



December 10, 2009

Hon. Shoshana M. Grove, Secretary
Postal Regulatory Commission
901 New York Avenue NW, Suite 200
Washington, D.C. 20268-0001

Dear Ms. Grove:

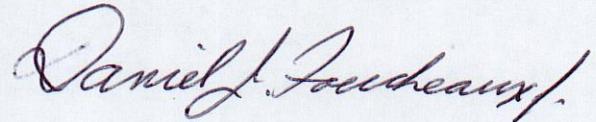
On November 25, 2008, pursuant to 39 U.S.C. § 3691(b)(2), the Postal Regulatory Commission issued Order No. 140 in Docket No. PI2008-1. Order No. 140 approved internal components of a hybrid service performance measurement system for various market dominant postal products. Concurrent with that approval, the Commission either directed or suggested that several measurement system enhancements be examined. In particular, the Commission requested that the Postal Service report on the feasibility of measuring service performance for forwarded mail, either through the External First Class (EXFC) measurement system, or by means of a special study.¹

I have enclosed a copy of the requested report on forwarded mail. Order No. 140 asked that it be produced by the end of Fiscal Year 2009. Shortly before the deadline, however, we informed General Counsel Steve Sharman that the report was still in production and that we anticipated being able to transmit it in October.

¹ Order Concerning Proposals for Internal Service Standards Measurement Systems, Order No. 140, Docket No. PI2008-1, at 24 (Nov. 25, 2008)

Unfortunately, in October, a word processing error resulted in the inadvertent loss of the draft, and the document had to be reconstructed. We regret any inconvenience that this delay may have caused to the Commission.

Sincerely,

A handwritten signature in cursive script, reading "Daniel J. Foucheaux, Jr.".

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing and Product
Support

Enclosure

cc: Ms. Taylor

Order 140 required the Postal Service to determine the feasibility of measuring service performance for forwarded and returned mail. Specifically, two actions were identified. Each is discussed separately below.

1. Determine the feasibility of including forwarded/returned to sender mail in EXFC

The Postal Regulatory Commission requested that the Postal Service consider whether it is feasible to leverage the current External First-Class (EXFC) measurement system to include mail that is forwarded or returned to sender¹. There are several factors which lead to an assessment that it is not feasible to use the EXFC system to serve the purposes sought by the Commission.

The first is a lack of data. This manifests itself in several ways. The EXFC reporter panel is comprised of people who tend to move from one address to another far less frequently than the general population. Typically only about three to four percent of EXFC reporters (500 to 700 people) move in a given year, compared with 12 to 14 percent of the general population. With so few mobile reporters available, there would not be sufficient mail piece data from which to generate reliable estimates of transit time without funneling an extraordinary volume of forwarded mail pieces to each reporter who moved. This

¹ Before addressing those factors, the Postal Service reminds the Commission that 39 U.S.C. § 3691(b)(1)(D) limits the Postal Service performance measurement obligation (and thus, the Commission's regulatory review) to specifically identified market dominant products. The Postal Service intends, therefore, to fulfill that obligation. However, the Postal Service does not consider that section 3691 can fairly be read to impose any obligation to establish service standards or measurement reporting for mail within a product on the basis of it being subject to one of a variety of applicable mailflows or processing technologies, or whether such mail is forwarded, returned to sender or subject to different modes address correction.

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could draw attention to the addressee among postal processing and delivery personnel and risk compromising the confidentiality of the EXFC reporter panel.

To-date, all EXFC management and reporter training, and related data review programs and processes have been established to exclude forwarded mail from measurement. Significant effort would be needed to reverse these programs and processes, with the reporter training/retraining being the most significant issue. Furthermore, in order to give priority to adjusting to the more significant personal consequences of relocation, EXFC reporters who move frequently decline to participate as a reporter after their move or arrange to delay the resumption of reporting for an extended period of time, thus reducing the potential pool of forwarded mail reporters.

Similarly, measuring returned mail in EXFC is extremely difficult because there is so very little of it. Typically, fewer than 200 EXFC test pieces are returned each quarter. This is a result of the high degree of attention paid to the production of high quality mail for testing. Because the occurrence of returned mail is so rare, the panel of persons whose return addresses are used for test mail is comprised of people who are not required to check their mail every day or to record the information about the exact date received for any returned mail. Changing the requirements for a panel of 3,000+ people and retraining them, or replacing those who cannot meet the requirements, would be a very significant undertaking.

2. Determine the cost/feasibility of conducting a special study for measuring forwarded/returned to sender mail

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It would be quite costly to design and conduct a special study to measure forwarded mail. Such an effort would require recruiting persons who have recently moved and filed Change of Address (COA) orders to participate as reporters. Finding persons willing to perform such reporting is likely to be challenging for several reasons which are discussed below.

There is likely to be reluctance on the part of persons who realize that their participation is being solicited on the basis of a customer service form. Mail recipients expect new address information submitted on a COA order to be made available to their correspondents for the limited purpose of permitting those correspondents to update their address files. Out of concern for their privacy, some who submit COA orders may react adversely to a request to participate in a study when it becomes apparent that the solicitation was prompted by their completion of a COA order to which they attached a very limited purpose. Modifying the COA order form to notify customers that its submission could result in a solicitation to participate in a study might counter-productively discourage completion of COA orders and diminish the potential effectiveness of the COA program.

Alternative methods of identifying persons who fall into the desired study group would likely be complicated by the effort necessary to ensure that participants were distributed throughout the postal network. Moreover, persuading candidates to participate would likely still be challenging. The periods before and after a change of address are often busy and unsettled for persons involved. They are likely to lean toward minimizing the burdens and

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complications associated with moving from one location to another. Given the low number of EXFC reporters who move within a given year or who indicate that they have been at their address less than three years, new methods for recruiting participants would be necessary in order to identify and enlist additional participants for a special study. While the exact cost of such an effort is unknown, recruiting 1,000 participants to participate in such a study could easily result in costs of \$100,000 before also factoring in the costs to design and operate the study and produce test pieces.

Measurement for mail returned to sender is likely to be even more difficult. So little mail is returned in general, even when the address is not completely accurate, that creating a study design to emulate the different reasons for return would be difficult to design and control. The most common reason for mail being returned to sender is the expiration of a forwarding order. Identification of candidates who have moved in the recent past and whose mail was formerly subject to a forwarding order would require extensive effort and would generate the same cost issues as are described above.

The total estimated cost for such a special study to measure both forwarded and returned mail is likely to be in the range of \$500,000 to \$750,000 for a study of modest size and occurring over the course of 8 to 12 weeks time.

The final challenge with measuring the service afforded to mail that is either forwarded or returned to sender is that the processes that result in forwarding or return are not uniform. In some cases, a piece of mail that should be forwarded could be intercepted at origin and redirected to the new destination

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by the Postal Automated Redirection System, resulting in transit times similar to those for mail pieces that were correctly addressed at the outset. In other cases, mail may be processed all the way to the delivery unit or even be delivered before the forwarding or return process is initiated, resulting in transit times from origin to delivery (or return) that are double or more than those expected or experienced by correctly addressed pieces. Depending on the origin location, processing and special handling required, and the final delivery location, transit times could reasonably range from one day to multiple weeks, all of which would be reasonable under particular circumstances. Given the variation within forwarding and return mailflows, measurement would be limited to tracking how many days it ultimately took for forwarded/returned pieces to be delivered (or returned), without regard to the variation in methods or processes that were applied to redirect them, and the measurement system would likely not provide any insight beyond that. The costs associated with forwarding and return stand as compelling incentives for the continuation of ongoing programs designed to reduce such mail volume and to make associated mailflows as efficient as reasonably possible.

The Postal Service and its external measurement contractor concur that the estimated costs and the challenges associated with developing statistically reliable estimates of transit times for forwarded and returned mail stand as compelling barriers to the reasonable pursuit of the development of special studies to generate transit times for such mail.