

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

**Proposed Rulemaking On Periodic
Reporting Of Service Performance
Measurements and Customer Satisfaction**

Docket No. RM2009-11

**COMMENTS OF THE ASSOCIATION FOR POSTAL COMMERCE
AND THE DIRECT MARKETING ASSOCIATION
IN RESPONSE TO ORDER NO 292**

The Association for Postal Commerce, and the Direct Marketing Association, Inc., (herein collectively "PostCom and DMA") offer these comments in response to Postal Regulatory Commission (PRC) Order No. 292, Docket No. RM2009-11, Periodic Reporting of Service Performance Measurements and Customer Satisfaction.

We are responding to the Commission's invitation to those in the mailing community to "take a fresh look" at these proposals, and "reiterate and amplify their comments where specific areas identified in previous comments are not sufficiently addressed to assure that all relevant issues are adequately considered."¹ Accordingly, we raise issues in these comments that have been raised in previous comments relative to service performance measurement, but which have not been addressed by the latest proposal.

SUMMARY OF COMMENTS

In summary, our comments address the following areas:

- IMb Adoption Incentives. PostCom and DMA observe that participation in Full-Service

¹ PRC Order No. 292 at 5.

IMb has imposed significant costs on the private sector, with little to no return on investment in sight. We ask the Commission to monitor IMb adoption rates, and evaluate whether the Postal Service's IMb discounts and benefits offer an adequate incentive for mailers to develop representative performance data for each market dominant product.

- Implementation Plans. PostCom and DMA urge the Commission to require the Postal Service to develop and release both its interim and long term implementation plans for its service performance measurement and reporting systems, including the identification of significant milestones – particularly those that impact mailers. The plans should identify market-dominant products for which no acceptable service performance measurement and reporting currently exists, and describe how the Postal Service plans to develop and implement such systems over time. The Postal Service should also be required to address any plans to redesign its existing products which afford visibility of the progress of a mail piece through processing and delivery within the Postal system, such as Confirm.

- Actionable Data. We reiterate that annual and quarterly service performance reporting does not provide the Postal Service or its customers with the data necessary to identify and respond to service issues in a timely manner. We urge the Commission to work with the Postal Service to facilitate the development of a shared system to access service data in a user-friendly, timely manner so that service performance can not only be monitored – it can be improved.

- Service Variance Reporting. PostCom and DMA urge the Commission to better address the need for improved reporting of mail performance variance to address the “tail of the mail.” We reiterate our recommendation that the mail variance percentage for each day beyond the standard should be reported until the percentages reported account for 99% of the mail. This data can be presented electronically, if not in a prepared report. Reporting the service variance only three days beyond the applicable standard will not adequately illustrate the nature of service consistency issues.

- Aggregation of Reporting. PostCom and DMA generally support the Commission’s proposal for the Postal Service to report service performance measurement at the market-dominant product level, with further delineation within some specific product levels, provided that the service performance results are based on the percent of mail which meets the applicable service standard. However, we suggest a different aggregation of the performance measurement reporting for Standard Mail Destination Entry and End-to-End. We also raise concerns about access to competitive/proprietary data for some market-dominant products.

- Oversight of Methodologies. We support Commission oversight of the Postal Service’s service performance methodologies and formulas, but ask the Commission to clarify the extent and type of data it proposes that the Postal Service provide.

- Data Quality. We urge the Commission to consider how it intends to monitor or evaluate data quality, to ensure that the data used for service performance measurement is complete and correct.

- Annual Review Process. PostCom and DMA ask the Commission to adopt an annual review process for service standards and targets, which includes publication of USPS' proposed changes, opportunity for formal industry input, and review by the Commission.

- Transparency. PostCom and DMA ask the Commission to work with the Postal Service to improve the accessibility and availability of the full range of service performance information it is required to provide. The Postal Service publishes some service performance information on the Internet (<http://usps.com/serviceperformance/>), but this website only minimally meets the needs of business customers.

To the extent that the Postal Service is implementing internal measurement systems for market-dominant products with the “*approval* of the Postal Regulatory Commission,” the PAEA contemplates substantive oversight. 39 U.S.C. § 3691.

I. The Commission Should Monitor IMb Adoption And Evaluate The Adequacy of Incentives.

Ensuring that service performance measurement is geographically and statistically representative of the service experience for each market-dominant product, is largely contingent upon having the necessary data. For the approved hybrid measurement system, that requires

sufficient adoption of Full-Service IMb. PostCom and DMA are very concerned that Full-Service IMb adoption may not proceed at the pace necessary to support meaningful service performance measurement.

The technical requirements with which businesses and/or service providers must comply in order to qualify for Full-Service IMb are extremely complex, requiring mailers to invest significant capital and resources to implement. In addition, technical issues continue to be identified, and serious data accuracy issues have arisen. Clearly, both USPS and industry IT resources have been stretched to their limit in attempts to resolve these issues.

Moreover, these issues are compounded by the Postal Service's informal indications that price discounts for Full-Service IMb are a short-term mechanism designed to encourage adoption. Furthermore, the "free" address correction service benefits designed to encourage adoption have not yet been provided as advertised by the Postal Service and start-the-clock benefits will not be available until March 2010. In short, participation in Full-Service IMb has imposed significant costs on the private sector, with little to no return on investment in sight. If outstanding issues are not resolved promptly and incentives sufficient to defray the costs to Full-Service IMb participants are not put into place, it is quite likely that the adoption rates will not achieve the necessary levels to support valid service performance measurement for all market dominant products.

If the eligibility requirements for Full Service IMb are so complex and costly that only very large, technically sophisticated mailers can comply, then measurement reporting will not reflect the service being experienced by the majority of mailers. The Commission should require the Postal Service to develop mechanisms to monitor the adequacy of service performance

measurement data for all market-dominant products. For example, if IMb volume is predominately letter mail, will there be an alternative plan to measure the performance of flats?

Failure to address the issues plaguing IMb implementation and adoption may well result in protracted weaknesses in service performance measurement reporting. We are concerned that there is no plan from the Postal Service to address how it will further encourage future mailer participation in Full-Service IMb in order to provide the data necessary to support meaningful service performance measurement at the market-dominant product level. PostCom and DMA strongly urge the Commission to closely monitor Full-Service IMb adoption and evaluate whether the Postal Service's incentives (in terms of discounts and benefits) and incentive plans are or will be adequate to develop representative performance data for each market dominant product.

II. The Commission Should Require the Postal Service To Develop and Publish Implementation Plans.

As the Postal Service employs significant cost-cutting measures that involve changes to its network, changes in mail acceptance locations and processes, changes in mail entry times, and other operational changes that could impact service, it is even more important that systems be in place to recognize any changes in quality of service. While we recognize that the Postal Service's current financial condition may influence its ability to aggressively move forward to implement a full range of service performance measurement and reporting systems, we nonetheless urge the Commission to require the Postal Service to develop and release both its interim and long term implementation plans for such systems.

If the Postal Service developed and published a baseline, interim plan that included any

major milestones that affect customers and service providers, businesses --- particularly those businesses participating in the IMb Full Service implementation--- would be better able to allocate the resources required to meet such milestones. Such a plan could be updated as implementation of service performance measurement progresses. Periodic implementation plan review meetings between the Postal Service and mailers would help both to vet the details of and proposed changes to the implementation plan, and to give consideration to the impact on the implementation schedule and costs to both the Postal Service and mailers.

For those products where sufficient data is not expected to be available, the Postal Service should include in its plan a proposed alternative measurement system, a plan to enhance existing systems, or a plan to revise its incentives to encourage mailer adoption of IMb.

The Postal Service should also be required to address any plans to redesign existing products that afford visibility of the progress of a mail piece through processing and delivery within the Postal system, such as Confirm. PostCom and DMA members remain concerned that such plans appear to include the degrading of Confirm services. These concerns are well-founded. In April 2009, the Postal Service published an updated Confirm guide which said that effective November 29, 2009, it would stop providing Electronic Mailing Data (EMD) scan information as part of the Confirm subscription. This data represents an important business tool that will not be replaced even through the Full-Service Intelligent Mail barcode offering, much less to Confirm subscribers not using Full-Service IMb. EMD data allows businesses to monitor when their mail is entered at a postal facility without the complex and costly requirements of Full-Service IMb, and in a simple, user-friendly manner. Eliminating the provision of EMD data represents a degradation of the Confirm service subscribers pay for. To date, the Postal Service

has not adequately responded to PostCom's objections to this service degradation.

In addition, since the Postal Service has not yet implemented the functionality in its Full-Service Intelligent Mail barcode service that would provide start-the-clock information, we are unable to assess the accuracy, consistency and completeness of that data. That functionality currently is scheduled to be included in Release 3 of IMb, planned for March 2010.

Absent any vision of future visibility products/services and any assurance that existing products/services will afford customers with the data they need, customers do not know whether visibility services that are critical to their business management will remain a viable option in the future. 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.

III. The Commission Should Facilitate Access to Actionable Data.

The quarterly and annual reports proposed by the Commission will go a long way to providing trend analysis and a view over time of service performance measurement at the product level. However, by the time these reports are compiled and published, there will be little if anything the Postal Service or its customers can do to identify, react to, or resolve service issues in a timely manner. In short, quarterly reporting is not enough.

Assuming a successful implementation of the Full-Service Intelligent Mail barcode offering (see section I, *supra*), the Postal Service will have access to a great deal of actionable data. However, a system still does not exist for Postal Service managers to access the data in a user-friendly and actionable manner. Many postal managers continue to access customer

systems.² The Postal Service needs to develop a system that provides access to all available aggregated customer data, with the ability to disaggregate data by key categories in order to identify and resolve service issues.

Postal customers also need access to actionable service performance data. The vast majority of customers -- those who are not in a position to adopt Full Service IMb -- will have neither access to service performance data for their own mailings, nor access to aggregate service performance data on a timely and actionable basis. The need for objective, real time data (of the type that was provided through EX3C) is critical for companies to efficiently manage their business and respond to consumer needs and interests.

PostCom actively participated in MTAC Workgroup 123, Service Information Needs, Reporting, and Communication Channels, which followed-up on MTAC workgroup 114 (Service Standards and Measurements for Market-Dominant Products). We encourage the Commission to review the final report of the workgroup, available on the Postal Service's MTAC web site at <https://ribbs.usps.gov/classic/mits/minutes/123-090225.pdf>. The group -- which was comprised of both industry and Postal Service representatives -- provided detailed recommendations concerning the need for access to actionable, timely data. Although the group issued its final recommendations report to the Postal Service in February 2009, we are not aware of any response from the Postal Service on these recommendations.

IV. The Commission Should Demand More Detailed Service Variance Information.

² See e.g., <http://pretrakim.harte-hanks.com> (login access required but Harte Hanks is willing to provide a demo to interested parties). PostCom member Harte Hanks reports that over a hundred Postal Service managers are registered to use its system.

PostCom and DMA are very concerned that the proposed reporting requirements in the Commission's proposal do not adequately address the need for improved reporting of mail performance variance to combat the "tail of the mail." In Order No. 140, the Commission recognized the benefits to mailers of more detailed reporting of delivery variance and consistency, and said that the Postal Service's proposed measurement systems "should be able to capture this type of data and provide the Postal Service with significant actionable data to troubleshoot its systems."³

PostCom and DMA strongly urge the Commission to require the Postal Service to provide more detailed reporting of service performance variance. We reiterate our recommendation that the mail variance percentage for each day beyond the standard should be reported until the percentages reported account for 99% of the mail. This data can be presented electronically, if not in a printed report. Reporting the service variance only three days beyond the applicable standard will not illustrate the nature of service consistency issues.

V. The Commission Should Improve Access to Service Performance Measurement Data By Key Categories.

PostCom and DMA applaud the Commission's proposal for the Postal Service to report service performance measurement at the market-dominant product level, with further delineation within some specific product levels. We have long advocated for visibility of service performance at the product level, and we greatly appreciate the Commission's recognition of this need.

A. Reporting by Separation of Destination Entry vs. End-to-End

The Commission proposes extending the existing reporting separation of destination entry and end-to-end service performance beyond Standard Mail, to include Outside County Periodicals, Bound Printed Matter Flats, Bound Printed Matter Parcels, and Media Mail/Library Mail products. PostCom and DMA support this improved visibility and commend the Commission for recognizing the service performance differences between Destination Entry and End-to-End.

B. Reporting by Grouping of Service Standard Ranges

In its proposal for Standard Mail and Package Services, the Commission identifies groupings of service standards for purposes of service performance reporting. The Commission proposes that within Standard Mail, service performance reporting be broken out by Destination Entry and End-to-End mail, then further grouped based on the range of days of the applicable service standard.

More specifically, for Destination Entry Standard Mail, the Commission proposes an aggregation of mail subject to the 2-day through 4-day service standards and an aggregation of mail subject to the 5-day through 10-day service standards. The Commission's rationale for this split is that Destination Entry 2-day through 4-day service Standard Mail roughly coincides with DDU and DSCF entered mail and Destination Entry 5-day through 10-day service standard mail roughly coincides with DBMC and BMC entered mail.

For End-to-End Standard Mail, the Commission proposes an aggregation of mail subject to the 3-day to 5-day service standards and an aggregation of mail subject to the 6-day through 22-day service standards. The Commission's rationale is that End-to-End 3-day through 5-day

³ Order No. 140, PRC Docket No. PI2008-7 at 44.

service standard mail roughly coincides with SCF turnaround, ADC turnaround, and intra-BMC area mail, while End-to-End 6-day through 22-day service standard mail roughly coincides with all other End-to-End mail subject to greater transportation needs.

PostCom and DMA support the concept of grouping the service performance results for Standard Mail in this manner, with two modifications. First, for all such groupings, it is assumed that the service performance measurement results are based on the percent of mail which meets its specific service standard, although the results are rolled into a reporting group. For instance, for the mail in the Destination Entry 2- to 4-day service standard grouping, mail with a service standard of 2 days, should be measured against a 2-day, not a 4-day, standard.

Second, we recommend a different set of groupings for Standard Mail Destination Entry: mail with 2- to 5-day service standards should be grouped, and mail with 6- to 10-day service standards should be grouped for reporting purposes. For Standard Mail End-to-End, we recommend that the results be reported as three groupings: mail with 3- to 5-day service standards, mail with 6- to 10-day service standards, and mail with 9- to 22-day service standards. By breaking out the latter group, service performance outside the non-contiguous United States should receive appropriate visibility. The 3- to 5-day service standards group should also be maintained, however, to facilitate comparison of locally entered End-to-End Standard Mail with Destination Entry mail with similar business rules. In this manner, the Postal Service and customers should be able to monitor service performance changes from Network Distribution Center (NDC) changes at this level. The third grouping should represent mail using the broader Postal Service network (through any of the four main Tier 3 NDCs).

C. Competitive/Proprietary Data

We expect that in the early days of Full-Service IMb adoption, there may be little data available for some market-dominant product groups. We are concerned that reporting at the market-dominant product level for products where perhaps only one or two customers have adopted Full-Service IMb, will result in disclosure of sensitive competitive or proprietary data. The Commission should require the Postal Service to develop guidelines to appropriately limit public access reporting under such circumstances.

VI. The Commission Should Fully Prescribe The Data Required For Oversight.

The Commission proposes that the Postal Service be required “to demonstrate how it performs each aggregation/disaggregation of data, both between and among the various reports, and over the various timeframes.” “The goal” according to the Commission, “is to provide independent parties the information necessary to be able to replicate the aggregations/disaggregations made by the Postal Service between and among the various reports, and over the various timeframes.”⁴

PostCom and DMA strongly support oversight of the Postal Service’s methodologies and formulas upon which service performance measurement reporting is based. However, we respectfully suggest that the Commission clarify what data the Commission will require from the Postal Service, and how the Commission plans to use the data. We are concerned with the additional costs that could be incurred by the Postal Service (and this Commission) if it is required to provide the Commission with all supporting service performance measurement data,

⁴ PRC Order No. 292 at 15.

including massive data sets such as piece-level IMb scans. Further, access to Service performance data that is proprietary or of a commercially sensitive nature must be securely maintained, and not be made public by either the Postal Service or the Commission. We urge the Commission to clarify these proposed requirements so that we may provide more meaningful feedback.

VII. The Commission Should Monitor Data Quality and Completeness.

PostCom and DMA remain concerned that the Postal Service has put in place no data quality metrics to ensure that service performance data is complete and correct.

For example, our members frequently report instances where Confirm piece scans are not returned, but container scans at the postal facility indicate the mail was accepted. Mailers expect similar problems will lead to questions regarding the accuracy of the IMb start-the-clock data that will reportedly be available in March, 2010. These expectations are based not only on problems with the existing Confirm service, but also on problems that have been observed to date during Full Service IMb implementation where there have been numerous instances of address correction service data having not been supplied, or it has been supplied multiple times within the same system or across different systems. In some cases companies have had to employ full time staff to check the accuracy of postal fee assessments as a result of these data inaccuracies.

In the absence of accurate start-the-clock data, service performance measurement reporting will be of little value. Therefore, PostCom and DMA urge the Commission to consider how it intends to monitor or evaluate data quality.

VIII. The Commission Should Adopt Annual Review of Service Performance Standards and Targets.

The Commission's proposed Section 3055.5 "requires the Postal Service to apprise the Commission of *all* changes to measurement systems, service standards, service goals, and reporting methodologies," and notes that the Commission "may institute a proceeding to consider change proposals if it appears that the changes might have a material impact on the accuracy, reliability, or utility of the reported measurement, or if the changes might have a material impact on the characteristics of the underlying product."⁵ PostCom and DMA support this proposed rule and further agree that a process is required to review proposed changes. In addition, we urge the Commission to also adopt an annual review process consistent with Section 3652(a)(2)(B).

The modern service standards currently in place were implemented by the Postal Service in December 2007. Since then the Postal Service has implemented much of its Network Distribution Center (NDC) re-design, resulting in significant network and transportation changes. PostCom and DMA recommend that a process be established for review of the service standards, with an eye toward improving them where network and transportation changes support such improvement. This review should commence following the conclusion of the Postal Service's NDC process, which it recently said should be completed by mid-November.

In addition, the Postal Service did not establish service performance goals for market-dominant products until February 2009. These goals were established with no opportunity for

⁵ PRC Order No. 292 at 16.

industry comment. In September 2009, the U. S. Postal Service Office of Inspector General (OIG) released the results of its audit of USPS annual service performance goals for market-dominant products. The OIG concluded that while the approach the USPS is taking to establishing service performance goals for First-Class Mail is “reasonable,” the process for establishing the FY 2009 performance goals for Standard Mail, Periodicals, and package services “needs improvement.”⁶

PostCom and DMA strongly urge the Commission to establish a formal process for review of Postal Service service performance targets for market-dominant products, which would provide the means for formal industry comment (and a gauge of customer satisfaction pursuant to 39 U.S.C. §3652) and oversight by this Commission. We reiterate our position, which supports the final recommendations of MTAC Workgroup 114, that service performance targets should be “aggressive but attainable, and the Postal Service also should publish a plan for raising the goals over time (while maintaining business mail user needs of balancing service and costs).”

IX. The Commission Should Facilitate Enhanced Transparency of Service Performance Information.

PostCom and DMA members are frustrated with the Postal Service’s failure to provide the full range of service performance information in a meaningful format. The web site (<http://usps.com/serviceperformance/>), where it publishes its service performance reports, barely meets the expectations of its customers. The Postal Service publishes only the most recent quarterly reports on the service performance web site and there is no clear description of how

⁶ Office of Inspector General, United States Postal Service, *Audit Report – Performance Goals for Market Dominant Products*, Report No. EN-AR-09-005 (September 28, 2009). http://www.uspsoig.gov/foia_files/EN-AR-09-005.pdf.

service standards are developed, how performance is monitored and reported, or where any of that information can be found.

The site provides no link to the current service standards information; rather users must go to the RIBBS index page to find a link to the “Modern Service Standards.” Once the page is found, the standards are not presented in an easy-to-use concise format, although the Postal Service has developed such materials and has used them in presentations to MTAC and other groups. Information regarding the service performance targets requires a different search from the RIBBS subject index).

PostCom and DMA respectfully ask the Commission to work with the Postal Service to improve the transparency and accessibility of service standards, service performance targets, and service performance reports.

CONCLUSION

We appreciate the attention the Commission is giving to these important issues, and the oversight role that it intends to serve in facilitating customer access to essential service performance data and related visibility products. PostCom and DMA recognize that the Postal Service is continuing to formulate its service performance measurement systems and reporting, and we hope that our comments provide both the Commission and the Postal Service with useful information on the needs and expectations of our members with respect to service performance measurement.

Respectfully submitted,

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