

**BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON DC 20268-0001**

SERVICE PERFORMANCE MEASUREMENT)
SYSTEMS FOR MARKET DOMINANT PRODUCTS) Docket No. PI2008-1

**COMMENTS OF
NATIONAL POSTAL POLICY COUNCIL
(July 9, 2008)**

The National Postal Policy Council (“NPPC”) respectfully submits these reply comments in response to Order No. 83, *Second Notice of Request for Comments on Service Performance Measurement Systems for Market Dominant Products* (“Second Notice”), issued by the Commission on June 18, 2008, and published at 73 Fed. Reg. 36136 (June 25, 2008).

The Postal Service’s revised proposals reflect significant progress over the earlier proposals that were the subject of Order Nos. 48 and 49, *Service Performance Measurement Systems For Market Dominant Products*, 72 Fed. Reg. 72395 (December 20, 2007), and the comments filed by NPPC and other interested parties on January 18 and February 1, 2008. Additional work is still required, however, on several aspects of the proposed standards for presort First-Class Mail and Standard Mail: (1) measurement definitions (start-the-clock and critical entry times); (2) standards and procedure for managing and safeguarding the confidentiality of data; (3) reporting issues (disaggregation of reports by 3-digit ZIP Codes and shape; frequency of reports; reporting of the distribution of variance from standard (tail-of-the-mail); and (4) specific measurement issues for particular services (remittance and reply mail and caller service).

I. MEASUREMENT ISSUES

A. Start-The-Clock

In the previous rounds of comments, NPPC and other commenters argued that the start-the-clock event should be defined as the moment when mail is available for induction, not when the Postal Service actually inducts it—*i.e.*, when mail entered at USPS facilities is available for unloading, and mail entered at a detached mail unit (“DMU”) is accepted by a Postal Service clerk or a Postal Service truck leaves the facility. As the Commission has recognized, the start-the-clock point is an important definitional issue for performance measurement. Appropriate measures of service performance must reflect the elapsed time for end-to-end service, not just the time between intermediate points that fail to include both original entry and ultimate delivery. While the latter data may also be useful, much of the potential delay in mail service occurs at the extremes of the network—at the point of entry, before containers of mail receive their initial processing, and at the delivery unit.¹

The Postal Service’s revised proposal includes more detailed and specific definitions of the start-the-clock point for various methods of mail entry. See 73 Fed. Reg. at 36151-53 §§ 1.1.3, 1.2, 1.3.2, 1.4.2, 1.5.2, 1.8.2. These definitions are generally appropriate. Two areas of concern remain, however:

¹ 72 Fed. Reg. at 72396, 72398, 72402, 72406; NPPC Comments (Jan. 18, 2008) at 2-3; NPPC Reply Comments (Feb. 1, 2008) at 1-2; AMEE Comments (Jan. 18, 2008) at 1-2; MMA Comments (Jan. 18, 2008) at 1; NPPC Comments (Jan. 18, 2008) at 2-3; PostCom-DMA Comments (Jan. 18, 2008) at 15; Public Advocate Comments (Jan. 18, 2008) at 45; Time Warner Comments (Jan. 18, 2008) at 2.

(1) For mail deposited at a BMEU, the Postal Service indicates that the clock may start either when “the mailer arrives, as documented in PostalOne!®” or “when mailing verification is complete, depending on the circumstances surrounding the mail entry.” 73 Fed. Reg. at 36151, col. 3, § 1.1.3. The Postal Service further indicates, however, that “acceptance verification” may not be completed until the Postal Service has reviewed the “electronic mailing documentation” and “verified” that the mail “conforms to the preparation requirements associated with acceptance at the requested price categories.” *Id.* at 36152 col. 1 § 1.1.3; *see also* 73 Fed. Reg. at 36141 § 3.3.1 (presort First-Class Mail); *id.* at 36145 § 5.2.1 (non-saturation Standard letters); *id.* at 36145 § 5.3.1 (non-saturation Standard flats).

At least for presort First-Class and Standard Mail, this should be clarified. Mail on trucks may wait for hours after its arrival at a Postal Service facility before unloading by the Postal Service. Deferring the start-the-clock moment until Postal Service employees have unloaded and scanned the containers in the trucks, reviewed and approved the “electronic mailing documentation,” and “verified” that the mail “meets mail preparation requirements” would result in performance data that ignore a potentially significant component of potential delay in end-to-end service.² It would be entirely reasonable for the Postal Service to reset the start-the-clock time for mailing if in fact the mailing were later determined after physical deposit to be in substantial noncompliance with mail preparation rules. But a blanket rule delaying the start-the-

² One NPPC member, for example, has experienced delays as long as 3-4 days between the entry of mail with Planet Codes and the ASN scans of the mail.

clock moment until mail has been “verified,” even if the mail was in compliance upon entry, is not reasonable.³

(2) At continuous First-Class mailers, physical release of mail occurs continually, with the final documentation of the mail entered during each 24-hour period typically submitted to the Postal Service at the end of that period. In principle, the start-the-clock event for each truckload of mail should occur when it is loaded directly onto a postal truck, the truck leaves the mailer facility, or the mail is assigned through the PostalOne transportation system. Seamless Acceptance or pallet scans eventually should enable the Postal Service to achieve this operational definition, which coincides with the point at which mailers relinquish their mail into the mailstream. NPPC urges the Postal Service to implement this definition as expeditiously as possible. Until then, the start-the-clock event should occur no later than the receipt by the Postal Service of the electronic documentation for a mailing. Under no circumstances should the Postal Service defer the start-the-clock event until the Postal Service has completed its “verification” of the electronic documentation, a process of unspecified definition and duration.

³ A related concern involves the adequacy of the information provided by the Postal Service to a mailer upon finding that the electronic documentation for a mailing is too noncompliant to start the clock. Such a finding should be documented with findings and images of the mail to ensure that any reported deficiency is truly the mailer’s responsibility—and not an artifact of an unrelated mailing with a mailer ID that is deliberately or inadvertently incorrect. The Postal Inspection Service has acknowledged sharing this concern, but has not yet proposed a solution.

B. Critical Entry Times (“CET”)

The Postal Service now proposes that “destination-entered Standard Mail” will be subject to “national” CETs, but First-Class Mail will be subject to “locally-defined facility CETs” except when individual customer/supplier agreements specify different CETs. 73 Fed. Reg. at 36138 col. 3; *id.* at 36151-36153 §§ 1.1.2, 1.3.1, 1.4.1, 1.8.1. While national default CETs are a useful shortcut, the option of negotiated local variations should be explicitly authorized at all facilities, including those for destination-entered Standard Mail. The ability to negotiate specific local CETs would benefit both the Postal Service and its customers by allowing CETs to be tailored to reflect local variations in Postal Service work schedules, mailer operations, and proximity to the nearest Area Mail Facility, Hub and Spoke System and Processing and Distribution Center. manufacturing production schedules when necessary.

In either circumstance, the Postal Service should establish processes for mailer input and review of proposed future changes in CETs.

II. DATA SECURITY AND DATA RETENTION ISSUES

A number of commenters have explained why the volume of customer-specific data collected by the systems that will be used to measure service performance requires careful attention to the development of secure systems for managing these data and protecting their confidentiality. PostCom-DMA Comments (Jan. 18, 2008) at 20; BAC Comments (Jan. 18, 2008) at 1; Time Warner Comments (Jan. 18, 2008) at 1-2. The Postal Service’s latest proposal does not address these issues. It should.

Large mailers are concerned about the ability of the Postal Service to process and verify promptly the data it plans to collect. The PostalOne transportation system raises additional concerns, particularly regarding the extraction of data from the system and its integration into mailer systems to ensure the ability to create barcoded pallet placards with the tray contents and the required edocumentation information for pallets. Currently there are no defined processes for extracting PostalOne transportation assignments for integration into their systems. There are also unresolved security concerns and risks associated with the interface between the Postal Service and mailer systems.

III. REPORTING ISSUES

A. Disaggregation and Frequency of Reports

Previous comments revealed a strong consensus among users of presort First-Class and Standard Mail that performance reports for these mail subclasses should be disaggregated by district or 3-digit ZIP Code pairs; by individual product; and by shape. Moreover, reports should be updated frequently, as quarterly reports have limited value.⁴ Further, reporting systems should have open architecture that “permits mailers close to real-time access to their own mailing data as well as aggregate data.”⁵ The

⁴ BAC Comments (Jan. 18, 2008) at 3-4; MMA Comments (Jan. 18, 2008) at 2-3; NPPC Comments (Jan. 18, 2008) at 4-6; Pitney Bowes Comments (Jan. 18, 2008) at 5-7; PostCom-DMA Comments (Jan. 18, 2008) at 10-13; Public Advocate Comments (Jan. 18, 2008) at 43; Publishers Clearing House Comments (Jan. 18, 2008) at 1-2; Time Warner Comments (Jan. 18, 2008) at 3; Valpak Comments (Jan. 18, 2008) at 3-4.

⁵ BAC Comments (Jan. 18, 2008) at 3; Pitney Bowes Comments (Jan. 18, 2008) at 6; Publishers Clearing House Comments (Jan. 18, 2008) at 2; Time Warner Comments (Jan. 18, 2008) at 4.

Postal Service, however, proposes to make reports available only annually and quarterly, to report geographic data disaggregated only to the District level, and to reported average performance reports for all shapes combined. Data would not be disaggregated more finely than at the District level.⁶ This approach would needlessly diminish the value of the performance reports for mailers.

Performance reports that are highly aggregated in terms of geography handicap mailers from protecting themselves by changing their mail entry locations, and allow regional or local service problems to evade public scrutiny. Accordingly, performance reports should be disaggregated by geography as finely as the data permit, and updated as often as feasible. For now, performance be reported quarterly at the District level, and monthly by 3-digit ZIP Code pairs, with rollup to AADC and District.

Likewise, quarterly performance data have virtually no value for mailers in the day-to-day management of their businesses, and will amount to little more than historical artifacts.

Also critical is disaggregation of performance reports by shape. Letters and flats are, to a large extent, processed on different equipment, and actual performance can vary significantly by shape. The lack of shape-specific performance data prevents mailers from making informed decisions regarding format choice, properly staffing call centers, and managing relationships with customers. Averaging performance data across the shapes within a class also obscures service performance changes resulting

⁶ 73 Fed. Reg. at 36141-42, 36146-47.

from realignment of the postal network or the implementation of Flat Sequencing System (“FSS”) and other shape-specific equipment.

Finally, the Postal Service does not show a sample performance report for presort First-Class Mail, but merely states that the format will be “similar” to the report format for single-piece First-Class mail. 73 Fed. Reg. at 36142 col. 1. To avoid any ambiguity or misunderstanding, the Postal Service should provide an actual sample of a performance report for presort First-Class Mail as well.

B. Reporting The Distribution Of The Variance From Standard (“Tail of the Mail”)

The record also reveals a widespread consensus among presort First-Class and Standard Mailers that performance reports should indicate the distribution of the variance from the standard (“tail of the mail”), and the tail should extend until 99 percent or more of mail is delivered.⁷ The Postal Service, however, has adhered to its proposal to truncate the reporting of variance at three days over standard. 73 Fed. Reg. at 36141-42, 36146-47; *compare* 72 Fed. Reg. at 72403, § 3.7.1 (presort First-Class Mail); *id.* at 72409 § 5.7.1 (Standard Mail).

This position remains unwarranted for the reasons previously noted by NPPC and other commenting parties. Mail variance should be reported until the cumulative portion of the mail delivered reaches 99 percent. Each additional day of lateness produces higher costs to mailers; and these costs do not flatten out after three days.

⁷ BAC Comments (Jan. 18, 2008) at 4; MOAA Comments (Jan. 18, 2008) at 3; NPPC Comments (Jan. 18, 2008) at 5-6; PostCom-DMA Comments (Jan. 18, 2008) at 14; Public Representative Comments (Jan. 18, 2008) at 43, 45-46.

In addition, the Service should also provide reporting that reflects “early mail delivery”—i.e., within a shorter period than specified by standard. For many mailers—e.g., senders of Standard Mail solicitations—avoidance of premature delivery is also an important dimension of service performance.⁸

The need for more complete reporting of the “tail of the mail” is particularly acute for the remittance mail industry. Every additional day that a remittance transaction remains undelivered imposes an equal additional cost on the addressee, based upon the size of the payment and the collecting firm’s cost of capital. Additionally, bill payers generally hold the payment processor responsible for any delays in payment posting that cause late fees, interest rate increases, credit rating deterioration, or other negative consequences – whether the actual cause was within the payment processor’s control or not. In particular, many bill payers time the release of payment with expectation of mail performance and have little forgiveness for deviation. The remittance industry needs a performance measurement system that distinguishes the distribution of late delivery by days of lateness.

IV. PERFORMANCE REPORTING FOR REMITTANCE AND REPLY MAIL AND CALLER SERVICE.

The Postal Service’s current proposals omit any discussion of separate performance measures for remittance and reply mail and caller service. NPPC renews

⁸ In addition, even a variance report truncated at three days late were otherwise adequate, the Postal Service has proposed to combine mail with three-day, four-day and five-day service standards into a single reporting category. See 73 Fed. Reg. at 36142 Table 5. Among the other consequences of this aggregation is to lump together the performance of offshore (Alaska or Hawaii) mail, which typically has a four-day standard, with mail that moves long distances but entirely within the lower 48 states.

its request that the Postal Service address these issues. As NPPC and others have noted, businesses that rely on remittances, reply mail and business-critical documents need a specific measurement system for these kinds of mail. Measures of performance that are adequate for First-Class Mail generally are insufficiently precise and disaggregated for remittances, reply mail and business critical documents, for which changes in performance of just a few hours can have enormous financial or workflow consequences.

Given that this mail is likely to carry Intelligent Mail Barcodes in any event, developing the measurement capabilities for this mail should be relatively straightforward. The Postal Service could start the clock at the facer-canceller, and set standards for both date and time of delivery. Failure to adopt at least some measurement system promptly could have a serious financial impact to remittance mailers, and handicap the Postal Service in competing with electronic payment systems. See BAC Comments (June 18, 2008) at 2; NPPC Comments (June 18, 2008) at 70.

For similar reasons, specific service standards should also be established for post office box caller service. Businesses that rely on a post office box to receive payment mail or business critical documents typically collect mail from the box several times a day, and sometimes hourly. Service measurement in full-day increments does not provide the necessary specificity and precision. The Postal Service has proposed to deal with these concerns through individually negotiated arrangements, rather than a uniform service standard. The option of individually negotiated arrangements for Caller Service certainly should be permitted. Minimum generally-applicable standards are

necessary, however, as a baseline. BAC Comments (June 18, 2008) at 3; NPPC Comments (June 18, 2008) at 7-8; PostCom-DMA Comments (June 18, 2008) at 9; Publishers Clearing House Comments (June 18, 2008) at 2.

CONCLUSION

NPPC respectfully requests that the Commission base its recommendations on the principles stated in these comments, and in the comments filed by NPPC on January 18 and February 1, 2008.

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