

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

PERIODIC REPORTING OF SERVICE  
PERFORMANCE MEASUREMENTS AND  
CUSTOMER SATISFACTION

Docket No. RM2009-11

**UNITED STATES POSTAL SERVICE REPLY COMMENTS  
IN RESPONSE TO ORDER NO. 292**  
(December 1, 2009)

In response to the Commission's Order No. 292,<sup>1</sup> the United States Postal Service hereby provides its reply to comments on the Commission's proposed rules for the periodic reporting of service performance measurement and customer satisfaction.

In addition to the Postal Service, six parties filed initial comments in this docket.<sup>2</sup> For the most part, the parties recommended few specific revisions to the proposed rules. Several parties, however, recommended enhanced oversight in connection with

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<sup>1</sup> Notice of Proposed Rulemaking on Periodic Reporting of Service Performance Measurements and Customer Satisfaction, Order No. 292, Docket No. RM2009-11 (September 2, 2009), 74 Fed. Reg. 49190-49215 (September 25, 2009). In Order No. 320, Order Granting Extension of Time, Order No. 320, Docket No. RM2009-11 (Oct. 21, 2009), the Commission extended the deadline for filing initial comments and established December 1, 2009, as the date for filing reply comments.

<sup>2</sup> United States Postal Service Comments in Response to Order No. 292, Docket No. RM2009-11 (November 2, 2009)(Postal Service Initial Comments); Comments of the American Catalog Mailers Association, Docket No. RM 2009-11 (November 3, 2009)(ACMA Comments); Comments of Bank of America Corporation, Docket No. RM2009-11 (November 2, 2009)(BOA Comments); Comments of the Association for Postal Commerce and the Direct Marketing Association in Response to Order No. 292, Docket No. RM2009-11 (November 2, 2009)(PostCom/DMA Comments); Comments of the Parcel Shippers Association on PRC Notice of Proposed Rulemaking, Docket No. RM2009-11 (Sept. 2, 2009)(PSA Comments); Comments of the Public Representative in Response to Order No. 292, Docket No. RM2009-11 (November 2, 2009)(PR Comments); and Valpak Direct Marketing Systems, Inc. and Valpak Dealer's Association, Inc. Initial Comments on Proposed Rulemaking on Periodic Reporting, Docket No. RM2009-11 (November 2, 2009)(Valpak Comments).

the development and operation of service performance measurement systems, as well as certain other systems. The Public Representative proposed specific changes that would place modifications to the measurement systems on a parallel footing with changes in costing and other methodologies, as specified in the current periodic reporting rules (39 C.F.R. § 3050.11.). The Association for Postal Commerce (PostCom) and Direct Marketing Association (DMA) recommended the creation of a process for reviewing all changes in measurement systems, service standards, and service goals. Several parties also recommended additional reporting requirements.

The Postal Service will address the parties' specific recommendations below. Generally, the Postal Service reiterates its objections to quarterly reporting by product at all of the different levels of administration and service standard categories in the proposed rules.<sup>3</sup> These requirements would be unnecessary, in some instances infeasible. The Postal Service also opposes the suggestions that more extensive and elaborate oversight mechanisms should be imposed on the framework embodied in the proposed rules.<sup>4</sup> These general recommendations would lead to procedures and reporting requirements that are unnecessary and cumbersome. In particular, the Postal Service does not support the PR's proposal to apply the procedures for changes in costing methodologies to service performance measurement. Most importantly, the Postal Service opposes the notion that formal mechanisms should be created for review of service standards and service goals, apart from the Commission's annual compliance determination. Such requirements would be unnecessary, unwieldy, and unauthorized.

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<sup>3</sup> See Postal Service Initial Comments, at 12-16, 31-42.

<sup>4</sup>The Commission addressed some of these matters in its Order No. 140. Order Concerning Proposals for Internal Service Standards Measurement Systems, Order No. 140, Docket No. PI2008-1 (Nov. 25, 2008).

## I. Product Reporting

Most of the parties filing comments explicitly approve the focus of the proposed rules on product-level reporting.<sup>5</sup> Some of the comments, however, indicate that they are largely influenced by the particularized needs of the industries they represent. In other words, they emphasize that product and sub-product data would have business uses beyond the statutory requirements for regulatory oversight. See BOA Comments, at 3; PSA Comments at 2.

The Postal Service strongly opposes this emphasis on private uses of service performance data as a foundation for the periodic reporting rules. The Postal Service notes, furthermore, that there are limits to such business uses that must be weighed in evaluating whether particular measures of performance are justified, in light of the costs and efforts of measurement. For some mailers, the usefulness of the data would not warrant the cost and other consequences of demanding very detailed measurement. See ACMA Comments at 3-5. These consequences might take the form of more onerous documentation requirements for mailing, as well as the transference of Postal Service costs to the mailers in the form of higher rates.

As it acknowledged in its initial comments, the Postal Service recognizes that the statute specifies product-level reporting in the Postal Service annual report. Postal Service Initial Comments at 16. Nevertheless, the framework for reporting created in the proposed rules goes well beyond the expectations embodied in the statute. Specifically, quarterly reports at any level of disaggregation are not required. Throughout the previous stages of developing service standards, goals, and

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<sup>5</sup> BOA Comments at 2-3; PSA Comments at 1; PostCom/DMA Comments at 10; Valpak Comments at 3.

measurement systems mentioned in Order No. 292, the Postal Service did indicate a willingness, not required by statute, to provide some quarterly data by class in its dialogues with the Commission. *See generally* Order No. 292, at 3-5, 8-13. The proposed rules, however, substantially transcend the offers made by the Postal Service. In this regard, the Postal Service emphasizes that it remains willing to provide certain information, as it has up to now, where feasible and not requiring extra cost. Creating an unrealistic set of requirements in the reporting rules, however, even if the system includes an exception mechanism, would be unnecessary and counterproductive.

In particular, as explained in the Postal Service's initial comments, implementing the proposed rules would encounter significant obstacles. In the first instance, the status of existing and planned measurement systems, combined with deficiencies in current capabilities, would substantially delay compliance. In this regard, we note that there are practical difficulties associated with modifying the performance measurement functionality of the Intelligent Mail system that would contribute significantly to this delay. Postal Service Initial Comments. at 38-40. Second, attempting to overcome the problems could entail additional costs not warranted by the results. It would be very costly to adapt the measurement systems currently under development, or create new ones, to meet all of the proposed reporting requirements. Nor would the costs be limited to the Postal Service's expenses. In order to provide the information needed to develop representative data through the IMb system, mailers would be required to meet documentation requirements that would impose considerable costs on them. Finally, in light of recent mail volume trends and the Postal Service's financial condition, compliance with some of the rules would never be justified. Under the framework

established by the proposed rules, this could result in a system characterized, in effect, by permanent exceptions. In light of that possibility, the Postal Service must question the reasonableness of establishing rules that could never be met, when a more realistic set of requirements could be created in the first instance.

The statute anticipates this situation. In establishing the authority for the Commission to prescribe the content and form of the annual report, it directs the Commission to “give due consideration to --...(B) avoiding unnecessary or unwarranted administrative effort and expense on the Part of the Postal Service....” 39 U.S.C. § 3652(e)(1)(b).

The Postal Service’s initial comments outline the major impediments under the proposed rules. *Id.* at 31-40. These include limitations on current capabilities, and structural problems encountered in planned measurement systems. These conditions would substantially delay compliance and lead to considerable expense. The initial comments identify problems in the following areas:

- First-Class Mail Flats at all levels and frequency of reporting
- Standard Mail at all levels and frequency of reporting
- Periodicals by product (Outside-County and Within-County) at all levels of reporting
- Issues related to the development of the IMb system

In evaluating the proposed rules in this context, two dimensions warrant particular attention. First, the Commission in Order No. 292, as well as virtually all of the parties providing comments, acknowledged the serious constraints placed on the Postal Service by its financial condition, and the current and evolving economic environment in

which the Postal Service must operate.<sup>6</sup> While most of the parties pay lip-service to these circumstances, however, neither the proposed rules, nor many of the specific recommendations in the comments calling for additional reporting, come to grips with the economic realities. The Postal Service already spends considerable amounts on creating and operating comprehensive data collection systems for service performance.<sup>7</sup> Some of the proposals for frequent, product-level reporting would lead to even more costs.<sup>8</sup> Any reasonable framework for service performance and customer satisfaction reporting should balance these realities and result in only passive measurement systems.

Second, the Commission should not overlook the expense and administrative burden that would be imposed on mailers by requiring data collection to conform to the expectations embodied in the proposed rules. The American Catalog Mailers Association's (ACMA's) comments are illuminating. It states:

As the Commission recognizes, data reporting imposes costs on the postal system (Order 292 at 30). To state the obvious, ACMA acknowledges that this cost for new systems and capabilities at the USPS must necessarily be borne by postal ratepayers. We respectfully urge consideration to the cost/benefit of incremental measurement systems and the law of diminishing returns in requiring reporting requirements on service and satisfaction performance. Particularly in the present environment, catalog marketers are not in favor of any action that increases incremental mailer costs unless it has a rapid and clear payback to the rate payer. Mail has already become too expensive for catalogers

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<sup>6</sup> See, e.g., PostCom/DMA Comments at 13-14 ("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, including massive data sets such a piece-level IMb scans.")

<sup>7</sup> The combined cost of measurement systems planned for service performance is estimated around \$ 50 million.

<sup>8</sup> If the Postal Service were required to depart from its plans to produce performance statistics through passive retrieval of data from its internal and hybrid systems, the additional costs could amount to several hundred million dollars.

to use it to communicate with a large number of marginal customers. Since postage cost often represents half of the total marketing and advertising expense and can be nearly a fifth of total company sales volume, catalogers are actively investing in non-mail media to reduce their dependence on the postal system to reach prospects and lower value customers, in large part due to the cost of sending mail.

ACMA Comments at 4.

The primary example of costs that would be created for both the Postal Service and the mailers pertains to the implications of measuring Standard Mail performance. As discussed in the Postal Service's initial comments, producing piece data needed to permit the levels of representative reporting required by the proposed rules would entail imposing additional documentation requirements on mailers who participate in IMb. Postal Service Initial Comments at 32-34. Such additional requirements, however, would have two consequences. First, mailers would have to incur additional expenses to participate in IMb. Second, as a result of these costs, plus the extra administrative burden of mailing under enhanced requirements, mailers would either choose not to participate in IMb (diminishing its value as a measurement tool), or they would be diverted away from the mail altogether.

It might be argued that an alternative would be to adopt an EXFC-like seeding methodology. If that were attempted, however, it would be nearly impossible to ensure accurate reporting of Start-the-Clock information without compromising the confidentiality of which pieces were being tested. That is one reason why the Postal Service proposed, as the only practical alternative, use of a passive data collection

system enabled through IMb. That choice, furthermore, will depend for its viability on continued increases in the adoption of IMb.<sup>9</sup>

In light of the above, the Postal Service reiterates the recommendations expressed in its initial comments. Postal Service Initial Comments at 40-41. The periodic reporting rules should not require production of quarterly reports at all levels of reporting specified in the Commission's proposals. The required contents of the annual report should also take account of the significant limitations on the Postal Service's ability to report performance results at the levels specified for all products. In particular, until a cost-effective means of developing representative piece data for Standard Mail is found, the rules should not require resort to a formal exception procedure to comply. Reasonable rules could be fashioned that would permit the Postal Service to provide as much of the preferred data as possible "to the extent practicable." Reports filed under these rules could be required to include an explanation of the circumstances that condition the report in its submitted form. The Commission could always inquire further about the reports on an individual basis to obtain clarification or further explanation. This approach would also save the time, administrative burden, and the cost for the Postal Service, the Commission, and the mailers of having to file a formal petition for exceptions.

## **II. Oversight Issues**

Several parties are particularly concerned about the development and operation of the measurement systems that the Postal Service will employ to record and report

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<sup>9</sup> See the Attachment to this pleading, which was originally Appendix A to the publication, *Strategic Vision for Intelligent Mail*, which outlines the Postal Service's approach to promoting the adoption of Intelligent Mail.

performance statistics. The Commission's proposed rules provide a framework for future monitoring and review of these systems in section 3055.5, which states:

**§ 3055.5 Changes to measurement systems, service standards, service goals or reporting methodologies.**

The Postal Service shall file notice with the Commission describing all changes to measurement systems, service standards, service goals or reporting methodologies, including the use of proxies for reporting service performance, 30 days prior to planned implementation. The Commission may initiate a proceeding to consider such changes 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.

Noting the importance of accurate, representative data for the quality and credibility of performance reports, certain parties take the opportunity to suggest that a more elaborate oversight procedure is needed. These suggestions range from requiring the Postal Service to develop and report on an explicit plan for the development of measurement systems, to creating a formal procedure for effecting changes, parallel to, or as part of, the procedures established in the current periodic reporting rules for changes to analytical principles employed in other periodic reports.

**A. Review of Measurement Systems**

PostCom/DMA observe that workable service performance measurement that depends on the successful implementation and operation of the Postal Service's Intelligent Mail system is linked to representative participation by mailers in that system. PostCom/DMA Comments at 4-5. In this regard, PostCom/DMA catalog a series of secondary observations and criticisms of the implementation of IMb thus far, and speculate about future deficiencies. *Id.* At 5-6. In particular, they note that the technical requirements for mailer participation in Full-Service IMb are complex and costly, and

that serious “data accuracy” issues have arisen. They also note that, because the Postal Service “has not yet implemented the functionality in its Full-Service Intelligent Mail barcode service that would provide start-the-clock information, [they] are unable to assess the accuracy, consistency and completeness of that data.” *Id.* at 8.

PostCom/DMA are also concerned that economic incentives for mailers to participate (specifically, price discounts and “free” address correction service (ACS)) will either be short-lived (discounts), or are currently stalled (ACS). They speculate that, if requirements for participation are too complicated and incentives to offset the costs disappear, participation will either not materialize at all, or only large, technically sophisticated mailers will be able and willing to take part. The consequences, according to PostCom/DMA, will impair adequate reporting of service performance in the future. They summarize by urging 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.” *Id.* at 6.

To address these current and potential deficiencies, PostCom/DMA make broad, largely unspecific suggestions. They state that the “Commission should require the Postal Service to develop mechanisms to monitor the adequacy of service performance measurement data for all market dominant products.”<sup>10</sup> *Id.* They acknowledge that the Postal Service’s financial condition has a bearing on the development of systems and the ability to establish economic incentives,. They also recommend, however, that the

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<sup>10</sup> Presumably, this ongoing monitoring function contrasts with the approach taken in section 3055.5 of the proposed rules, which is linked to proposed changes in measurement systems.

“Commission require the Postal Service to develop and release both its interim and long term implementation plans for such systems.” *Id.* at 6. They propose that these plans should include specific milestones that would be monitored and would include periodic implementation plan review meetings with mailers. *Id.* at 7. Other features of this review framework would include “a proposed alternative measurement system, a plan to enhance existing systems, or a plan to revise its incentives to encourage mailer adoption of IMb.” *Id.*

Bank of America adds to this generalized call for close, continuous monitoring of the IMb system, and other measurement efforts, by calling for the “implementation of regular, third-party audits of the service performance measurement systems to ensure that data used for service performance measurement continue to be accurate and representative of the product mailstream being measured.” BOA Comments at 7 (footnote omitted). It specifically recommends that these third-party audits should “examine the measurement and reporting system from the perspective of information security.” *Id.*, fn. 13.

The Postal Service readily acknowledges that there are practical difficulties associated with developing and operating a sophisticated measurement system that depends on Intelligent Mail. The Postal Service believes that the Commission shares its understanding of these realities, at least insofar as they can be anticipated. Given the uncertainties of developing complex measurement systems, it is to be expected that unanticipated problems could also arise in the future.

In Docket No. PI2008-1, the Commission explored in depth the issues raised by the plan for developing a hybrid measurement system relying on IMb. In Order No. 140,

the Commission discussed many of the proposals made by PostCom and other mailer associations calling for monitoring and review of the system. Order No. 140, at 8-36. While it is true that, in Order No. 140, the Commission tended to defer final determination on some of the more specific suggestions for oversight and reporting, preferring to consider these issues in the instant docket (*see Id.* at 15), it commented generally on the need for monitoring and did not indicate any predisposition toward active supervision of the developing IMb system. It did call for the Postal Service to produce a plan in its FY 2009 ACR for ensuring representativeness of data. *Id.* at 13. The Postal Service intends to comply with that directive. The Commission also called for interim progress reports at the beginning of each fiscal quarter. *Id.* at 18, 47. The Postal Service has provided such reports to inform the Commission of matters arising in the development of the measurement systems. The purpose of these briefings, however, was never intended to establish a role for the Commission in the management of the systems. Generally, the Commission has supported the Postal Service's approach to implementing its hybrid system for service performance measurement based on IMb. *Id.* at 10.

To the extent that PostCom/DMA and BOA appear to be calling for a more formalistic set of procedures or reporting affecting management of the IMb system, the rules aimed at that objective would be unnecessary, intrusive, and overly burdensome. The Commission's early determinations in Order No. 140 called for annual description of plans for implementing and operating the IMb system, together with quarterly status reports. The Postal Service submits that these measures would accomplish the objectives that these parties propose. The Commission has also proposed rule 3055.5,

which would require the Postal Service to provide advance notice of changes in the measurement systems, and would authorize the Commission to conduct proceedings to consider such changes. Except to the extent that this rule purports to authorize continuous oversight of service standards and performance goals, as discussed below, it should be adequate to accomplish whatever monitoring of the measurement systems might be appropriate.

In Order No. 140, the Commission also noted that it has employed other means to keep abreast of developments in this area. Order No. 140 states:

Inevitably, problems will arise as the systems are implemented that will require changes to these systems. Informal procedures are available for the Postal Service to keep the Commission apprised of developments and to seek consultation where necessary as the measurement systems progress. Regular meetings between the Postal Service and the Commission to provide updates on progress and problems are beneficial, including workgroup meetings at the staff level. Continuing attention is necessary to keep the implementation of the measurement systems on track. The Commission supports the ideas expressed in the comments for the Postal Service to share its internal milestones with the public, and to regularly report on progress....The Postal Service will provide such reports to the Commission at the beginning of each fiscal quarter.

Order No. 140, at 47.

Requiring a more active Commission involvement in the developing measurement systems would intrude upon the management function, which is reserved for the Postal Service and its Board of Governors. Intelligent Mail has several dimensions, in addition to service performance measurement. Supervision of the day-to-day operation of the system, as well as involvement in investment decisions would be unnecessary. Such matters are more appropriately left to the Postal Service in the exercise of its management authority. Furthermore, to the extent PostCom and DMA imply that the Commission should interfere with the Postal Service's determinations on

economic or other incentives to participate in IMb, the Postal Service believes that such involvement would be unauthorized and would undermine the pricing flexibility that the statutory scheme creates for the Postal Service. While the Postal Service is open to advice from the Commission on the best ways to ensure participation in Full-Service IMb, the adoption and execution of those incentives should remain within the purview of the Postal Service.

Third-party audits, as suggested by BOA, would also be unnecessary. In this connection, the statute has already specified the appropriate audit mechanisms.

Section 3652(a) states:

The Inspector General shall regularly audit the data collection systems and procedures utilized in collecting information and preparing [the ACR] ...The results of any such audit shall be submitted to the Postal Service and the Postal Regulatory Commission.

From time to time, the Postal Service also provides information to the GAO, in connection with the exercise of its accountability functions. In the past, GAO inquiries and reports have involved evaluation of Postal Service data collection and service performance.

Finally, it should be noted that the Postal Service has been working closely with mailers and mailer organizations, through MTAC and in other capacities, to develop performance standards and goals, and to explore service-related issues. The Postal Service believes that these activities and efforts have solidified a productive relationship between the Postal Service and its customers in considering such matters. The Postal Service intends to continue this practice and believes that it further obviates the need for more active monitoring and involvement by the Commission in the management of IMb and other systems.

## B. Review Mechanism

The Public Representative's comments focus on specific changes to the proposed rules governing the monitoring of changes in service performance measurement. In particular, the PR contrasts the treatment of "analytical principles" in the existing reporting rules with the proposed framework for monitoring changes in service performance measurement, service standards, and service goals (proposed Rule 3055.5). PR Comments at 3-7. The PR notes that Rule 3050.11 establishes a detailed procedure for reviewing changes in analytical principles, including costing methodologies. Rule 3050.11 makes clear that

the Commission, acting on its own behalf, may issue a notice of proceeding to change an accepted analytical principle. In addition, any interested person, including the Postal Service or a public representative, may submit a petition to the Commission to initiate such a proceeding.

The rule also describes with specificity the contents of a petition and outlines specific procedures for conducting this review. By contrast, proposed Rule 3055.5 only specifies that the Commission "may initiate a proceeding" to consider changes in service performance measurement. The PR notes that this imbalance in treatment creates a situation where service performance measurement systems and methodologies "appear to lack the 'standing' of an analytical principle, and therefore do not have the same regulatory weight as analytical principles relied upon in analyzing costs, revenues and rates under sections 3050, *et seq.*" *Id.* at 6.

The PR's solution is to propose several amendments to the wording of the proposed rules that clarify that changes in service performance measurement have the status of "analytical principles" under the existing rules, and are subject to section 3050.11 review proceedings that may be initiated by the Commission or other interested

parties. According to the PR, these changes would correct the disparate treatment of elements of the Postal Service's ACR under the statute. In this regard, in mandating an annual report, the statute does not create a distinction between review of costs, revenues, and rates, on one hand, and "quality of service," on the other. The PR also recommends changes that would clarify that the Postal Service's first ACR under the new rules would establish a baseline of accepted principles that would only have to be supplemented in subsequent reports if changes to analytical principles were made. *Id.* at 7-9.

Under the PR's approach, the procedures outlined in Rule 3050.11 would apply to changes in analytical principles employed in service measurement. The PR would also create additional time for the procedures by extending the 30 day notice requirement in proposed Rule 3055.5 to 60 days.

The Postal Service strongly opposes the PR's proposal. Such an amendment would be unnecessary and would lead to unwarranted complications and administrative burden. See 39 U.S.C. § 3652(e)(1)(b). The procedures created to review proposed changes in costing and ratemaking approaches in Rules 3050.10 and 11 are intended to involve changes in cost measurement methodologies, cost allocation, and cost classification, as well as rate design. These topics raise issues that were typically explored by the Commission in depth in rate and classification proceedings under the Postal Reorganization Act. Changes in such matters usually involve a type and degree of investigation and analysis, as well as application of economic theory, that would normally not be needed to review changes in service performance estimation.

Changes in the analytical principles currently within the ambit of section 3050.11 would also usually invoke a heightened interest and need to be heard by mailers, who would be affected through the rates they pay. By contrast, service performance affects the customer relationship more directly. Matters pertaining to service performance with regard to individual mailers are more commonly explored by direct contacts between the Postal Service and the mailer.

The Postal Service believes that these distinctions underlie the Commission's determination to treat changes in service performance measurement differently under its proposed rules. The Postal Service believes that the Commission's approach is preferable, and reflects a lesser need for formal procedures. As discussed above, the combination of reporting, informal contacts, and proposed Rule 3055.5,5 should be adequate to accomplish effective review of service performance. Under proposed Rule 3055.5, furthermore, the Commission can conduct a proceeding to consider noticed changes in measurement systems.

Experience under the Rule 3050.11 procedure is still in its relatively early stages. Without criticizing the review mechanism as it has been employed thus far, the Postal Service notes that it has given rise to planning and scheduling complications in the calendar for developing the Postal Service's ACR. This has been particularly noticeable in connection with proposed changes in costing methodologies that have been relatively minor in importance. Requiring the Rule 3030.11 procedures for changes in service performance measurement would result in even more administrative burden. On

balance, the Commission's approach, which provides for advance notice of changes,<sup>11</sup> together with a discretionary determination by the Commission on whether a proceeding would be necessary, are both adequate and proportionate.

### **C. Oversight of Service Standards and Goals**

Proposed Rule 3055.5 would require the Postal Service to give notice not only for changes in service performance measurement systems and reporting methodologies but also to changes in service standards and service goals. As noted above, the rules would authorize the Commission to "initiate a proceeding to consider such changes 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." PostCom/DMA endorse this provision, and recommend that "the Commission should adopt annual review of service performance standards and targets." PostCom/DMA Comments at 15. They state:

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.

*Id.* Under PostCom/DMA's approach, the annual review process would permit formal industry comment on the Postal Service's performance targets for market dominant products. *Id.* at 16.

The PR's specific approach would differ somewhat, to the extent that it would create a distinction between proceedings to review changes in "analytical principles"

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<sup>11</sup> The Postal Service also opposes the PR's proposal to increase the notice requirement from 30 to 60 days. Thirty days should be more than adequate considering the likely nature of such changes.

and changes in external service performance measurement systems, service standards, and service goals. Under the PR's proposed Rule 3055.5(b), changes in external measurement systems, standards, and goals would still be subject to review, as in the Commission's proposed Rule 3055.5. According to the PR, however, "subsection (b) imposes a lesser duty on the Postal Service" with respect to changes in these matters.

PR Comments at 11. In this regard, the PR acknowledges the following:

Given the Commission's consultative role, it does not have final decision authority over the external measurement systems or service standards and service goals. Accordingly, the changes proposed for section 3055.5 preserve the requirement of notice for changes in service standards and service goals and adds changes applicable to external measurement systems. It also preserves the possibility of Commission review, if it appears that such changes might have a material impact on the accuracy, reliability, or utility of the reported measure, or characteristics of the underlying product.

The Postal Service strongly opposes the elements of proposed Rule 3055.5 that incorporate review of service standards and service performance goals, and the proposed revisions or enhancement of that function in PostCom/DMA's and the PR's comments. Simply put, the statute does not create a role for the Commission with regard to service standards or performance goals, beyond its authority to conduct an annual compliance determination under 39 U.S.C. § 3653, its authority to issue advisory opinions under 39 U.S.C. § 3661, and its authority to entertain service complaints pursuant to 39 U.S.C. § 3662. Rather, 39 U.S.C. § 3691 gives the Postal Service the authority to establish and change service standards. As a part of the process of establishing baseline modern service standards, section 3691(a) did require the Postal Service to consult with the Commission. However, that obligation was completed during the development of the modern service standards published at 39 C.F.R. Parts 121 and

122.<sup>12</sup> See 72 Fed Reg 72228 (December 19, 2007). Beyond that, section 3691 reserves to postal management all authority over the establishment or revision of service standards. Uncodified section 302, moreover, which directed the Postal Service to report to Congress on the development of a plan for meeting those service standards, required the Postal Service to also establish baseline operational performance goals as a part of that plan, and to consult with the Commission in their development. That one-time consultative process was completed during the preparation of the USPS PAEA Section 302 Network Plan submitted to Congress on June 19, 2008. For a copy of the plan, see Docket No. N2009-1, USPS Library Reference N2009-1/9. The Postal Service has long been required by section 3661 to request an advisory opinion from the Commission if it intends to implement revisions to service standards that result in substantially nationwide changes in the nature of a postal product or service. The Commission is not authorized to initiate parallel proceedings. The establishment and amendment of operating performance goals are a core management function and are the product of consultations between senior postal management and the USPS Board of Governors. The very limited grant of a consultative role to the Commission by the PAEA in the development of baseline service standards and performance goals has long expired and provides no basis for the Commission to now assert authority to initiate proceedings for the purpose of reviewing their status or changing them.

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<sup>12</sup> Section 3691 provided a one time only opportunity to establish "baseline" "modern service standards," outside of a section 3661 proceeding. Hence, the Commission's consultative role was also a one time only event. Hereafter, service changes, and the Commission's opportunity to advise, could arise in the context of complying with section 3661.

By contrast, proposed Rule 3055.5 provides that the “Commission may initiate a proceeding to consider such changes [in measurement systems, service standards or service goals] 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.*” (emphasis added) This language provides that the Commission may, at its discretion, conduct a proceeding to evaluate changes in service standards and goals in relation to the “characteristics of the underlying product.” The parties’ comments go even further, and suggest that a more direct role should be created for the Commission in evaluating and changing service standards and goals.

The statute, however, gives the Commission more limited responsibilities. In addition to its consultative function under sections 3691 and 302, section 3653(b)(2) authorizes the Commission to annually determine “whether any service standards in effect during such year were not met.” With respect to such noncompliance, section 3653(c) authorizes the commission “to take appropriate action in accordance with subsections (c) and (e) of section 3662.” With respect to review of performance goals, section 3653(d) authorizes the Commission to “evaluate annually whether the Postal Service has met the goals established under section 2803 and 2804, and may provide *recommendations* to the Postal Service related to the protection or promotion of public policy objectives set out in this title.” (emphasis added)

Nothing in the statute authorizes the Commission to create the review procedure to evaluate the substance of service standards or goals, as implied in proposed Rule 3055.5 or proposed by PostCom/DMA or the PR. If retained, proposed rule 3055.5

should be limited to changes in service performance measurement and should eliminate reference to service standards and service performance goals.

#### **D. Oversight of Confirm**

Both Bank of America and PostCom/DMA would extend specific review of the Postal Service's data systems to existing operational systems, particularly Confirm. BOA notes that Confirm scan rates "on pieces that the Postal Service should process on automation (i.e., automation letters and flats) do not reach 100 percent and can be substantially less." BOA Comments at 7. BOA recommends that "for operational systems, the use of appropriate quality control and data cleaning procedures is particularly important and should be reviewed by the Commission." *Id.* (footnote excluded).

PostCom/DMA are concerned that the evolution of service performance measurement systems will lead to a degrading of Confirm services. DMA/PostCom Comments at 7. They note that the Postal Service has announced that, effective November 29, 2009, it will stop providing Electronic Mailing Data (EMD) scan information, as part of the Confirm subscription. *Id.* They complain that these data consist of an important business tool, and they imply that future Commission review responsibilities should encompass such changes in connection with its review of IMb and other performance measurement systems. *Id.* at 7-8.

With regard to service performance reporting, the Postal Service opposes the suggestions that the Commission's regulatory responsibilities should extend to ongoing review and involvement in the operation and administration of the Postal Service's products and services. The statutory scheme makes a clear delineation between such

management functions and the Commission's role in evaluating performance annually, through consideration of the Postal Service's ACR, and through its own ACD. The statute and the Commission's rules also create a complaint procedure (39 U.S.C. § 3662) which can be employed by mailers to challenge the Postal Service on service matters. Accordingly, this rulemaking is an inappropriate forum to challenge particular practices. Furthermore, the Commission's periodic reporting rules should not create mechanisms that would intrude on the Postal Service's management functions.

### **III. Contents of Reports**

Both Bank of America and PostCom/DMA support the proposed rules specifying the contents of annual and quarterly service performance reports, including the provisions requiring documentation of aggregations used in developing reports at various reporting levels. BOA Comments at 3-4; PostCom/DMA Comments at 13. BOA states that “[f]ull documentation of the measurement approach is necessary to allow both individual and business customers to properly interpret the performance reports and plan their production processes.” BOA Comments at 3 (footnote omitted). BOA is also particularly concerned that failure to provide “volume information used to weight performance has precluded meaningful analysis regarding which figures to believe.” *Id.* at 4.

PostCom/DMA also support the proposed documentation requirements but “suggest that the Commission clarify what data the Commission will require from the Postal Service, and how the Commission plans to use the data.” PostCom/DMA Comments at 13. They profess to be concerned about the cost of requiring the Postal Service to provide all service performance data, including “massive data sets such as piece-level

IMb scans. *Id.* at 14. They are also concerned about the security of commercially sensitive data, presumably data that could be linked to individual mailers. *Id.*

As discussed in the Postal Service's initial comments, the Postal Service believes that the documentation requirements embodied in the proposed rules are unnecessary and could be eliminated. Postal Service's Initial Comments at 22-28. While the Postal Service does not suggest that performance statistics are less important than reports on cost allocations or other economic analyses, the need for independent review and verification by the public of estimates of on-time delivery or variance has not historically been of primary importance when considering Postal Service rate and classification proposals under the old regulatory system. Service performance is more central to the Commission's responsibilities under the new law, but an enhanced need for documentation of service statistics has not been established. This conclusion is reinforced by the Commission's ongoing role in reviewing service performance under the new statutory framework and the numerous tools it has to elicit information from the Postal Service.

BOA's comments suggest that some parties have ulterior interests in such documentation. BOA states that mailers need full documentation "to allow both individual and business customers to properly interpret the performance reports and plan their production processes." BOA Comments at 3. In this regard, the Postal Service notes that the purpose of periodic reporting is not to provide mailers with free data that could be of use in planning their businesses, but to provide the Commission with the tools it needs to evaluate performance. Transparency of Postal Service performance is important, but the cost and effort of providing extensive documentation

outweighs any particular mailer's interest in information that can be used for its own business purposes. While performance data could also be useful in customer mailing decisions, the Postal Service submits that the business relationship between the Postal Service and the customer is the more important source of information about mailing than the Commission's periodic reporting rules.

PostCom/DMA's comment that the proposed rules may need clarification is well-taken. The Postal Service shares their concern that the proposed rules may create cost and other burdens to document reports and provide access to massive data sets. These burdens may far outweigh the uses of the information. In this respect, the Postal Service observes that the proposed rules governing contents of reports might call for a more simplistic set of workpapers documenting aggregations than the Postal Service originally envisioned. If that is the case, and the Commission retains a documentation requirement, its scope should be clarified.

Regarding BOA's comments on the contrast between weighted versus non-weighted performance results for statistics on Quarter 3 on-time First-Class Mail performance, the Postal Service notes that the large differences between the weighted and unweighted results cited in the comments are a result of the very limited set of mailings and the limited geographic coverage in the data produced in the pilot program. When the shift is made to the full system, there will be many mailings from all over the country, which will eliminate the primary issues that are driving the differences.

#### IV. Categories of Information – Changes or Clarification

##### A. Variance Reporting

Bank of America, PostCom/DMA, and Valpak believe that the Postal Service should be required to provide more refined statistics on service performance variance. BOA proposes that the final reporting rules should shed more light on the “tail-of-the-mail” by requiring the Postal Service “to report mail variance until delivery reaches 99 percent.” BOA Comments at 3, n. 5. Also concerned about the “tail-of-the-mail,” PostCom/DMA similarly propose that “the mail variance percentage for each day beyond the standard should be reported until the percentages reported account for 99% of the mail.” PostCom/DMA Comments at 10. Valpak shares these concerns, and particularly notes that information regarding early delivery, in addition to late delivery, can be of importance to certain types of mailers. Valpak Comments at 11-12. Valpak endorses the proposed approach to reporting performance variance in quarterly reports. *Id.* at 12-14. In addition, Valpak advocates requiring the Postal Service to provide an annual report on performance variance. *Id.* at 14-17. It recommends that, as an initial step, “the Commission could integrate variance reporting into the annual report using a format similar to that used in the quarterly reports (with the recommended changes identified, *supra*.)” *Id.* at 17.

In Order No. 140, the Commission addressed these issues, including mailer requests for additional tail-of-the-mail variance information and information on early delivery. While endorsing the Postal Service’s approach to measure variance on a one through three day basis, the Commission stated:

The Commission recognizes the benefits to mailers of more detailed reporting of delivery variance and consistency. The 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. However, the Commission is not convinced that data on early delivery is required for the Commission's purposes. Mailers will still be able to work with the Postal Service when specific problems are identified. This area is subject to re-evaluation once the measurement systems begin generating actual data and specific problems are identified.

Order No. 140, at 44. The Postal Service believes that these conclusions still apply, and that additional data on the tail-of-the-mail are not needed.

Regarding Valpak's suggestion that an annual variance report should be required, such a report could be provided in the format outlined in the proposed rules. Providing information on additional days of variance, however, would entail more cost and effort.

### **B. Standard Mail Service Standard Categories**

PostCom/DMA and Valpak make specific recommendations regarding the service standard categories established in the proposed rules to apply to service performance reporting for Standard Mail. PostCom/DMA 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.

PostCom/DMA Comments at 12.

Valpak also proposes realigning the reporting categories. It suggests two options:

**Option A** would add a column and is consistent with the Commission's division based on point of entry:

1. mail with a **2-day** service standard (roughly reflecting DDU-entered mail),

2. mail with a **3-day/4-day** service standard (roughly reflecting DSCF-entered mail), and
3. mail with a **5-day through 10-day** service standard (roughly reflecting DBMC-and BMC-entered mail).

**Option B** would better identify DDU/SCF mail by moving mail with a 4-day service standard to the DBMC column:

1. mail with a **2-day/3-day** service standard (reflecting all DDU-entered mail, and over 99 percent of all DSCF-entered mail,
2. mail with a **4-day through 10-day** service standard (reflecting DBMC and remote-destinating mail entered at the appropriate BMC mail, plus any DSCF Virgin Island Mail).

Valpak Comments at 6-7.

The service standard categories specified in the proposed rules are the product of discussions and interactions in Docket No. PI2008-1 among the Commission, the mailers who commented, and the Postal Service. In its proposed rules, the Commission has adopted the Postal Service's proposals for reporting service performance for Standard Mail. Order No. 292, at 13. The Postal Service believes that these proposals best represent all of the interests involved in reporting on Standard Mail performance and are suitable, considering the data that will be available. Other categories could be established, but the recommendations do not outweigh the Commission's determination, based on Postal Service proposals. Furthermore, any changes in the categories at this point would require extensive measurement system changes at additional cost.

In evaluating the required reporting categories, one important consideration should be the representativeness of the data available from the planned measurement systems. A more granular perspective reflected in smaller, more refined categories will

require enough representative data to be statistically valid.<sup>13</sup> In both Order Nos. 140 and 292, the Commission has repeatedly voiced concerns about the representativeness of the data. This concern has been amplified by the comments filed in this docket.

Given the volumes the Postal Service anticipates through Full-Service Intelligent Mail, it is likely to have sufficient data to be representative to destination. Data that are representative from point of origin, however, will be largely driven by mailers' participation and their choice of entry points. While data that represent all 3-digit pairs might be optimum, it is by no means certain that representative data will be available in either an Intelligent Mail or an EXFC-like measurement system. In the case of an EXFC-like measurement system, the creation of artificial "test pieces" between network nodes, where such volume does not naturally exist, would quickly compromise the integrity of the measurement system. In order for the Postal Service to keep the cost of service measurement within reason, as well as to establish an infrastructure for service measurement that is flexible, reliable, and auditable, the Postal Service must utilize passive data capture via Intelligent Mail. An EXFC-like sampling system applied to Commercial First Class Mail, Periodicals and Standard Mail would inevitably lead to a lack of consistent reliability and excessive developmental and ongoing costs.

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<sup>13</sup> Demanding acceptable results from smaller categories would present problems. For example, to the extent the rules were to require the reports to break out performance by service day, it might be difficult to obtain statistically valid, representative volumes (by dispersion of geographic origin, especially) for standards beyond 5-day service. In this regard, it is important to emphasize that breaking out incremental pieces beyond 5-day service will not provide the type of origin network measurement that might be preferred. For example, the measurement system would not produce data for origin entry Standard Mail in Puerto Rico that destines in Alaska. By contrast, a grouping of End-to-End service from Puerto Rico to all destinations might produce data that are both statistically valid and representative.

### C. Reporting Formats

Valpak and the Public Representative propose several changes in the Commission's proposed formats for reports.

- Valpak believes that, for annual reporting in the illustrative formats suggested by the Commission, the regulations should specify with more precision what the "Target" column (Table VII-2) would show – e.g., service goal, not service standard. (Valpak Comments at 9)
- Valpak believes that the Commission should clarify whether the percent on-time column in its illustrative format was meant to show one percentage for High Density and Saturation letters, regardless of the service standard applicable to each piece in the mix (which service standard generally depends on where the mail is entered). (*Id.* at 8-9)
- Valpak believes that the Commission should require that the annual data be presented in a manner that facilitates year to year analysis. (*Id.* at 10)
- The PR recommends that the illustrative tables for reporting service performance data for Special Services should be made consistent with the proposed rules. To place Special Services on the same footing for reporting purposes as all other products, and to make the illustrative tables consistent with the service standard and proposed section 3055.24 for Special Services, the PR proposes to revise the heading in the second numeric column of Tables VII-2E and VII-3E to read, "% of Time." (PR Comments at 13-14)
- The PR notes that the phrase "service goals" in the illustrative tables for performance reporting is used interchangeably with "target." Possible alternatives to addressing this discrepancy clarifying in the rules that "service goals" is synonymous with "targets," or replace the term "Target" in the illustrative tables with the term "Goal." The PR believes the latter is preferable, given the Postal Service's use of the term in referring to the numeric criteria on its webpage. (*Id.* at 14-15)

The Postal Service is not opposed to clarifications in the reporting formats where warranted

### V. Access to Raw Data

Bank of America and PostCom/DMA believe that the framework for service performance reporting should give mailers access to raw data produced by the Postal

Service performance measurement systems. BOA argues that such access would be “much less costly than requiring the USPS to develop and distribute detailed measurement data reports.” BOA Comments at 2 (footnote omitted). PostCom/DMA see access to raw data as a supplement to reporting. In this regard, they believe that the lag in reporting performance results would diminish their usefulness to mailers. In other words, quarterly reporting would not be enough. PostCom/DMA Comments at 8. They believe that the Postal Service should “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.” *Id.* at 9. They also state:

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 EXFC) is critical for companies to efficiently manage their business and respond to customer needs and interests.

*Id.*<sup>14</sup>

The Postal Service does not believe that requiring blanket access to raw data from its performance measurement data systems should be incorporated in the periodic reporting rules. Such access would raise several significant problems. First, the quantity of the data would be enormous. Creating a system that would enable access by potentially thousands of users would be more complex and costly than producing reports as required by the proposed rules. As the Postal Service understands the

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<sup>14</sup> PostCom/DMA cite the final report of MTAC Workgroup 123, which made similar recommendations. *Id.*

proposed rules governing the contents of reports, they do not require access to input data.

Second, any system permitting access to mailer-specific raw data would raise very serious security and confidentiality concerns. Mailer-specific data would be very sensitive and confidential. Creating a system that would provide access, within the context of the Commission's confidentiality rules, could be very complex. Both BOA and PostCom/DMA in this docket have raised concerns about the security and confidentiality of service performance information. *See below.*

Third, the Postal Service is concerned that mailers may expect that service performance data might be available at no charge. BOA's and PostCom/DMA's comments emphasize the commercial value of such information. In this regard, the Postal Service strongly believes that the primary objective of reporting under the statutory framework should not be to provide a source of commercially valuable information for use by mailers in managing their own businesses or competing against others. Furthermore, considering the value of such information, the Postal Service may need to reserve its options for recapturing some of the costs of producing service performance data by creating products that will generate revenues in the future, to offset the expense of maintaining large, sophisticated performance measurement systems.

## **VI. Additional Reporting Requirements**

Several parties propose that additional reporting requirements be included in the periodic reporting rules.

### A. Critical Entry Times

Bank of America believes that the proposed rule governing the contents of reports (section 3055.2) should “include an explicit requirement that all critical entry times (CETs) used in the service performance measurement system be reported and subject to the notice requirements specified in proposed rule 3055.5. BOA Comments at 3, n. 7.

In Docket No. PI2008-1, the Commission considered numerous comments by mailers concerning the importance of CETs in evaluating service performance and compliance with service standards. See Order No. 140, at 15-17. In Order No. 140, the Commission approved of the Postal Service’s representation that it would document local product-specific CETs on a facility-by-facility basis in a central location. *Id.* at 17. Accordingly, the Commission chose not to include in the proposed rules requirements to incorporate CETs in the service performance reports specified. Rather, in Order No. 140, the Commission stated:

The Commission supports the Postal Service’s proposal to document CETs and encourages it to develop systems to make this information publicly available in the near future.

*Id.* The Postal Service approves of this conclusion and opposes BOA’s proposal. In particular, the Postal Service believes that including changes in CETs among matters that could would require notice, or that would justify Commission review and proceedings under proposed Rule 3055.5, would amount to an inappropriate and unauthorized intrusion on the management function.

## **B. Explanations of Performance**

Bank of America believes that “in instances where service goals were not met, the Postal Service should be required to explain why and how it plans to meet the goals in the future.” Bank of America Comments, at 3, n. 7.

The Postal Service observes that the proposed explanation would be unnecessary and unwarranted. The purpose of the ACR/ACD process is for the Postal Service to report on service performance and for the Commission to evaluate compliance annually. If the Commission concludes that service performance is deficient, it is authorized to seek such further information from the Postal Service as might be necessary.

## **C. Remittance Mail**

Bank of America proposes that “the Postal Service should measure and report service performance for remittance mail containing payments separately from other First-Class Mail.” BOA Comments at 4. BOA notes that, while the statute specifies annual reporting by product, it does not preclude more detailed reporting. *Id.* at 4, n. 9).

The Postal Service submits that neither the statute nor the Commission’s proposed rules would require reporting of service performance at a sub-product level. The Postal Service therefore opposes BOA’s proposal. It also notes that the Commission considered the status of remittance mail as a separate reporting category in Docket No. PI2008-1. In Order No. 140, the Commission stated:

BAC and NPPC suggest disaggregating the service performance measurement of remittance mail and treating remittance mail as a distinct category of First-Class Mail. BAC Comments at 2; and NPPC Comments at 7.

The Commission distinguishes separate reporting of remittance mail from treating remittance mail as a distinct category of First-Class Mail. The Postal Service has indicated to the Commission in consultations that it is considering ways to separately measure the performance of remittance mail, which indicates a future potential for separate reporting of remittance mail. However, treating remittance mail as a distinct category of First-Class Mail raises classification issues that are beyond the scope of this discussion.

Order No. 140, at 46. The Postal Service agrees with this conclusion.

#### **D. Parcel-specific information**

Parcel Shippers Association recommends that “the Postal Service should make more detailed and customizable performance reports available to parcel shippers and other mailers.” PSA Comments at 1, n. 2.

The periodic reporting rules should not require such reports. In the future, the Postal Service may explore creation of products that would provide such information and that would permit the Postal Service to recoup some of the costs of producing it.

In Order No. 140, the Commission stated:

The Postal Service responds that although the PAEA does not require the generation of customer-specific reports, it intends on working with the mailing industry in this area. It suggests that the degree of customer access to disaggregated service performance data (in excess of that required for the regulatory process), may have the character of an ancillary service. Postal Service Reply Comments at 6.

The Commission observes that business needs of some mailers may vastly exceed the needs of the regulator to perform its functions. Although the Commission may well specify reporting in greater detail over time, it is not anticipated that the level of reporting will reach the provision of near real time data envisioned by some mailers. The Postal Service should be allowed time to explore the business needs of the customers and propose information products to meet those needs outside the context of the regulatory requirements.

Order No. 140, at 42.

### **E. Forwarded Mail**

The Public Representative proposes that the Postal Service should be required to collect and report data measuring the performance of forwarded First-Class Mail. PR Comments at 15-17.

The Postal Service opposes incorporating this requirement in the periodic reporting rules. This proposal was first submitted in Docket No. PI2008-1. In Order No. 140, the Commission asked the Postal Service to explore the possibility of conducting studies to determine the service performance for forwarded and returned First-Class Mail and to inform the Commission of their feasibility by the conclusion of Fiscal Year 2009. Order No. 140, at 24. The Postal Service intends to file a response on this matter by the close of this week, and suggests that it be incorporated in these comments.

### **F. Call Center and Other Customer Inquiry Data**

The Public Representative believes that the Commission should require the reporting of Call Center and other customer inquiry data. The PR states:

Such data is obtained directly from postal customers that have contacted the Postal Service in an attempt to obtain information, resolve a service problem, or express their views on actual service experiences. These direct contacts therefore represent a direct measure of customer satisfaction (or lack thereof). As such, this data reflects customer-driven concerns that are likely broader and also different than topics in management-driven customer satisfaction surveys. Moreover, Call Center data and other customer inquiry data are available both quarterly and on an annual basis from the Postal Service.

PR Comments at 19 (footnote omitted). Regarding possible objection on grounds that such data might be statistically unreliable, the PR states:

The Commission should not *per se* accept such an argument as a reason to reject the addition of this data to the reporting requirement. There is no requirement that the data must be representative. Rather the test should be whether the data is measurable and meaningful.

*Id.*

The Postal Service strongly opposes requiring it to provide call center and customer inquiry data. Such information is compiled for management and diagnostic purposes and should not be required by the periodic reporting rules. Furthermore, the Postal Service finds the PR's defense of such statistically unrepresentative data to be singularly unpersuasive.

## **VII. Other Issues**

### **A. Confidentiality of Data**

PostCom/DMA are concerned that, at least in the early days of reporting under Full-Service IMb, when a limited number of customers may be participating, reporting may disclose sensitive commercial information with which particular mailers may be identified. PostCom/DMA recommend that the Commission "should require the Postal Service to develop guidelines to appropriately limit public access reporting under such circumstances." PostCom/DMA Comments at 13. In a related vein, Bank of America is concerned about the security of data produced by performance measurement systems. In connection with its proposal for third-party audits of the systems, BOA states:

An independent, third-party auditor should also examine the measurement and reporting system from the perspective of information security. Pulling together previously disconnected information to measure performance could increase the vulnerability of the systems and information contained therein.

BOA Comments at 7, n. 15.

The Postal Service fully appreciates the security and confidentiality concerns expressed in these comments. It believes, however, that the Commission's existing confidentiality rules are flexible enough to accommodate these concerns. Depending on the nature of the final reporting rules that are adopted, the Postal Service intends to give careful consideration to the possibility that reported information could result in *de facto* disclosure of confidential information that can be tied to particular mailers. The Postal Service is also willing to take appropriate measures to ensure that its service performance data are kept in secure systems.

### **B. Effective Dates**

Bank of America does not believe that the Postal Service should be required to report performance in the proposed format immediately, but it argues that the final rule should include an effective date on which the Postal Service must comply with the proposal. BOA Comments at 6. Parcel Shippers Association asserts that the Postal Service's financial condition is not a good reason to delay product level reporting. The Postal Service should begin reporting parcel-specific service performance no later than the 2<sup>nd</sup> quarter of 2010 based on existing systems, or to show good cause for not doing so. PSA Comments at 2-3. PSA states:

Separately reporting service performance for parcels in the short term should not be difficult. The Postal Service has been measuring service performance for Parcel Select parcels using Delivery Confirmation, the same approach that will be used for market-dominant parcels, for nearly a decade. Further, in its November 2007 proposal, the Postal Service stated that while it did not plan to report service performance for parcels, it did plan to collect service performance information separately for parcels.

*Id.* at 3.

The final reporting rules will take effect soon after they are adopted. Within the framework for reporting, the Postal Service opposes the establishment of any deadline for compliance without exceptions.

Respectfully submitted,

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## Appendix A: Risk mitigation strategies

### Risk Mitigation – Mailer Adoption

The success of achieving the Intelligent Mail vision, (page 5, Vision, “Enhance the value of mail by using information and insight from the mail to deliver increased customer value and drive operational efficiency.”) is dependant upon mailer adoption and use of mail processing technology. To achieve this vision, strategies will be implemented to encourage and drive the mailers to use the system.

However, the mailer community may be slow to adopt because Intelligent Mail services present a level of risk and uncertainty. In some cases mailers are not ready and/or comfortable with using the new technology. To overcome the uncertainty, the USPS will develop strategies that will encourage the mailers to use and embrace the advanced Intelligent Mail technology.

#### **Strategy – Develop a robust system to enhance the value of mail by using information and insight from the mail to deliver increased customer value and drive operational efficiency:**

As of May 19, 2009 the Intelligent Mail program was implemented and is functioning as designed to receive, process and provision data. This program is the component that will drive and influence mailer adoption of Intelligent Mail Full-Service by providing methods:

- 1) Demonstrated value to the customer;
  - 2) Offer price incentives;
  - 3) Bundle Full-Service as a criteria to other price incentives or product/service offerings;
- and
- 4) Mailing requirements.

However, no single method provides the solution. Rather, a combination of all four methods provides the ability to successfully mitigate this risk. USPS has actively employed both the first and second method and has clearly communicated the requirement to use the Intelligent Mail Basic option not later than May 2011.

#### **Value to the customer**

Through various means of communication, the USPS has emphasized the value of Intelligent Mail services to customers and has encouraged their participation. Some mailers have started using Intelligent Mail services and reported improvements in production process, logistics, customer service, call center, fulfillment, warehousing and accounting operations. In general, Intelligent Mail services enable and support end-to-end visibility to the entire supply chain.

### **Price Incentives**

The first price incentive is scheduled to be implemented in November 2009, that will include the per piece discounts of 0.3 cents for First-Class Mail and 0.1 cent for Periodicals, Standard Mail and Bound Printed Matter. Initial indications from mailers, combined with their specific actions to prepare for entry to the Intelligent Mail production environment, strongly suggest that the USPS will achieve anticipated levels of adoption. This is encouraging however, if adoption does not occur as expected, the price incentives are one of the strategic methods that will be used to encourage adoption. At this time, specific incentives have not been modeled, nor does the USPS intend to model any additional incentives. The strategy is to continue to evaluate the use of price incentives to the extent they are necessary.

### **Bundle Full-Service as a Criterion**

Beyond direct price incentives there is an opportunity to require the Intelligent Mail Full-Service option for other incentives. For example, the July 2009 "Summer Sale" has proven burdensome with baselining and quantifying volume data. In an Intelligent Mail Full-Service environment the collection of these data would be fully automated. Furthermore, the ability to correctly attribute volumes through the Mail Identifier (MID) and Customer Registration Identifier (CRID) is both automated and accurate. Therefore, it is likely, in the near future, that price incentives such as "season sales" would have an Intelligent Mail Full-Service requirement.

### **Mailing Requirements**

To be eligible for automation discounts, the use of mailing requirements is solely directed to a requirement to use Intelligent Mail barcode formats not later than May 2011. Mailers are not required to use the Intelligent Mail Full-Service option. Rather, the Intelligent Mail Basic option will fulfill the requirement.

It is possible that in the future the requirement may be raised to the Intelligent Mail Full-Service option. While possible, consultation with the mailing industry will be scheduled, impact analysis performed, and a reasonable timeframe communicated for the introduction.

While mailer adoption is an acknowledged strategic risk, the USPS is confident that a combination of these four basic strategies will be the vehicle to effectively influence adoption.

Beyond the overall issue of adoption by mailers, there is another issue of what rate of adoption determines success. Hence, what volume of Intelligent Mail Full-Service mail is necessary? To answer this question three outcomes must be considered:

- 1) Volume is necessary to provide valuable internal data and diagnostic reporting;
- 2) Volume / points of entry necessary to provide for representative service measurement; and

3) Volume is necessary to reduce work hours in the acceptance and verification process.

In all three cases, the USPS believes that the four strategies described above provide the tools necessary to achieve the desired rates of adoption.

Perhaps the most difficult to assess, is the volume necessary to provide for the representativeness in service measurement. The challenge is not volume, it is entry points. The agreed upon, Service Measurement requirement, with the Postal Regulatory Commission is a District to District performance matrix that should be valid on a quarterly basis.

Currently, as of May 2009, there is an adequate amount of Intelligent Mail volume in the network to be statistically valid to destination. The greatest challenge is to get enough mailers to induct mail at each of the Districts to be statistically valid from origin. Again, this is not driven by volume, but instead it is driven by the number of mailers who participate and where they are located.

Lastly, the final question can only be answered when an enhanced and robust solution is developed for Seamless Acceptance. Several basic components of Seamless Acceptance are being implemented in Release 1 and 2, but detail and defined requirements are necessary in future releases to truly enable Seamless Acceptance. When these capabilities are in place, this volume calculation will be achieved. This issue will be addressed in future updates of this document.

## CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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