

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

SERVICE PERFORMANCE MEASUREMENT)
SYSTEMS FOR MARKET DOMINANT PRODUCTS)

) Docket No. PI2008-1
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REPLY COMMENTS
of
THE McGRAW-HILL COMPANIES, INC.

The McGraw-Hill Companies, Inc. (McGraw-Hill), through its undersigned counsel, respectfully submits these reply comments pursuant to Order No. 48, Notice of Request for Comments on Service Performance Measurement Systems for Market Dominant Products (issued December 4, 2007), as amended by Order No. 49 (issued December 11 2007).

Service Performance Measurement
for Purposes of Administering the Price Cap

McGraw-Hill shares the concern expressed by Magazine Publishers of America, Inc. (MPA) regarding the lowered service standards for Periodicals mail that were published by the Postal Service on December 19, 2007. MPA initial comments at 4-5. In this regard, MPA quotes its earlier comments to the Postal Service to the effect that the proposed reduction in service standards for Periodicals mail did not appear to be necessitated by any inability of the Postal Service to meet then-current service standards for Periodicals mail, but rather would set standards for slower service than previously provided. Id.

McGraw-Hill likewise submitted comments (jointly with American Business Media) (ABM) to the Postal Service on November 16, 2007 opposing the proposed reduction in service standards for Periodicals mail. McGraw-Hill and ABM noted that no reduction in service standards was proposed for any other mail class, and expressed concern that a reduction in service standards was proposed for Periodicals mail apparently because, in the words of the Postal Service, “constraints on price increases that are imposed on market-dominant products” under the price cap regime of the Postal Accountability and Enhancement Act (PAEA) make it “more important than ever that costs associated with these services be contained.” 72 Fed. Reg. 58946, 58967 (October 17, 2007).

This very type of concern has been raised by a number of participants in recent rulemaking proceedings conducted by the Commission to implement PAEA. The general concern in this regard is that the Postal Service should not be able to evade the price cap by downgrading the service that it provides, and that any general reduction in the level of service provided by the Postal Service should be treated as a price increase and counted against the cap.¹ The Commission has stated that it “is sympathetic to these concerns” and that “[i]f experience shows that additional regulations in this area are necessary to achieve the objectives of ... [PAEA], the Commission is obligated to develop such regulations, or recommend to Congress appropriate additional legislation.” 72 Fed. Reg. 50744, 50753-50754 (Sept. 4, 2007).

¹ To reduce costs by lowering service standards (without a commensurate lowering of corresponding postal rates) would have the effect of a rate increase -- paying the same amount for less service is equivalent to paying more for the same service.

Accordingly, full implementation of the price cap is among the important reasons for mandating accurate measurement of service performance. In this regard, consideration should be given to developing and using appropriate service performance indexes, along the lines suggested by the Public Representative in this proceeding (Public Representative initial comments at 24-31), in order to track any decline over time in the overall level of service provided by the Postal Service for its respective Products, including Periodicals mail.² The illustrative service performance indexes presented by the Public Representative (id. at 28, 30) appear relatively straightforward and comprehensive, and would yield a single percentage figure summarizing overall service performance against goals over a period of time -- readily comparable to corresponding percentage figures for other periods of time. In principle, the Commission could consider whether any percentage decline in such figures over the period between rate adjustments (arguably reflecting a de facto rate increase) should reduce the percentage rate increase that would otherwise be available under the price cap.³

Service Performance Measurement for Purposes of Mailer Self-Help

McGraw-Hill concurs in what appears to be a consensus among commenters in this proceeding that service performance reporting by the Postal Service should be monthly, web-based, and disaggregated by postal Product at least to the level of 3-digit

² Service performance indexes may also be useful generally in tracking progress or lack of progress in achieving service performance goals. However, absent a decline in the level of service, a lack of progress in achieving performance goals need not affect administration of the price cap, although it could potentially trigger other remedial action by the Commission.

³ The circumstances underlying any decline in the level of service provided may be relevant in this regard. However, a decline attributable primarily to a cost-reduction program should presumably be treated as a de facto rate increase.

origin/destination pairs. McGraw-Hill likewise concurs that the Postal Service should report the full range of variance from service standards, as well as the average variance, and not simply the percentages of disaggregated mail Products that are delivered one, two, or three days late, respectively. As aptly stated by the National Postal Policy Council (NPPC):

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

NPPC initial comments at 4.

The Accuracy of Service Performance Measurement

The Postal Service intends eventually to rely on the Intelligent Mail Barcode for accurate measurement of service performance for Periodicals.⁴ However, questions have been raised regarding the extent to which smaller mailers -- including thousands of Periodicals mailers -- will as a practical matter be prepared to utilize the Intelligent Mail Barcode in the near future.⁵ It is therefore important that before relying on Intelligent Mail Barcode data for purposes of measuring service performance for Periodicals as a whole, the Postal Service should examine the characteristics of Periodicals mailers that utilize the Intelligent Mail Barcode in order to determine whether they are representative

⁴ McGraw Hill agrees with other commenters that mailers using the Intelligent Mail Barcode should have access to timely data from the Postal Service on service performance for their own mailings.

⁵ See initial comments of Pitney Bowes Inc. at 4-5; initial comments of the Public Representative at 44 (slower adoption of the Intelligent Mail Barcode projected for Periodicals); initial comments of Research International at 1.

of Periodicals as a whole. Accurate service performance measurement is important for smaller mailers no less than for larger mailers.

To the extent that the Postal Service may need to rely for an indeterminate period of time on mail seeding programs to supplement Intelligent Mail Barcode data for purposes of measuring service performance, it would appear worthwhile for the Postal Service to undertake a cost/benefit evaluation (if it has not already done so) of using advanced technology for mail seeding programs of the type described in the initial comments of Research International, such as including “radio frequency identification transponders” in the seeded mail and using “intelligent mail boxes” to determine electronically when such transponders are delivered.⁶

Whatever the general method for measuring service performance, McGraw-Hill agrees with other commenters that the clock should start when the mail is first entered into the postal system (whether by loading a postal truck at the mailer’s facility or otherwise), and not when the Postal Service first undertakes handle mail so entered. McGraw-Hill likewise agrees with other commenters that “critical entry times” for service commitments should be reasonable (not designed to skew service performance measurement) and readily accessible (via the web and otherwise) for each postal facility, and should not be changed without adequate notice and explanation. Finally,

⁶ McGraw-Hill nevertheless agrees with the American Postal Workers Union (APWU) that seeding programs should include representative numbers of non-household addressees, e.g., businesses and government. APWU initial comments at 3.

