

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

Stamp Fulfillment Services
Service Performance Measurement

Docket No. RM2011-14

REPLY COMMENTS OF UNITED STATES POSTAL SERVICE
(October 12, 2011)

Pursuant to the Postal Accountability and Enhancement Act (PAEA), Pub L. No. 109-435, 120 Stat. 3198 (2006), Postal Regulatory Commission (“Commission”) Order No. 837 initiated this rulemaking to review the proposed rules that “would establish reporting requirements for the measurements of level of service afforded by the Postal Service in connection with Stamp Fulfillment Services” “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.”¹ Interested parties were invited to comment on the proposed rules described in the rulemaking no later than 20 days after publication of Order No. 837 in the *Federal Register* and reply comments were due 10 days thereafter.²

On September 22, 2011, David B. Popkin (Mr. Popkin) filed a motion requesting an extension of time to file comments concerning the Commission’s notice of proposed rulemaking for Stamp Fulfillment Services (“SFS”) service performance measurement reporting requirements based on his inability to file comments without access to the

¹ Docket No. RM2011-14, Order No. 837, Notice of Proposed Rulemaking on Periodic Reporting of Service Performance Measurements for Stamp Fulfillment Services, September 1, 2011, at 1.

² *Id.* at 5.

information provided in the Postal Service's *Federal Register* notice, which had not been published at the time of that filing.³ In its response on September 28, 2011, the Postal Service did not oppose Mr. Popkin's motion, but suggested that the Commission extend the deadline for filing comment by 5 days, and provide an additional 5 days from that date to file reply comments since it had filed a copy of the *Federal Register* notice and other relevant documents along with its response to Mr. Popkin's motion.⁴ In Order No. 885, the Commission found that the supporting documentation attached to the Postal Service's response facilitated transparency in the rulemaking, and extended the deadline to file comments until October 5, 2011, and the filing of reply comments until October 12, 2011 in order to provide a reasonable extension of time for interested persons to review the documentation that formed the basis of the Commission's notice of rulemaking.⁵

Mr. Popkin and the Public Representative filed comments. Mr. Popkin's comments focus primarily on the method or historical data used to set the service standard of less than or equal to ten business days to fulfill a Philatelic/Custom and All Other Order Sources and the reasonableness of that service standard based on his experience as a customer of SFS who generally places orders by telephone.⁶ Mr. Popkin requested that the Commission order the Postal Service "to furnish data on the time taken to fulfill Philatelic Orders, and other SFS orders, over the past few years so

³ Docket No. RM2011-14, Comments/Motion of David B. Popkin, September 22, 2011.

⁴ Docket No. RM2011-14, Response of United States Postal Service to Comments/Motion of David B. Popkin, September 28, 2011, at 1-2.

⁵ Docket No. RM2011-14, Order No. 885, Order Addressing Request for Extension of Time to file Comments, September 28, 2011, at 2-3.

⁶ Docket No. RM2011-14, Additional Comments of David B. Popkin, October 5, 2011.

that the use of a ten day standard can be evaluated.”⁷ Mr. Popkin also “noted that pre-orders are excluded from the service standard reporting” when a portion of the order should not be because, at times, one part of that order could include items that had been issued at the time of the order and would be shipped routinely versus waiting for the pre-ordered item to be released before everything is shipped.⁸

The Public Representative’s comments raise the issue of whether the resulting data generated by the proposed reporting rules will be meaningful or prompt improvement on the part of the Postal Service without the underlying data to determine whether “two, five or ten business days represents a point on the distribution of fulfilled SFS orders that is far in excess of the number of business days actually used to fulfill such orders.”⁹ As a result, Mr. Popkin and the Public Representative suggested that Commission order the Postal Service to provide the percentage of SFS orders fulfilled for each business day of the two, five, and ten business day service standards, permitting the Commission to establish a baseline to determine whether the Postal Service’s reported results are meaningful.¹⁰ They also requested that the Commission order the Postal Service to describe the service standards for Internet Orders: Non-Philatelic/Non-Custom, Business Level Orders, and Philatelic/Custom and all Other Order Sources so it is clear what is being measured.”¹¹ The Postal Service hereby provides its reply comments.

⁷ *Id.* at 2-3.

⁸ *Id.* at 4.

⁹ Docket No. RM2011-14, Public Representative’s Comments in Response to Order No. 837, September 28, 2011, at 4.

¹⁰ *Id.*; Additional Comments of David B. Popkin at 4-5.

¹¹ *Id.*; Additional Comments of David B. Popkin at 5.

The questions raised by Mr. Popkin and the Public Representative were strongly considered by the Postal Service in making a determination of the number of days to utilize for service standards and how best to measure the service standard performance of SFS. The Postal Service proposes to move forward with data collection from two logical systems, the Automated Fulfillment Equipment System (“AFES”) and National Customer Management System (“NCMS”), in addition to improved analytical processes to provide the measurable data set forth in the service standards. Until the current proposal of a method by which to measure service standards, the shipment data from the AFES was purged every 90 days to maintain the integrity of the database. When creating the proposed service standards, the Postal Service utilized quantitative data maintained within the NCMS, as well as qualitative and empirical data and customer expectations currently set in the various sales channels. There was no historical data comparable to what will be reported in the future to review in preparation of the proposal.

The raw data utilized in the information previously retrieved and provided in response to Mr. Popkin’s FOIA request relates only to when an order is created in NCMS and when it is closed in the NCMS. However, there could be a gap, although not a large one, between the times an order closes in AFES and when it is closed in NCMS. Now, the new criteria for SFS is to determine when an order actually closed physically in the fulfillment processes, meaning it was ready to be placed into the mail stream.

While the historical data provided to Mr. Popkin separated the data between Postal Store Orders and Non-Postal Store Orders, the reason the Postal Service

minimized the number of categories / order sources to three main categories moving forward was to prevent the Commission being inundated with data that might only represent a small percentage of the total. Postal Store Orders, as utilized in the historical data, includes all orders received via the Internet – even those that are not fulfilled at SFS (such as Shipping Supplies Online). Non-Postal Store Orders consist of all orders received at SFS except those placed via the Internet. Non-Postal Store Orders would include business level orders (which process faster than philatelic or custom orders), mail use or philatelic. In creating three categories for reporting purposes, the Postal Service needed to utilize the longest customer expectation (such as *USA Philatelic*) combined with the data it did have to determine the “high mark.” In the case of Philatelic orders received through the catalog, the expectation is two to three weeks for delivery. This allows the Postal Service seven to twelve days for fulfillment. This knowledge, combined with data on Non-Postal Store (non-Internet sourced) orders, allowed the creation of the proposed standards. While it might be theoretically possible that these additional categories could skew the data up or down, it is impossible to accurately analyze such a possibility on the basis of currently available data.

Additionally, the entry into NCMS is considered the “start of clock” time for these service standards. There are no systems to measure the time from when an order is actually received (either by Postal Store, mail, phone, fax, etc.) until it is registered within NCMS. That being said, all orders by Postal Store enter NCMS within two hours (unless there are system interface issues). Phone orders are keyed and enter NCMS while the customer is on the phone and orders by fax are entered within eight business

hours of receipt. Mail orders follow a process where orders are sent to a third-party vendor for payment processing. Those orders are then sent to the Postal Service for entry into NCMS. This “lockbox process” can easily take two to three business days depending on when the orders are received at the lockbox.

The customer expectation, as mentioned in the catalog, is for two to three weeks to receive their product. The pre- and post-fulfillment activities (payment processing to processing in the mail stream) can take nearly half of that time – allowing the Postal Service about five to seven business days to fulfill a custom order and meet the expectation set in the catalog. However, depending on the intricacy of that custom order, it could indeed take longer than seven business days. The goal of less than or equal to ten business days allows the Postal Service to meet the service standards and challenge itself to drop that number from ten days over time as processes and capacity allow.

System volumes sometimes can lead to extensions in fulfillment time. This occurs especially at the publication of a catalog and the holiday season. SFS’s works to balance fulfillment tasks between those with expectations of two to three days and those with expectations of two to three weeks.¹² The order volume has the potential to increase fulfillment time beyond that experienced by Mr. Popkin. Still, the Postal Service’s goal is to become more expedient through automation and processing regardless of the set service standard. The Postal Service does not foresee extending the customer expectations that are currently set unless there is a solid business reason, such as payment processing, that is beyond the control of the Postal Service.

¹² The two to three weeks customer expectation was lowered from four to six weeks as automation and efficiencies increased.

Mr. Popkin also raises two exclusions which he believes should be removed: System downtime / system failure and Pre-sale Orders. System downtime and system failures are two separate categories, which should continue to be excluded. System failures in this definition are not related to database operations or data transfer so much as equipment downtime. The Postal Service's automated systems are the key to fulfilling all orders in alignment with the service standards. Where Mr. Popkin compares this to a truck getting a flat tire, a more appropriate comparison would be to there being no truck at all. System downtime (planned) is defined by activities such as the annual audit. During audit, all fulfillment systems are brought to a halt for a physical count. The Postal Store posts a notice, which states "please expect longer timeframe for delivery," as does the Call Center. This would also be the case if a planned system upgrade were to occur. Pre-sale orders should also continue to be excluded from the data analysis. An order containing a pre-sale item is split into two orders, each with a separate close date. The items that can be fulfilled and processed immediately are shipped and that order is closed. The order with the pre-sale items is held and closed soon after release of the item. However, a query of pre-sale orders would show creation dates of when the pre-sale order was placed. This could be weeks before the product is allowed to be shipped.

Many of Mr. Popkin's comments are based on his perception of order fulfillment at SFS as a result of his personal experiences. The specific illustration Mr. Popkin provided in his comments is one of more than three million orders received yearly and one of more than 550,000 received by mail or phone in the last year alone. However, there are different types of products that could necessarily fall into the Philatelic/Custom

and all Other Order Sources category, all with varying processing times for fulfillment. Capacity and processes require the Postal Service to prioritize orders based on product, order source, etc. such that they are fulfilled as efficiently as possible. The ten business days or less indicated in the proposed service standards for processing of Philatelic/Custom & All Other Order Sources through SFS was set to encompass all Philatelic orders.

For example, consider an order placed by telephone for two orders each of three Lady Liberty booklets from three different vendors. Although this order was for stamps, it would not necessarily register as a Philatelic order, which would typically be indicated by collectability, special tears, and other hallmarks. Orders styled like this hypothetical order, generally considered “mail use”, are typically fulfilled very quickly: within three to five business days, at the most, due to the automation processes utilized at the Postal Service. For every phone order as easily filled as the one Mr. Popkin describes, there is one that takes longer. An order placed by telephone that has a total of 145 line items with only three requested in quantities greater than one might take seven to eight days to process. It is this type of order that can extend the time until shipment and is more typical of an average order that would fall into the Philatelic / Custom and All Other Order Sources category. An order placed by mail is another type of Philatelic order that could get even closer to reaching the ten business day service standard. Philatelic orders using mail order as a channel have multiple line items, custom orders, First Day covers, Digital Color Postmarks and other philatelic products.

Both Mr. Popkin and the Public Representative requested that the Postal Service (1) provide the percentage of SFS orders fulfilled for each business day of the two, five,

and ten business day service standards and (2) describe the service standards for Internet Orders: Non-Philatelic/Non-Custom, Business Level Orders, and Philatelic/Custom and all Other Order Sources. The Postal Service does not believe it is necessary to provide the percentage of SFS orders fulfilled for each business day of the two, five, and ten business day service standards. Such a proposal would effectively disregard the Postal Service's determination as to appropriate service standards and, notwithstanding the commitment of such discretion to the Postal Service in 39 U.S.C. § 3691, substitute the Commission's judgment as to the appropriate range of service standards by which to measure service performance. The Postal Service is unaware of precedent or authority for such a proposition. If, after the Postal Service begins to report its service performance results on SFS, the Commission has reason to believe that the service standards and goals are not meaningful, then the Commission has a range of regulatory tools at its disposal to request additional information from the Postal Service. To regularize the reporting of service performance measurements according to delivery-day standards deemed advisable by the Commission, rather than the Postal Service, would essentially render the Postal Service's role in setting service standards a nullity.

Moreover, the Postal Service can not provide further definitions regarding service standard categories because further breakdown of order data is not fully available at this time. The SFS database simply does not capture whether each order (not customer) is business, philatelic, or mail use. This is determined by analysis of data based on the items a customer orders, the variety of products, the quantity of product, and custom order.

Based on the information and reasoning provided above, the Postal Service respectfully submits that its proposed service standards take adequate consideration of customer expectations, the state of Postal Service operations, and the need for improvement incentives, without need for the modifications proposed by Mr. Popkin and the Public Representative.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

Anthony F. Alverno
Chief Counsel, Global Business

Brandy A. Osimokun

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1137
(202) 268-2982; Fax -6148
brandy.a.osimokun@usps.gov
October 12, 2011