

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

Periodic Reporting of Service Performance)
Measurements and Customer Satisfaction)

Docket No. RM2009-11

**VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS' ASSOCIATION, INC.
REPLY COMMENTS ON PROPOSED RULEMAKING ON
PERIODIC REPORTING
(November 24, 2009)**

INTRODUCTION

On September 2, 2009, the Commission issued Order No. 292, Notice of Proposed Rulemaking on Periodic Reporting of Service Performance Measurements and Customer Satisfaction, commencing Docket No. RM2009-11. Seven sets of Initial Comments were filed in response to Order No. 292. Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc. (hereafter "Valpak") submit these joint reply comments.

COMMENTS

A. The Proposed Rules Should Track the Text of PAEA.

1. Quarterly Reporting.

The Postal Service's Initial Comments discuss whether the Commission's proposed regulations should, consistent with the Postal Accountability and Enhancement Act ("PAEA"), require quarterly reporting. The Postal Service points out, "the PAEA contemplates only *annual* reports on these measurements of service performance and customer satisfaction, as part of an *annual* determination by the Commission as to whether the Postal Service is complying with its statutory obligations." Postal Service Initial Comments, pp. 12-13 (italics

original). As further evidence of Congress' intent to require only annual reporting on service performance measurement under 39 U.S.C. section 3652(a)(2), the Postal Service points to Congress' express requirement of quarterly reporting where it wanted quarterly reporting — such as under 39 U.S.C. section 3654(a)(1)(A). *See* Postal Service Initial Comments, p. 13.

The Postal Service also addressed other sections of Title 39 from which the Commission presumably found its authority to require quarterly reports. *See* Postal Service Initial Comments, pp. 14-15. The Postal Service argues that neither section 503 (authorizing the Commission to promulgate rules to carry out its functions) nor section 3651 (requiring the Commission to report annually to Congress and requiring the Postal Service to provide the Commission any information necessary for such report) authorizes the Commission to require quarterly reporting when Congress and the President have explicitly called for annual reporting.

Valpak agrees with the Postal Service. Although the Postal Service is certainly not prohibited from submitting quarterly reports, 39 U.S.C. section 3652 does not require them, and PAEA provides no warrant for such a Commission-imposed requirement. By narrowing required reports to those specifically required by PAEA, the Postal Service would be able to focus on improving the quality of reports **by product on an annual basis**, rather than to submit imperfect and less-than-useful quarterly reports, particularly if not at the product level.

2. Reporting by Product.

The Postal Service identifies several principles which it believes should control the discussion of service performance reporting, one of which was entitled the “Statutory

Scheme.” Postal Service Initial Comments, pp. 3-4. It theorizes that the hybrid service performance measurement systems arose out of:

an integrated set of **assumptions** about need and capability, taking into consideration many factors that arise out of postal operations and the current and future economic environment. **The proposed rules modify these assumptions** to a significant degree, particularly with regard to **reporting by product**, rather than by class, as proposed by the Postal Service. [*Id.* (emphasis added).]

It is difficult to understand why the Postal Service believes the Commission somehow modified “assumptions” to require reporting by product. The Commission’s proposed rules are properly sourced on the PAEA requirement of reporting by “level of service” and “degree of customer satisfaction” “for each market-dominant **product**.” 39 U.S.C. § 3652(a)(2) (emphasis added). Reporting at the product level is not optional. It is required by PAEA and properly is incorporated into Commission regulations.

B. The Commission Should Require the Postal Service to Provide a Firm Schedule for Compliance with Service Performance Reporting by Product for Standard Mail.

The Postal Service attempts to reduce levels of expectation with respect to its ability to comply with the statutory requirement of reporting at the product level, especially for Standard Mail:

- “For some products, especially **Standard Mail** at some levels of reporting, the design and efficient implementation of the preferred measurement approach, namely reliance on IMb technology, may **not** permit collection of information that meets the same standards for reliability as for other products.” Postal Service Initial Comments, p. 7 (emphasis added).
- “Because of the nature of the systems planned for measuring **Standard Mail**, however, discussed below, the Postal Service will **not** be able to report statistics for any products in **Standard Mail** at the level contemplated by the proposed rules.” *Id.*, p. 29 (emphasis added).

- “[I]t is **not** anticipated that the Postal Service will be capable of meeting the requirements for reporting **Standard Mail** performance, as specified in the proposed rules, for either annual or quarterly reports.” *Id.*, p. 33 (emphasis added).
- “The Postal Service is prepared to work toward providing information on product performance at the national level in its annual reports. This capability is conditioned, however, by the **limitations** explained above, with regard to First-Class Mail Flats, **Standard Mail**, Periodicals, and certain Special Services.” *Id.*, p. 41 (emphasis added).

Nowhere does the Postal Service state when it will provide data for each Standard Mail product.

Certain mailers urge greater certainty in reporting. Bank of America Corporation

(“BAC”) states that:

The final rule **should include an effective date** on which the Postal Service must comply with the proposal.... [A] **clear implementation timeline** would benefit all stakeholders and would facilitate a smooth transition into full compliance. [BAC Initial Comments, p. 6 (emphasis added).]

Parcel Shippers Association (“PSA”) also comments on implementation delays and, in addition, requests the Commission to establish a specific, firm deadline.

Service performance measurement will necessarily be imperfect in the short term. This, however, is **not sufficient reason to delay** product-level reporting further. Nearly three years have passed since the enactment of the Postal Accountability and Enhancement Act.... PSA thus recommends that the Postal Service **begin reporting parcel-specific service performance no later than** the 2nd quarter of FY 2010 based upon existing systems or show good cause for not doing so. [PSA Initial Comments, pp. 2-3 (emphasis added).]

The Association for Postal Commerce (“PostCom”) and the Direct Marketing Association (“DMA”) likewise express concern about the lack of specificity and visible progress with respect to development of performance measurement by the Postal Service.

We ... 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 ... would be better able to allocate the resources required to meet such milestones....

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. [PostCom/DMA Joint Initial Comments, pp. 6-7, (emphasis added).]

In view of the lack of progress in performance measurement commented on by the Postal Service, Valpak would feel compelled to endorse the comments of BAC, PSA, and PostCom/DMA, particularly with respect to Standard Mail.

As PSA observed, it soon will be three years since PAEA was enacted, and it would seem reasonable to expect the Commission to begin receiving service performance reports that comply, at least minimally, with the statute. Particularly in view of the delays thus far, the Commission should set some deadlines with respect to implementation of the system for each major product, and require Postal Service reporting on milestones as they are reached. If the service performance measurement systems now being implemented by the Postal Service cannot begin providing some data for each major product within the next 12 months, then Valpak would endorse the recommendation by PostCom/DMA that the Postal Service report using other ideas, such as an alternative measurement system.

C. The Commission Should Plan Now for Subsequent Dockets to Review Service Performance Reporting, Apart from the Annual Compliance Review Process.

BAC urges the Commission to play a continuing role in service performance measurement:

Given the newness of the systems and procedures used to measure service performance; the need for them to evolve over time; and their reliance on operational data generated throughout the postal network, **the Commission should continue to play an ongoing and active role in ensuring timely, representative, and high quality reporting.** [BAC Initial Comments, p. 6 (emphasis added).]

PostCom and DMA likewise express a desire for regular follow-up by the Commission, with provision for mailer input:

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. [PostCom/DMA Joint Initial Comments, p. 4 (emphasis added).]

Valpak endorses these comments by BAC and PostCom/DMA.

It is understood and appreciated that the Postal Service has a considerable amount of work to do before the first reports containing performance data will become available. Moreover, no party expects that early performance reports will reflect the level of reliability and representativeness ultimately desired for the system. Not only continued oversight by the Commission, but also active input from mailers, transparently provided via a public forum, would help achieve the performance data called for in PAEA.

Ongoing review of service performance measurement and reporting is too important — at least initially — to be subsumed within the annual compliance review process, where it

could be relegated to a minor role. For this reason, the Commission's final rule in this docket should provide for subsequent review in discrete performance dockets. In that way, mailers will receive progress reports and have the opportunity to provide further input to both the Commission and the Postal Service.

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