

Before the  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Service Performance Measurement )  
Systems For Market Dominant Products )

Docket No. PI2008-1

PUBLIC REPRESENTATIVE INITIAL COMMENTS  
IN RESPONSE TO NOTICE OF REQUEST FOR COMMENTS  
ON SERVICE PERFORMANCE MEASUREMENT SYSTEMS  
FOR MARKET-DOMINANT PRODUCTS

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Pursuant to the notice and request for comments,<sup>1</sup> the Public Representative designated by the Commission in this proceeding<sup>2</sup> hereby files initial comments on the United States Postal Service's proposed service performance measurement system.<sup>3</sup> Comments "on any or all aspects of the Postal Service's proposed service performance measurements systems and reporting systems" are to be filed no later than January 18, 2008. Reply comments may be filed no later than February 1, 2008.<sup>4</sup>

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<sup>1</sup> "Notice of Request for Comments on Service Performance Measurement Systems for Market Dominant Products" (Order No. 48), December 4, 2007.

<sup>2</sup> The "Public Representative" representing the interests of the general public in this proceeding was designated in Order No. 48.

<sup>3</sup> "United States Postal Service, Service Performance Measurement," November, 2007, filed December 4, 2007 (hereinafter "Proposal").

<sup>4</sup> "Order Modifying Due Dates for Comments," December 11, 2007.

## I. OVERVIEW

This proceeding arises pursuant to the PAEA requirement for the Postal Service to establish “a system of objective external performance measurements for each market-dominant product as a basis for measuring the Postal Service’s performance.” (§3691(a)(1)(D)). The Act further provides *internal* measurement systems may be implemented “with the approval of the Postal Regulatory Commission.” (§3691((a)(2)). The Postal Service’s filing requests the Commission to approve six specific performance measurement systems for market-dominant products and to approve specified reporting proposals (Proposal at 7). The burden is on the Postal Service to justify its internal measurement systems.

Three issues are of particular concern for current and future administration of the PAEA and they are discussed below, followed by a section-by-section analysis of the Proposal that highlights several proposed performance measurements needing evaluation and/or justification, modification or expansion.

First, the Postal Service measurement systems will provide significant improvement compared to the current measurement systems. The Postal Service will now measure performance for several areas of service not previously measured. However, unless the measurement proposal is modified, there will remain significant areas of service performance that will not be sufficiently measured, most particularly in the areas of First-Class Mail services relating to the processing of forwarded mail and change-of-address requests. These comments specifically address those issues.

Second, the performance measurement systems fail to adequately address a fundamental objective of the PAEA to enhance the value of postal service to both

senders and recipients. (§3691(b)(1)(A)). The proposed measurement systems fail to address one of the factors which shall be taken into account in establishing service standards: “the degree of customer satisfaction with Postal Service performance in the “acceptance ...and delivery of mail.” (§3691(c)(2)). The Postal Service does poll customer satisfaction, but the reported results fail to measure a broad spectrum of customer views and, in some respects, the Postal Service’s reported compilations fail to adequately provide for a measure of customer satisfaction in specific areas. Moreover, there is a lack of customer satisfaction information in the areas of service involving the “acceptance” and “delivery” of mail. These comments also address the insufficient method of reporting customer satisfaction studies. Finally, the proposal does not appear to survey whether its service meets “the needs of Postal Service customers, *including* those with physical impairments.” (Emphasis supplied, §3692(c)(3)).

The Commission should require the Postal Service to undertake additional external measures of performance (or internal measures, if justified) of customer satisfaction. If the Postal Service is to carry out the mandate that it *shall* take into account factors relating to customer satisfaction, then the Postal Service must establish appropriate external measures of customer satisfaction to determine whether the service standards established meet that criteria. Otherwise, establishing service standards without continuing checks on all aspects of customer satisfaction, subject to verification and validation, would be unresponsive and not in compliance with the PAEA.

Third, a Service Quality Index for Postal Service performance should be established to more readily and precisely determine the adequacy of the Postal Service’s overall performance and its progress in reaching its stated performance goals.

Unless some quantitative index is compiled for performance measurement, accurate accountability for the many products and services offered by the Postal Service will be extremely difficult and overly subjective. The Commission can use a Service Performance Index as a tool to measure consistently and accurately the Postal Service's progress toward meeting the service performance goals of the Postal Service.

Lastly, the comments in Part VI, below, track the specific sections of the Postal Service's filing and offer suggestions and observations on many of the product performance measures in addition to the three primary areas addressed as summarized above.

## II. LEGAL STANDARD FOR COMMISSION APPROVAL OF INTERNAL MEASUREMENT SYSTEM

### A. Burden and Criteria for Justifying Internal Measurement Systems

The burden is squarely upon the Postal Service to justify any request for an internal measurement system. The PAEA does not provide an express standard or test to apply for approving an internal measurement system rather than an external measurement system. As a first step in assuring adequate Postal Services, the PAEA required the Postal Service, in consultation with the PRC, to establish service standards. The Postal Service issued those standards pursuant to consultation with the PRC. The standards established were based upon four enumerated objectives and several factors. One of the objectives in establishing service standards is to provide for an "objective external performance measurement" for each market-dominant product. Congress clearly favored an external system for measurement of performance. The PAEA provides the external measurement system must be "objective," but does not

include that as a criterion for an alternative internal measurement system approved by the Commission.<sup>5</sup>

Implicitly, §3691(b)(2) logically anticipates the Commission's approval should rest upon whether an internal measurement system will achieve the minimum of any reasonably sufficient measurement system. More desirable, would be an internal measurement system that achieves the level of measurement accuracy that an objective external measurement system would provide. The cost of measuring performance must also be a factor in deciding the appropriateness of a measurement system, whether external or internal.

#### B. Tests for Approving Internal Measurement Systems

The mere absence of an external measurement system is not sufficient grounds to permit an internal system. Nor, within a wide range, should the potential cost of an external measurement system be a factor in the decision. If the potential cost is claimed as a factor, then the Postal Service is bound to compare specific cost estimates for an external system to cost estimates of an internal system. In addition, if the Postal Service claims a rate impact from using a costly external system, that too should be demonstrated.

In the absence of specific legislative guidance on the standards for approving an internal measurement system, some initial direction may be found in the Kappel Commission Report, the report that led to the Postal Reorganization Act of 1970.<sup>6</sup> That

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<sup>5</sup> Section 3691(b)(2) provides: Implementation of Performance Measurements—With respect to paragraph (1)(D), with the approval of the Postal Regulatory Commission an internal measurement system may be implemented instead of an external measurement system.

<sup>6</sup> "Towards Postal Excellence," *The Report of the President's Commission on Postal Organization, June 1968* ("Kappel Commission Report") at 4-5.

early report argued the necessity for adequate performance measurement. There is no doubt where the Kappel Commission stood: it favored development of measurements of service that would be continuous and scientific and provide systematic market information. (*Id.*) Sufficient quantitative data (as opposed to data limited to that found in favorable press releases) must be regularly and consistently available.<sup>7</sup>

Internal measurement systems should meet several tests before they are approved. The Commission should apply those tests to determine whether an internal measurement system may be approved in lieu of an external system. Apart from meeting the basic burden of persuasion, in the absence of specific legislative guidance for Commission approval, an internal measurement system should pass several tests.

Does the internal measurement system:

1. measure the product or type of mail intended;
2. provide regular and consistent data;
3. provide scientific (statistically valid) measures;
4. provide documentation that is valid and verifiable; and
5. provide unbiased results?

Also, is the internal measurement system transparent and, subject to the requirements of confidentiality, will the Postal Service make the documentation available?

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<sup>7</sup> Relevant is a comprehensive OCA motion filed with the Commission in a previous omnibus rate case which discussed the Kappel Commission Report and expressed the need for continuing, regular, and scientific performance measurement. See, "Office Of The Consumer Advocate Motion Requesting The Commission To Institute Rulemaking Proceeding To Establish Periodic Reporting Requirements For The United States Postal Service For Quality Of Service Performance Standards And Measurements And To Amend Rule 54 To Require The Most Current Performance Standards And Measurements To Be Included In Formal Requests For Changes In Rates And Fees," Docket No. R2005-1, October 25, 2005 at 17.

The Commission should apply these tests to each of the six requests and the reporting proposals put forward by the Postal Service for approval.

C. Comment on the Postal Service's Statistical Methodology

The Postal Service will use a variety of approaches in collecting sample data for the start-the-clock/stop-the-clock observations used to measure delivery performance.

The approaches can be summarized as follows:

The EXFC will continue to be used to measure delivery performance for First-Class Mail.

Intelligent Mail Barcode scans will be used for a variety of other mail types, with start-the-clock occurring at mail induction and reporters using scanners for stop-the-clock. In addition, given that mail is scanned at the delivery unit, the Postal Service has indicated that it will be possible to measure by proxy the elapsed time for the "last mile," the transportation from the Delivery Unit to the final destination.

The International Mail Measurement System (IMMS), Red Tag, and DelTrak will be used for periodicals in certain situations.

The Postal Service will collect delivery time information for samples of mail for the evaluation of its progress in meeting its performance standards. In order for a sample to be representative of the population, a number of conditions must be met:

Is the sample representative of the originating mail? For example, the Postal Service will not be tracking mail that does not use Intelligent Mail Barcode (IMB) scans.

Are the sample origination points representative of the population of origination points?

Are the destination points representative of the population of destination points?

Are there significant exclusions—such as misreads and omitted reads-- from the sample?

An analysis of the above questions is needed for each measurement in order to reach definitive conclusions concerning Postal Service performance in meeting service standards. It would also be desirable for the Postal Service to present analyses of the level of accuracy and precision, with supporting calculations, for each product offered to enable the Commission to approve the proposed measurement system.

### III. MEASUREMENT OF FORWARDED AND CHANGE-OF-ADDRESS PROCESSING FOR FIRST-CLASS MAIL MUST BE REQUIRED

Conspicuous by its absence is any Postal Service plan for the measurement and reporting of forwarded First-Class Mail that is undeliverable-as-addressed (UAA).<sup>8</sup> Apparently, given its unwillingness to propose service standards for forwarded First-Class Mail, the Postal Service also considers any measurement or reporting of forwarded First-Class Mail to be unnecessary.

The Postal Service's failure to propose any formal and regular measurement or reporting for forwarded First-Class Mail will virtually eliminate public scrutiny and make more difficult systematic Commission evaluation of one of the most problematic aspects of the service performance of First-Class Mail. However, the Postal Service's failure to propose a measurement or reporting plan should not preclude the Commission from specifically requiring the measurement and reporting of forwarded First-Class Mail, by external means if necessary.

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<sup>8</sup> First-Class Mail that cannot be forwarded is returned to the sender. DMM 300, §507.1.5.1. The comments here will focus almost exclusively on improving the service performance of forwarded First-Class Mail, including the processing of change-of-address information filed by customers with the Postal Service.

Similarly, the Postal Service has also failed to prescribe meaningful service standards such as scan rates for several other Special Services such as CONFIRM, Delivery/Signature Confirmation, and Certified Mail as recommended by the MTAC Report.<sup>9</sup> Accordingly, the Postal Service does not propose to measure scan rates for those Special Services. Although the Commission could specifically require performance measurements for those Special Services, these comments focus only on the two most egregious omissions of service standards and measurement: forwarded First-Class Mail and UAA.

The requirement to forward (or return) mail that cannot be delivered to the address specified on the mailpieces is a service feature of First-Class Mail that is paid for by all mailers purchasing First-Class Mail postage. Moreover, it is a valued service feature for both individuals and businesses. For individuals, more than 40 million of whom move each year:<sup>10</sup>

[s]uch moves typically generate requests for change-of-address (COA), which provide the Postal Service with new address information, permitting individuals and households to continue receiving personal correspondence, credit card statements, and other important communications from family, friends, and businesses. (Footnote omitted)

For businesses:<sup>11</sup>

Updating address lists with change-of-address information is not only essential to maintain and further business relationships but is also required to obtain discounted rates.

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<sup>9</sup> Mailers Technical Advisory Committee (MTAC) Workgroup # 114, *Establish Service Standards and Measurement*, "Final Recommendations Report," ("MTAC Report") September 20, 2007.at 84, 96, 98, respectively.

<sup>10</sup> MTAC Report at 25.

<sup>11</sup> *Id.*

Despite the importance of forwarded mail to individual and business mailers, the processing of COA requests and forwarded mail remains the Achilles' heel of First-Class Mail service performance. Individual and business mailers' service performance expectations for the timely processing of COA requests and forwarded mail are frequently unmet. According to the most recent data available from the Postal Service, a total of 1,254,739 customer complaints were reported by the Postal Service during Quarters 1 and 2 of FY 2005. Of these complaints, 263,125, or 20.9 percent, concerned "Change of Address"—the single largest subcategory of complaints.<sup>12</sup> Within the "Change of Address" subcategory, the most frequent complaints were "No Mail Received at New Address," followed by "Didn't Start as Requested" and "Some Mail Delivered to Old Address."<sup>13</sup> Similarly, for all of FY 2004 and for Quarters 3 and 4 of FY 2003, complaints concerning "Change of Address" ranked as the first and second most common complaints, respectively.<sup>14</sup> Such concerns are especially troublesome to businesses, which "often bear the brunt of customer complaints when valued mail is not delivered in a timely fashion at their new address."<sup>15</sup>

Moreover, the forwarding (and return or wasting) of undeliverable-as-addressed First-Class Mail remains a large and costly problem for the Postal Service. In FY 2004, the most recent year available, 3.33 billion pieces of First-Class Mail were UAA, representing 3.4 percent of total First-Class Mail, with nearly 64 percent of the UAA mail

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<sup>12</sup> Docket No. R2005-1, "USPS Response to Interrogatory DFC/USPS-3," Attachment at 13-18. The "Change of Address" subcategory is found in the largest category of complaints, entitled "Delivery/Mail Pick-up."

<sup>13</sup> *Id.* at 13.

<sup>14</sup> *Id.* at 1-12.

<sup>15</sup> MTAC Report at 25.

originating as presorted or automation pieces.<sup>16</sup> The total cost to process undeliverable-as-addressed First-Class Mail, including the processing of address correction notices, was \$1.03 billion.<sup>17</sup>

In its *Federal Register* notice presenting the “final rule” establishing modern service standards for market-dominant products, the Postal Service rejected comments urging it to establish service standards for forwarded mail, stating:

The Postal Service does not consider utilization of specific mail processing operations in forwarding market-dominant mail to constitute a distinct market-dominant product for which section 3961 [of the PAEA] requires consideration of the establishment of a service standard. (Footnote omitted)

Nevertheless, in a footnote, the Postal Service states:<sup>18</sup>

This is not to suggest that the Postal Service is averse to capturing additional operational data that would help it to better monitor its ability to efficiently and expeditiously forward and/or return undeliverable-as-addressed mail.

However, the Postal Service’s off-handed expression that it is not “averse” to generating operational data is not backed-up by any plan to provide such data in the Proposal, or anywhere else.

While the Commission may not want to include forwarded mail in any measurement for compliance with the service standards of First-Class Mail, the Commission should insist on *some* measurement and reporting of the processing of COA request and forwarded mail which is an integral part of the service of First-Class Mail. In the absence of some type of measurement and reporting, neither the

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<sup>16</sup> Docket No. R2006-1, Testimony of witness Samuel T. Cutting (USPS-T-26), Table 1 at 5.

<sup>17</sup> Docket No. R2006-1, USPS-LR-L-61, Excel file “PrePARS ClassTabs\_v.xls,” Table 4.11.

<sup>18</sup> *USPS, Modern Service Standards for Market-Dominant Products; Final Rule*, 72 Fed. Reg. 72221 (to be codified at 39 CFR Parts 121 and 122), December 19, 2007.

Commission nor mailers will have any direct and systematic means of knowing whether progress is being made toward achieving higher levels of service performance for this most complained-about service feature of First-Class Mail. In this regard, the Public Representative wholeheartedly agrees with the comment of PostCom: “that which is measured, is improved.”<sup>19</sup>

#### IV. CUSTOMER SATISFACTION MEASUREMENTS MUST BE EXPANDED IF THE PERFORMANCE MEASUREMENTS ARE TO COMPLY WITH THE PAEA

The Postal Service’s Proposal does not fully comply with the statutory mandate to undertake measurement of customer satisfaction. The PAEA not only requires the establishment of service standards, but it provides for their revision, which *shall* take into account customer satisfaction and needs. (§3691(c)(1) and (c)(3).) The proposed measurement systems do not adequately measure or report customer satisfaction. Nor does the Postal Service claim that it will take into account, in future reviews of service standard performance, the results of more detailed measures of customer satisfaction and need that it does not now measure. Advances in economic theory, discussed below, provide some guidance for obtaining a better understanding of customers’ satisfaction.

The performance measurement system should provide information consistent with the factors expressed in §3691(c) of the Act. A measurement system should assist in determining the “degree of customer satisfaction with Postal Service performance in

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<sup>19</sup> Letter of November 15, 2007, at 5, of Association of Postal Commerce Providing Comments to the Proposed Rule, “Modern Service Standards for Market-Dominant Products” (72 Fed.Reg. 58946, October 17, 2007).

the acceptance, processing and delivery of mail.” (§3691(c)(2).) It should measure the needs of Postal Service customers, including those with physical impairments.

(§3691(c)(3).) The Postal Service’s Proposal lacks sufficient measurement information concerning customer satisfaction involving the “acceptance” and “delivery” of mail.

Also, the proposed service measurements do not provide for an adequate mechanism to determine whether Postal Service customers believe the Postal Service meets “the needs of Postal Service customers, *including* those with physical impairments.”

The Proposal contains only one reference to customer satisfaction, and that is within the discussion of the address correction service.<sup>20</sup> The deficiencies of the proposed external measure of its address correction service are detailed, below, in the section-by-section analysis of the Proposal. Although the Postal Service does do some customer satisfaction surveys, for the reasons discussed below, it does not adequately determine customer satisfaction and preferences. The Postal Service should be required to expand its customer surveys to assure that its service standards provide for customer satisfaction consistent with the requirements of the PAEA.

#### A. Consumer Expectations, Requirements and Preferences

An important issue for consideration in the establishment and monitoring of performance goals is the analysis of customer expectations, requirements, and satisfaction. American business in recent years has focused on the attainment of excellence in the design, production, and delivery of products and services. For example, Congress established the Malcolm Baldrige National Quality Award (Public

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<sup>20</sup> “Address Cards will use an external customer survey to measure customer satisfaction with the timeliness of receipt for their address list request. The service performance measure will include the customer satisfaction percentage.” (Proposal at 59)

Law 100-107, August 20, 1987), which has become an influential instrument for creating quality and a thrust towards competitive awareness and efficiency among U.S. businesses. Customer and Market Focus is one of the major categories in the evaluation of organizations using Baldrige standards.<sup>21</sup> Similarly, ISO 9000 is a set of quality standards recognized in the United States,<sup>22</sup> the Common Market, and a total of approximately 100 countries.

The Postal Services 2007 Annual Report recognizes the importance of customers needs:

We always adapt our products and services to meet the evolving needs and changing lifestyles of Americans. We recognize the importance of giving people options that fit their busy, multitasking lives. We make it quick, easy and convenient for consumers to do business with us when and where they want, online or at a Post Office, around the clock. The Internet helps us connect with our customers, large and small. (Annual Report, Adding Value.)

The Postal Service reports on its own customer satisfaction measurement (CSM) survey in its just released 2007 Annual Report:

CSM is an independently administered survey of customer opinions about key areas of service to residential customers. Customer satisfaction levels remained constant across the last four quarters, which included the implementation of a rate increase in May of 2007. The following table displays the residential satisfaction results for the last four quarters [FY2007].

Service rated excellent, very good or good 92 92 92 92 (Annual Report at 28-29.)

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<sup>21</sup> Other criteria include leadership; strategic planning; measurement, analysis and knowledge management; human resource focus; process management; and business results.

<sup>22</sup> Company certification to ISO 9000 is viewed as an important qualification in the awarding of many government contracts.

However, this type of overall rating does not thoroughly measure customer satisfaction to the degree that is available elsewhere, nor does it provide a sufficiently accurate measure of customer satisfaction compared to other sectors of the economy.

Furthermore, the Postal Service's data are not available for analysis. A fuller discussion of the shortcomings of this survey is included in the recently filed OCA Comments on Service Standards<sup>23</sup>, *supra*, at 48-49. As discussed therein, the details of the survey have been maintained as confidential by the Postal Service and were provided under seal to the Commission for only a brief period. If this measure of performance is being relied upon as evidence of compliance with the PAEA, it is important that the survey is available for analysis to insure the measures of customer satisfaction can be verified as meeting the conceptual specifications.

Another measure of Postal Service customer satisfaction does not portray as bright a picture. The American Customer Service Index (ASCI), which measures customer satisfaction with goods and service for several sectors of the economy, also currently measures customer satisfaction with the Postal Service. The Index uses a satisfaction survey and an econometric model to analyze the underlying data. The analysis produces indices for drivers of satisfaction such as customer complaints, customer loyalty, and pricing and retention tolerance. The OCA noted in previous Comments on Service Standards that "the Postal Service is listed towards the bottom

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<sup>23</sup> *Service Standards and Performance Measurement For Market Dominant Products*, "Office Of The Consumer Advocate Comments In Response To Notice Of Request For Comments On Modern Service Standards And Performance Measurement For Market-Dominant Products," (hereafter, "Comments on Service Standards") Docket No. PI2007-1, July 16, 2007 at 48-49.

third of industries when rated in terms of customer satisfaction.”<sup>24</sup> Customer service satisfaction is not as high as should be desired.

The Postal Service has outlined a variety of performance measurements. However, there needs to be a greater focus in the performance measurement plan on determining customer requirements and preferences as well as a discussion of how those requirements and preferences will be integrated into the performance goals and service standards. Customer needs and desires were discussed at length by the customers involved in the MTAC Workgroup #114 meetings to establish service standards and goals. However, the MTAC meetings included business customers and did not include mailers of single-piece First-Class Mail. Additional information from single-piece First-Class mailers is necessary. Although the Postal Service conducts ongoing customer service surveys and analyses, it is necessary that the Postal Service provide a transparent procedure and measurement system for considering customer needs on an ongoing basis to obtain accurate relevant measures of customer satisfaction. This information would be useful for future revisions to service standards, performance goals and product attributes.

Delivery performance standards impact postal product attributes, tradeoffs between alternatives, and customer needs. The need to consider these factors was discussed in the above cited filing by the Commission’s Office of the Consumer Advocate relating to PAEA requirements, *i.e.* trade-offs between cost, performance,

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<sup>24</sup> *Id.* at 48. The OCA Comments on Service Standards include a general discussion of the ASCI as it applies to the Postal Service and the Postal Service’s own survey methods as well as possible improvements. Those Comments (at 42-48) detailing the process of the ASCI effort are also relevant.

reliability, mail preparation requirements, and alternatives have a major impact on customer satisfaction.<sup>25</sup> The previous comments of the OCA remain valid:

[T]he services offered and the service standards for those services should reflect an evolving process of performance analysis. It is hoped that, periodically, performance standards can be revised and improved based on consumer preferences. (Comments at 31.)

In addition, each type and level of service imposes a cost on the Postal Service, a cost which is ultimately paid by the consumer. Accordingly, as part of the presentation of service standards, a cost/benefit analysis of alternatives for performance standards and an analysis of customer preferences by customer type would be appropriate,

#### B. Economic Theory of Determining Brand and Customer Preferences

Economic theory provides a major theoretical underpinning for approaches for determining customer satisfaction. Kelvin Lancaster presented a theory of consumer behavior focused on how consumer needs, desires, and preferences translate into the demand for specific products.<sup>26</sup> The theory can be implemented using a conjoint analysis approach, focusing on the consideration of consumer tastes and the properties or characteristics of the goods from which consumers derive satisfaction. Lancaster presented a new way of looking at products in comparison to standard economic theory. He essentially developed an economic theory of brand preference, based on the premise that goods are valued for their attributes and that differentiated products are

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<sup>25</sup> *Id.* at 31-53.

<sup>26</sup> Kelvin J. Lancaster, "A New Approach to Consumer Theory," *The Journal of Political Economy*, Vol. 74, No. 2. April 1966 at 132.

essentially different packages of attributes.<sup>27</sup> The concept of characteristics/consumer desires replaces the concept of goods.<sup>28</sup>

The relevance of the Lancaster approach is its focus on the determination of what the consumer wants. This is just the type of emphasis that the Postal Service should provide in determining performance standards. The application of Lancaster's theory would facilitate an improved definition of performance standards. There are a variety of possible attributes which can be associated with a postal product: various price and delivery time levels, performance in terms of specific delivery times, tracking and verification options, etc. Each option would be considered a product attribute using Lancaster's theory. Attributes can be combined to create postal products. In determining consumer satisfaction, it is appropriate to consider what type of product the customer desires based on the attributes, thereby defining expected product standards. For example, in evaluating delivery performance for a specific product, one would wish to consider the importance of time, both in duration and in terms of specificity, in comparison to other product attributes.<sup>29</sup>

Another theorist, Frederick Reichheld, has more recently concluded the satisfied customer may be determined by the willingness to recommend the product to others, a brand or product loyalty test.<sup>30</sup> He also noted detractors have a significant impact on

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<sup>27</sup> Brian T. Ratchford, "The New Economic Theory of Consumer Behavior: An Interpretive Essay," *The Journal of Consumer Research*, Vol. 2, No. 2, September 1975 at 65-75.

<sup>28</sup> Lancaster's theory was discussed in OCA's Comments on Service Standards at 31-41.

<sup>29</sup> In fact, these issues were considered during MTAC Group #114 meetings. Some formal, explicit analysis of customer preference regarding Postal Service products and performance is needed.

<sup>30</sup> Frederick F. Reichheld, "The One Number You Need to Grow," *Harvard Business Review*, December 2003 at 47-54. B

overall customer satisfaction. Using Reichheld's theory for purposes of measurement, the Fair and Poor scores would be subtracted from the Excellent scores, ignoring the Very Good and Good scores. The Postal Service, on the other hand, lumps the Very Good and Good scores, without subtracting the lesser scores, to obtain its 92 percent satisfaction score. The Reichheld test methodology, if applied to the Postal Service's survey, would yield much lower, and apparently more realistic, satisfaction scores.<sup>31</sup>

Based on the conclusions drawn for the ASCI studies and an application of the Lancaster concepts taking into account product attributes, as well as the Reichheld methodology, there is significant room to improve the Postal Service's measures and reporting of customer satisfaction and expectations. The Commission should urge the Postal Service, as well as require the Postal Service at the appropriate opportunity, to provide additional, explicit detailed data and expand its measures of customer satisfaction, as outlined above, regarding its consumers' preferences as a basis for determining measuring customer satisfaction and determining performance standards in order to comply with the PAEA.

V. A QUALITY OF SERVICE PERFORMANCE INDEX SHOULD BE ESTABLISHED BY THE COMMISSION

A. Towards a Quality of Service Performance Index

An overall Quality of Service Performance Index should be established by the Commission to review objectively the results of the service performance measurements of the Postal Service. The Quality of Service Performance Index may be established for

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<sup>31</sup> OCA Comments on Service Standards, *supra*, at 49-52.

all postal services or for each a group of products. If approved, the initiation of internal and external measurement systems in this proceeding for service performance measurements are but one step in the process being implemented pursuant to the PAEA of:

- (1) establishing regulations for service standards;
- (2) providing for systems to measure performance for the many products and services and reporting of the results of those performance measurements;
- (3) establishing plans for meeting performance goals; and
- (4) monitoring by the Commission to assure the Postal Service is operating in conformance with its service standard regulations and the provisions of the PAEA.

The Commission should now, as part of this process of approving the various service performance measurement systems, prescribe the construction of a Quality of Service Performance Index comprised of the performance measurements proposed by the Postal Service for use in monitoring service performance. Customer satisfaction measures should also be included within the Index.

Cursory review of the Postal Service's Proposal indicates there will be a myriad of performance statistics covering the Postal Service, many more than have been available heretofore. It will be difficult, but necessary, to assimilate their relative significance into an easily understood and meaningful measure of overall Postal Service performance during the annual compliance review and during complaint proceedings if performance goals and service standards are not fully met.

A properly constructed Quality of Service Performance Index similar to that being implemented by various public utility commissions and in the telephone industry would

(1) reduce the confusing variety of performance statistics to a single number or only a few numbers as well as (2) permit comparison of service performance over time. It would also make more transparent the overall service performance of the Postal Service. This, in turn, would provide the Commission a more objective, understandable, and easily applied measure of overall service performance for purposes of future compliance comparisons and resolution of complaints. These comments propose the rudiments of a Quality of Service Performance Index that could be developed to assist the Commission in performing its duty of monitoring service performance pursuant to the PAEA.

The PAEA requires modern service standards. The updated service standards are stated in terms of days for delivery or the amount of time to complete a specified service or related data information operation. The Postal Service has not yet established any performance goals (in percent) for meeting its service standards. However, the PAEA states the Postal Service shall within 6 months of establishing service standards under §3691, in consultation with the PRC, “develop and submit to Congress a plan for meeting those standards.” The plan shall (1) establish performance goals.” PAEA, Pub.L.109-435, §302 (not codified).

Performance goals would be stated in terms of the percent of time a service meets the service standard. The goals established may represent an ultimate target, or interim goals to be reached incrementally, in steps over time, using the current performance as a baseline from which to improve. When recent performance is not available, such as for Periodicals or Standard Mail, new data must be collected to establish a current baseline. Presumably, if no percentage goal is established for

application to a service standard, the implication is that a 100 percent level of performance is anticipated or targeted. In the case of the Postal Service, performance goals are expected to be established in the 90-plus percent range. If the service standard and performance goals are not met over a period of time, then the policies of the PAEA may not be met and remedial administrative action may be appropriate, based upon the overall measure of compliance.

In the MTAC Report for Group #114, customers specifically recommended performance goals for Standard Mail and Package Services. Also, the MTAC Report, for illustrative purposes only, applied performance goals to First-Class Mail (MTAC Report at 24). For Periodicals, no performance goals were recommended in the MTAC Report (MTAC Report at 31). Performance goals for a few Special Services were proposed by the MTAC group. However, because the Postal Service's proposed service standards for Special Service's varied from the MTAC proposals, the performance goals will also differ from the MTAC recommendations.

Following are the specific MTAC Report recommendations for performance goal percentages:

1. First-Class Mail: For illustrative purposes, but without a recommendation for performance goals: 95 percent (one-day mail); 92 percent (two-day mail); 90 percent (three day mail).

Tail-of-the-mail goals for 1, 2 and 3 day mail are illustrated as delivery of 99 percent within 3, 5 and 6 days, respectively. Recommendations for possible future reductions in the number of days expected to reach the tail-of-the-mail goal of 99 percent for overnight mail were from 3 days to 2.5 days. (MTAC Report at 24.)

2. Periodicals: No performance goals

3. Standard Mail: 95 percent (MTAC Report at 5, 35). No tail-of-the-mail recommendation. The recommendation does not include Standard Mail Parcels.

4. Package Services: Origin-entered and destination entered packages-98 percent on-time delivery performance goal. (MTAC Report at 45-46.) Also, tail-of-the-mail goals including Standard Mail Parcels: 100 percent after 2 days beyond the performance goal for origin and DBMC/DASF, and after 1 day beyond the performance goal for DSCF and DDU. (*Id.*)

5. Special Services: The MTAC Report recommended a variety of service standards and performance goals for several of the Special Services. The Postal Service did not establish many of the service standards proposed by the group, instead instituting a standard for several services relating to the availability of delivery or other information gathered rather than the scan rate for the service purchased. Even if the service standards and performance goals for the Special Services are not expanded as recommended by MTAC and others, several different performance measurements will need to be reviewed and assimilated to effectively comprehend the overall performance.

When measured, each of the service standards and performance goals for all of the market-dominant postal services will generate a time-series of performance figures. An overall Service Quality Index number or one for each product or group of products would greatly simplify the annual analysis.

## B. Employment of Service Performance Indexes

The Postal Service recognizes the value of an index to measure performance where multiple measurements are involved. The Postal Service's Proposal in section 9.8.2, Annual Reporting, indicates that for the Special Service category, it will "develop an annual index or indices that consolidates the multiple measurements into an aggregate score(s)."<sup>32</sup> While the Postal Service is referring to Special Services reporting, the concept of developing measurement indexes to evaluate the overall performance of each class of mail is a method the Commission should consider for evaluating the Postal Service's performance by Product or class.

In the past, the Commission has relied upon a Cost Coverage Index and, more recently, a Mark up Index to measure the relative institutional cost burdens on various classes of mail. The indexes are useful for measuring changes in the cost burden over time and for determining whether target coverages are reasonably near the systemwide averages. (Op. Docket No. R94-1, para. 4041.) The Commission also has maintained that the largest volume classes should have roughly equivalent mark up indices. (Op. Docket No. MC95-1, para. 1019.) Similarly, Quality of Service Performance Indexes can be useful to determine whether the relative change in service performance between products and mail types over time reveals any preferences or discrimination.

Several utility industries are developing key service performance indices to reflect service performance and benefit consumers.<sup>33</sup> Indexes are useful where there

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<sup>32</sup> Proposal at 62.

<sup>33</sup> Ericsson, "User Service Performance," White Paper, February 2007. See also State of New York Public Service Commission, *Proceeding on Motion of the Commission to Review Service Quality Standards for Telephone Companies*, "Order Establishing Permanent Rule," Case 97-C-0139, June 30, 1999.

are several performance indicators and it is necessary to properly measure overall service performance. “Key performance indicators are carefully selected that best reflect the service performance from the user perspective.” (*Id.*) This is a cost-efficient simplification and pragmatic approach. It provides the opportunity to improve end-user perceived service quality. (*Id.*)

The Quality of Service Performance Index approach to regulation of service has been popular and applied for years by many state public utility commissions. State commission regulatory plans for telephone and electric and gas utilities contain specific service quality and reliability indexes for monitoring service performance and even provide for penalties if performance deteriorates.<sup>34</sup> The Quality of Service Performance Index should measure not only service performance and reliability but also customer satisfaction using statistically valid surveys.<sup>35</sup> The literature suggests the results have been successful in maintaining desired levels of service. Several states use Quality of Service Performance Indexes. For instance, the Maine Public Utilities Commission reporting on its alternative form of regulation indicated there is a Service Quality Index for Bell Atlantic operating in Maine.<sup>36</sup>

In Rhode Island, Verizon has a Quality of Service Plan that includes a Quality of Service Index (SQI) with eight service items as well as other rotating performance

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<sup>34</sup> See Barbara Alexander, “How to Construct a Service Quality Index in Performance-Based Ratemaking Plans,” *The Electricity Journal*, April, 1996.

<sup>35</sup> New Jersey Division of the Ratepayer Advocate, “Position Paper on Consumer Protection Proposals for Electric Restructuring in New Jersey (Preliminary),” February 1998, at 4. See <http://www.rpa.state.nj.us/consupro.htm>.

<sup>36</sup> State of Maine Public Utilities Commission, “1998 Report on the Alternative Form of Regulation of Telephone Utilities,” submitted August 18, 1998 at 2.

measures reported monthly.<sup>37</sup> The SQI is determined monthly using a point system. Points are allocated depending upon the level of performance during the period. The maximum number of points is 42; a passing monthly score is 28. Failure of performance leads to a bill credit (“performance payment obligation”) limited to a maximum of 0.5 percent of total annual retail revenue. Periods of abnormalities outside the control of the company are excluded from the evaluation period.

C. Developing a Quality of Service Performance Index

In order to develop an index, the service or product to be measured must be defined. When a service performance index is developed it must address a specific time frame and a specified environment to be measured (Ericsson, *supra*, at 11). A performance baseline is developed and specified so that the following are developed:

- (1) Verification and acceptance tests;
- (2) Formal performance monitoring guidelines that detail what is to be measured and how frequently the measurement is to be performed (hourly, weekly, monthly, etc.);
- (3) A system that can be used to audit performance; and
- (4) Reports on actual service performance (*Id.* at 12).

The Postal Service’s efforts to date on service standards and measurements will provide some of this information.

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<sup>37</sup> “Verizon Rhode Island Quality of Service Plan,” State Of Rhode Island And Providence Plantations Public Utilities Commission, (Verizon RI Alternative Regulation Plan), Docket No. 3445, Settlement Agreement, Appendix B, December 6, 2002, The Plan includes details for scoring the service quality indices. ([www.ripuc.org/eventsactions/docket/3445\\_Settlement.pdf](http://www.ripuc.org/eventsactions/docket/3445_Settlement.pdf).)

The knowledge gained from a Quality of Service Performance Index would facilitate the improvement of end-user service quality and provide the potential for faster and higher revenues per user service. In addition, service that exceeds user expectations may decrease help desk costs. (*Id.* at 13.) However, poor performance negatively impacts business through cost increases and reduced profits. A Quality of Service Performance Index can better determine whether overall there has been service degradation. Also, by monitoring key service performance indices, a service provider can improve its product image. (*Id.* at 14.)

One example of a service index is found in software evaluation by Bell Atlantic in New York. Bell Atlantic has a software validation metric defined as the ratio of the “sum of the weights of failed transactions in production using a training mode to the sum of the weights of all transactions. . . .”<sup>38</sup> In addition, Bell Atlantic-New York has performance metrics for system input errors, telephony trunk order errors, requested due dates versus committed due dates, etc.<sup>39</sup>

Another “aspect of utility service quality that should be tracked is the extent to which utility programs respond to commission mandates.”<sup>40</sup> An example of a service quality measurement in the utility industry is the “extent to which electric/natural gas utilities are complying with specific regulatory program mandates.” (*Id.*) For example, activities required to be performed by a regulatory rule or order.

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<sup>38</sup> State of New York Public Service Commission, Case 97-C-0139, “Order Establishing Permanent Rule,” June 30, 1999, Appendix at 9.

<sup>39</sup> *Id.* at 11-32.

<sup>40</sup> “Service Quality” at 9, [http://www.consumerlaw.org/initiatives/energy\\_and\\_utility/content/quality\\_content.html](http://www.consumerlaw.org/initiatives/energy_and_utility/content/quality_content.html)

A Quality of Service Performance Index by product or class and even an overall systemwide performance index would provide an objective means for evaluating service performance and the subsequent development of remedial action if performance of service standards fails to meet the requirements of the PAEA.

### C. Example of Quality of Service Performance Index

For illustrative purposes, Table 1 provides an indexing example for the First-Class single-piece mail price category. However, the indexing concept could be performed at the product or class level.

Table 1 - Quality of Service Performance Index

		First Class Single-Piece Service Performance Measurement			
		1	2	3	4
		Delivery Day Standard			
Delivery Day		Overnight	2-days	3-days	4-6-days
a	Performance Goal	95%	92%	90%	99%
b	Actual Performance	95%	92%	90%	95%
c = b/a	Performance Index	100%	100%	100%	96%
d	Index Weight	25%	25%	25%	25%
e = d * c	Weighted Index	25%	25%	25%	24%
f = e(1+2+3+4)	Total First-Class single-piece Performance Index	99%			

In Table 1, assume single-piece First-Class Mail's delivery performance goal is 95 percent for overnight, 92 percent for two-day, 90 percent for three-day delivery,<sup>41</sup> and 99 percent for the "tail-of-the-mail." Further, assume that the Postal Service's EXFC actual delivery service performance for single-piece First-Class Mail is as follows: 95 percent for overnight, 92 percent for two-day, 90 percent for three day<sup>42</sup> and 95 percent

<sup>41</sup> MTAC Report, illustrative table at 24.

<sup>42</sup> 2006 Annual Report of the United States Postal Service at 31.

for the “tail-of-the-mail.” Dividing the actual performance, by day, by the performance goal provides a performance index by day. In the example, since the overnight, two-day and three-day mail performance is 95 percent, 92 percent, and 90 percent, the performance index is 100 percent. However, the performance index for the 4 to 6 day “tail-of-the-mail” is 96 percent (95 percent actual performance / 99 percent performance goal). By applying a weighted index to each of the four measures (in the example, each delivery day was given equal weight—25 percent), an overall single-piece First-Class Mail performance index may be developed that facilitates the Commission’s annual determination of service performance compliance or noncompliance for each specific product within First-Class mail.<sup>43</sup> (See 39 U.S.C. §3653(b)(2).) In Table 1, the total calculated First-Class single piece performance index is 99 percent.

One refinement of the Quality of Service Performance Index would be to track and include the volume and subsequent percent of overnight mail that is delivered on the 2<sup>nd</sup>, 3<sup>rd</sup> or more days; tracking the volume of 2-day mail that is delivered on the 3<sup>rd</sup>, 4<sup>th</sup> or more days; and tracking the volume of 3-day mail that is delivered on the 4<sup>th</sup>, 5<sup>th</sup> or more days, etc.

The same type of calculation could be performed for each mail product. For Package Services, the Postal Service proposes a retail delivery package service standard of 2 to 8 days. Delivery later than the 9<sup>th</sup> or more days represents the “tail-of-the-mail.” The performance goal recommended by the MTAC Workgroup # 114 for market-dominant Package Services was 98 percent. (MTAC Report at 46.) The actual

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<sup>43</sup> While the example only represents single-piece First-Class Mail, an entire First-Class performance measurement may be preferred.

delivery performance, by day, for USPS retail package service delivery performance for Quarter 3, 2007. is provided in the MTAC Report. (*Id.* at 44.)

Table 2 provides another sample index using Package Services performance. For illustrative purposes, each delivery day is given an equal index weighting of one-eighth or 12.5 percent. (The example rounds 12.5 percent to 13 percent for display purposes.)

Table 2 - Quality of Service Performance Index

		Retail Package Services Performance Measurement								
		1	2	3	4	5	6	7	8	
		Delivery Day Standards								
Delivery day		2-day	3-day	4-day	5-day	6-day	7-day	8-day	9-day	
a	Performance Goal	98%	98%	98%	98%	98%	98%	98%	98%	
b	Actual Performance	65%	42%	52%	61%	55%	59%	60%	65%	
c = b/a	Performance Index	66%	43%	53%	62%	56%	60%	61%	66%	
d	Index Weight	13%	13%	13%	13%	13%	13%	13%	13%	
e = d * c	Weighted Index	8%	5%	7%	8%	7%	8%	8%	8%	
f = e(1+2...+9)	Total Retail Package Services Performance Index									59%

Given the assumptions, Table 2 indicates that the total retail Package Services performance index is 59 percent. Using this Quality of Service Performance Index for package services simplifies analysis of the many performance percentages that would otherwise need to be digested to determine the overall level of performance for retail packages. The index could be expanded to include additional service quality indices with a point system similar to that implemented in Rhode Island, as detailed above, that provides for relatively immediate remedial action if the service performance index falls below the prescribed minimum.

As shown in Tables 1 and 2, the development of a baseline index for each class of mail and Special Services would provide an objective measure of service

performance, facilitate the evaluation of service, reflect subtle overall service degradations and/or improvements and would provide an objective number to measure compliance with the service standards for the service indexed.

D. Baseline for Each Service.

Baseline service performance is either the current level of performance based on historical data or, where no history exists, the level of service performance in the near future. In the first instance, future performance will be compared to the baseline. Even if service standards are not reached, remedial action may not be necessary or appropriate immediately. Performance over a period of several rating periods or several years may be the appropriate gauge of service compliance with the PAEA. If current performance is below the ultimate level of service expected, as reflected in the service standard, then a gradual movement toward that standard would be more realistic.

E. An Allowance for Statistical Error Should Be Subtracted from the Baseline Performance to Calculate the Service Quality Index

In fairness, the measures of service performance will diverge from the actual service performance due to errors in measurement. To provide a cushion for the Postal Service for this statistical error, the baseline performance standard should be reduced by this allowance for normal variation.<sup>44</sup>

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<sup>44</sup> See Barbara Alexander, "How to Construct a Service Quality Index in Performance-Based Ratemaking Plans," *The Electricity Journal*, April, 1996.

## VI. SECTION BY SECTION ANALYSIS OF POSTAL SERVICE PROPOSAL

The following comments are keyed to the specific sections of the Postal Service's Service Performance Measurement document.

### **3 FIRST-CLASS MAIL**

#### **3.2 First-Class Mail Single-Piece Letters and Flats (19.6 percent of the mailstream)**

The Postal Service has proposed to continue the use of EXFC for the measurement of performance in the delivery of First-Class Mail. EXFC uses 13,000 reporters and utilities 2.7 million pieces and covers 463 3-digit ZIP Code service areas. Coverage is 90 percent of originating volume and 80 percent of destination volume. Since implementation in 1990, the EXFC measurement system has been revised and expanded to improve statistical validity on a nationwide basis. This improvement over time provides a reasonable basis to allow continued use of the EXFC system for the measurement of single-piece First-Class Mail letters and flats. Moreover, the Postal Service's plans to expand the EXFC system beyond the current 463 three-digit ZIP Code service areas to nearly all three-digit ZIP Code areas will further improve the precision of the EXFC system for measuring First-Class Mail. The Postal Service notes that precision levels at the district level for the annual results are now typically under 1 percent for each service standard, and that at the national level precision is .05 percent across all three days over a fiscal year.

Unlike the nationwide statistical validity of the EXFC system, the service performance data for EXFC mail destined to post office boxes are not statistically

reliable.<sup>45</sup> The Postal Service maintains that EXFC data “is based upon a very small sample”<sup>46</sup> and “is not meant to be used as a separate sampling but is rather a subset of the complete EXFC panel.”<sup>47</sup> However, separate sampling is warranted and possible. The Postal Service presents Post Office Box service as “a premium service” offering, yet it receives inferior on-time service performance, based upon the most recent service performance data available.<sup>48</sup> Given that Post Office Box service is a premium service offering, and the Postal Service is currently using EXFC mail in box sections, the Postal Service’s proposed expansion of the EXFC system (described above) should include creating a statistically valid measurement system for single-piece First-Class Mail letters and flats delivered to post office boxes.

### **3.3 First-Class Mail Presort Letters (25.7 percent of the mailstream)**

For First-Class Mail Presort Letters, which are entered in bulk at postal mail processing plants and Business Mail Entry Units, the Postal Service proposes to develop a hybrid service performance measurement “approach,” combining internal Intelligent Mail Barcode (IMB) scan data with scans of mailpiece IMBs by external reporters to record in-home delivery dates. Mailer adoption of IMBs by 2009 is projected at a minimum of 25 percent, with a minimum of 50 percent by 2010.

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<sup>45</sup> Docket No. R2005-1, “Response of the United States Postal Service to DFC/USPS-54.”

<sup>46</sup> Docket No. R2005-1, “Response of the United States Postal Service to DFC/USPS-28.”

<sup>47</sup> Docket No. R2005-1, “Response of the United States Postal Service to DFC/USPS-55.”

<sup>48</sup> *Compare* Docket No. R2005-1, “Response of the United States Postal Service to DFC/USPS-54” (National EXFC On-Time Service Performance, By Quarter, FY 2002-2004) and DFC/USPS-28 (National EXFC On-Time Service Performance for Post Office Boxes, By Quarter, FY 2002-2004).

The Postal Service's proposed new hybrid measurement "approach" for First-Class Mail Presort Letters is untested and clearly will be a work in progress for a number of years. While this hybrid approach can serve as a starting-point, Commission evaluation will be required in subsequent years to determine whether it provides a reliable and statistically valid measurement system for First-Class Mail Presort Letters.

A number of questions need to be addressed:

Do the projected 25/50 percent adoption rates result in the sampling of a mailstream that is not generally representative of this type of mail?

Given that reporters will scan in-home pieces, will the pieces to be scanned be based on the seeding of specific mailings? If so, how will the sample(s) be selected in terms of mailers and what is the underlying statistical analysis to ensure that sampling is representative of the overall mail stream?

How will the selection of in-home reporters be determined, and are the locations of the reporters representative of this type of mail in general?

Provision by the Postal Service of the underlying statistical analysis and calculations addressing these issues is needed to assure the adequacy of the new sampling approach.

### **3.4 First-Class Mail Presort Flats (0.47 percent of mailstream)**

The proposal to use EXFC machine-addressed flats as a proxy for First-Class Mail Presort Flats is not a request for an internal measurement system but rather a request to avoid measuring directly that price category of the First-Class Flats. In this case, the proposal is to use machine-addressed flats rather than hand-addressed flats from EXFC as a proxy for 0.47 percent of the mainstream. Although First-Class Presort Flats are a minor part of the total mailstream, the machine addressed flats amount to a significant part of all First-Class flats. The Postal Service offers no longer-term plan to

measure this price category directly, nor does it provide any estimates of that cost, nor does it claim that it would be cost prohibitive to measure directly the performance of this price-category. The Postal Service states only that “low volume makes creating a statistically valid measurement system difficult.” (Proposal at 22) However, difficulty of measurement is not a statutory ground for failing properly to measure performance of “each market-dominant product” under the PAEA.<sup>49</sup>

### **3.5 First-Class Mail Retail Parcels (0.2 percent of total mailstream)**

With respect to First-Class Mail Retail Parcels and Presort Parcels, the Postal Service plans to continue using scans of Delivery Confirmation barcodes to measure service performance. The service performance of single-piece First-Class Mail Retail Parcels will also be used as a proxy for inbound and outbound single-piece International Mail Parcels.

First-Class Retail Parcels are 0.4 percent of First Class Mail, less than 0.2 percent of the total mailstream. The Proposal provides for adequate internal performance auditing, but during FY2009 and FY2010, by the Postal Service’s admission, the scans will only cover 5 to 10 percent of the volume of Retail and Presort First-Class Mail Parcels, International Mail Parcels and Package Services parcels. (Proposal at 16.) During FY2008, the Delivery Confirmation scans will cover only 15 percent of retail volume for Package Service Parcels. (*Id.*)

The Postal Service’s use of scans of Delivery Confirmation barcodes on First-Class Mail Retail and Presort Parcels may be acceptable temporarily, but the Postal

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<sup>49</sup> The PAEA refers to “measurements for each market-dominant product” rather than for each price category. However, unless the price categories of each product are properly measured, the overall performance of each product as required by the PAEA will not be properly measured.

Service does not offer any plan for the future measurement, either externally or internally, of the other 85 to 95 percent of the First-Class retail parcels price category. The Postal Service has not estimated the cost of a statistically valid sampling of retail parcels, it has not offered any plan to measure these volumes in the future, and it has not even attempted to justify the non-measurement due to excessive cost.

The Postal Service says the 14 million retail parcels using delivery confirmation in FY2006 represented only 4 percent of First-Class Retail parcels yet, without offering any support, concludes that 4 percent is “is still representative of the population.” (Proposal at 22.) Nevertheless, the Postal Service makes no claims as to the statistical validity of using Delivery Confirmation scans for measuring service performance of Retail Parcels. Rather, the Postal Service maintains that Retail Parcels with Delivery Confirmation “provides an acceptable basis for service performance measurement.” (*Id.*) The Commission should independently determine whether the limited use of Delivery Confirmation on Retail Parcels provides a statistically valid measurement of service performance.

The use of a proxy does not necessarily measure the mail intended. Also, for the above cases there is no showing the measures will be statistically valid. The Commission should grant only conditional approval of this internal measurement system subject to the Postal Service providing further support for the proposals as well as a demonstration that statistically valid external or internal performance measures would be too costly and would have a significant cost and rate impact. Of future concern is that if the proxy measurements indicate performance does not meet the service standard, the Commission will not have the definitive measures of performance from

which to fashion an appropriate remedy without being faced with the claim that the performance data is not representative. Clearly, the PAEA intended to insure the collection of valid performance measurement data for all mail.

### **3.6 First-Class Mail Presort Parcels**

Mailers use Delivery Confirmation for approximately 50 percent of the Presort Parcels. The Postal Service indicates that, “This demonstrates that there are ample parcels that can be included in service performance measurement of this mail category.” (Proposal at 23.) Obviously the sample proportion is large. The question is whether the sample is representative of this type of mail or, stated differently, whether presorted parcels without Delivery Confirmation are handled in some way differently from those with Delivery Confirmation. The Postal Service should supply an analysis of this issue.

### **3.7 Reporting for First-Class Mail**

#### **3.7.1 Quarterly Reporting**

The Postal Service plans to “continue reporting single-piece First-Class Mail performance as it does today, with the addition of single-piece First-Class Mail parcels.”<sup>50</sup> Currently, the Postal Service only reports national EXFC results—the percentage of on-time performance for single-piece First-Class Mail—on its Web site for the most recent quarter.<sup>51</sup> The Postal Service Proposal is somewhat misleading as it

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<sup>50</sup> MTAC Report at 25.

<sup>51</sup> *U.S. Postal Service: Delivery Performance Standards, Measurement, and Reporting Need Improvement*, (GAO-06-733), U.S. Government Accountability Office, Table 4: USPS Delivery Performance Reporting by Type of Mail at 28.

fails to note that quarterly reporting by Area and District is not now publicly available and, as proposed, would not be publicly available. However, “[m]ore complete quarterly data for each USPS Area and Performance Cluster is posted in a section of the USPS Web site devoted to Mailers’ Technical Advisory Committee (MTAC), but not on [www.usps.com](http://www.usps.com), which is the primary Web site for public use.” (Footnote omitted)<sup>52</sup>

The Postal Service’s plan to “continue reporting single-piece First-Class performance as it does today” is unacceptable. Based upon its current reporting “today,” the Postal Service will publicly report quarterly only *national* EXFC performance data while restricting general public access to more detailed quarterly performance data by Area and Performance Cluster.

The Postal Service’s limited public reporting of single-piece First-Class Mail service performance by Area and District<sup>53</sup> should be rejected by the Commission as inadequate. It should also be rejected as inadequate given the Postal Service’s plan to publicly report service performance for Presort First-Class Mail at the Area and District level. Rather, the Commission should direct the Postal Service to publicly report quarterly EXFC on-time service performance data for single-piece First-Class Mail for each Area and District (i.e., Performance Cluster) in the same manner as now provided to MTAC, and proposed for Presort First-Class Mail, and to report such data on the Postal Service’s Web site, [www.usps.com](http://www.usps.com).

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<sup>52</sup> Id. The “[m]ore complete quarterly data” identified by the General Accountability Office (GAO) can be viewed at <http://ribbs.usps.gov/files/mtac/exfc/>.

<sup>53</sup> Proposal at 25. The Postal Service references reporting Presort First-Class Mail performance by “District” within each “Area,” such as the Cap Metro Area. The term “District” appears interchangeable with the term “Performance Cluster.” Compare the “District” reporting for the Cap Metro Area in the table, Quarterly Service Performance for Presort First-Class Mail, at page 25, and the quarterly performance data reported at <http://ribbs.usps.gov/files/mtac/exfc/> by “Performance Cluster” for the Cap Metro Area.

The Postal Service’s plan to “continue reporting single-piece First-Class performance as it does today” is deficient in another respect. The Postal Service’s plan does not provide for reporting of single-piece First-Class Mail variance—the “percentage of mail delivered within 1-day, 2-days, and 3 days of the standard being measured.”<sup>54</sup> This planned exclusion of reporting on mail variance for single-piece First-Class Mail stands in stark contrast to the quarterly reporting of mail variance proposed for Presorted First-Class Mail *and* single piece First-Class Mail International *and* Package Services, which includes single-piece Parcel Post.<sup>55</sup>

The Postal Service’s proposed reporting of mail variance for Presort First-Class Mail is directly responsive to the work of MTAC Workgroup #114 concerning mail “consistency.”<sup>56</sup> There, business mailers expressed the need to measure “the **total** time to delivery for mail that is not delivered within the service standard (referred to as ‘tail of the mail’).”<sup>57</sup> (Emphasis original) As a result, Workgroup #114 recommended that “the USPS establish, in addition to on-time performance goals and measurement of performance to service standards, secondary performance goals and measurement of service consistency.”<sup>58</sup>

However, business mailers’ concerns about consistency were not limited to Presort First-Class Mail, given their considerable use of single-piece First-Class Mail for business needs: “individuals, as well as small office[s]/home office[s], and small and

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<sup>54</sup> Proposal at 13.

<sup>55</sup> *Id.* at 26 for Presort First-Class Mail, and at 30-31 for single-piece First-Class Mail International.

<sup>56</sup> MTAC Report at 23.

<sup>57</sup> *Id.* at 2.

<sup>58</sup> *Id.*

large businesses, use single-piece letters for remittances in payment of credit cards, utility bills, and payments to suppliers and service vendors and other statements of account.”<sup>59</sup>

The Commission should, therefore, require the Postal Service to report quarterly mail variance for single-piece First-Class Mail along with its quarterly reporting of mail variance for other mail products. Clearly, there is no technical barrier to doing so as the Postal Service proposes to report mail variance for Presort First-Class Mail flats, which is based in part on EXFC performance data for single-piece flats. As a result, the reporting on quarterly mail variance for single-piece First-Class Mail proposed here would be consistent with the Postal Service’s proposed reporting of other single-piece mail (i.e., single-piece First-Class Mail international, and Parcel Post), and be responsive to the needs of individuals, and small and large business mailers. Moreover, requiring quarterly mail variance reporting would improve transparency and public understanding of the service performance of single-piece First-Class Mail.

Annual data should be reported with the same degree of granularity and transparency as quarterly data is reported. (See Proposal, Table at 27).

#### **4 SINGLE-PIECE FIRST-CLASS MAIL INTERNATIONAL**

Single-piece First-Class Mail is currently measured through International Mail Measurement System for letters. The Postal Service has proposed to continue the use of the International Mail Measurement System (IMMS), supplemented by the use of

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<sup>59</sup> *Id.* at 22.

EXFC and Delivery Confirmation data to report for service performance for outbound and inbound single-piece First-Class Mail international flats and parcels.

For single-piece First-Class Mail International flats, the comments above for First-Class Presort Flats, whereby the Postal Service proposes to use as a proxy machine-addressed First-Class flats, apply equally to the international flats. Again, the focus should be simply on obtaining additional explicit information (possibly in an appendix) on the calculation and verification of the statistical analysis.

## **5 STANDARD MAIL**

### **5.2 Standard Mail Non-Carrier Route Letters (24.68 percent of total USPS mailstream)**

Service performance measurement for bulk-entered Standard Mail Non-Carrier Route letters will be on the basis of entry time and destination IMB scan data provided by external reporters. The Postal Service projects that a minimum of 25 percent of letters will be IMB compliant by 2009, with 50 percent IMB compliant by 2010. The major statistical issue is whether the 25/50 percent mail samples are representative of the population of mail for this class.

In addition, mail scans will be used in tracking delivery from the delivery unit to the recipient. Again, the statistical issues relate to the samples to be recorded by reporters, *i.e.*, are they representative of the population of mail recipients for this type of mail? How will the sample of mail to be tracked be selected, *i.e.*, will mail be seeded at origin; if so, what are the underlying statistical procedures? Presentation of detailed statistical computations and an explicit outline of procedures and processes associated with the measurement and tracking process would be desirable.

### **5.3 Standard Mail Non-Carrier Route Flats (6.51 percent of total USPS mailstream)**

The comments in reference to Standard Mail Non-Carrier Route Letters (Section 5.2) are applicable to this product.

### **5.4 Standard Mail Carrier Route Flats & Saturation Letters (12.29 percent of Total USPS mailstream)**

The primary induction method of this mail is Sectional Center Facility or Delivery Unit dropped bundles and saturation trays. (Proposal at 36.) Currently mailers are not required to print a barcode on carrier route flats, but the use of IMBs is expected to rise as mailers comply with a January 2009 deadline. It is expected that 25 percent of this mail will comply with IMB requirements by 2009, with 50 percent in compliance by 2010.

As with other types of mail, the first statistical question is whether samples drawn from the 25/50 percent population will be representative of the overall mail population. This includes whether the selection of reporters will be representative of the population of destinations, whether the mail going to the reporters will be representative of the population of mail, and the issue of unique barcodes. Given that unique barcodes are not required on carrier route or saturation flats, the Postal Service has indicated that it "is exploring methods for external reporters to capture the "stop-the-clock...." Additional information on the impact on the statistical accuracy of measurement would be desirable. The Commission should grant conditional approval pending the Commission's receipt within one year of appropriate information concerning the use of external reporters.

## **5.5 Standard Mail Saturation Flats**

The problems of unique barcodes and other associated issues as outlined above apply to this type of mail.

## **5.6 Standard Mail Parcels (0.3 percent of total USPS mailstream)**

The Postal Service indicates that 9 percent of Standard Mail parcels have Delivery Confirmation Service. The Postal Service concludes: "This sample size is more than adequate for service performance measurement of this mail category." (Proposal at 39.) Sample size is not the issue; rather, the question is whether the sample is representative of the population of standard mail parcels, many of which do not have Delivery Confirmation Service. A detailed statistical analysis could examine this issue.

## **5.7 Reporting for Standard Mail**

The Quarterly Service Performance for Standard Mail will be reported by Area and District. However, the Annual Compliance Report will aggregate the performance using a weighted average but will not include the granularity of the quarterly report by Area or District. It would be useful to have the more detailed Area and District data on an annual basis as well as quarterly. In addition, the reports should include the tail-of-the-mail performance.

## **6 PERIODICALS**

### **6.1 Background**

The Postal Service's proposal to use Red Tag and DelTrak as an interim approach for measuring service standard performance is acceptable until such time as the IMB is operational for Periodical mail.

### **6.2 Periodicals Letters and Flats (4 percent of the mailstream)**

The Postal Service has noted that IMB and electronic mailing information adoption is projected to be slower for Periodicals than for other types of mail, leading to the adoption of an interim approach for performance measurement. (Proposal at 43.) In presenting information on statistical validity, the Postal Service has noted that, "Different numbers of districts in each area, as well as varying mail volumes and mixes make it challenging to estimate the precision level for Periodicals at this time...." (Proposal at 44.) The Postal Service should provide the information available.

The Postal Service is evaluating two existing mailer-operated measurement systems, Red Tag and DelTrak, to measure Periodicals service performance. The Postal Service has noted some of the statistical problems associated with the programs. The Postal Service should provide additional information on the associated statistical reliability. In reporting service performance, the tail-of-the-mail information presented in the Quarterly Service Performance report should also be available on an annual basis.

#### **6.2.1 Adoption Rates**

Since the Postal Service states that IMB will be required by January 2009, the IMB and electronic mailing information estimates appear to be far too conservative. The

FY 2010 estimate of 25+ percent of letters and flats appears very low. Efforts to increase the use of IMB by FY2010 should be undertaken such that, at the very least, the Postal Service achieves IMB and electronic mailing information of approximately 50 to 75 percent of letters and flats by that time period.

### 6.2.3 Interim Approach

The Postal Service's proposal to add the FAST appointment number to both Red Tag and DelTrak programs, to facilitate potential audits, appears to offer an acceptable service performance measurement tool for Periodicals on a short-term basis. However, if the IMB system proves unable to record service performance data for Periodicals, then the Commission should re-evaluate the Postal Service's reliance on Red Tag and DelTrak for service performance data.

### 6.2.4 "Start-the-clock"

To assure data integrity and minimize potential input errors due to manual data input of arrival times, the Postal Service should be tasked with having scanners available at all Postal facilities by FY 2010 so that intelligent container barcodes may be scanned to record arrival times.

## **6.3 Reporting for Periodicals**

### 6.3.1 Quarterly Reporting

The Postal Service proposes that its Periodical reporting system limit reporting to one, two or three days. This will not capture sufficient information to obtain an accurate picture of the Postal Service's service performance regarding the "tail of the mail." Instead, the Commission should recommend that the Postal Service measure and report on the "tail-of-the-mail," by day, until 99.9 percent of the mail is delivered.

The Postal Service proposes to report its service performance data on a quarterly basis sorted to the various district levels. Quarterly reporting is reasonable and a summary report of data at the district level is acceptable. However, the Commission should require the Postal Service to provide the data at the 3-digit level and in a format designated by the Commission, so that if further analysis or data auditing of each district is needed, the data is readily available.

### 6.3.2 Annual Reporting

The Postal Service proposes to report annual Periodical data nationally. The PRC should recommend that the annual performance data should be reported with the same level of detail as the quarterly data – in other words, at the district level, by day until 99.9 percent of the mail is delivered. Also, the annual performance data should be provided to the Commission at the 3-digit level and in a format designated by the Commission so that further analysis is possible.

## **8 PACKAGE SERVICES**

### **8.1 Background**

The Postal Service intends to use Delivery Confirmation results to track package services. Parcels are the bulk of the mail, with Bound Printed Matter, Library Mail, and Media Mail being of lesser importance. Delivery Confirmation will be used to track retail packages (representing 15 percent of parcels) and Presort packages (representing 84 percent of all parcel-shaped Package Services, with Delivery Confirmation service included for 21 percent of these mailpieces).

The Postal Service proposes to use scans of the Delivery Confirmation barcode (which is purchased by the mailer) to evaluate service performance. There is a

potential measurement gap in the number of package service parcels measured because not all mailers purchase Delivery Confirmation. Increasing the use of Delivery Confirmation would enhance the products and provide greater opportunity for accurate more accurate performance measurement. The Commission may want to recommend that the Postal Service offer free Delivery Confirmation service to those mailers that log on to the Postal Service website and print a Package Service's shipping label, similar to that offered for Priority Mail on-line shipping labels. (See, <https://sss-web.usps.com/cns/landing.do>)

#### 8.4.1 Quarterly Reporting

The Postal Service proposes that its Package Services reporting system limit reporting to one, two or three days. This will not capture sufficient information to obtain an accurate picture of the Postal Service's service performance regarding the "tail of the mail." Instead, the Commission should recommend that the Postal Service measure and report on the "tail-of-the-mail," by day, until 99.9 percent of the mail is delivered.

The Postal Service proposes to report its service performance data on a quarterly basis sorted to the various district levels. Quarterly reporting is reasonable and a summary report of data at the district level is acceptable. However, the Commission should require the Postal Service to provide the data at the 3-digit level and in a format designated by the Commission, so that if further analysis or data auditing of each district is needed the data is readily available.

#### 8.4.2 Annual Reporting

The Postal Service proposes to report annual Package Services data nationally. The PRC should require the annual performance data be reported with the same level

of detail as the quarterly data – in other words, at the district level, by day until 99.9 percent of the mail is delivered. Also, the annual performance data should be provided to the Commission, at the 3-digit level, in a format designated by the Commission so that further analysis is possible.

Computations justifying the statistical validity of this approach would be appropriate. Again, in reporting performance it would be desirable to report in the Annual Compliance Report the tail-of-the-mail data reported in the quarterly Service Performance report.

## **9 SPECIAL SERVICES**

### **9.2 Delivery Confirmation, Signature Confirmation, Certified Mail, Registered Mail, electronic Return Receipt, and Collect on Delivery**

The Postal Service proposes to measure six Special Services internally and report only the time it takes to make available to the sender electronic information. The six Special Services are Delivery Confirmation, Signature Confirmation, Certified Mail, Registered Mail, electronic Return Receipt, and Collect on Delivery. The delivery information, generated from scans of the relevant Special Service barcodes, is obtained by retail window clerks or by carriers during delivery using portable handheld scanners. For each scanned mailpiece, the delivery information is subsequently uploaded to a centralized computer system where the information is posted for access by mailers through the Postal Service's Web site, toll-free number or via an electronic link.

According to the Postal Service, the only service to be measured is "the time between when delivery information was collected and when that information was made

available to the customer.”<sup>60</sup> More specifically, the “start-the-clock” is the time the carrier records a “delivery event scan,” *i.e.*, attempts delivery, completes delivery, or captures the recipient’s signature, etc. The “stop-the-clock” is the posting time on the centralized computer system.<sup>61</sup> The Postal Service proposes as a Service Standard the “Availability of delivery information within 24 hours of scan for domestic mail.”<sup>62</sup>

In effect, the Postal Service’s plan to measure the time between the “delivery scan event” and posting is a measure of its computing capabilities; that is, the time to transmit, upload, and post captured electronic delivery information to its centralized computer system. Absent the complete loss or destruction of the handheld scanner (or its information) or a prolonged “crash” of the Postal Service’s computer system, the Postal Service should be able to demonstrate easily a high degree of service performance when reporting already captured delivery information—certainly service performance within the 24 hour service standard.

More problematic, however, is failure to capture the delivery information—even when the mailpiece is actually delivered. In such circumstances, the Postal Service Proposal will still allow it to demonstrate a high degree of service performance. Without a “delivery scan event” to be posted, there is no “stop the clock” time, and thus no data for measurement of the performance of the Special Service: that of providing delivery scans for all mail that is intended to have a delivery scan.

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<sup>60</sup> Proposal at 57.

<sup>61</sup> *Id.*

<sup>62</sup> *USPS, Modern Service Standards for Market-Dominant Products; Final Rule*, 72 Fed. Reg. 72227 (to be codified at 39 CFR Parts 121 and 122), December 19, 2007.

By design, the Postal Service is excluding relevant data from service performance measurement and, in those cases, not measuring a failed performance of the Special Service product purchased. More specifically, the Postal Service is not measuring how frequently it is capturing information on delivery of the identified Special Services. Service performance measurement of the Postal Service's *success* (or lack thereof) in scanning Special Service barcodes upon delivery or some other delivery event is another important performance measure that should be undertaken.

In the case of Delivery Confirmation and Signature Confirmation (herein "Delivery/Signature Confirmation"), the Postal Service identifies 22 scan "event codes" (plus a subset of 9 additional "event codes" associated with "Return to Sender)."<sup>63</sup> A scan event "represents any time a bar coded label on [a] mail piece is scanned."<sup>64</sup> Such scans are recorded by time and date and most are assigned one of the "event codes." Some scans may be manual, such as during acceptance or at the delivery points, or passive when the mailpieces are processed on automated mail processing equipment.<sup>65</sup> Nevertheless, "[t]he most important scan for a customer is the delivery scan—or another scan that provides information on a final action to complete the service by the Postal Service."<sup>66</sup> The delivery scan provides the service purchased by the mailer—

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<sup>63</sup> USPS Publication 91, *Confirmation Services Technical Guide*, September 2004 (updated January 20, 2005), "Event Codes" at 72.

<sup>64</sup> *Id.* at 11.

<sup>65</sup> *Id.*

<sup>66</sup> MTAC Report at 96.

information on the date and time that confirms delivery of their mailpiece, or other information about the receipt of their mailpiece. According to MTAC:<sup>67</sup>

The Postal Service has identified four scan “event codes,” entered at the time the barcode label is scanned by the carrier, that are considered completion of the service. Those scan events are: Delivered, Refused, Undeliverable-As-Addressed, and Return to Sender (depending upon class or endorsement). (Footnote omitted.)

However, the scan at delivery is the most difficult scan for the Postal Service to obtain. According to the Postal Service, the failure to obtain scans on Delivery/Signature Confirmation pieces “results from a failure to follow the scanning procedures at delivery.”<sup>68</sup> Similar failures are also identified for Certified Mail, Registered Mail, and electronic Return Receipt.<sup>69</sup> These failures affect the “scan rate”—the ratio of the number of pieces scanned at delivery to the number of such pieces scanned at acceptance. For Delivery/Signature Confirmation, the most recent Postal Service scan rates are 98 percent for Priority Mail, 97 percent for Package Service parcels, and 96 percent for First-Class Mail parcels.<sup>70</sup> The most recent scan rate data for Certified Mail, Registered Mail, and electronic Return Receipt is 94 percent, 93 percent, and 96 percent, respectively.<sup>71</sup>

Consequently, the Postal Service’s plan to measure and report only the time between the “delivery scan event” and posting on its website, while necessary, is

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<sup>67</sup> *Id.* at 96-97.

<sup>68</sup> Docket No. R2005-1, “Response of United States Postal Service to OCA/USPS-67 and 70.”

<sup>69</sup> Docket No. R2005-1, “Response of United States Postal Service to OCA/USPS-68-69.”

<sup>70</sup> Docket No. R2006-1, “Response of United States Postal Service to DFC/USPS-26.” The Postal Service did not provide any information on the scan rate for Standard Mail parcels. *Id.*

<sup>71</sup> Docket No. R2006-1, “Response of United States Postal Service to DFC/USPS-6 and 27” Registered Mail and Certified Mail, respectively; and, DFC/USPS-T39-15, for the capture of signatures on electronic Return Receipt.

insufficient to measure the scan rate performance of the Special Service purchased. Measurement data detailing the Postal Service's success at capturing delivery scans is essential to the Commission, and mailers as purchasers of information service, to determine the percentage of pieces for which the final delivery action is not available to the customer.

For these reasons, the Commission should require, in addition to the Postal Service's proposed measurement and reporting of the time between delivery and posting, measurement and reporting for the identified Special Services of "delivery scan rate data," which, as described above, represents the ratio of the number of pieces scanned at delivery to the number of such pieces scanned at acceptance.

### **9.3 CONFIRM and Address Correction**

The Postal Service's internal measurement system proposal is deficient for the same reasons as its proposal for the above six Special Services. The Postal Service proposes to measure only the time it takes for posting scanned data but fails to measure the scan or completion rate.

### **9.4 P.O. Box Service**

The Postal Service proposes that delivery service performance for post office boxes be "internally measured using scanning technology" to record the availability of customer mail by the posted "uptime."<sup>72</sup> Using such technology, the Postal Service will scan a barcode placed in each post office box section after all mail committed for delivery to the box section that day is distributed.

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<sup>72</sup> Proposal at 58.

The Postal Service's intent to measure the availability of customers' mail against the posted "uptime" service standard is reasonable. However, the use of internal measurement for determining the actual "uptime" is subject to manipulation. The Commission should reject the Postal Service's proposed use of internal measurement and require use of the EXFC system to measure the timely availability of customer post office box mail by the posted box section "uptime."

According to the Postal Service, "each Post Office Box section is required to establish and publicly post its standard 'uptime' for each delivery day."<sup>73</sup> Generally, the posted "uptime" for each office is "fixed" and is "made as early as possible based upon transportation schedules, mail flows, and how the mail is processed."<sup>74</sup> As a result, the posted "uptime" varies by office but is generally between 9:00 a.m. and 12:00 p.m. (noon).<sup>75</sup>

Nevertheless, the Postal Service's ability to change a posted box "uptime" at will and the control of access (or lack thereof) to the barcode in each box section is problematic for accurate service performance measurement. With the new requirement to measure the "uptime" of mail at a box section, local post offices (or the District) may seek to improve reported measurement by moving the uptime from "as early as possible" each day to a later time. The proposed measurement plan for post office boxes does not preclude the Postal Service from moving the "uptime" to improve its reported availability of box section mail.

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<sup>73</sup> *USPS, Modern Service Standards for Market-Dominant Products; Proposed Rule*, 72 Fed. Reg. 58964 (to be codified at 39 CFR Parts 121 and 122), October 17, 2007.

<sup>74</sup> Docket No. R2006-1, "Response of the United States Postal Service to DBP/USPS-23(e) and (f)."

<sup>75</sup> Docket No. R2005-1, "Response of the United States Postal Service to OCA/USPS-164(f)."

Moreover, the Postal Service's proposed measurement plan does not explain how it intends to control access to the barcode placed in each post office box section. In the absence of such controls, access to the box section barcode may prompt premature scanning of the barcode in order to meet the "uptime" service standard—even if all mail committed for delivery that day is not available to all customers in the office box section. As a result, the premature scanning of the box section barcode using an internal measurement system could easily distort service performance measurement results.

To determine the timely availability of customer box section mail for purposes of service performance measurement, the Commission should require that the Postal Service use the EXFC system (albeit in expanded form, as proposed in Section 3.2 of these section-by-section Comments). Currently, post office boxes receive EXFC mail, and, "Post Office Box reporters must collect their mail after the posted up-time in the lobby."<sup>76</sup> Because post office box reporters are already collecting EXFC mail from post office box sections, the Postal Service should use those reporters to provide an independent external service performance measurement of post office box mail availability that is less subject to manipulation than the internal measurement system proposed by the Postal Service.

## **9.5 Insurance Claims Processing**

The Postal Service proposes an internal system without external checks for insurance claims processing (Proposal at 62). Although the sample quarterly report (Figure 18, Proposal at 62) suggests the Postal Service will measure the percent of on-

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<sup>76</sup> Docket No. R2006-1, "Response of the United States Postal Service to DBP/USPS-23(c)."

time processing, the Proposal does not indicate its previously announced service standard is 30 days after the Postal Service has received all information from the claimant necessary for resolution. No justification is provided for using an internal system instead of an external performance measurement system and neither is an external control mechanism offered to confirm the results of the internal measurement results.

### **9.6 Money Order Processing**

The Postal Service proposes an internal measurement system to measure its performance against the standard of 15 days to process Money Order inquiries. No justification is provided for using an internal system instead of an external performance measurement system and neither is an external control mechanism offered to confirm the results of the internal measurement results.

### **9.7 Address List Services**

Address List Services permit customers to obtain address and ZIP Code corrections on their mailing lists, or have their address cards sequenced, to improve the quality of mailing lists. The Postal Service has established a service standard for Address List Services that requires return of corrected addresses and ZIP Codes within 15 business days, except for the period November 15 to January 1.<sup>77</sup> However, the Postal Service proposes to only “use an external customer survey to measure customer satisfaction with the timeliness of receipt for their address list request.”<sup>78</sup>

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<sup>77</sup> *USPS, Modern Service Standards for Market-Dominant Products; Final Rule*, 72 Fed. Reg. 72227 (to be codified at 39 CFR Parts 121 and 122), December 19, 2007.

<sup>78</sup> See Proposal at 59, <http://www.prc.gov>.

The Commission should reject the Postal Service plan to use a customer survey to measure “customer satisfaction” with Address List Services. Such a survey of “customer satisfaction” is not the same as a direct or objective measure of the service actually provided as it does not require measurement of the service itself.

The Postal Service’s establishment of a 15-day service standard for the return of corrected addresses and ZIP Codes permits service performance measurement to be based upon a “start-the-clock” and “stop-the-clock” methodology, which is proposed for most other Special Services. The “start-the clock” would be the date the address list to be corrected or sequenced is submitted by the customer; the “stop-the-clock” would be the date the corrected addresses and ZIP Codes are returned to the customer. The measurement of service performance between the “start-the-clock” and “stop-the-clock” dates can be undertaken by an external vendor, as proposed by the Postal Service, or performed internally, whichever is determined best by the Commission.

The Commission should require a presentation of the underlying statistical analysis that indicates that the data are meaningful.

## VII. CONCLUSION

The Public Representative respectfully submits the foregoing initial comments for the Commission’s consideration.

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