

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Service Performance Measurement)
Systems For Market Dominant Products)

Docket No. PI2008-1

PUBLIC REPRESENTATIVE REPLY COMMENTS
IN RESPONSE TO NOTICE OF REQUEST FOR COMMENTS
ON SERVICE PERFORMANCE MEASUREMENT SYSTEMS
FOR MARKET-DOMINANT PRODUCTS
(February 1, 2008)

The Public Representative designated by the Postal Regulatory Commission (“Commission”) in this proceeding,¹ hereby files reply comments in response to the initial comments filed pursuant to the Commission’s notice and request for comments² on the United States Postal Service’s proposed service performance measurement system.³

The initial comments filed by the participants in this Public Inquiry as well as the Initial Comments of the Public Representative indicate that the Postal Service’s Proposal, mandated by the PAEA, represents an improvement in the measurement of service performance than heretofore provided. Nevertheless, the initial comments filed by the participants raise several issues of serious concern that must be addressed by

¹ The “Public Representative” representing the interests of the general public in this proceeding was designated in Order No. 48.

² “Notice of Request for Comments on Service Performance Measurement Systems for Market Dominant Products,” (Order No. 48), December 4, 2007.

³ “United States Postal Service, Service Performance Measurement,” November, 2007, filed December 4, 2007 (hereinafter “Proposal”).

the Commission. In particular, the comments identified several issues and questions needing clarification as to the proposed service performance measurements. For example, the Postal Service's proposal to use a proxy to measure the performance of First-Class Mail presort flats highlights the Postal Service's failure to justify a proxy for performance measurement when data that will directly measure the service should be available.

The comments also emphasize the failure to utilize statistically reliable measures of service performance. In the absence of statistically reliable measures, reporting of performance will be largely meaningless if the confidence intervals of the reports are not disclosed. Unless there is confidence in the reliability of the performance measurements, one of the most significant purposes of the PAEA, to establish service standards and insure that they are complied with, will not be achieved. For instance, Delivery Confirmation will be used as the measure of performance for package services although it is purchased for only a portion of package services, including First-Class retail and presort parcels and Standard Mail parcels. For each of these products, the Postal Service has not made a case that Delivery Confirmation will provide a statistically accurate measure of performance. The Postal Service should demonstrate that performance measurement data will provide statistically accurate results, and that the Postal Service will act to eliminate measurement gaps in the future. If these issues are not clarified and the potential measurement gaps removed, the resulting service performance measurements will not be robust, reliable or even meaningful, with significant negative impacts upon the participants and on the interests of the general public.

The Commission should condition approval of the Postal Service's Proposal upon the Postal Service providing additional clarification of its plans for measuring data and demonstrating the statistical reliability of its performance measurements. As discussed below, the Postal Service should also agree to establish: (1) a system for Critical Entry Times (CETs) development and reporting; (2) performance measurements for truck arrival times until unloading that affect start-the-clock timing; (3) reporting single-piece First-Class mail delivery variance days until the reported percentages include 99 percent of the mail; and (4) reporting service performance at a more detailed level.

1. Exclusion of Data

The Postal Service has not been clear and needs to be more specific about the mail to be excluded from performance measurements in each category of mail, both now and later as the use of the Intelligent Mail Barcode increases. The Postal Service says it will exclude mail not meeting preparation requirements from the performance statistics. Before the Commission grants approval of the performance measurement system, the Postal Service must provide an accounting for, or the Commission must prescribe for performance measurement purposes, the measurement rules and the weighting to be given to mail not proposed to be measured by the Postal Service, such as non-standard shape or undeliverable-as-addressed mail.

Several Comments have correctly identified other points of confusion relating to the performance measurements. In order to ascertain the statistical reliability of the performance reports, the Commission should insist upon documentation as to the level of reliability of all measures of performance. For instance, 50 percent of the mail is

expected to be measured using IMBs and reporters under the hybrid system by FY2010. The Postal Service does not propose to demonstrate the estimated statistical reliability of its hybrid measurement system. Moreover, such a demonstration is especially important for the non-EXFC performance measurements for Standard Mail and package services.

In addition, the volume of mail not meeting requirements should be tracked. There must also be a clear indication of the amount of business mail compared to residences that is being tracked and included in the performance measures. The interests of the general public require nothing less than a transparency in the statistical analysis that will inspire confidence in the performance measurements.

2. Critical Entry Times (CETs) and Collection Box Times

An important aspect of service performance measurement is clearly-established Critical Entry Times (CETs). CETs are, of course, within the management prerogative of the Postal Service. However, CETs must be based on business rules that are clear to mailers, the general public, and the Commission. CETs must be established as late in the day as is feasible, but early enough for the Postal Service to meet processing and transportation deadlines. If the CET is too late in the day, the Postal Service is unable to commence processing in time to achieve the anticipated delivery standard. Moreover, procedures must be established to inform mailers of changes in the details of CETs so that the CETs at each bulk mail entry point are known to all mailers in advance of mail entry.

The Postal Service must also establish and publicize rules that define how the Postal Service will establish CETs and how and when the process will be used to change CETs. Both current and potential mailers would benefit from a central source for the availability of the CETs nationwide. Those mailers with flexibility in their choice of entry points and mailers planning the locations for their future mailings will benefit from ready access to this information. If CETs are modified, particularly if they are modified pursuant to a nationwide program, such that CETs are advanced earlier and earlier in the day, that will impact the service standard performance.

The Commission and the mailers must be able to understand the results of performance measurements. The PAEA did not require the establishment of service standards and measurements for their own sake, but as tools to be used to determine whether the postal system should be improved and to decide the actions needed to improve performance. Without a comprehensive understanding of the CETs and rules for changes in the CETs, the value of the performance measurements as a key to evaluating the Postal Service's operations and the extent that remedies are needed will be severely diminished.

The equivalent of CETs for individual and small office/home office (SOHO) mailers is the last pick-up time of collection at collection boxes. Business mailers are properly concerned about the implementation of changes to CETs that not only affect their daily processing and transportation of the mail, but have consequences for service performance. Similar consequences exist for individual and SOHO mailers when the Postal Service alters collection times, generally by moving collection to an earlier time in the day. Regular transactions or scheduled trips to deposit mail must be altered to meet

earlier collection times or travel to distant collection boxes. As a result, such earlier last pick-up collection times may improve service performance measurement scores at the expense of increased inconvenience to mailers. The Commission should determine from the Postal Service the business rules for establishing and altering collection times for collection boxes.

3. Start-the-Clock

Of equal importance is the need to establish business rules for the start-the-clock measurement. Scanning mail as it is being off-loaded from trucks that may have arrived hours earlier, as is the case in many instances, provides too much leeway for management to influence start-the-clock measurements. As Time Warner Inc. has pointed out, depending upon when the mail is scanned and the clock started, the service performance can be influenced. The Commission should require that the arrival time of trucks at the Postal Service must be part of the performance measurement system (even if the truck arrival time does not start-the-clock for the service standard). Then, that performance information would be available to fashion future improvements in Postal Service performance. The management of business mail entry procedures is obviously a significant factor in the start-the-clock process. The impact of the time trucks are unloaded on the start-the-clock time has not been addressed satisfactorily by the Postal Service and should be included in the performance measurements.

4. First-Class Presort Flats Proxy

The Public Representative agrees with the comments of several mailers that, contrary to the Postal Service's Proposal, the First-Class presort flats performance measurements should not rely upon a proxy of the EXFC letters data. Moreover, as previously stated in the Public Representative's Initial Comments, there has not been an attempt to show that the cost impact prohibits the direct performance measurement of First-Class presort flats. (Initial Comments at 34-35.)

5. Average Days of Delivery Measurement

The Initial Comments of the Public Representative proposed that a Quality of Service Performance Index is needed for the future to simplify and measure more objectively the overall level of performance during a rating period. (PR Comments at 19-31.) Valpak suggests a useful calculation of the average days pieces are delivered in excess of the service standard to be reported as a simple measure of delivery performance that takes into account the delivery time of the mail as well as the tail-of-the-mail. (Valpak Comments at 11-14.) Given that the Valpak proposal is a request for the calculation of a statistical mean, it would be appropriate for the corresponding standard deviation to be furnished with any mean value provided. The proposed Valpak mean would provide one valuable measure of overall delivery performance. It would also be useful indices to include within the Quality of Service Performance Index proposed in the Public Representative's Initial Comments. The Valpak proposal may be added together with other performance measures of compliance, such as the indices of performance for individual delivery day standards for each product, as well as other

performance measures such as the days required to deliver 99 percent of the each mail product.

6. Variance Reporting

Except for single-piece First-Class Mail, the Postal Service proposes to provide separately each quarter “Mail Variance” reports, *i.e.*, reports that display the percentage of mail that is delivered within one-day, two-days, and three-days of the applicable service standard. The Public Representative has already addressed in the Initial Comments the need to expand the reporting of mail variance (the tail-of-the-mail) to include single-piece First-Class Mail. (Initial Comments at 39-40). Apparently, mail delivered more than three days after the applicable service standard will not be measured, and if it is, it will not be reported.

Rather than excluding such data, the Commission should direct the Postal Service to report the single-piece First-Class mail variance percentages for each day beyond the applicable service standard until the reported percentages include 99 percent of the mail. The Public Representative recognizes that such a change may require the Postal Service to modify the proposed reporting format.

7. Reporting More Detailed Service Performance Measurement Data

The Postal Service proposes to report, each quarter, service performance data only at the District level, and only at a high level of aggregation (*i.e.*, by product group, such as presort First-Class Mail). Quarterly reporting of service performance measurement is inadequate for business needs, as identified in the Final

Recommendation Report of MTAC Workgroup #114. In that Report, mailers identified the need for access to service performance data that would permit business mail users to “add value to the mail—by providing information on, and timely business awareness of, service problems that impact timely delivery and consistency.” (MTAC Report at 50.)

Moreover, from the perspective of individual or SOHO mailers, reporting service performance at the “District” level is of little value. Individual and SOHO mailers are likely to think in terms of mailing between ZIP Codes (i.e., their own and the recipient’s) or smaller political subdivisions, such as cities or counties. As a result, reporting by “District” is not relevant to individual and SOHO mailers because such geographic areas are creations of the Postal Service for its own internal management.

Both for business mailers, as well as individual and SOHO mailers, the Commission should direct the Postal Service to provide service performance data at a more detailed level that is useful to business mailers and relevant to smaller mailers. In this regard, the Postal Service should provide access on a near “real time” basis to service performance data for all measured pieces within a product mailstream by origin 3-digit ZIP Code, destination 3-digit Zip Code, shape (letters, flats and parcels), and point of entry (Origin, DBMC, DADC, DSCF, and DDU).

The Public Representative respectfully submits the foregoing Reply Comments for the Commission’s consideration.

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