

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Semi-Permanent Exception from
Periodic Reporting of Service
Performance Measurement

Docket No. RM2015-1

PUBLIC REPRESENTATIVE COMMENTS IN RESPONSE TO
UNITED STATES POSTAL SERVICE REQUEST FOR
SEMI-PERMANENT EXCEPTION FROM PERIODIC REPORTING OF
SERVICE PERFORMANCE MEASUREMENT FOR ALASKA BYPASS SERVICE

October 31, 2014

I. INTRODUCTION

The Public Representative hereby provides comments pursuant to Commission Order No. 2206.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, addressing the Postal Service's request for semi-permanent exception from the periodic reporting of service performance measurement for Alaska Bypass Service.² The Postal Service filed the Request pursuant to 39 CFR 3055.3.

Section 3055.3 permits the Postal Service to "petition the Commission to request that a product, or component of a product, be excluded from reporting, provided that":

¹ Notice and Order Concerning Filing of Postal Service Request for Semi-Permanent Exception from Periodic Reporting of Service Performance Measurement for Alaska Bypass Service, October 3, 2014 (Order No. 2206).

² United States Postal Service Request for Semi-Permanent Exception from Periodic Reporting of Service Performance Measurement for Alaska Bypass Service, October 1, 2014 (Request).

- The cost of implementing a measurement system would be prohibitive in relation to the revenue generated by the product, or component of a product;
- The product, or component of a product, defies meaningful measurement; or
- The product or component of a product, is in the form of a negotiated service agreement with substantially all components of the agreement included in the measurement of other products.

In this proceeding, the Postal Service requests a semi-permanent exception from periodic reporting of service performance for Alaska Bypass Service. The Public Representative's review of the Postal Service's request indicates that semi-permanent exception from the requirement of periodic reporting is warranted for Alaska Bypass Service.

II. BACKGROUND

Prior to January 2013, Alaska Bypass Service³ was a part of Single-Piece Parcel Post on the market dominant product list. In Order No. 1411, the Commission conditionally granted the Postal Service request to (1) remove single-piece Parcel Post from the market dominant product list, (2) add "Parcel Post," a nearly identical product, to the competitive product list and (3) add Alaska Bypass Service to the market dominant product list.⁴

³ The predecessor of the Alaska Bypass Service was Alaska Bypass mail, which was introduced in 1972, and "was established as a solution to...the increased need for package delivery of food and other commodities". Notice at 4. Under Alaska Bypass Service "businesses in Alaska's larger cities, such as Anchorage and Fairbanks, can ship directly to rural customers." *Id.* See also Alaska Bypass: Beyond its Original Purpose, U.S. Postal Service Office of Inspector General, Report No. RARC-WP-12-005. Available at: <https://www.uspsoig.gov/sites/default/files/document-library-files/2013/rarc-wp-12-005.pdf> (OIG Report).

⁴ See Order Conditionally Granting Request to Transfer Parcel Post to the Competitive Product List. Docket No. MC2012-13, July 19, 2012 at (Order No. 1411). Also see Request of the United States Postal Service to Transfer Parcel Post to the Competitive Product List, Docket No. MC2012-13, April 26, 2012 (Request).

Section 301 of the PAEA require the Postal Service, after consultation with the Commission, establish a set of modern service standards for market dominant mail products, which are reflected in 39 C.F.R. part 121. While being a part of single-piece Parcel Post (prior to January 2013), bypass mail was excluded from those service standards. Notice at 5. As the Postal Service emphasizes, [a]fter Alaska Bypass Service was listed as a market dominant product, no corresponding service standard for the new product was established.” *Id* at 6. In ACD 2013⁵, the Commission directed the Postal Service to “develop an appropriate measurement system for Alaska Bypass Service” and propose it to the Commission [w]ithin 90 days of the issuance of this ACD.” ACD 2013 at 114-115.

On June 25, 2014, the Postal Service informed the Commission that it “will file in Quarter 4 of FY2014 a request for permanent exception for reporting service performance data for Alaska Bypass Service pursuant to 39 C.F.R. §3055.3.”⁶ As the Postal Service assured in the Responses, it “will continue to file publicly the Standard Post service data as a proxy” for Alaska Bypass Service until the exception is granted.”⁷ *Id.*

III. COMMENTS

The Public Representative has reviewed the Postal Service cost and revenue analysis associated with Alaska Bypass Service and filed both publicly and under seal.

⁵ Annual Compliance Determination Report Fiscal Year 2013 (ACD 2013).

⁶ Responses of the United States Postal Service to Commission Requests for Additional Information in the FY 2013 Annual Compliance Determination. Docket No. ACR2013, June 25, 2014. (Responses).

⁷ After being added to the competitive product list Parcel Post was renamed as Standard Post. See e.g. <https://about.usps.com/postal-bulletin/2012/pb22352/html/kit2.htm>

The Public Representative concludes that the total expenses of Alaska Bypass Service already significantly exceed the generated revenue. Alaska Bypass has suffered losses since the inception of the program. OIG Report at 7.

While being a part of Single-Piece Parcel Post, Alaska Bypass Service was still excluded from being subject to service standards established for Parcel Post.⁸ Consequently, total expenses incurred by Alaska Bypass Service and presented by the Postal Service in the current docket (Notice at 8) do not reflect costs of a service performance measurement system. The implementation of such system would require additional costs that further increase already substantial financial burden caused by Alaska Bypass Service.

In the current docket, the Postal Service provides the analysis of two hypothetical service performance measurement systems. The Postal Service presents two options and concludes that the cost of any of them “is significant and prohibitive.” Notice at 8-9. The Public Representative agrees that the expected cost of a measurement system is comparatively high. If periodic reporting for Alaska Bypass Service is implemented, the generated revenue will decrease, and the gap between revenue and expenses will increase. Also, Alaska’s remote location would most likely make the data collection challengeable, with rather problematic quality of the obtained measurement results.⁹

⁸ See *e.g.* 39 C.F.R. (Revised as of July 1, 2012), §121, Appendix A, Tables 3 and 4.

⁹ Thus, the Postal Service admits that proposed as Option 2 biennial special study “could be feasible, but ...only would observe service performance over a limited duration at a specific time”. Notice at 9.

IV. CONCLUSION

Based on the reviewed documentation, the Public Representative concludes that pursuant to 39 C.F.R. §3055.3, the Commission should grant semi-permanent exception from periodic reporting of service performance measurement for Alaska Bypass Service. The cost of implementing a measurement system would be prohibitive in relation to the revenue generated by the product. Also, the Alaska Bypass Service will likely defy meaningful measurement.

The Public Representative respectfully submits the foregoing Comments for the Commission's consideration.

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