

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

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

DOCKET NO. PI2008-1

**COMMENTS OF THE ASSOCIATION FOR POSTAL COMMERCE
JOINED BY THE DIRECT MARKETING ASSOCIATION: ORDER NO 83**

The Association for Postal Commerce, joined by the Direct Marketing Association, Inc., (herein collectively "PostCom and DMA") appreciates this opportunity presented by the Postal Regulatory Commission to provide comments in response to Postal Regulatory Commission (PRC) Order No 83, Docket No. PI2008-1, Service Performance Measurement Systems for Market-Dominant Products.

In reviewing the revised version of the Postal Service's service performance measurement plan, we find that most of the concerns that we raised in our January Comments in this docket have not been addressed at all or, at most, have only partially been resolved: the Postal Service has not revised key aspects of its plan -- most especially relating to data reporting -- which are critically important to customers. We welcome the opportunity to once again provide input as to whether the Postal Service' plan meets its customers' needs.

PostCom and DMA continues to support the extensive recommendations of MTAC Workgroup 114, and urges the Commission to continue to use the workgroup's final report as a roadmap toward the evolution of a service performance measurement system that meets the

statutory requirements of the PAEA, and therefore meets the needs of the Postal Service and its customers. While we have always supported the concept of service performance measurement as an evolutionary process, we are concerned that the Postal Service is building a system that in some respects will not meet customers' needs even in the long term, much less the short term.

I. Access to Service Performance Measurement Data By Key Categories

PostCom and DMA remains extremely concerned about the Postal Service's proposed measurement reporting, which does not provide customers (or the Postal Service itself) with access to timely, actionable data with which to better manage their businesses and to resolve service deficiencies. While the Postal Service has made clear that it will have access to the data it needs to monitor and improve service through an internal service performance diagnostics system, it has taken no concrete steps to develop processes for customer access to such data. Many of our members – especially catalog mailers – have concluded that quarterly reports are virtually useless. The need for real time data (of the type that was provided through EX3C) is critical for these companies to efficiently manage their business and respond to consumer needs and interests; it scarcely needs to be noted that the Postal Service is a direct beneficiary of a system that enhances the value and use of the mail. Further, if customers do not have access to common data that is granular, timely and actionable and can be used to resolve service issues, mailer users will remain in the existing untenable position in which the Postal Service continually challenges the accuracy or completeness of customer data – even when that data is obtained through the Postal Service's own products/services. It is critical that customers have

the ability to identify and resolve service issues through objective, detailed and real time data. The proposed measurement reporting systems do not provide this ability.

Our concerns are further exacerbated by the fact that the Postal Service still has not communicated to customers its plans for redesigning existing products/services (e.g., Confirm), or developing new visibility products/services. Absent such information, customers do not know whether existing visibility services that are critical to their business management will remain a viable option in the future. Although the Postal Service has indicated its intent to provide induction data to mailers meeting extensive Full Service IMB requirements, most customers find little benefit to receiving only induction data. Customers remain focused on the availability of a viable, cost-effective service that will provide access to the data at all key points in the postal system -- data which they have come to depend on for their business management.

In addition, PostCom and DMA is concerned that the aggregate reports outlined by the Postal Service in its proposal will not provide meaningful service performance data on specific product types. We have raised repeatedly the need for customers to have access to aggregate performance data that it can disaggregate by key categories, such as shape. Lacking this ability, the service performance for some product groups will not be visible. Measurement at the class level obscures actual performance at product levels because of volume differences by shape. For example, First-Class and Standard mail parcels represent very small fractions of their respective class volumes; and average data tell mailers of these parcels nothing that they can use to more effectively manage their business. In sum, aggregate reports cannot be evaluated by mailers, the

Commission or the Postal Service to determine whether an acceptable level of service is being provided.

PostCom and DMA further raises the following specific questions/issues on the Postal Service's reporting structure as laid out in its revised proposal:

- Service Variance Reports. The Postal Service proposes reporting the “tail of the mail” through service variance reports, but only out to three days beyond the applicable service standard. PostCom and DMA continues to recommend that the mail variance percentage for each day beyond the standard should be reported until the percentages reported account for 99% of the mail. Reporting the service variance only three days beyond the applicable standard will not identify the scope of service consistency issues, particularly for Standard Mail.
- First-Class Mail Reports. The Postal Service in section 3.7.1 provides samples of quarterly and variance reports for Single-Piece First-Class Mail, but not for Presort First-Class Mail. The Postal Service stated that “similar reports” will be produced for Presort First-Class Mail. PostCom and DMA assumes that the report formats for Single-Piece and Presort First-Class Mail will be identical in terms of the data elements to be included, but this needs to be made clear. Moreover, the Postal Service proposes separate reporting of service performance of First-Class Mail with overnight, two-day, and three/four/five day service standards. PostCom and DMA urges the Postal Service to separate performance reporting of three-day service standard First-Class Mail from that with

four/five day service standards. The latter is largely comprised of 3-digit ZIP Code pairs that include the non-contiguous United States. Combining service performance for those pieces with three-day service standard volume likely will not allow for adequate evaluation of service performance to the non-contiguous United States ZIP Code areas.¹

II. IMB Requirements

The Postal Service has removed all sections on projected IMB adoption rates and statistical validity from its proposal. The significance of this revision is unclear. Order 83 states that the Postal Service has made “significant progress” in working with its external measurement vendors and “working through” the “internal” IMB Systems. Order 83 at 2. This comment (which appears to be optimistic regarding IMB) could suggest that the Postal Service is contemplating an evolutionary deployment using existing systems – or a hybrid -- until IMB is fully deployed. If so, the industry needs to be informed as to details of the evolutionary plan.

Moreover, lacking the final requirements for Full Service IMB eligibility, as well as more information on the pricing incentives, it is difficult to gauge the impact that the Postal Service’s IMB implementation plans will have on service performance measurement. Depending on the specifics of the IMB implementation requirements and time line, customer adoption for certain product groups may be significantly slower than for others. For instance, if the predominance of early adopter IMB volume is letters, then how will performance for flats and parcel mail be

¹ We also note that the format shown by the Postal Service in section 3.7.2 for the Annual Compliance report for First-Class Mail is inconsistent with the quarterly reports in that it separately reports performance for mail with overnight, two-day and three/four-day service standards (versus three/four/five days as in the quarterly reports for this mail).

measured? In addition, if the eligibility requirements for Full Service IMB are so complex or costly that only very large, technically sophisticated mailers can comply, then measurement reporting would not reflect the service being experienced by the majority of mailers. While PostCom and DMA recognizes these situations may be an inevitable short-term by-product of IMB implementation ramp-up, we urge the Postal Service and the Commission to continue to focus on the adequacy of service performance measurement systems and the types of mail measured to ensure that all products are receiving acceptable service levels. While we recognize that initially not all product types will be equally included in measurement as IMB implementation begins, a successful long-term measurement system must gauge service for all product types, and do so separately.

III. Issues Not Addressed by the Postal Service's Measurement Proposal

Several critical issues previously raised by PostCom and DMA and others still have not been addressed in the Postal Service's measurement proposal, including the following:

- Data Security. The Postal Service has not addressed concerns raised by PostCom and DMA and others on security of service performance measurement data.
- Data Quality Metrics. The Postal Service has not responded to concerns raised by PostCom and DMA and others that quality metrics be implemented for service performance data accuracy and data collection processes. PostCom and DMA continues to support the recommendations of MTAC Workgroup 114 that metrics be developed to ensure data quality, data collection processes, and sufficiency of service performance

measurement data. Absent such quality metrics, there is no assurance that the Postal Service's measurement system is built upon complete, accurate, and representative data.

- External Audit. The Postal Service removed the section describing external service performance measurement validation (former section 10) from its proposal. No explanation of this is provided. We repeat: there is critical need for independent audit and evaluation of the Postal Services service performance measurement systems, processes, and data quality/accuracy.

IV. Service Measurement Business Rules

The Postal Service in Appendix 9.1 includes fairly detailed information laying out its “proposed” business rules for mail that will be included and excluded from service performance measurement. Although the Postal Service at the May 1, 2008, Mailers Technical Advisory Committee (MTAC) meeting gave attendees an overview of these business rules, this is the first time this level of detail has been shared with customers, and the first time any it has been shared with customers outside of MTAC. PostCom and DMA hopes that the Postal Service and the Commission recognize that the business rules for inclusion in service performance measurement should be reviewed after an appropriate period and that changes may be necessary as systems are implemented.

PostCom and DMA raises the following specific issues/questions on the Postal Service's business rules for service performance measurement.

- Automated Verification/Validation. In several sections, the Postal Service refers to an “automated verification/validation system.” What is this system and does it exist today? The Postal Service states that pieces identified as involving mail quality issues by this system, for instance, would not be included in measurement, but does not detail what the system is.
- Inclusions. The Postal Service, in Section 4, describes situations when mail that does not pass verification is not included in service performance measurement. Section 4.1 is confusing however, in that it describes mailing level validation in that “when a bulk mailing does not pass a particular mail preparation criterion in the verification process, no pieces in that mailing will be included in service measurement...” The subsequent sections describe container and piece level validations, however, where less than entire mailings are not excluded from measurement. This leaves unresolved the central question of when entire mailings are excluded from measurement, as opposed to portions of the mailing being excluded.
- Piece Level Validation. In addition, the Postal Service in Section 4.4 states that pieces not meeting address hygiene validation “per Postal Service Publication 28” will not be included in service performance measurement. PostCom and DMA questions this exclusion as Postal Service Publication 28 contains guidelines to address hygiene, not requirements. The Postal Service surely does not intend to -- and in any case cannot lawfully -- convert “guidelines” into legal binding requirements through the back door.

V. Start-the-Clock and Stop-the-Clock Issues

The Postal Service in its measurement plan includes detailed information, by product group, on start-the-clock and stop-the-clock processes. PostCom and DMA raises the following specific comments/questions:

- Start-the-Clock. The Postal Service throughout its proposal describes situations where if a mail piece is accepted after the Critical Entry Time (CET) or outside the acceptance window specified in a Customer/Supplier Agreement between the Postal Service and customer, the start-the-clock would become “the following applicable acceptance day for that facility.” PostCom and DMA urges the Postal Service to make clear to customers and others that the next acceptance day could be as many as four days later in cases where the initial acceptance day precedes a weekend/holiday.
- Periodicals. The sections describing the start-the-clock and stop-the-clock processes for Periodicals Mail have been removed from the Postal Service’s proposal. Although the Postal Service plans an interim solution using two external measurement systems, it still would be helpful to detail how the start-the-clock and stop-the-clock are calculated.
- Standard Mail Parcels. The section for start-the-clock processes for Standard Mail parcels (Section 5.5) does not provide as much detail as the corresponding section for Package Services (section 7.3.1). The Postal Service should clarify the differences, if any, in the start-the-clock processes for parcels mailed as First-Class, Standard Mail or Package Services. In addition, for both Standard Mail parcels and Package Services, the Postal Service should clarify for origin-entered mailings verified at a Detached Mail Unit

(DMU) whether the start-the-clock time is the DMU acceptance time or the time the mail is made available to the DMU for verification

➤ **CONCLUSION**

We recognize that the Postal Service continues to formulate its service performance measurement plans, and hope that it will engage in further discussions with its customers on development of mutually beneficial measurement systems and access to measurement data. While we support the concept of measurement as an evolutionary process, we do not yet see concrete steps from the Postal Service to meet the needs of its customers in terms of access to essential visibility data.

We trust that 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 evolutionary process continues.

Respectfully submitted,

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July 9, 2008