

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Service Performance Measurement)
Systems for Market Dominant Products)

Docket No. PI2008-1

**VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS' ASSOCIATION, INC.
COMMENTS ON SERVICE PERFORMANCE MEASUREMENT
SYSTEMS FOR MARKET DOMINANT PRODUCTS
IN RESPONSE TO ORDER NO. 83
(July 9, 2008)**

BACKGROUND

On December 4, 2007, the Commission issued Order No. 48, opening this docket and inviting comments on the Postal Service's Service Performance Measurement Plan for market dominant products dated November 2007. Commission approval is required under 39 U.S.C. section 3691(b). Valpak Direct Marketing Systems, Inc., and Valpak Dealers' Association, Inc. (hereinafter "Valpak") submitted Initial Comments in response to Order No. 48 on January 18, 2008, and Reply Comments on February 1, 2008.

The Postal Service revised the Service Performance Measurement Plan in June 2008 (hereinafter "June Plan"). On June 18, 2008, the Commission issued Order No. 83 (revised on June 19, 2008), requesting comments on the Postal Service's new Plan, in response to which Valpak submits these comments.

COMMENTS

The Postal Service's June Plan states, "[t]he service performance measurement systems ... will evolve over time as capacity increases [and] the measurement system may be modified

annually pending the outcome of the annual service standards review process.” (June Plan, p. 6.) Valpak agrees that the system being proposed is a work in progress and appreciates the Postal Service efforts to refine and improve its measurement systems. Service performance measurement systems are complex matters upon which parties will differ. With that in mind, Valpak makes the following observations, designed to improve the method of performance measurement.

I. Reporting

Order No. 83 states that “[t]he Commission is in the process of preparing a reply to the Postal Service’s most recent plan which will address **the proposals for ... data reporting.**”

(Order No. 83, p. 2, emphasis added.) With respect to its proposed reporting plan, the Postal Service states:

Quarterly reports include data on the percentage of mail delivery on-time, as well as the percentage of mail delivered within 1-day, 2-day, and 3-days of the standard being measured. **Annual** compliance reports for each market-dominant product will include the annual target and the annual percentage of mail delivered on time. [June Plan, p. 13 (emphasis added).]

The formats for **quarterly** and **annual** Standard Mail reports proposed by the Postal Service are shown on pages 31-32 of the June Plan.

Figure 8 on page 32 shows the sample **quarterly** report format for Standard Mail service variance. Significantly, this variance report is the **only** report capable of offering insight into consistency of service — or lack thereof — for Standard Mail. Consistency and quality, if not synonymous, most certainly go hand in hand. Hence, variance reports, such as the one shown in Figure 8, which indicate the extent of service failure for each market

dominant product, will be central to any assessment of quality of mail service by the Commission and other interested parties.¹ It is therefore critical that variance reports (i) provide information sufficient to assess the overall consistency and quality of mail service in any given quarter, as well as (ii) be presented in a format suitable for assessing whether there exists an underlying trend (showing either improvement or deterioration), or seasonality, in consistency of service.

A. Quarterly Reports

The sample variance report shown in Figure 8 will provide a substantial amount of detailed quarterly data for each reporting area. However, Valpak recommends that certain additional data be reported in this figure.

First, under the proposed plan, quarterly variance detail is limited to “the percentage of mail that is delivered within one-day, two-days, and three-days of the applicable standard.” June Plan, p. 31. If the data on mail delivered within three days of the standard being measured, when combined with the percentage of mail delivered timely, represented 98 to 99 percent of all Standard Mail for which service performance is reported, the quarterly report generally would be adequate. However, understanding that at the outset the mail delivered on time or within three days late may fall short of 98 percent, additional detail on the tail of the mail would be highly desirable, and should be provided in some usable format. It is true that adding an additional column for each day late (in excess of 3 days) could make the proposed

¹ In Valpak’s Initial Comments (January 18, 2008) at 11-15, and Valpak’s Reply Comments (February 1, 2008) at 8-9, Valpak stressed repeatedly the need for better variance reporting than that proposed by the Postal Service.

table cumbersome if extended to, say, 10 or more days late. Under such circumstances, Valpak proposes the addition of a column which reports on service variance “within +4 or more days.”

Second, also currently lacking is any **aggregate summary of service variance** for the quarter.² This lack of a meaningful aggregate summary, from which an assessment of consistency and quality can be made, is a major weakness in the proposed variance reporting scheme. Indeed, a plethora of detailed data covering all areas and districts, as illustrated in Figure 8, without any aggregation or unifying framework, will tend to obscure, rather than elucidate, basic trends and make the Commission’s job far more difficult than need be. This problem could be cured by adding a summary measure reporting the **average number of days late**. See discussion in Valpak’s Initial Comments (January 18, 2008) at 11-14.

Lastly, although not absolutely necessary, but simply to facilitate understanding of this data, the “% On-Time” columns for Destination Entry and End-to-End mail could also appear in Figure 8, so that, in one chart, one could see on-time data, as well as meaningful information on variance and the tail of the mail.

B. Annual Reports

Far more troubling than the proposal for quarterly reporting is the proposed format for the Postal Service’s Annual Compliance Report, shown in Figure 9 (June Plan, p. 32). As proposed, the Annual Compliance Report would show only the percentage of mail that receives on-time delivery, and provide no data about late-delivered pieces. In the absence of national

² See generally Valpak’s Initial Comments (January 18, 2008) at 11-14.

information about the tail of the mail, the Commission would not be able to render any assessment whatsoever of the quality of mail service provided to Standard Mail. In its Annual Compliance Determination for FY 2007 (dated March 27, 2008), the Commission stated:

The Postal Service should provide days-to-delivery data on tail of the mail in its filings. Data reflecting days-to-delivery until 99 percent delivery is achieved would be extremely useful. Tail of the mail is a substantial concern of the Commission due to its disproportionate effect on perceived service quality. It is also an important measure of service consistency. [P. 55.]

Valpak recommends that the Commission adhere to its above-stated position and require detailed annual reporting on the tail of the mail. (Comments on quarterly reporting of an aggregate summary of service variance, *supra*, could be applied to annual reporting.)

Additionally, in Figure 9, the Postal Service indicates that it will include a “target” percentage (apparently the same as the term “goal” used in the Postal Service’s November 2007 Plan) for on-time delivery of Standard Mail. However, the Postal Service does not explain how, or when, it would determine the “target” percentage. If this “target” were to be established as the one and only annual, national measure of Standard Mail performance, there should be mailer and Commission input in establishing it.

II. Saturation Letters and Saturations Flats Are Measured Separately, and Should Be Reported Separately.

In the November 2007 version of the Service Performance Measurement Plan, the Postal Service grouped “Standard Mail Carrier Route Flats & Saturation Letters” together in section 5.4 and had a separate section (section 5.5) for “Standard Mail Saturation Flats.” In

the June 2008 version, the Postal Service has changed groupings and now combines “Standard Mail Saturation Letters & Flats,” as section 5.4.

Valpak previously explained in its Initial Comments the reasons why Carrier Route Flats and Saturation Letters service performance should be reported separately. *See* Valpak Initial Comments, pp. 3-4. The reasons set out there generally apply to the Postal Service’s new grouping, which would combine Saturation Flats and Saturation Letters, as well as several additional reasons.

There are significant differences in the way Saturation Letters and Saturation Flats are entered, transported, processed, and delivered by the Postal Service. **Saturation Letters** do not receive a discount for DDU entry, and thus are generally entered at DSCFs. They are required to be barcoded, and often are processed on DPS equipment and delivered with the sequenced letter mail bundle. Unfortunately, handling of Saturation Letters is not consistent. Valpak Initial Comments indicated (at p. 12), “Valpak knows of occasions where it has experienced 2-week delivery of its SCF-entered mail.” **Saturation Flats**, on the other hand, are usually entered at DDUs, are rarely, if ever, processed on automation equipment, have no barcode, go with the carrier as a third bundle, and are often delivered within 24 hours.³ Moreover, the volume of Saturation Flats (11.229 billion) overshadows the volume of Saturation Letters (3.428 billion). *See* Postal Service 2007 Annual Compliance Report, Library Reference USPS-FY07-4, Billing Determinants, Standard Mail (rev’d 1/18/08),

³ In this regard, DDU entry Standard Mail (generally Saturation Flats) has a service standard of two days, and DSCF entry Standard Mail (generally Saturation Letters) has a service standard of three days. 39 C.F.R. § 121.3(b)(1)-(2).

section G2-1 and G2-2. Combining service performance data of Saturation Letters and Saturation Flats would distort the sometimes erratic service provided to Saturation Letters with the remarkably high service levels consistently provided to Saturation Flats.

The June Plan states, “[d]ue to the distinct characteristics of saturation letters and flats, the Postal Service is proposing a measurement approach specific to these mail types.” (June Plan, p. 29.) The reference to “distinct characteristics” of Saturation Letters and Flats is curious, as these characteristics show many more differences than similarities, and thereby warrant separate reporting of the service performance regarding these very different types of mail.

The June Plan also states, “unique barcodes are not required on saturation mail.” (*Id.*) Indeed, Saturation Flats will have no barcodes. Therefore, if such a “specific” measurement approach is designed, it would not be constrained by any characteristics of the Intelligent Mail Barcode. Such “specific” method can be designed easily to require recording of the shape of a piece by the reporters.

Respectfully submitted,

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