

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

**SERVICE PERFORMANCE MEASUREMENT
SYSTEMS FOR MARKET-DOMINANT PRODUCTS**

DOCKET NO. PI2008-1

**REPLY COMMENTS OF THE ASSOCIATION FOR POSTAL COMMERCE
JOINED BY THE DIRECT MARKETING ASSOCIATION**

(CORRECTED VERSION)

Questions regarding these comments should be addressed to undersigned counsel:

Kathleen J. Siviter
President
Postal Consulting Services Inc.
phone: 703-237-1740
e-mail: kathys@postalconsulting.com

*Consultant to
Association for Postal Commerce*

Ian D. Volner
Rita L. Brickman
VENABLE LLP
575 7th Street NW
Washington, DC 20004-1601
Phone: (202) 344-4800
Fax: 202-344-8300
idvolner@venable.com
rlbrickman@venable.com

Counsel for Association for Postal Commerce

Dana T. Ackerly
COVINGTON & BURLING LLP
1201 Pennsylvania Avenue, NW
Washington, DC 20004-2401
Phone: (202) 662-5296
Fax: (202) 778-5296
dackerly@cov.com

Counsel for The Direct Marketing Association, Inc.

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The Association for Postal Commerce, joined by the Direct Marketing Association, Inc., (herein collectively “PostCom/DMA”) offers the following reply comments in response to Postal Regulatory Commission (PRC) Order No PI2008-1, Service Performance Measurement Systems for Market-Dominant Products.

In general, PostCom/DMA observes that many of the users of market-dominant products commenting in this proceeding raise issues that are in accord both with PostCom/DMA's Initial Comments, and with many of the final recommendations of MTAC Workgroup114.

PostCom/DMA urges the Commission to give substantial weight to those comments that reflect an overwhelming industry consensus. In addition, PostCom/DMA offers the following specific reply comments:

I. IMB Requirements

The Major Mailers Association (MMA) observes that although the Postal Service proposal states that “electronic mailing information” will be used to get an accurate start-the-clock, “to date there is not a published standard for what needs to be included in the electronic documentation.” *MMA Letter Comments* (January 18, 2008) at 2. MMA states that this “lack of

clarity places a service performance system at risk,” noting that “[r]esources to program, test and deploy may not coincide with the establishment of a measurement system.” *Id.* MMA asks the Commission and the Postal Service “to focus on the data needed to create the service measurement system and not burden this effort with requirements that could delay such a system.” *Id.* PostCom/DMA shares the concern that the Postal Service's proposal depends on mailers meeting a host of requirements, many of which have not yet been fully determined.

The Postal Service has not yet defined the complete requirements for producing mail with Intelligent Mail Barcodes, nor has it published service options or pricing. Until the requirements for producing mail with Intelligent Mail Barcodes that will be included in the service performance measurement system has been determined, it is difficult to comment on the proposal. Thus, PostCom/DMA recommends that the Commission revisit the Postal Service's service performance measurement proposal (including soliciting additional comment from stakeholders) once the Postal Service has published complete information regarding the requirements and pricing for using the Intelligent Mail Barcodes, as well as other visibility data. At the same time, there is no justification for the Commission or the Postal Service to take measures – such as IMB mandates or price increases – designed to increase or force adoption of Intelligent Mail.

II. Access to Aggregate Service Performance Data By Key Categories

Several participants expressed concern regarding the absence of shape-based reporting under the Postal Service's proposed measurement system. As Bank of America explained, “[m]ailers will benefit from understanding the performance differences between letter-shaped mail and flat-shaped mail, for example, informing decisions of format choice and enabling

resource management of call centers.” PostCom/DMA has similarly expressed the significant need for product users to have aggregate performance data that it can disaggregate by key categories, such as shape. Such aggregate data, representing multiple mailers/mailings, is necessary to show service performance for specific product groups (e.g., FCM parcels, or Standard Mail flats, etc.). PostCom/DMA supports the recommendations of MTAC workgroup 114 that aggregate data by product group need to be available not only to the Postal Service, but to product users.

The Postal Service's current proposal will not provide product users with the ability to disaggregate performance data by categories such as shape. Neither would product users have that ability using visibility products such as Confirm, or the anticipated Full Service IMB option, both of which are expected to provide data only on a specific mailing or for a specific mailer. There would be no way for product users to evaluate the service performance experienced for a particular mailing against the performance of that product group as a whole during the same time period (e.g., all Standard Mail flats, etc.). PostCom/DMA members need such aggregate data in order to make more informed business decisions about mail preparation, entry and quality issues.

III. Quality of Service Index

The Commission’s Public Representative recommends that “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.” It states that,

“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.”

PostCom/DMA does not oppose the development of a Quality of Service Performance Index “for each product or each group of products” as suggested by the Public Representative, but opposes the use of one overall Quality of Service performance index¹ because such an index would mask performance issues experienced by specific products. While a product level index may be useful for the dual purposes of future compliance review and resolution of complaints, a single overall Quality of Service Performance Index is not needed to ensure that the Commission fulfills its obligation to monitor service performance under the PAEA.

In its discussion of development of a Quality of Service Performance Index, the Public Representative explains how such indexes are used by public utilities commissions: “Failure of performance leads to a bill credit (‘performance payment obligation’) limited to a maximum of 0.5 percent of total annual retail revenue.” *Public Representative Initial Comments* at 26. There are many issues that need to be addressed with respect to potential remedies in complaint and other proceedings if – an important qualification – Postal Service performance is found to be deficient. In PostCom/DMA's view, how such indexes might be used in complaint and other proceedings should not be addressed here, but rather, should be addressed in separate, future Commission rulemakings or other proceedings.

While PostCom/DMA understands that the Public Representative’s example of how a Quality of Service Performance Index could be formed is meant to be illustrative, PostCom/DMA does not support the “index weighting” used in the examples. *Public*

¹ The Public Representative entertains the possibility of reducing the performance statistics to a single number. *Public Representative Initial Comments* at 21.

Representative Initial Comments at 28-31. For example, mail that is delivered nine days beyond the service standard would have a significantly greater impact on some product users than mail delivered one day beyond the standard for that same product group. Accordingly, equal index weighting may not be appropriate for some product groups. There are other reasons why the formulas used in the Public Representative's illustration may not be appropriate for all product groups.

The Public Representative also states that a Quality of Service Performance Index "should measure not only service performance and reliability, but also customer satisfaction using statistically valid surveys." *Public Representative Initial Comments* at 25. While PostCom/DMA is not opposed to measuring customer satisfaction, PostCom/DMA would oppose including measures of customer satisfaction in any Quality of Service Index that may be adopted for business products service performance. Measuring customer satisfaction is inherently subjective. While customer surveys may be useful in assessing the reasonableness of performance goals vis-à-vis the standards, the Commission and postal customers need objective service performance measurement statistics.

In sum, if the Commission decides to pursue the development of Quality of Service Performance Indexes, PostCom/DMA recommends that a collaborative process including product users, the Postal Service and the Commission be used to develop such indexes.

IV. Customer Satisfaction

The Commission's Public Representative recommends that "[t]he Commission should require the Postal Service to undertake additional external measures of performance (or internal measures, if justified) of customer satisfaction."

PostCom/DMA takes no position on the Public Representative's recommendations for additional measures of customer (mail recipient) satisfaction. However, PostCom/DMA strongly recommends that such measures and reports assess *consumer (mail recipient)* satisfaction separately from *business customer (mailer)* satisfaction. Customer satisfaction surveys are not a substitute for objective service performance measurement, which is of paramount concern to business mailers.

V. Performance Goals

The Public Representative observes that establishment of performance goals is required under the PAEA within 6 months of establishing service standards, and states that "[t]he 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." In PostCom/DMA's view, performance goals established under the PAEA should not be established as an "ultimate target" or "interim goal." Rather, the Postal Service should establish annual performance goals by product group, with planned improvement over time. For instance, if the baseline performance of a product group is 96%, the performance goal for the next year could be 97%, then 98% the following year, etc.

PostCom/DMA supports the recommendations of MTAC Workgroup 114 with respect to USPS service performance goals: goals should be established for all market-dominant products and should be aggressive, attainable, and raised over time. Goals should be reviewed and, if appropriate, adjusted over time as measurement data is collected and analyzed.

The Public Representative also states that “performance goals are expected to be established in the 90-plus percent range.” PostCom/DMA supports the recommendations of MTAC Workgroup 114 that performance goals be established that balance the need to improve service with the cost of doing so. For instance, current performance for Retail Parcels (as reported by the Postal Service) ranges from 45-66%. As a result, use of Retail Parcels as a proxy for Presort Package would result in an inappropriately low performance goal. Moreover, if this performance is the baseline for establishing performance goals, establishing a performance goal in the 90-plus percent range in the first year for Retail Parcels could be extremely costly to the Postal Service, and ultimately to this product group. PostCom/DMA recommends that the Commission and the Postal Service consider the service needs of product users, along with cost implications in the establishment of performance goals.

VI. Service Performance Measurement for Parcels

The Parcel Shippers Association (PSA) comments that “the need for reporting industry-wide parcel service performance is reinforced by the fact that many Standard Mail and First-Class Mail parcel shippers cannot purchase delivery confirmation for their parcels because the currently used delivery confirmation barcode is too large to fit on their parcels.” *Comments of Parcel Shippers Association* at 5. It further notes that “[a]lthough the Postal Service and the parcel shipping industry are working to solve this barcode “real estate” problem, no solution is

imminent.” *Id.* PostCom/DMA shares this concern. Barriers to using Delivery Confirmation barcodes on some parcel product groups exist because of barcode size, as well as software issues. Thus, and at least until these issues are resolved, reporting by shape within early product group is the only means of obtaining accurate data needed by Standard and First-Class parcel shippers. PostCom/DMA supports PSA’s recommendation, and urges the Postal Service to accelerate its efforts to resolve these barriers.

CONCLUSION

We hope these additional comments provide the Commission with useful information on the needs and expectations of our members with respect to service performance measurement. We look forward to working with both the Postal Service and the Commission as this process goes forward.

Respectfully submitted,

Kathleen J. Siviter
President
Postal Consulting Services Inc.
phone: 703-237-1740
e-mail: kathys@postalconsulting.com

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Rita L. Brickman
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575 7th Street NW
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Fax: 202-344-8300
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rlbrickman@venable.com

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COVINGTON & BURLING LLP
1201 Pennsylvania Avenue, NW
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Phone: (202) 662-5296
Fax: (202) 778-5296
dackerly@cov.com

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