

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

TEMPORARY WAIVERS FROM PERIODIC
REPORTING OF SERVICE PERFORMANCE
MEASUREMENT

Docket No. RM2011-1

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 1**
(November 12, 2010)

The United States Postal Service hereby gives notice of filing its responses to Chairman's Information Request No. 1 in this proceeding, issued on October 28, 2010. Answers were sought no later than today. Each question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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November 12, 2010

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1. Please provide a chart for each First-Class Mail product, as defined in the market dominant product list, which identifies (i) the reporting requirements that will be met, (ii) the reporting requirements that will not be met, and (iii) what the Postal Service proposes to report in the interim, for each reporting quarter (and annual report) until compliance with each requirement is achieved. Also, describe any proxy that may be used and indicate whether use of the proxy will be temporary or permanent.

RESPONSE

The following chart provides a list of each First-Class Mail product and describes the reporting level required and when the service performance results will be available. In all cases, service performance results will be reported for Overnight, Two-Day, and Three-To-Five Day service standards and results will include both service performance and service variance. All items in 39 C.F.R. §§ 3055.31 and 3055.32 will be provided for the quarterly reports in the column titled "Available Beginning." The Annual Compliance Report for FY2010 will include all service performance results as listed in Table 2 of the Appendix to Order No. 465.

Product	Geographic Reporting Level	Available Beginning	Proxies Used	Proxy temporary or permanent
Single-Piece Letters/Cards	District, Area, and National	Q4 FY10	None	
Presort Letters/Cards	District, Area, and National	Q4 FY10	None	
Flats	District	Date pending	Single-Piece flats to be used as proxy for all flats	Intended to be temporary until sufficient presort data is available for inclusion.
Flats	Area and National	Q4 FY10	Single-Piece flats used as proxy for all flats	Intended to be temporary until sufficient presort data is available for inclusion.
Parcels	District, Area	Q4 FY10	Retail pieces	Intended to be

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Product	Geographic Reporting Level	Available Beginning	Proxies Used	Proxy temporary or permanent
	and National		with Delivery Confirmation used as proxy for all parcels	temporary until commercial parcel data is available
Outbound Single-Piece First-Class Mail International	Area and National	Q4 FY10	Domestic single-piece flats performance is proxy for international flats; domestic retail parcel performance is proxy for international parcels	Intended to be permanent proxies
Inbound Single-Piece First-Class Mail International	Area and National	Q4 FY10	Domestic single-piece flats performance is proxy for international flats; domestic retail parcel performance is proxy for international parcels	Intended to be permanent proxies

The initial request in this proceeding advised that quarterly, district-level reporting for First-Class Mail Flats could begin in Quarter 2 of FY2011, due to the need for EXFC contract modifications and testing. At this time, it does not appear that the necessary contract modifications will be in place in time to allow reporting on that schedule. It is currently unclear when the modifications will be finalized and reporting will begin for this category.

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2. The Postal Service seeks a waiver from quarterly reporting of First-Class Mail Flats at the District level until quarter 2 of FY 2011. Request at 4. The Postal Service does not seek a waiver for other First-Class Mail products, but states that "all other" products of First-Class Mail will begin reporting in quarter 4 of FY 2011. *Id.* at 3. Is it the Postal Service's intent to seek a waiver from quarterly reporting of "all other" First-Class Mail products until quarter 4 of FY 2011?

RESPONSE

The intent is to begin reporting as required for all First-Class Mail products except Flats at the district level beginning in Quarter 4 of FY2010 rather than FY2011. The reference to FY2011 is a typographical error.

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3. The questions that follow concern the Postal Service's request to waive quarterly reporting of First-Class Mail Flats at the District level until quarter 2 of FY 2011. The Postal Service states that "the statistical precision for the service performance measures would vary greatly for Flats at the postal district level." Request at 3.
- a. What is the current sample size for quarterly reporting at the National, Area, and District levels?
 - b. What is the level of statistical precision that can be achieved at this sample size?
 - c. What level of statistical precision is the Postal Service attempting to achieve and how did the Postal Service arrive at that level of precision for quarterly reporting at the National, Area, and District levels?
 - d. What sample size would be necessary to achieve the desired statistical precision for quarterly reporting at the National, Area, and District levels?
 - e. Please provide a copy of any documentation specifying the system requirements presented to the External First-Class Measurement System (EXFC) vendor to modify the EXFC system to provide statistically reliable measurement of First-Class Mail Flats at the District level.

RESPONSE

- a. Sample sizes in the EXFC system are set by destination district for each service standard, meaning that each district shall receive a minimum number of destinating pieces for each of the Overnight, Two-Day, and Three-To-Five-Day service standards. Minimum volume targets for most districts by service standard are as follows:

Quarterly Minimum Usable Destinating Volume Targets

Overnight – 4,785 usable destinating pieces

Two-Day – 2,285 usable destinating pieces

Three-To-Five-Day – usable 2,685 destinating pieces

The proportion of flats as part of the destinating sample is determined based on single-piece First-Class volume data from the Postal Service's

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Origin-Destination Information System (ODIS). For FY2010, the proportion of flats in the destinating sample was 7.0 percent. This yielded quarterly flats sample volumes by service standard as follows. Please note that area sample sizes vary with the number of districts included in each area.

Overnight Quarterly Usable Destinating Flats

District:	202 to 486 pieces
Area:	2,444 to 5,037 pieces
Nation:	27,185 to 28,299 pieces

Two-Day Quarterly Usable Destinating Flats

District:	150 to 202 pieces
Area:	1,167 to 2,316 pieces
Nation:	12,422 to 12,776 pieces

Three-To-Five-Day Quarterly Usable Destinating Flats

District:	167 to 228 pieces
Area:	1,399 to 2,622 pieces
Nation:	14,610 to 14,966 pieces

For FY2011, the proportion of flats in the EXFC sample was decreased to 6.3 percent based on updated data from ODIS. As a result, there will be approximately 5,500 fewer flats test pieces per quarter nationally than in FY 2010.

Because EXFC is designed as a destination-based system, the destinating sample volumes for flats are fairly consistent across districts. However, no targets are set for originating volumes; rather, they are designed to fluctuate based on ODIS average daily volume data. This means that districts that represent a greater proportion of actual originating single-piece First-Class Mail volume will have higher originating sample volumes in EXFC, and smaller origins will have lower originating sample volumes. This results in significant differences in quarterly originating flats sample volumes at the district and area levels.

In FY2010, the quarterly originating flats sample volumes fluctuated in the following ranges:

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Overnight Quarterly Usable Originating Flats

District: 202 to 492 pieces
Area: 2,464 to 5,037 pieces
Nation: 27,185 to 28,299 pieces

Two-Day Quarterly Usable Originating Flats

District: 68 to 297 pieces
Area: 982 to 2,241 pieces
Nation: 12,422 to 12,776 pieces

Three-To-Five-Day Quarterly Usable Originating Flats

District: 15 to 640 pieces
Area: 1,001 to 3,372 pieces
Nation: 14,610 to 14,966 pieces

- b. Based on the sample sizes as detailed in the response to part (a) and on the performance results, the following ranges of statistical precision (representing a 95-percent confidence interval around the point estimate) were achieved for quarterly origin/destination flats results at the district, area, and national levels during FY2010:

Overnight Quarterly Flats Precision

District: +/- 1.6 to +/- 4.7 percent
(90% of districts had ranges below +/- 3.6)
Area: +/- 0.9 to +/- 1.3 percent
Nation +/- 0.4 percent

Two-Day Quarterly Flats Precision

District: +/- 2.7 to +/- 6.6 percent
(90% of districts had ranges below +/- 5.1 percent)
Area: +/- 1.5 to +/- 2.3 percent
Nation: +/- 0.7 to +/- 0.8 percent

Three-To-Five-Day Quarterly Flats Precision

District: +/- 2.9 to +/- 10.2 percent
(90% of districts had ranges below +/- 6.4 percent)
Area: +/- 1.2 to +/- 2.1 percent
Nation: +/- 0.8 percent

FY2010 annual origin/destination flats results based on the full year of sample volumes achieve higher levels of precision:

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Overnight Annual Flats Precision

District:	+/- 1.1 to +/- 1.9 percent
Area:	+/- 0.5 to +/- 0.6 percent
Nation:	+/- 0.2 percent

Two-Day Annual Flats Precision

District:	+/- 1.6 to +/- 2.7 percent
Area:	+/- 0.8 to +/- 1.1 percent
Nation:	+/- 0.4 percent

Three-To-Five-Day Annual Flats Precision

District:	+/- 1.6 to +/- 4.1 percent
Area:	+/- 0.7 to +/- 1.0 percent
Nation:	+/- 0.4 percent

- c. For origin/destination flats results to be meaningful at the district level on a quarterly basis, the Postal Service felt it appropriate to establish a target width for confidence intervals of not larger than +/- 3.0 percent for the majority of district/service standards combinations. This level would be in line with the current levels of precision achieved for annual results for most districts.
- d. To achieve precision of +/- 3.0 percent or better for most district level origin/destination flats results on a quarterly basis, the Postal Service estimates that a minimum quarterly usable flats target of 875 pieces per destinating district per service standard would be required. This would increase the total flats usable test mail volume to approximately 200,000 pieces per quarter and would represent an increase of approximately 150,000 flats pieces over the current EXFC sampling plan for Quarter 1 of FY2011.
- e. As described in response to question 1 above, the contract modification has not yet been finalized and presented to the EXFC vendor. Therefore, no responsive documentation exists at this time.

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4. Please discuss (in quantitative terms) how including a measurement of non-retail parcels will impact the representativeness of the total First-Class Mail Parcels reporting.

RESPONSE

Including First-Class Mail (FCM) non-retail parcels will significantly increase the number of parcels with Delivery Confirmation Service that could be included in performance measurement. According to an October 20, 2010, query of the Postal Service's Enterprise Data Warehouse Product Performance Reporting System, commercial FCM parcels with Delivery Confirmation Service totaled slightly over 219 million pieces in FY 2010. Retail FCM parcels with Delivery Confirmation totaled 19.4 million pieces. Commercial parcels represent 91.9 percent of FCM parcels with Delivery Confirmation Service, significantly increasing the volume potentially qualifying for service measurement. Adding commercial FCM parcels to the measurement increases the probability of covering more ZIP Codes and increases volume density. Incorporating commercial volume will provide a more comprehensive assessment because actual commercial FCM parcel service performance will be measured in addition to retail FCM parcels, instead of using service performance achievement for retail FCM parcels as a proxy for commercial FCM parcels.

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5. Please explain why it is necessary to change the First-Class Mail Parcels (non-retail) start-the-clock from a system based on commercial mailer documentation to one based on the first en-route scan of the mailpiece. Please describe the impact that this change will have on the reliability of an end-to-end service performance measurement. Does the Postal Service intend for the change in start-the-clock to be a permanent or a temporary change? If the intent is for it to be a temporary change, please provide a timeline for implementing the system based on commercial mailer documentation and acceptance.

RESPONSE

Use of the first en-route scan to start-the-clock for FCM commercial parcels is a permanent change. Experience with customer electronic documentation for parcels indicates issues with the quality of the data provided. Although the quantity and destination information for the parcels may be accurate, the entry date, time, and/or location sometimes do not match the documentation. Using customer documentation introduces risk and inaccuracies in service measurement when the clock starts for pieces that have not been tendered to the Postal Service or have not arrived at the proper Postal Service facility as specified in the electronic documentation. Such discrepancies could cause service performance calculations to be inaccurate. When these types of discrepancies are detected, all pieces associated with the suspect electronic documentation file are excluded from measurement, reducing the volume that could be measured. Using the first en-route scan as the start-the-clock event would allow pieces with accurate records to be included in performance measurement and exclude only individual pieces with discrepancies.

The Postal Service pursued using FAST appointments to start the clock for commercial parcel shipments and took steps to program its systems toward this end. However, discussions with parcel shippers indicated that it would be operationally infeasible for those shippers to include the FAST appointment number in their electronic documentation or to include their electronic file number in the FAST appointment. In addition, parcel shipments

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using Electronic Verification System (eVS) for payment do not require verification at origin bulk mail entry or detached mail units. As a result, processes used to start the clock in these units are bypassed.

Except for sacked items, the majority of parcels receive individual piece handling during sorting shortly after arrival at the origin or entry processing facility. When these parcels are sorted on equipment or in operations with scanning capabilities, an en-route event is captured, recording the date, time, and ZIP Code the physical parcels were processed at a given location. Using a physical event in conjunction with the electronic documentation provides a method to measure parcels that actually exist, which will include more pieces in measurement and avoid excluding pieces because of electronic documentation discrepancies.

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6. Please provide a chart for each Standard Mail product, as defined in the market dominant product list, which identifies (i) the reporting requirements that will be met, (ii) the reporting requirements that will not be met, and (iii) what the Postal Service proposes to report in the interim, for each reporting quarter (and annual report) until compliance with each requirement is achieved. Also, describe any proxy that may be used and indicate whether use of the proxy will be temporary or permanent. The chart should include information on the Not Flat-Machinables (NFMs)/Parcels product until such time as a decision is made whether or not to move a segment of that product to the competitive product list.

RESPONSE

The following charts provide a list of each Standard Mail product and describes the reporting level required and when the service performance results will be available, along with what is being proposed for interim periods.

Required Quarterly Reporting Levels for Standard Mail – All Planned for 2012

Standard Mail	Destination Entry			End-to-End		
	2-Day % On Time	3-to-4- Day % On Time	5-to-10- Day % On Time	3-to-5- Day % On Time	6-to-10- Day % On Time	11-to- 22-Day % On Time
High Density/Saturation Letters -- District, Area, and National levels						
High Density/Saturation Flats/Parcels -- District, Area, and National levels						
Carrier Route -- District, Area, and National levels						
Letters -- District, Area,						

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and National levels						
Flats -- District, Area, and National levels						
NFMs/Parcels -- District, Area, and National levels						

Use of Proxies

It is the Postal Service's intention to use High Density/Saturation Flats performance as a proxy for High Density/Saturation Parcels performance on a permanent basis. The Postal Service also intends to use Carrier Route Flats performance as a proxy for Carrier Route parcel performance on a permanent basis.

The chart below shows the interim reporting level planned for Quarter 4 of FY2010. The Annual Compliance Report for FY2010 will contain only national-level results for Standard Mail Destination Entry and End-to-End and will not contain product-level reporting.

Q4 FY10 Planned Reporting Levels – Interim Reporting Plan

Standard Mail	Destination Entry	End-to-End
District Level	Available	Not Available
Area Level	Available	Available
National Level	Available	Available

The chart below shows the proposed reporting levels for FY2011. The Annual Compliance Report for FY2011 would provide service performance results at the national level for three categories: 1) Standard Letters, 2) Standard Flats, and 3) Standard Parcels.

Interim Proposed Reporting Levels beginning Q1 FY11 Except Where Noted

Standard Mail	Destination Entry			End-to-End		
	2-Day %	3-to-4-	5-to-10-	3-to-5-	6-to-10-	11-to-22-

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	On Time	Day % On Time	Day % On Time	Day % On Time	Day % On Time	Day % On Time
Letters (including High Density/Saturation, Carrier Route, and Basic combined) -- District, Area, and National levels						
Flats (including all types combined) -- District, Area, and National levels						
NFMs/Parcels -- District, Area, and National levels	Begins Q4 FY11					

Use of Proxies

The Postal Service intends to use High Density/Saturation Flats performance as a proxy for High Density/Saturation Parcels performance on a permanent basis. It is the Postal Service's intention to use Carrier Route Flats performance as a proxy for Carrier Route parcel performance on a permanent basis. The Postal Service plans to establish a measurement for the NFMs/Parcels category or to propose a suitable proxy for measurement by Quarter 4 of FY2011.

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7. The following questions concern the Postal Service's request to waive the reporting of Standard Mail by product until 2012 at the earliest. The Postal Service states that "[u]ntil 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" by all letters, flats, and Not Flat-Machinables (NFM)s/Parcels. Request at 8.
- a. Please describe and define "requisite level of detail" referred to in the Request.
 - b. What percent of Standard Mail pieces are currently achieving that level of detail?
 - c. What is the basis for establishing the 80 percent level?

RESPONSE

- a. "Requisite level of detail" refers to the ability to place each piece of mail into its exact Standard Mail product category using the electronic documentation provided by mailers using Full Service Intelligent Mail. In the current system, every piece of mail can be categorized as letter, flat, or parcel, but only some of the pieces can be further broken down into high density/saturation, carrier route, or basic levels. The pieces that can be broken down into those more detailed groups are pieces for which the mailers use the electronic documentation specifications to provide mailpiece level manifests, which is an optional documentation method. The other documentation option allows mailers to provide electronic documentation in ranges of records. As a result, that option does not identify exactly which pieces are being mailed as high density and which are mailed as carrier route

Mailers with mailings under 10,000 pieces also have the option of using Postal Wizard to create the electronic documentation for a Full Service mailing. In that case, the documentation is simply a postage statement with no information at the individual piece level. In such a case,

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- the information available would quantify how many total pieces were mailed within each product group, but would not identify the exact pieces in each product group.
- b. In Quarter 4 of FY2010, 33 percent of the Standard Mail pieces eligible for measurement had the requisite level of detail to categorize them into a product category group. To further differentiate, 40 percent of letters had the product-level detail, while 18 percent of flats had the product-level detail.
- c. The Postal Service proposed reporting at the more detailed level when at least 80 percent of the available data had the detailed information in order to reduce the potential for bias in the results. This bias could result from differences in service performance data for mail associated with mailers who currently provide electronic documentation with the requisite detail, compared with data for mail from those mailers who do not provide such documentation. The decision of which documentation method to use is not random and, therefore, the mailpieces which are missing the product-level data may be different from the other data. Suppose there were a 10-percent difference in service performance between mail with the requisite detail and mail without the requisite detail. At the current level of 33 percent of mail with the product-level detail, the bias in such a case would be 6.7 percent (67 percent of the data missing times 10 percent difference in performance). That is, the service performance results would over- or underestimate performance by 6.7 percent if the missing data were ignored. However, if there were a 10-percent difference in service performance, but only 20 percent of the data was missing the product-level detail, the bias would be only 2 percent. The selection of an 80-percent threshold was made to balance the goal of reducing possible bias with the need to begin reporting before all mailers transition to the more detailed level of electronic documentation.

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8. The following questions concern the Postal Service's request to waive the reporting of Standard Mail by product until 2012 at the earliest. The Postal Service states that "approximately half of the Full-Service Intelligent Mail®-barcoded volume uses [Postal Wizard or the Intelligent Mail Range Record (IMR)] documentation methods." Request at 7. According to the Postal Service, such documentation methods "do not allow Postal Service systems to distinguish each mailpiece's product category." (Footnote omitted.) *Id.* at 6.
- a. Please confirm that approximately half of the Full-Service Intelligent Mail®-barcode (IMb) volume in Standard Mail uses other documentation methods which allow the identification of each mailpiece's product category.
 - b. Please discuss the capability (and limitations) of temporarily reporting by Standard Mail product based on the half of mail that is entered with documentation which allows the identification of each mailpiece's product category.

RESPONSE

- a. Not confirmed. In Quarter 4 of FY2010, 33 percent of Full Service Intelligent Mail Standard Mail eligible for service measurement used documentation methods that allowed for identification of each mailpiece's product category.
- b. From a purely systems perspective, the product-level data are captured at the mailpiece level and made available to the iMAPS system for all Full Service mailpieces for which the data are currently provided in the mailer's electronic documentation. Software modifications to the iMAPS system would be necessary in order to perform the service performance calculations at the product level and to exclude pieces for which the product level data are not available. Such modifications would require a lead time of approximately eight weeks prior to the start of a new quarter to modify and test the iMAPS system for reporting at new levels.

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The limitations of temporarily reporting performance based only on the portion of the mail for which we are able to identify the mailpiece's product category is the potential for bias in the results. As explained in response to question 7(c), where such a large portion of data is missing, the potential for bias is greater than in a case where fewer data are missing. In Quarter 4 of FY2010, there was a 7-percent difference in performance for Standard Mail items that had the product-level detail compared with that for Standard Mail items without the piece-specific detail. Because key aspects of the data are unknown for the pieces without the piece-specific detail, the service performance differences cannot be explained. What is clear, however, is that the overall Standard Mail performance results that included all the data would be substantively (4.7 percent) different from results based only on the 33 percent of the data representing only the Standard Mail items presently containing the requisite product-level data.

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9. Please confirm that the Postal Service is seeking to use all Periodicals as a service performance reporting proxy for Outside County Periodicals (without differentiating between Destination Entry or End-to-End) until 80 percent of the Full-Service IMb data has sufficient information to distinguish whether a mailpiece is Within County or Outside County. If not confirmed, please clarify the Postal Service's proposal.

RESPONSE

Confirmed. To clarify, the Postal Service intends to use all Destination Entry Periodicals as a proxy for Outside County Destination Entry Periodicals and to use all End-to-End Periodicals as a proxy for Outside County End-to-End Periodicals beginning in Quarter 1 of FY2011. When detailed data become available, reporting would be limited to Outside County Destination Entry and Outside County End-to-End pieces only.

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10. The following questions concern the Postal Service's request to waive the reporting of Periodicals by product until 2012 at the earliest. The Postal Service states: "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." Request at 11.
- a. Please describe and define "the information necessary to determine whether each piece is Within County or Outside County" that is being referred to.
 - b. What percent of Full-Service Intelligent Mail Barcoded Periodicals currently contains this information?
 - c. What is the basis for establishing the 80 percent level?

RESPONSE

- a. In the electronic documentation specifications (Mail.dat and Mail.xml), two options for documentation are possible. The most detailed documentation requires a manifest containing information about each piece of mail in the job, along with summary data. That piece-level information provides the detail needed to categorize each piece as Inside County or Outside County. The second option for documentation allows for ranges of mailpieces and does not contain the information to categorize each piece as Inside or Outside County.
- b. Currently, the systems used for calculating service performance do not capture this information. Modifications are being made to the systems to include the data beginning January 1, 2011. At that time, Periodicals mailpieces for which the mailer currently provides the piece-level documentation will be identified as either Within County or Outside County.

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- c. The basis for establishing the threshold of 80 percent is the same as that described in response to question 7(c). To summarize, the threshold was established to reduce potential bias. In the case of Periodicals, the Postal Service anticipates that the vast majority of Full Service Intelligent Mail periodicals are Outside County. However, to definitively categorize a piece of mail as Within County or Outside County, the detailed piece-level information is required.

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11. The Postal Service proposes to change the start-the-clock for commercial Package Services parcels from a system based on mailer documentation and acceptance to one based on the first en-route scan of the mailpiece. Request at 13. The Postal Service appears to seek a waiver from reporting until quarter 4 of FY 2011 to implement the new system. Does the Postal Service intend for the change in start-the-clock to be a permanent or a temporary change? If the intent is for it to be a temporary change, please provide a timeline for implementing the system based on commercial mailer documentation and acceptance.

RESPONSE

Use of the first en-route scan to start the clock for Package Services parcels is a permanent change.