

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

TEMPORARY WAIVERS FROM PERIODIC  
REPORTING OF SERVICE PERFORMANCE  
MEASUREMENT

Docket No. RM2011-1

**UNITED STATES POSTAL SERVICE REQUEST FOR TEMPORARY WAIVERS  
FROM PERIODIC REPORTING OF SERVICE PERFORMANCE MEASUREMENT**  
(October 1, 2010)

Pursuant to the Commission's Order No. 465,<sup>1</sup> the United States Postal Service (Postal Service) hereby submits its initial request for temporary waivers from the periodic reporting of service performance measurement. Consistent with its earlier filings in Docket No. RM2009-11 and its establishment of service standards, the Postal Service requests temporary waivers for First Class Mail Flats at the district level; non-retail First Class Mail Parcels; all categories of Standard Mail; Outside County Periodicals; non-retail Media Mail, Library Mail, and Bound Printed Matter Parcels; and Stamp Fulfillment Services.

**I. Procedural History**

In its initial comments in Docket No. RM2009-11, the Postal Service apprised the Commission of the products and product components for which the Postal Service did not anticipate being able to report statistics in the near term.<sup>2</sup> These products and product components consisted of the following:

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<sup>1</sup> PRC Order No. 465, Order Establishing Final Rules Concerning Periodic Reporting of Service Performance Measurements and Customer Satisfaction, Docket No. RM2009-11, May 25, 2010, at 21-24, 61.

<sup>2</sup> United States Postal Service Comments in Response to Order No. 292 (hereinafter "USPS Initial Comments"), Docket No. RM2009-11, November 2, 2009, at 29-30, 31-37. The relevant assertions and averments contained therein are incorporated by reference in this Request.

- First Class Mail Flats;
- Standard Mail at the class and product category levels;
- Outside County Periodicals as distinct from Within County Periodicals;
- Media Mail, Library Mail, and Bound Printed Matter Flats not accompanied by Delivery Confirmation.

The Commission acknowledged this aspect of the Postal Service's comments in Order No. 465.<sup>3</sup> The Commission determined that the Postal Service could apply for "temporary, short-term waivers" from reporting due to the need for "a transition period ... to allow further development of certain measurement and reporting systems."<sup>4</sup> The Commission advised that any waiver request should be for a "defined period of time" and should be accompanied by a plan to achieve full implementation by the filing date of the FY2011 Annual Compliance Report.<sup>5</sup> Implementation plans should include "an explanation of why a reporting requirement cannot be complied with, the steps necessary to come into compliance, and a timeline of events necessary to achieve compliance," including interim milestones.<sup>6</sup> The Postal Service must then report on such milestones in its quarterly service performance reports.<sup>7</sup>

On June 25, 2010, the Postal Service filed its request for semi-permanent exceptions from periodic service performance reporting, as required by Order No. 465.<sup>8</sup> The Commission granted 27 exceptions requested by the Postal Service, confirmed that independent measurement is not required at this time for another two products, and

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<sup>3</sup> Order No. 465 at 18-21.

<sup>4</sup> *Id.* at 21-22.

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

<sup>6</sup> *Id.* at 22.

<sup>7</sup> *Id.*

<sup>8</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 Exceptions Request"), Docket No. RM2010-11, June 25, 2010.

denied the Postal Service's request as to Standard Mail High Density Parcels, Saturation Parcels, and Carrier Route Parcels.<sup>9</sup>

## **II. First Class Mail Flats at the District Level**

The Commission's rules require the quarterly reporting of service performance measurement of domestic First Class Mail products at the district, area, and national levels. 39 C.F.R. § 3055.45(a). The Postal Service must also report annually on these products at the national level. 39 C.F.R. § 3055.20(a). The Postal Service will be able to report as required in all of these product categories beginning in quarter 4 of FY2011, with two exceptions: Flats at the district level and non-retail Parcels.

The Postal Service seeks a temporary waiver for the reporting of Flats performance at the district level. Single-Piece flats, which made up 75.6 percent of the First Class Mail Flats category in FY2009, are measured using the External First-Class Measurement System (EXFC), and this measurement is also used as a proxy for the performance of presort Flats. The EXFC system, however, is currently designed to provide service performance results for letters, cards, and flats, in the aggregate, at the district and service standard level. EXFC test mail shapes are created in proportion to actual mail volume estimates. Consistent with those volume estimates, Flats account for a relatively small portion of test mailpieces. Due to the study design and the limited sample data available each quarter, the statistical precision for the service performance measures would vary greatly for Flats at the postal district level. Such wide variability in

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<sup>9</sup> PRC Order No. 531, Order Concerning Postal Service Request for Semi-Permanent Exceptions From Periodic Reporting of Service Performance Measurement, Docket No. RM2010-11, September 3, 2010.

statistical precision levels means that reporting service performance currently would not provide meaningful results.<sup>10</sup>

The Postal Service will provide Flats results at the national and area levels for Overnight, Two-Day, and Three-to-Five-Day service standard groups until the Flats measurement can be expanded to support district-level reporting as required by 39 C.F.R. § 3055.45(a). The Postal Service is developing plans to expand the measurement of Flats. During Quarter 1 of FY2011, the Postal Service will analyze design changes and implement modifications to the EXFC system to support the expanded measurement. The Postal Service will also assess the data available in the hybrid measurement system that is using Full-Service Intelligent Mail® barcodes, with the aim of determining if there is sufficient volume of presorted Flats for reliable service performance estimates or whether the continued use of the proxy is warranted. Reporting on Flats performance at the district level will begin in Quarter 2 of FY2011.

### **III. Non-Retail First Class Mail Parcels**

While the Postal Service will be able to report on First-Class Mail Parcels at the required levels, that measurement will be based solely on Single-Piece Parcels accepted at retail locations, due to the lack of a reliable start-the-clock method for measurement of commercial First Class Mail Parcels. Retail parcel measurement will continue to be based on First-Class Mail Parcels with Delivery Confirmation accepted over the counter at retail units. The Postal Service considers this mail to be a reliable

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<sup>10</sup> The Postal Service explained this situation in its Initial Comments in Docket No. RM2009-11. USPS Initial Comments at 31-32. At that time, the Postal Service noted that “[i]ncreasing the EXFC sample size to overcome this problem would be very costly, an expense increase that would have to be passed on to the Postal Service’s customers.” *Id.* at 32 fn.18. The Postal Service currently estimates the cost of these EXFC modifications at approximately \$4 million per year. Upon careful review of Order No. 465, however, the Postal Service understands that it is required to proceed with these modifications, notwithstanding its concerns about the impact on Postal Service finances and customers during the current financial crisis.

proxy measurement for the entire First Class Mail Parcels product category, because the parcels travel through the same network whether mailed by retail or commercial customers.

The Postal Service is currently working to modify its systems to include measurement of commercial First-Class Mail Parcels performance and requests a temporary waiver insofar as such performance is required to be included in service performance reporting. For commercial parcels, the Postal Service would propose new business rules for starting-the-clock. Instead of using the methods defined in the June 2008 Service Performance Measurement Plan,<sup>11</sup> which would require changes to the documentation provided by commercial mailers, the Postal Service is proposing to use the first en-route scan of the piece. Standard operating procedures require the placement of all non-sacked parcels onto mail processing equipment at origin in order to capture the date, time, and location that the Postal Service took possession of the mail. When the pieces have Delivery Confirmation, the scan on that first piece of equipment will be used to start the service measurement clock, and the delivery or attempted delivery scan will serve as the stop-the-clock event.

The Postal Service has already developed the requirements for the system changes necessary to support this effort. Those system changes are scheduled to be implemented in May 2011. The Postal Service anticipates that it will be able to add commercial parcels into the official First Class Mail Parcels measurement results using

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<sup>11</sup> United States Postal Service, Service Performance Measurement (hereinafter "USPS Measurement Plan"), June 2008, at 17-18, *attached to* Order No. 83, Second Notice of Request for Comments on Service Performance Measurement Systems for Market Dominant Products, Docket No. PI2008-1, June 18, 2008.

this approach in Quarter 4 of FY2011. Until that time, the measurement results for First-Class Parcels will be based solely on retail parcels with Delivery Confirmation.

#### **IV. Standard Mail**

The Commission's rules require the Postal Service to report, each quarter, on-time performance and service variance for each Standard Mail product, disaggregated by Destination Entry and End-to-End categories, at the district, area, and national level. 39 C.F.R. § 3055.50. Annual reports must include national product-level reporting. 39 C.F.R. § 3055.21.

For Quarter 4 of FY2010 and the FY2010 annual compliance report, the Postal Service can report based on the service performance data available for Standard Mail under the measurement systems currently in place. The interim reporting will cover Standard Mail Destination Entry and End-to-End categories at the district, area, and national levels. The Postal Service initially will be unable to provide the more detailed product-level and sub-product-level breakdowns required by the Commission's rules, however.

The Postal Service requests a temporary waiver from reporting. The waiver is necessary because, for mailers using Postal Wizard or the Intelligent Mail Range Record (IMR) documentation method, current electronic documentation requirements do not allow Postal Service systems to distinguish each mailpiece's product category.<sup>12</sup>

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<sup>12</sup> The Postal Service incorporates by reference its explanations in earlier proceedings: Current specifications for several forms of electronic documentation meeting the requirements for Full-Service Intelligent Mail® do not require detailed mailpiece level data. Specifically, smaller mailings using Postal Wizard documentation methods, Mail.XML and the IMR option within Mail.dat, will not provide the detailed piece-level information required to distinguish which piece qualified for each rate level. Without the information available for every piece, reporting at the detailed product level will not be feasible. Current requirements for Full-Service Intelligent Mail® participation do not support the level of data required to meet the product level reporting requirements

The Postal Service currently estimates that approximately half of the Full-Service Intelligent Mail®-barcoded volume uses such documentation methods. The Postal Service is working with the mailing industry to define new specifications for electronic documentation that would provide the necessary level of detail. Modifying the specifications for electronic documentation requires industry acceptance and a transition period for mailers to implement the system changes. Although the new documentation specifications could potentially be developed and supported by Postal Service systems by June 2011, it is likely that a critical level of industry adoption would take two or more years. Therefore, the Postal Service does not expect to be able to comply fully with the product- and sub-product-level service performance reporting requirements for Standard Mail until 2012 at the earliest.

In addition, there is currently no measure of service performance in place for Standard Mail Non-Flat Machinables (NFM)s/Parcels. The method originally proposed was to use Standard Mail Parcels with Delivery Confirmation, with the start-the-clock event based on the business rules laid out in the June 2008 Service Performance Measurement Plan and the stop-the-clock event based on the delivery or attempted delivery scan.<sup>13</sup> Recently, the Postal Service proposed to subdivide the Standard Mail

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outlined in Order 292. While one might consider excluding mail for which the necessary information is not available, such a decision would likely introduce significant bias into the measurement results, since smaller mailers using the Postal Wizard documentation methods would be systematically excluded from measurement. As a consequence, it is not anticipated that the Postal Service will be capable of meeting the requirements for reporting Standard Mail performance, as specified in the proposed rules, for either annual or quarterly reports. ... [I]t may be possible to determine that the piece in question is from a particular Standard Mail mailing with an identified start-the-clock time, but, if that mailing included both 5-digit flats and Carrier Route flats, it might not be possible to determine whether that specific piece was entered within the Standard Mail Flats product or the Standard Mail Carrier Route product.

USPS Initial Comments at 33 & fn.19. See *also* USPS Exceptions Request at 4-5 (“These averments are no less true after Order No. 465 than before it[.]”).

<sup>13</sup> USPS Measurement Plan at 30.

NFMs/Parcels product and transfer a portion of it to the competitive product category, which would make that portion no longer eligible for periodic service performance reporting.<sup>14</sup> For the remaining segments of Standard Mail NFMs/Parcels, the Postal Service would adopt the hybrid measurement approach for pieces having Full Service Intelligent Mail barcodes and corresponding documentation. Such an approach is necessary because the NFM/Parcels remaining in this market dominant product category are unlikely to have Delivery Confirmation applied, given the nature of their contents. As a result of this change from the original measurement approach, additional time will be required to assess the volumes of data that will be available through the hybrid measurement process. The Postal Service anticipates being able to measure service performance for Standard Mail Parcels beginning in Quarter 4 of FY2011. Even then, the volume of NFMs/Parcels available for reporting might not support reliable reporting at the granular reporting levels available for letters and flats.

Until the requisite level of detail is available for at least 80 percent of the Standard Mail pieces with Full-Service Intelligent Mail® barcodes, the Postal Service proposes to report on Standard Mail service performance according to the following framework:

<b>Standard Mail Product</b>	<b>Reporting Level</b>	<b>Geographic Level</b>
All Letters: High Density, Saturation, Carrier Route, and Basic	Destination Entry – 2-Day, 3-to-4-Day, and 5-to-10-Day  End-to-End: 3-to-5-Day, 6-to-10-Day, and 11-to-22-Day	District, Area, National
All Flats: High Density,	Destination Entry – 2-	District, Area, National

<sup>14</sup> Request of the United States Postal Service to Transfer Commercial Standard Mail Parcels to the Competitive Products List, Docket No. MC2010-36, August 16, 2010 (transfer); Exigent Request of the United States Postal Service, Docket No. R2010-4, July 6, 2010, at 19 & Att. A at 35-40 (subdivision).

Saturation, Carrier Route, and Basic	Day, 3-to-4-Day, and 5-to-10-Day  End-to-End: 3-to-5-Day, 6-to-10-Day, and 11-to-22-Day	
Not-Flat Machinables/Parcels	Destination Entry End-to-End	District, Area, National

Such reporting would begin in Quarter 1 of FY2011, with the exception that data is not expected to be available for NFM/Parcels until Quarter 4 of FY2011.

The Postal Service also requests a temporary waiver from reporting for High Density Parcels, Saturation Parcels, and Carrier Route Parcels. When data for NFM/Parcels becomes available, the Postal Service intends to use those data as a proxy for the performance of Standard Mail High Density/Saturation parcels and Standard Mail Carrier Route parcels. For the reasons described in prior Postal Service submissions, it would be impractical and unduly expensive to establish an independent measurement method and to require customers to modify their processes to support measurement of these small and shrinking product segments.<sup>15</sup> The performance of Standard Mail NFM/Parcels will provide a conservative proxy for estimating the service performance of all types of parcels, including those sorted to deeper levels, thus requiring less administrative processing by the Postal Service. Because the Postal Service will not be able to report on service performance for High Density Parcels, Saturation Parcels, and Carrier Route Parcels until data for NFM/Parcels are available,

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<sup>15</sup> USPS Exceptions Request at 5-6. Although the Commission denied the Postal Service's request for semi-permanent exceptions for these product components, the Commission suggested that proxy-based reporting is available as an option to avoid the costs and burdens of independent measurement. Order No. 531 at 8-9.

the Postal Service requests a temporary waiver for the former categories consistent with its request as to the latter.

#### **V. Outside County Periodicals**

Under 39 C.F.R. § 3055.55, the Postal Service is required to provide quarterly reports of service performance for Within County, Outside County Destination Entry, and Outside County End-to-End Periodicals, each at the area and national levels. Annual reporting on Within County and Outside County Periodicals is also required at the national level. 39 C.F.R. § 3055.22.<sup>16</sup>

The Postal Service is requesting a temporary waiver from reporting on the service performance of Outside County Periodicals. A waiver is necessary because the hybrid measurement system does not currently distinguish between Within County and Outside County pieces.<sup>17</sup> The Postal Service has developed systems modification requirements that would allow the information systems capturing mailers' electronic documentation to provide the necessary data to the hybrid measurement system. Those modifications are scheduled for implementation in January 2011.

Certain electronic documentation methods do not include the piece-level data necessary for Postal Service measurement systems to distinguish between Within County and Outside County pieces, however. Approximately half of the Periodicals volume using Full-Service Intelligent Mail® currently relies on such underlying electronic documentation methods. Therefore, even after the modifications to the hybrid measurement system are implemented in January, much of the Periodicals data still will

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<sup>16</sup> The Commission has confirmed that aggregate Periodicals performance may be used as a proxy for that of Within Country Periodicals. Order No. 531 at 11.

<sup>17</sup> This discussion echoes that presented to the Commission in the Postal Service's initial comments in Docket No. RM2009-11. USPS Initial Comments at 35-40.

not indicate whether it concerns Within County or Outside County pieces. The Postal Service is engaging with Periodicals mailers to modify the electronic documentation specifications to provide more granular information where such data are not currently required. Modifying the specifications for electronic documentation requires industry acceptance and a transition period for mailers to implement the system changes. Although the new documentation specification could potentially be developed and supported by Postal Service systems by June 2011, it is likely that full industry movement to the new specifications would take two or more years. Therefore, the Postal Service does not expect to be able to comply fully with the product-level service performance reporting requirements for Periodicals until 2012 at the earliest.

In Quarter 4 of FY2010, the Postal Service will continue to provide an overall measure of Periodicals performance at the area and national level, without segregating Destination Entry performance from End-to-End performance. The current measurement approach relies on data from the Red Tag and Del-Trak systems. The combined volume from these two measurement systems is too low to provide statistically reliable service performance estimates at a more localized or granular level at this time.

Beginning in Quarter 1 of FY2011, the Postal Service proposes to report on Periodicals service performance in the Destination Entry and End-to-End categories of Periodicals until at least 80 percent of the Full-Service Intelligent Mail® Periodicals data has the information necessary to determine whether each piece is Within County or Outside County. Until that milestone is reached, the Postal Service will use the mailings for which this piece-level information is available to describe the population of available

data. It is anticipated that the vast majority of the Full-Service Intelligent Mail® Periodicals data will pertain to Outside County pieces.

As the Commission suggests in Order No. 531, the Postal Service will use overall Periodicals results as a proxy for Within County Periodicals performance.<sup>18</sup> As data become available from Intelligent Mail barcode usage, the Postal Service will assess that method's coverage and examine the feasibility and reliability of directly reporting service performance of Within County Periodicals. Should that not prove feasible by 2014, the Postal Service may undertake a special study similar to the study conducted in 2009, as suggested in Order No. 531.

## VI. Package Services

Section 3055.60 requires the Postal Service to submit quarterly reports on service measurement for Package Services products in the following categories:

Package Services Product	Reporting Level	Geographic Level
Single-Piece Parcel Post	2-to-4-Day, 5-to-20-Day	District, Area, National
Media Mail/Library Mail	Destination Entry, End-to-End	District, Area, National
Bound Printed Matter Flats	Destination Entry, End-to-End	District, Area, National
Bound Printed Matter Parcels	Destination Entry, End-to-End	District, Area, National
Inbound International Surface Parcel Post (at UPU Rates)		Area, National

Annual reports are required to include national on-time performance for each product.

39 C.F.R. § 3055.23.<sup>19</sup>

<sup>18</sup> Order No. 531 at 11.

<sup>19</sup> The Commission has determined that domestic Single-Piece Parcel Post performance may serve as a proxy for that of Inbound International Surface Parcel Post (at UPU Rates). Order No. 531 at 12.

Current Package Services measurement includes retail Package Services using Delivery Confirmation inducted over the Post Office retail counter. Beginning in Quarter 4 of FY2010, Bound Printed Matter Flats may also be included in the service measurement, using the hybrid measurement system with mail having Intelligent Mail Barcodes.

The Postal Service requests a temporary waiver from service performance reporting for commercial Package Services parcels: that is, non-retail Media Mail, Library Mail, and Bound Printed Matter Parcels. As with commercial First-Class Mail and Standard Mail Parcels, there currently is no reliable start-the-clock method for commercial Package Services Parcels. As the start-the-clock event, the Postal Service would propose to use the first en-route scan on mail processing equipment. The stop-the-clock event would be the delivery or attempted delivery scan for pieces having Delivery Confirmation. The Postal Service is currently developing requirements for this modification, and the system implementation is scheduled for May 2011. The Postal Service plans to conduct system pilot tests in Quarter 3 of FY2011. The USPS anticipates being able to add the commercial Package Services mail into service performance reports beginning with Quarter 4 of FY2011.

The Postal Service also proposes to continue to provide the available service measurement results until it can incorporate the commercial parcel measurement. Beginning with Quarter 4 of FY2010, the Postal Service will be able to provide results for Single-Piece Parcel Post, retail Media/Library Mail, and possibly Bound Printed Matter Flats, if sufficient data are available through the hybrid measurement system.

## VII. Stamp Fulfillment Services

Stamp Fulfillment Services (SFS) provides the fulfillment of orders placed by mail, phone, fax, or Internet to the Postal Service's SFS center in Kansas City, Missouri. Orders can include stamps, stamped cards, envelopes, and stationery, and other philatelic items such as First Day covers and stamp collecting materials. The Postal Service charges a fee for order processing and handling.<sup>20</sup>

The obligation to report on service performance for SFS poses a conundrum. Order No. 465 includes SFS among the Special Services that are to be reported annually and quarterly, based on the percentage of measured pieces meeting an established performance target.<sup>21</sup> Because the Postal Service has not established service standards for SFS, however, it is unclear how the Postal Service can be expected to report on that product's service performance.<sup>22</sup> The Postal Service is unaware of SFS being discussed at any earlier stage in the Commission's proceedings on service performance measurement and reporting. Nor did the Commission inquire into service performance measurement and reporting in the mail classification proceeding concerning SFS (Docket No. MC2009-19), which was pending during and after the proceeding in Docket No. RM2009-11. In fact, SFS was not even added to the market dominant products list until almost two months after Order No. 465,<sup>23</sup> which

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<sup>20</sup> See Request of the United States Postal Service to Add Stamp Fulfillment Services to the Mail Classification Schedule in Response to Order No. 391, Docket No. MC2009-19, April 26, 2010.

<sup>21</sup> Order No. 465, Appendix at 6, 25.

<sup>22</sup> Neither the Postal Service's proposed rule nor its final rule on modern service standards discusses Stamp Fulfillment Services. Of course, as discussed below, Stamp Fulfillment Services had not been added to the market dominant product list at that time.

<sup>23</sup> PRC Order No. 487, Order Accepting Product Descriptions and Approving Addition of Stamp Fulfillment Services to the Mail Classification Schedule Product Lists, Docket No. MC2009-19, July 13, 2010. Although the Commission appears to have determined that Stamp Fulfillment Services belongs on the market dominant product list in January 2010, the Commission did not add the product to the Mail Classification Schedule at that time. See PRC Order No. 391, Order Approving Addition of Postal

raises questions about how, as of Order No. 465's issuance, it could have been subject to 39 U.S.C. § 3691 or the Commission's rulemaking in Docket No. RM2009-11. The apparent imposition of a measurement and reporting obligation under Order No. 465 therefore has potential due process implications.

Notwithstanding these implications, the Postal Service is currently exploring whether it is possible to develop a meaningful service standard and performance measurement system for SFS. If it is determined that a service standard can be developed and service performance measured, the Postal Service will have to engage in any necessary consultations with the Commission and notices to the public to establish the service standard. Although it is difficult to pinpoint an effective date when reporting can commence, the Postal Service tentatively believes it may be possible as early as Quarter 2 of FY2011, but possibly later.

It is also possible that the Postal Service may find that SFS does not admit of a meaningful service standard or performance measurement method. In that case, the Postal Service would request a semi-permanent exception from the Commission. The Postal Service anticipates being prepared to make such a decision in the near term. Therefore, any request for a semi-permanent exception would likely be submitted during Quarter 1 of FY2011.

In either case, the Postal Service requests a temporary waiver from reporting until such time that either it is formally capable of reporting on the service performance of SFS or its potential request for a semi-permanent exception is approved.

**VIII. Conclusion**

For the reasons discussed above, the Postal Service respectfully requests temporary waivers from periodic reporting for First Class Mail Flats at the district level; non-retail First Class Mail Parcels; all categories of Standard Mail; Outside County Periodicals; commercial Package Services products; and Stamp Fulfillment Services.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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