

BEFORE THE POSTAL REGULATORY COMMISSION

WASHINGTON, DC 20268

Service Performance Measurement

Systems For Market Dominant Products

Docket No. PI2008-1

**FURTHER COMMENTS OF THE PARCEL SHIPPERS ASSOCIATION
ON SERVICE PERFORMANCE MEASUREMENT SYSTEMS
FOR MARKET DOMINANT PRODUCTS**

Introduction and Summary

The Parcel Shippers Association (PSA) appreciates this opportunity to respond to the Second Notice of Request for Comments on Service Performance Measurement Systems for Market Dominant Products. PRC Order No. 83 (June 18, 2008) (Order). That Order requests comments on the revised United States Postal Service (Postal Service) Service Performance Measurement Proposal (Proposal) which was appended to Order No. 83.¹ This is another step in implementing the Postal Accountability and Enhancement Act.² As we noted in our initial comments,³ this docket presents an opportunity to promote both better service and lower costs.

PSA's members, collectively, touch the vast majority of the Postal Service's product in the Package Services class now categorized as "competitive products." See §3631(a).

¹ In these comments, page numbers of the Proposal refer to the version appended to Order No. 83.

² Pub. L. No. 109-435, 120 Stat. 3198 (Dec. 20, 2006). Many provisions of the PAEA amend Title 39 of the United States Code. In these comments section references are to sections of Title 39 unless otherwise noted.

³ Comments of the Parcel Shippers Association on Service Performance Measurement Systems for Market Dominant Products (January 18, 2008) at 2 (PSA Initial Comments).

PSA members also make extensive use of carriers other than the Postal Service. Its members, however, also ship, or consolidate for delivery to the Postal Service, hundreds of millions of packages, such as First-Class Mail parcels, Standard Mail parcels, Bound Printed Matter, and Media Mail, that are now categorized as “market-dominant products” and are addressed by this Order. See §3621(a).

In PSA Initial Comments, we generally supported the Postal Service’s proposal for measuring service performance for market-dominant parcels, but raised several specific concerns regarding the Postal Service performance reporting proposals.

These comments address one of those earlier issues--why the Commission should require the Postal Service to report service performance for Standard Mail parcels (including not flat-machinables (NFMs)) and First-Class Mail parcels separately from other shapes of Standard Mail and First-Class Mail.

The PAEA requires that the Postal Service report service performance by product, not by class. Section 3652 of the PAEA is explicit that the Postal Service must annually report service performance by product, requiring that, “for each market dominant product provided in such year, [the annual compliance report] provide... measures of the quality of service afforded by the Postal Service in connection with such product, including...the level of service (described in terms of speed of delivery and reliability) provided.” As proposed by the Postal Service and approved by the Commission in Docket No. RM2007-1, First-Class Mail parcels and Standard Mail NFMs/Parcels are each products. Docket No. RM2007-1, Order No. 43, Appendix A at 4.⁴ Thus, USPS is statutorily required to report their performance separately from other products within their respective classes.

*Reporting service performance by class does not meet the needs of parcel shippers.*⁵ As our members have explained to the Postal Service through MTAC and at

⁴ A very small portion of Standard Mail parcels, i.e., those previously in the Standard Mail Enhanced Carrier Route subclass, are included in non-shape-specific products – Carrier Route Letters, Flats, and Parcels and High Density and Saturation Flats/Parcels. Rolling service performance for this small portion of Standard Mail parcels into service performance reporting for those products would be consistent with the PAEA.

⁵ The PAEA requires the Postal Service to take into account “the needs of Postal Service customers” when establishing service standards.

PSA meetings (that USPS personnel have attended), class-level service performance reporting does not provide useful information to parcel shippers. The reason is simple.

[S]ince parcels comprise less than one percent of volume in both Standard Mail and First-Class Mail, the Postal Service could post high delivery performance scores for these classes in aggregate while performing quite poorly in delivering Standard Mail and First-Class Mail parcels. The parcel results would simply be lost in the aggregate. Further, the Postal Service's performance for delivering letters and flats, which represent essentially all of Standard Mail and First-Class Mail, is not a good proxy for its parcel delivery performance because parcels are prepared differently and processed through different equipment than are letters and flats. They are, in essence, in a different mail stream. Only by coincidence would letter and flat service performance results reflect what was happening with parcels.

PSA Initial Comments) at 4.

Reporting by class rather than product not only reduces transparency, but also provides less incentive for the Postal Service to address service performance issues for parcels. A major benefit for the Commission (and the industry) of service performance reporting is that it shines a bright light on service performance problems. Under the USPS proposal of class-level reporting, this light will never shine on First-Class Mail and Standard Mail *parcels*.

Separately reporting service performance for Standard Mail and First-Class Mail parcels would impose little additional burden on the Postal Service. If one disregards the clear dictates of the PAEA for product specific reports, one could conceivably argue against product-level service performance reporting based upon compliance costs; but what is most troubling to PSA about the Postal Service proposal is that the Postal Service could report Standard Mail and First-Class Mail parcel service performance at little additional cost. The Postal Service proposal makes clear that it plans to collect First-Class Mail and Standard Mail parcel service performance data separate from other shapes of mail and, in fact, plans to provide parcel data separately to its contractor.

The Postal Service will continue collecting performance data for parcels within each domestic market-dominant mail class based on Delivery

Confirmation acceptance and delivery scans. The Postal Service sends performance data for First-Class Mail parcels and Standard Mail parcels to the external service performance contractor for consolidated reporting of the performance of each mail class.

Postal Service Proposal at 12-13.

Given this, the effort required for the Postal Service or its contractor to generate performance reports for First-Class Mail and Standard Mail parcels would be minimal. In fact, we suspect that the Postal Service will generate such reports for its own internal management purposes even if it is not required to report this information to the Commission. Furthermore, given the significant volume of parcels for which delivery confirmation information is available, PSA Initial Comments at 5, we see no reason for concern regarding the statistical validity of parcel-specific service performance reports.

Respectfully,

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