when compiling late-delivered pieces into the 1-, 2-, and 3-day columns of the proposed variance report. The statistic for average days late is:

\[
\frac{n}{\sum_{i=1}^{n} x_i d_i}
\]

where \( x_i \) represent each piece of mail reported as delivered beyond the service standard, \( d_i \) is the number of days that the \( i^{th} \) piece of mail exceeded the standard, and \( n \) is the total number of pieces recorded as having failed to meet the standard. The advantage gained by adding this statistic is that it is a comprehensive measure that includes and reflects all recorded mailpieces not meeting the established service standard.

The average days late statistic can be used as a proxy for inconsistency of delivery service, and it readily enables quarter-to-quarter comparisons indicating changes in consistency. Admittedly, it is not the only possible comprehensive statistical measure based on
all late-delivered pieces. Other measures also could be constructed. However, one advantage of the average days late statistic is that it is easy to explain, easy to comprehend, and easy to compile. At a minimum, Valpak suggests that the Variance Report needs to include one comprehensive statistic focused exclusively on late-delivered Standard Mail.

VIII. THE ANNUAL COMPLIANCE REPORT NEEDS TO INCLUDE A VARIANCE STATISTIC THAT REFLECTS CONSISTENCY OF DELIVERY.

As indicated in the preceding section, an integral component of service performance measurement is additional information on mail that does not meet the established service standard, *i.e.*, information on the *extent* to which such mail did not meet the service standard. The purpose of the quarterly Variance Report is to provide mailers with such information. Valpak suggests that the easiest way to provide this information in the Annual Compliance Report would be to add a single column that compiles the quarterly average days late statistic into a single, annual average days-late statistic. This would require the addition of only a single column, and a single statistic to the proposed Annual Compliance Report shown on page 42, and would not unduly burden the report.

The need for such additional information can be illustrated by referring to the Postal Service’s FY 2007 Compliance Report. There, on page 17, the Postal Service reports that only 57.7 percent of all Package Services pieces with delivery confirmation received timely delivery, and no information whatsoever is provided on the extent to which the other 42.3 percent of Package Services pieces were late-delivered. Were all of these other Package Services pieces delivered only 1 day late? Were half of them 1 day late, and the other half 2
days late? How many were delivered more than 2 days late? Aside from observing that 57.7 percent does not seem like a very high achievement level, how is one supposed to interpret the single statistic provided?

CONCLUSION

For the foregoing reasons, it is recommended that the identified clarifications should be sought from the Postal Service, and the specified improvements should be made in USPS Service Performance Measurement.

Respectfully submitted,

William J. Olson
John S. Miles
Jeremiah L. Morgan
WILLIAM J. OLSON, P.C.
8180 Greensboro Drive, Suite 1070
McLean, Virginia  22102-3860
(703) 356-5070

Counsel for:
Valpak Direct Marketing Systems, Inc. and
Valpak Dealers’ Association, Inc.