

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;  
Mark Acton, Vice Chairman;  
Tony L. Hammond; and  
Nanci E. Langley

Stamp Fulfillment Services  
Service Performance Measurement

Docket No. RM2011-14

NOTICE OF PROPOSED RULEMAKING ON PERIODIC REPORTING  
OF SERVICE PERFORMANCE MEASUREMENTS  
FOR STAMP FULFILLMENT SERVICES

(Issued September 1, 2011)

I. INTRODUCTION

This rulemaking is part of the series of rulemakings initiated by the Postal Regulatory Commission (Commission) to fulfill its responsibilities under the Postal Accountability and Enhancement Act (PAEA), Pub L. No. 109-435, 120 Stat. 3198 (2006). The proposed rules described herein would establish reporting requirements for the measurements of level of service afforded by the Postal Service in connection with Stamp Fulfillment Services (SFS). The reporting of level of service is required by 39 U.S.C. 3652(a)(2)(B)(i) as part of the Postal Service's annual report to the Commission and supporting documentation. This is a necessary part of the Commission's implementation of a modern system of rate regulation for market dominant products that ensures service is not impaired as a result of the greater

flexibility provided to the Postal Service under the PAEA in light of the price cap requirements. See 39 U.S.C. 3622 and 3651.

## II. PROCEDURAL HISTORY

SFS provides the fulfillment of stamp and product orders received by mail, phone, fax, or Internet at the Postal Service's SFS center in Kansas City, Missouri. Orders can include stamps, stamped cards, envelopes, stationery, and other philatelic items. A fee is charged for order processing and handling.

On July 13, 2010, the Commission added SFS to the market dominant product list pursuant to a Postal Service request.<sup>1</sup> On June 16, 2011, the Commission granted a Postal Service request for a temporary waiver from reporting service performance for SFS until the filing date for the 2011 Annual Compliance Report. The Commission further asked the Postal Service to either file a request for a semi-permanent exception from reporting or begin the consultation process for establishing service standards (and measurement systems) prior to August 1, 2011.<sup>2</sup>

By letter dated July 29, 2011, the Postal Service informed the Commission of its intent to institute an internal measurement system for SFS and asked for Commission comment.<sup>3</sup> The Postal Service proposed service standards, measurement methodologies, and reporting requirements. The Postal Service indicated that it will formalize its proposed service standards through a *Federal Register* notice.

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<sup>1</sup> Docket No. MC2009-19, Order No. 487, Order Accepting Product Descriptions and Approving Addition of Stamp Fulfillment Services to the Mail Classification Schedule Product Lists, July 13, 2010.

<sup>2</sup> Docket Nos. RM2011-1, RM2011-4 and RM2011-7, Order No. 745, Order Concerning Temporary Waivers and Semi-Permanent Exceptions from Periodic Reporting of Service Performance Measurement, June 16, 2011.

<sup>3</sup> Letter dated July 29, 2011 from Kevin A. Calamoneri, Managing Counsel Corporate & Postal Business Law, United States Postal Service to Shoshana M. Grove, Secretary, Postal Regulatory Commission.

On August 25, 2011, the Commission responded to the Postal Service request for comment.<sup>4</sup> The Commission concurred with the measurement approach that the Postal Service proposed and indicated that the Commission would initiate a rulemaking to make the Commission's reporting rules consistent with the Postal Service's reporting proposals.

### III. BACKGROUND OF POSTAL SERVICE PROPOSALS

#### A. Proposed Measurement System

The Postal Service proposes to measure the time from SFS order entry to the time a SFS order is placed on a mail truck manifest for entry into the mailstream. The transit time once an order is entered into the mailstream to delivery is not included as part of the SFS measurement.

A measurement starts when an order is entered into the National Customer Management System (NCMS). NCMS manages SFS inventory, general ledger, order history, and customer accounts.

A measurement ends when the order is logically closed out in the Automated Fulfillment Equipment System (AFES).<sup>5</sup> The AFES system interacts with NCMS and is utilized to fulfill orders.

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<sup>4</sup> Letter dated August 25, 2011 from Shoshana M. Grove, Secretary, Postal Regulatory Commission to Kevin A. Calamoneri, Managing Counsel Corporate & Postal Business Law, United States Postal Service.

<sup>5</sup> A logical closure is an indication that an order has been fulfilled, packaged, labeled, and placed on a manifest for pickup by a Postal Service truck before entering the mailstream.

## B. Proposed Service Standards

The Postal Service's proposed service standards vary depending upon how a customer's order was received.<sup>6</sup> The Postal Service proposes the following three service standards.

- Internet Orders: Non-Philatelic/Non-Custom  
Less than or equal to 2 business days
- Business Level Orders  
Less than or equal to 5 business days
- Philatelic/Custom and all Other Order Sources  
Less than or equal to 10 business days

## C. Proposed Service Goals

For each of the three proposed service standards, the Postal Service proposes a service goal or target of achieving each service standard at least 90 percent of the time.

## D. Service Performance Measurement Reporting

The Postal Service proposes to report the percentage of time that SFS meets or exceeds the applicable proposed service standard. The Postal Service also proposes to report service variances. Service variances will report the total percentage of orders fulfilled within the applicable service standard, plus the percentage that are fulfilled 1, 2, or 3 days late. Reporting is to be disaggregated by how a customer's order was received. Percentage on time and service variance reporting are to be provided to the Commission both on a quarterly and on an annual basis.

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<sup>6</sup> The Postal Service's proposed service standards are not the subject of this rulemaking and can best be addressed by interested persons through a response to the Postal Service's upcoming *Federal Register* notice on this subject matter.

#### IV. SERVICE PERFORMANCE MEASUREMENT REPORTING RULES

The Commission proposes to modify section 3055.65 to include a special reporting requirement for SFS. Section 3055.65 specifies the requirements for the periodic reporting (quarterly) of service performance achievements for special services, which includes SFS.<sup>7</sup>

The special reporting requirement specifies that the Postal Service will report: (1) SFS on-time service performance (as a percentage rounded to one decimal place); and (2) SFS service variance (as a percentage rounded to one decimal place) for orders fulfilled within +1 day, +2 days, and +3 days of their applicable service standard.

Both items shall be disaggregated by customer order entry method. The Postal Service currently proposes three customer order entry methods: (1) Internet Orders: Non-Philatelic/Non-Custom; (2) Business Level Orders; and (3) Philatelic/Custom and all Other Order Sources. By generically referring to the three proposed methods as “customer order entry method,” the Postal Service is provided flexibility to propose other methods to the Commission for future implementation without requiring a rule change.

#### V. DESIGNATION OF PUBLIC REPRESENTATIVE

Pursuant to 39 U.S.C. 505, James F. Callow is designated as the Public Representatives in this proceeding to represent the interests of the general public.

#### VI. SOLICITATION OF COMMENTS

Interested persons are invited to comment on the rules proposed in this rulemaking. Comments are due no later than 20 days after publication of this Order in the *Federal Register*. Reply comments are due no later than 30 days after publication of this Order in the *Federal Register*.

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<sup>7</sup> Note that section 3055.31(e) currently requires quarterly data to be aggregated to an annual level and reported to the Commission.

## VII. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission proposes to amend its rules of practice and procedure by modifying the periodic reporting of service performance achievements for special services found in 39 CFR 3055.65.
2. Docket No. RM2011-14 is established to consider the above changes to the Commission's rules of practice and procedure.
3. Interested persons may file initial comments no later than 20 days after publication of this Order in the *Federal Register*.
4. Interested persons may file reply comments no later than 30 days after publication of this Order in the *Federal Register*.
5. Pursuant to 39 U.S.C. 505, James F. Callow is designated as the Public Representative in this proceeding to represent the interests of the general public.
6. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Shoshana M. Grove  
Secretary

**PART 3055—SERVICE PERFORMANCE AND CUSTOMER SATISFACTION  
REPORTING**

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**Subpart B—Periodic Reporting of Service Performance Achievements**

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**§ 3055.65 Special Services.**

- (a) For each product within the Special Services group, report the percentage of time (rounded to one decimal place) that each product meets or exceeds its service standard, provided at the National level.

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(d) Additional reporting for Stamp Fulfillment Service. For Stamp Fulfillment Service, report:

- (1) The on-time service performance (as a percentage rounded to one decimal place), disaggregated by customer order entry method; and
- (2) The service variance (as a percentage rounded to one decimal place) for orders fulfilled within +1 day, +2 days, and +3 days of their applicable service standard, disaggregated by customer order entry method.