

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

SEMI-PERMANENT EXCEPTIONS FROM  
PERIODIC REPORTING OF SERVICE  
PERFORMANCE MEASUREMENT

Docket No. RM2010-11

**UNITED STATES POSTAL SERVICE RESPONSE TO  
COMMENTS OF THE PUBLIC REPRESENTATIVE**  
(August 12, 2010)

On June 25, 2010, the United States Postal Service (Postal Service) filed a request for semi-permanent exceptions to periodic reporting of service performance measurement for certain market-dominant products and product components, in accordance with Order No. 465 in Docket No. RM2009-11.<sup>1</sup> On June 29, the Commission issued Order No. 481 to give notice of the initiation of this proceeding and established a process for the appointed Public Representative and other interested parties.<sup>2</sup> In response to that order, the Public Representative filed comments on July 16, 2010.<sup>3</sup> The Public Representative supports the Postal Service's request as to many products and product components and takes no position on Within County Periodicals.<sup>4</sup> With respect to other products and product components, the Public Representative urges the Commission to reject the Postal Service's request and "to direct a more considered response on the part of the Postal Service to the requirement of service

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<sup>1</sup> United States Postal Service Response to Order No. 465 and Request for Semi-Permanent Exceptions from Periodic Reporting of Service Performance Measurement (hereinafter "USPS Request"), Docket No. RM2010-11, June 25, 2010.

<sup>2</sup> PRC Order No. 481, Notice and Order Concerning Filing of Postal Service Request for Semi-Permanent Exceptions from Periodic Reporting of Service Performance Measurement, Docket No. RM2010-11, June 29, 2010.

<sup>3</sup> Public Representative's Comments in Response to Order No. 481 (hereinafter "PR Comments"), Docket No. RM2010-11, July 16, 2010.

<sup>4</sup> *Id.* at 2-3 & fn.5, 10-12.

performance measurement for these products.”<sup>5</sup> Even for several of this latter group of products and product components, however, the Public Representative supports the use of proxies in lieu of direct measurement systems.<sup>6</sup>

In the interest of facilitating the Commission’s consideration and of providing “a more considered response” without necessitating additional procedural stages, the Postal Service respectfully submits the following supplemental information as clarification of its request.

**I. Inbound International Surface Parcel Post (at UPU Rates)**

In its initial Request, the Postal Service explained that measurement of Inbound International Surface Parcel Post (at UPU Rates) would be unduly costly relative to the small proportion of revenue accrued by the product.<sup>7</sup> Quoting a Postal Service recommendation to the Commission in Docket No. RM2009-11, the Postal Service proposed that, in lieu of being required to measure the product separately, it be allowed to use domestic Parcel Post measurement as a proxy.<sup>8</sup> For his part, the Public Representative recommends that the Commission not grant a semi-permanent exception, but require the Postal Service to use domestic Parcel Post as a proxy in combination with data on time in customs gleaned from the UNEX measurement system for Letter Post items.<sup>9</sup>

As an initial technical matter, the Postal Service would like to note that the semantic distinction between its request and the Public Representative’s comments as

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<sup>5</sup> *Id.* at 3.

<sup>6</sup> *Id.* at 5-7. The Postal Service takes no position on the Public Representative’s comments regarding Standard Mail High Density, Saturation, and Carrier Route Parcels.

<sup>7</sup> USPS Request at 6-7.

<sup>8</sup> *Id.* at 7 (quoting United States Postal Service Comments in Response to Order No. 292, Docket No. RM2009-11, November 2, 2009, at 31 fn.17).

<sup>9</sup> PR Comments at 6-7.

to the posture of this and other proxy requests is without a functional difference. The Postal Service has searched Order No. 465 in vain for guidance on the use of proxies, and the absence of such guidance led the Postal Service to conclude that permission to use proxies required an exception or waiver from the otherwise-applicable requirement of direct measurement and reporting. It appears that the Public Representative has taken a different view, construing the semi-permanent exception as an escape from reporting anything altogether for a relevant product or product component and the use of proxies as a matter within the scope of reporting requirements. Although it might be helpful for the Commission to clarify Order No. 465 in this regard, it should be noted that, however differently framed, the Postal Service and Public Representative agree that the Postal Service should not be required separately to measure the relevant Standard Mail parcel services or Inbound International Surface Parcel Post (at UPU Rates).

As for the substance of the Public Representative's comments, the Postal Service naturally agrees insofar as domestic Parcel Post performance should be used as a proxy. However, the Postal Service has several concerns about the Public Representative's suggestion that UNEX data could be suitable for augmenting that proxy. First, UNEX measures the performance of letters and flats, not Parcel Post items or even Letter Post small packets. Due to the nature of their contents, letters and flats are examined by Customs and Border Protection at much lower rates than parcels. To the extent that some are examined, such items may be held for shorter periods due to their physical characteristics (that is, the diminished likelihood that contents of interest will be enclosed) in comparison with parcels or due to the fact that letters and flats are

generally sealed against inspection, whereas parcels generally are not. Hence, even if UNEX captured time-in-customs data, such data's viability as a proxy for inbound surface parcels' time in customs would be questionable.

Second, time in customs is irrelevant to measurement of Postal Service performance. Because the Postal Service cannot control the time that Customs and Border Protection agents spend conducting investigations, such time cannot fairly be attributed to the Postal Service. Therefore, it is unclear what purpose would be served by "enhancing" the domestic Parcel Post proxy with some measurement of delay, or lack thereof, due to an outside government entity.

Third, in recognition of this principle, UNEX does not include time in customs in its calculation of Postal Service performance. To conduct the system otherwise would improperly skew the results, as UNEX is designed to measure letters and flats and only a small proportion of those items would actually be examined by Customs and Border Protection and potentially delayed. Therefore, the Postal Service does not believe it would be appropriate to include time in customs within the proxy for Inbound International Surface Parcel Post (at UPU Rates). As stated above, the fundamental differences between surface parcels and letters or flats would complicate the use of UNEX data as a proxy as well.

## **II. Inbound International Insurance with Inbound International Surface Parcel Post (at UPU Rates)**

The Public Representative's comments acknowledge the Postal Service's averments as to the small number of inbound surface parcels and the even smaller number of insurance claims on those items, and as to the degree to which insurance processing depends on factors outside of the Postal Service's control, namely, the

exchange of information with each foreign postal operator.<sup>10</sup> The Public Representative then claims that insurance processing can and should be measured and reported, due to the existence of service standards established by the Universal Postal Union (UPU). In doing so, however, the Public Representative appears to have overlooked the second half of the Postal Service's comments on this matter, which explain the challenges of measuring insurance claims processing for these items notwithstanding the existence of service standards:

Inbound Parcel Post items' barcode identifiers do not distinguish by mode of transportation, however, and few addressees are likely to be aware of the transportation mode by which a parcel may have traveled. As a result, the Postal Service's insurance processing data systems are unable to segregate data in a way that would enable measurement of service performance specifically for inbound Parcel Post items traveling by surface, rather than by air. Therefore, under present circumstances, the Postal Service has not considered it feasible to establish an independent service standard for inbound international insurance claims processing, and the Postal Service submits that performance measurement would likewise be impracticable.<sup>11</sup>

It should be noted that the above-referenced barcode identifiers are established by the UPU and are not simply within the Postal Service's power to change for the sake of a regulatory requirement to track insurance claims for surface parcels as opposed to air parcels.

For the Postal Service to associate Inbound Insurance inquiries and claims with Inbound Surface Parcel Post (at UPU Rates), it would have to search in its Product Tracking System (PTS) for the item identifier of each individual parcel entry in the insurance claims database and see whether PTS contains receptacle information for that item indicating whether it arrived via surface or air transportation. Even if this

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<sup>10</sup> *Id.* at 8; see also USPS Request at 20-21.

<sup>11</sup> USPS Request at 21-22 (footnote omitted).

painstaking process, or some undoubtedly expensive systematic workaround, were feasible, however, PTS does not indicate the mode of transportation for many parcel items because not all countries use receptacle barcodes for parcel dispatches. It is not enough simply to say, as the Public Representative does, that service standards exist in general: if one is to report on performance data only for a certain relevant subset of items, one must first be able to distinguish the applicable from the inapplicable items. That cannot be done for this product component.

One would do well to consider the true scale of the subject at hand. Not all foreign postal operators offer surface Parcel Post in the first place, and not all of those offer insurance in connection with surface Parcel Post. Of those that do, many do not use barcodes or labels that differentiate between insured and ordinary parcel items. To understand the incredibly small volume in question, then, one must delve from the already small volume of Inbound International Surface Parcel Post (at UPU Rates), to the even smaller subset of such items for which insurance has been purchased in the origin country, to the still smaller sub-subset of inbound insured surface parcels (at UPU rates) that could be differentiated from uninsured surface parcel items due to the origin postal operator's indicia, and only then to the smallest sub-sub-subset of inbound insured surface parcels (at UPU rates) bearing distinct indicia that give rise to a claim from the intended U.S.-based recipient. Of course, even if such a recursive exercise were anywhere near as interesting to the general public as, say, an accurate measure of the British coastline,<sup>12</sup> it is rendered academic by the sheer fact that the UPU's

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<sup>12</sup> Cf. Benoit Mandelbrot, *How Long Is the Coast of Britain? Statistical Self-Similarity and Fractional Dimension*, 156 *SCIENCE* 3775 (May 1967). Of course, the British coastline and other fractal shapes enlighten the human experience at any level of magnification. By contrast, the public's interest level in service measurement of a postal service – already a relatively rarefied subject – is only likely to wane

barcoding system and, accordingly, the Postal Service's data systems simply do not distinguish between competitive air parcels and market-dominant surface parcels. Therefore, the Postal Service is unable to determine which insurance claims concerning inbound international Parcel Post items are attributable to the former category and which to the latter, and the Public Representative's suggestion falls somewhat wide of the mark.

### **III. Alternative Postage Payment Services**

In its request, the Postal Service explained that the transit time for Business Reply Mail, International Business Reply Mail, Merchandise Return, and Bulk Parcel Return is equivalent to that for the underlying service streams, such as First Class Mail or Package Services, through which the applicable pieces travel.<sup>13</sup> The crux of these Special Services, after all, is not the physical transportation of the piece, which is accounted for in accordance with the relevant underlying mail service, but rather in the identity of the paying customer. Nevertheless, the Public Representative points to the presence of an additional "weighing and rating" step to calculate the postage due from the bulk recipient – an accounting step that is not present for the ordinary underlying services where postage is paid before acceptance – and claims that this distinction warrants the development of a costly independent measurement system for these relatively small products.<sup>14</sup>

Although the Public Representative is correct in noting the "weighing and rating" distinction, he appears to be misguided in believing that it would result in a difference of

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proportionately as the number of affected customers shrinks: a proposition implicitly and laudably recognized in the first of the Commission's bases for a semi-permanent exception, 39 C.F.R. § 3055.3(a)(1).

<sup>13</sup> USPS Request at 14-15.

<sup>14</sup> PR Comments at 7-8.

any significance. The overwhelming majority of bulk reply mailpieces are received at destination facilities in large enough concurrent volumes that they may be processed on automation. In these cases, “weighing and rating” is incorporated seamlessly in the automated processing and results in no additional processing time compared with other mail traveling in the same manner (for example, First Class Mail). In the minority of cases where a bulk reply customer is located such that volumes are too small for automated processing, postage due clerks perform “weighing and rating” counts manually, and in a subset of these cases, it is possible that the manual processing could result in an additional day of delay. The minimal nature of this subset-within-a-small-subset, however, suggests that “weighing and rating” is unlikely to account for any appreciable difference in service performance as against the underlying mail services.

At the same time that separate measurement would be unlikely to result in any real difference from that of underlying mail services, it is unclear how such a measurement system would actually function. Because bulk reply mail is not paid for and cancelled upon acceptance, there is no “start-the-clock” event. Nor are the pieces scanned at delivery for purposes of a “stop-the-clock” event. It is difficult to conceive of an EXFC-modeled system for bulk reply mail in the absence of such events. Moreover, the EXFC tester would have to establish dummy bulk-mail companies to receive the items in a manner that would not be transparent to postal personnel. Such contortions would surely be unduly expensive and burdensome in contrast with these services’ small role within Postal Service finances, especially when one considers that there is unlikely to be any actual difference from the performance of underlying mail services like First Class Mail or Package Services.

#### **IV. Restricted Delivery and Inbound International Restricted Delivery**

The Postal Service initially explained that Restricted Delivery and inbound International Restricted Delivery defy meaningful measurement because they essentially consist of an either/or scenario: either the delivery carrier follows instructions and delivers the item to a designated addressee or that person's authorized agent, or the carrier does not. Searching for something to make the Postal Service measure, the Public Representative seizes on this "binary choice" as just such an opportunity.<sup>15</sup> According to the Public Representative, all that would be required would be for the delivery carrier to mark "Yes" or "No" as to whether the piece was correctly delivered.

Unfortunately, this suggestion is simplistic to the point of unworkable circularity. First, the carrier would have to recognize that the piece is Restricted Delivery, then she would have to mark "yes" or "no" as to whether the piece was delivered correctly. If that is the case, then it is difficult to imagine a scenario where she would ever not deliver the mailpiece according to the Restricted Delivery instructions. Conversely, a carrier unaware of the Restricted Delivery instruction, and therefore subject to the possibility of not delivering it as instructed, would likewise fail to notice whether she is supposed to mark whether or not it was correctly delivered. Hence, the Public Representative's system would be prone to produce results biased unduly, if not totally, toward "Yes" responses, irrespective of the reality.

Other systems pose more complications than solutions. Delivery scanning tracks the incidence of delivery, not the recipient's identity. Even if it did, it is difficult to see how the recipient's identity alone could offer insight into the Postal Service's success in fulfilling Restricted Delivery: a Restricted Delivery item can be delivered not only to the

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<sup>15</sup> PR Comments at 9-10.

originally intended addressee, but also to another individual designated by that addressee at the place of delivery, without that authorized designee necessarily having been envisioned in the original service as purchased. Although the Postal Service bases its request for a semi-permanent exception on 39 C.F.R. § 3055.3(a)(2) rather than paragraph (a)(1), it should be noted that Restricted Delivery amounts to only 2.1 million pieces worth \$9.3 million in revenue, compared with 266.5 million pieces and \$729.8 million in revenue for the delivery-confirming Certified Mail service.<sup>16</sup>

Inbound International Restricted Delivery is even smaller, given that it is not offered by all foreign countries of origin and that it can be purchased only in conjunction with a combination of Registered Mail and Return Receipt. As noted in the Postal Service's initial request, acceptance of inbound International Restricted Delivery occurs within the purview of the foreign postal operator of origin, not the Postal Service.<sup>17</sup> Any measurement system of this product component would be subject to bias due to service failures by the origin post and incomplete transmittal of Restricted Delivery indicia or instructions to the Postal Service.

Thus, while the Postal Service appreciates the Public Representative's creativity, the Postal Service respectfully submits that his suggestion would be no more feasible than any other method of measuring service for these two small product components.

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<sup>16</sup> Compare PRC Library Reference PRC-ACR2009-LR1, FY2009 Postal Service's Product Finances, Docket No. ACR2009, March 29, 2010, at "09 Special Services.xls," worksheet tab 2 ("Certified Mail"), cells C9, D9, *with id.* at worksheet tab 7 ("Restricted Delivery"), cells C8, D8. Because service provided to mailers is the relevant context, Postal Service-generated transactions are disregarded from this comparison.

<sup>17</sup> USPS Request at 19.

**V. Conclusion**

The Postal Service respectfully requests that the additional information, clarifications, and responses be considered in conjunction with its request for semi-permanent exceptions in this proceeding.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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