

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Service Performance Measurement)
Systems for Market Dominant Products)

Docket No. PI2008-1

VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS' ASSOCIATION, INC.
REPLY COMMENTS ON SERVICE PERFORMANCE MEASUREMENT
SYSTEMS FOR MARKET DOMINANT PRODUCTS
(February 1, 2008)

BACKGROUND

Valpak Direct Marketing Systems, Inc., and Valpak Dealers' Association, Inc. (hereafter "Valpak") hereby submit these joint reply comments pursuant to Commission Order No. 48, Notice of Request for Comments on Service Performance Measurement Systems for Market Dominant Products, and Commission Order No. 49, which extended the deadline for reply comments to February 1, 2008.

Initial comments on the Postal Service's proposed performance measurement systems (Postal Service proposal) were timely filed by 17 parties, including Valpak, on January 18, 2008.

I. IN TIME, THE SERVICE PERFORMANCE SYSTEM CAN SERVE DIFFERENT NEEDS, BUT STATUTORY REQUIREMENTS SHOULD TAKE PRECEDENCE.

A. Operational needs/desires of mailers. Initial comments from a number of mailers stress their desire to have the Postal Service develop a service performance measurement system that goes far beyond the statutory requirements discussed below, which from the very outset would provide mailers with a full panoply of reports, data, and information that could be

used for diagnostic and other operational purposes.¹ In brief, they collectively suggest that virtually all recommendations of MTAC Workgroup 114 be included in the original design and be implemented almost from the very outset. *See* Section I.D, *infra*, for further discussion. Fulfilling this wide panoply of demands and desires will require time and money, as well as critical programming resources, and should not be allowed to delay or take precedence over statutory requirements discussed below.

B. Statutory oversight needs. In its initial comments, Valpak noted that results of service performance measurements by the Postal Service will fulfill two statutory ends vis-a-vis the Commission. First, once a year they will be part of the Postal Service's Annual Compliance Report to the Commission (39 U.S.C. § 3652(a)(2)(B)) and the Commission's subsequent annual compliance review (39 U.S.C. § 3653(b)(2)). Data for the annual compliance review necessarily will be aggregated to a fairly high level, as the annual compliance review does not require, and the Annual Compliance Report should not be weighed down by, a massive and detailed submission.

Second, noncompliance with service standards is subject to review by the Commission based on filing of a complaint (39 U.S.C. § 3691(d)). Accordingly, Valpak's comments focused its initial comments generally on the issue of whether the Postal Service proposal is adequate for achieving these statutory ends, especially with respect to Standard Mail. Valpak continues to believe that the Postal Service proposal represents considerable progress and

¹ *See, e.g.*, Initial Comments of the Association for Postal Commerce ("PostCom") Joined by the Direct Marketing Association ("DMA") at 9-13.

deserves the Commission's approval, conditioned upon making certain improvements specified in Valpak's initial comments and these reply comments.

C. Evolutionary nature of the performance reporting system. Other initial comments stress that the service performance measurement system is, and will be, a work in progress for many years to come. Within the near-term horizon, the proposed system must be designed to meet the statutory oversight objectives, and American Postal Workers Union ("APWU") recommends that the Postal Service "be required to meet certain benchmarks along the way to ensure that the system accurately reflects actual performance." Initial Comments of APWU, p. 2. Valpak appreciates that the Postal Service proposal represents significant progress. At the same time, Valpak believes that benchmarks make sense, and the Commission may wish to consider requesting the Postal Service to file its implementation plan, along with documentable milestones for the next two years, *e.g.*, until the end of FY 2009. Such a submission would provide the Commission and mailers with insight on how the Postal Service sees the service performance measurement system evolving. It also would facilitate the evaluation of progress one year from now, at the time of the FY 2008 annual compliance review.

D. The content and frequency of performance reports is a separate issue. The type and number of performance reports suggested by MTAC Workgroup 114, and endorsed by initial comments of some parties, is rather extensive, *e.g.*, (i) separate reports for Standard

parcels and for First-Class parcels,² (ii) monthly, instead of quarterly reports,³ (iii) reports by individual district,⁴ and (iv) reports by 3-digit ZIP code, or even by 3-digit ZIP origin/destination pairs.⁵ In order for the Postal Service to provide all interested mailers with every type of report that has been suggested, extensive programming time, as well as resources, almost surely will be required. While not opposing having the Postal Service eventually provide the different reports suggested or requested by various parties (especially if those parties pay for the cost of such reports), priority must be given to the basic performance measurement system and providing the basic service performance reports for all Standard Mail.

E. The “perfect” must not be allowed to become the enemy of the “good.” The extensive demands and desires of those mailers who for years have longed for a system to track and trace mail performance, and now want a full blown system, with “all the bells and whistles” on it, are understandable. At the same time, trying to design and implement the “perfect,” full-blown system from the very outset courts the danger of delay and ultimate implosion, with little or nothing to show for the effort, thereby becoming the enemy of the good. Clearly, however, the best possible affordable performance measurement system should be developed and implemented.

² Initial Comments of PostCom/DMA at 6.

³ Initial Comments of Major Mailers Association (“MMA”) at 2; Initial Comments of NPPC at 5.

⁴ Comments of Magazine Publishers of American, Inc. (“MPA”) at 3.

⁵ Comments of National Postal Policy Council (“NPPC”) at 5; Initial Comments of PostCom/DMA at 11-12.

F. The extent to which data are made available to mailers by mail type is a separate issue. Several parties discuss the desirability of having access to their own performance data (uniquely identified by the Intelligent Mail Barcode (“IMB”)), either as raw data which they could process, or in a highly un-aggregated (“granular”) form.⁶ Assuming that adequate privacy protocols are in place, and the system can handle mailer downloading of information by interested mailers, giving this feature some precedence might be a good way to provide some feedback and satisfaction to participating mailers. Once the raw data have been downloaded, mailers can design and develop desired internal reports using the downloaded data. This also should induce other mailers to participate in performance measurement sooner than they otherwise might.

II. PERFORMANCE DATA SHOULD BE ABLE TO DISTINGUISH BETWEEN LETTERS, FLATS, AND PARCELS FROM THE OUTSET.

A number of mailers have suggested that since letters, flats, and parcels are processed separately, performance data for each different shape should be reported separately.⁷ In its initial comments, Valpak also urged that saturation letters and carrier route flats be measured separately. *See* Valpak Initial Comments at 3-4. A general perception that each shape receives

⁶ *See* Comments of MPA at 3; Initial Comments of Pitney Bowes, Inc. (“PB”) at 5-7; Initial Comments of PostCom/DMA at 11; Initial Comments of Time Warner (“TW”) at 4.

⁷ *See, e.g.*, Comments of Bank of American Corporation (“BAC”) at 3; Comments of Mail Order Association of America (“MOAA”) at 2; Initial Comments of NPPC at 6; Initial Comments of PostCom/DMA at 12; Comments of Publishers Clearing House (“PCH”) at 1; and Comments of TW at 3.

a different level of service — possibly derived from anecdotal information, but also possibly valid — may underlie this widespread desire to have performance reported by shape.

In view of the widespread desire to have performance data recorded and reported by shape, Valpak suggests that, at a minimum, the service performance measurement system should be designed to capture shape data from the outset, and thereby provide the means for generating separate reports by shape as and when needed. (It is our present understanding that the IMB be itself, *i.e.*, “Basic” IMB option, will not reflect the shape of pieces, and that shape-based information will be obtainable only in connection with electronic documentation, such as required with the “Full Service” IMB option.) Unless the system is built to include the shape of the mail, shape-based reports will never be feasible without redesign of the system (including, perhaps, the “Full Service” IMBs anticipated to be adopted over time by the vast majority of mailers).

Issues of accountability and transparency lurk beneath the surface here. The system under development needs to provide information sufficient for the Commission to ascertain whether service performance complies with Objective No. 3 in section § 3622(b),⁸ as well as Factor No. 1 in section § 3622(c).⁹ If the level of service actually received by each shape within a class or product grouping does in fact differ materially and systematically, then only if shape is recorded in the data base will such fact be verifiable by the Commission and mailers.

⁸ “To maintain high quality service standards established under [39 U.S.C.] section 3691.”

⁹ “The value of the mail service **actually provided each** class or **type** of mail service to both the sender and the recipient, including but not limited to the collection, mode of transportation, and priority of delivery.” (Emphasis added.)

III. REPRESENTATIVENESS OF PERFORMANCE DATA FOR EACH PRODUCT REPORTED NEEDS TO BE CLARIFIED.

A. Exclusions from performance measurement. Initial comments from a number of parties took note of the fact that the Postal Service's proposal will exclude from service measurement certain portions of the mail stream.¹⁰ Valpak's Initial Comments (at 4-5) also questioned the Postal Service's proposed exclusion from performance measurement for some unknown volume of mail. For example, within Standard Mail, mailers not using "Full Service" IMB might be excluded from performance measurement. *See generally* Advance Notice of Proposed Rulemaking, Implementation of Intelligent Mail Barcodes, 73 Fed. Reg. 1158-62 (Jan. 7, 2008). This deliberate exclusion of certain large segments of the mailstream raises the possibility of bias and a sample that cannot be considered representative of a wider universe. A potentially serious problem arising from such exclusion is failure to have a representative data base, because a non-representative sample could have limited usefulness. The need for sample data to be representative also is raised by a number of other parties.¹¹

B. Representativeness of data provided. It would make sense if the Commission should request the Postal Service to explain annually (i) the "universe" from which reported performance data have been derived, (ii) the "universe" for which the data can be considered representative, and (iii) if the "universe" for which the data can be considered representative is

¹⁰ *See* Initial Comments of APWU at 3; Comments of BAC at 2-3; Comments of GCA at 1; Comments of MOAA at 1; Comments of Public Representative Initial Comments at 7 and 42; Comments of PostCom/DMA at 16 and 18; and Initial Comments of PCH at 1.

¹¹ *See* Comments of Greeting Card Association ("GCA") at 1-2; Public Representative Initial Comments at 36-37 and 41-43; Initial Comments of PostCom/DMA at 19.

claimed to be wider than the “universe” from which reported performance data have been derived, then the Postal Service should provide a written explanation as to why the performance data are considered applicable to a wider universe. For example, if the Postal Service considers performance data for Standard letters with “Full Service” barcodes to be representative of all Standard letters, then it should explain why service for the “included” or “measured” letters is considered sufficiently similar to service provided for the “excluded” or “non-measured” letters so as to be treated as a valid proxy for the wider universe. Once the Postal Service certifies the universe to which the sample is applicable, in subsequent uses or applications (*e.g.*, complaint cases) it cannot later be seen to invoke “non-representativeness” as a criticism (or as a basis for dismissing a complaint).

IV. VARIANCE IS INTEGRAL TO PERFORMANCE, AND NEEDS TO BE REPORTED SEPARATELY IN THE ANNUAL COMPLIANCE REPORT.

A. A single comprehensive variance measure should be sufficient, at least at the outset. Initial comments of several parties have expressed concern about erratic or inconsistent service and the need to have the service performance measurement system provide data on consistency.¹² Of these, several have indicated a preference for the proposal of MTAC Workgroup 114, which is to report the number of days required for 99 percent of the mail in each group to meet its stipulated service standard. Valpak’s initial comments proposed, for each category for which separate performance data are provided, that the Postal Service also

¹² See Comments of BAC at 4; Comments of MOAA at 3; Comments of NPPC at 5-6; and Initial Comments of PostCom/DMA at 14. Significantly, no party, with respect to any class of mail, has suggested that erratic and inconsistent service is not a matter of concern.

compute a single datum showing the average number of days beyond the service standard required for receipt of **all** late-delivered mail recorded in the performance data base of each respective category.¹³ Either the MTAC proposal or the one proposed by Valpak would be acceptable, but at least one comprehensive variance measure should be included as an integral part of the Annual Compliance Report.

B. Annual Compliance Reports should include comparable summary data for more than one year. In addition to making available data for the most recent year, it would be desirable for the Postal Service's Annual Compliance Report to contain routinely, for each reported measure, comparable data for the prior 2 or 3 years. It seems inevitable that many parties will want to compare the most recent year's results with those from immediately preceding years, and having the data presented together in one place will facilitate not only such comparisons, but also transparency and accountability.

Respectfully submitted,

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¹³ See Valpak Initial Comments at 11-14.