

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

Before Commissioners:

Robert G. Taub, Acting Chairman;  
Mark Acton, Vice Chairman;  
Ruth Y. Goldway;  
Tony Hammond; and  
Nanci E. Langley

Semi-Permanent Exception from Periodic  
Reporting of Service Performance  
Measurement

Docket No. RM2015-1

ORDER CONCERNING SEMI-PERMANENT EXCEPTION  
FROM PERIODIC REPORTING OF SERVICE PERFORMANCE MEASUREMENT  
FOR ALASKA BYPASS SERVICE

(Issued December 23, 2014)

On October 1, 2014, the Postal Service filed a request for a semi-permanent exception from periodic reporting of service performance measurement and customer satisfaction for Alaska Bypass Service, pursuant to 39 C.F.R. § 3055.3.<sup>1</sup> The Commission subsequently issued Order No. 2206 which established Docket No. RM2015-1 for consideration of matters raised by the Postal Service's Request, appointed a Public Representative, set a filing deadline for interested persons to

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

comment, and set a filing deadline for reply comments.<sup>2</sup> For the reasons discussed below, the Commission grants the Postal Service's Request for a semi-permanent exception from periodic reporting of service performance for Alaska Bypass Service. The Postal Service's Request for a semi-permanent exception from periodic reporting of customer satisfaction for Alaska Bypass Service cannot be approved because the Commission's rules do not provide for such an exception.

*Background.* Prior to January 2013, Alaska Bypass Service (formerly known as Alaska Bypass mail) was a subcategory of Single-Piece Parcel Post, a market dominant product.<sup>3</sup> The Postal Service provided service performance measurement reports with respect to Single-Piece Parcel Post, but did not separately provide service performance measurements for Alaska Bypass Service. In January 2013, the following three related product list changes occurred: (1) Single-Piece Parcel Post was removed from the market dominant product list; (2) a similar product, Standard Post, was added to the competitive product list; and (3) the Alaska Bypass Service subcategory of the former Single-Piece Parcel Post was added to the market dominant product list as a Package Services product offering.<sup>4</sup>

In its 2013 annual report of service performance to the Commission, the Postal Service used a commercial product, Standard Post, as a proxy to measure the service performance of Alaska Bypass Service.<sup>5</sup> The Commission later concluded that

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<sup>2</sup> 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).

<sup>3</sup> Single-Piece Parcel Post service was measured using an internal Postal Service system, the Product Tracking System. See, e.g., Docket No. ACR2012, Library Reference USPS-FY-12-29 at 16. The system measured transit time from the time of mailing until the time of delivery for Parcel Post items for which a customer requested tracking service. *Id.* Actual transit time was then compared against Package Services service standards. *Id.*

<sup>4</sup> See Docket No. MC2012-13, Order No. 1411, Order Conditionally Granting Request to Transfer Parcel Post to the Competitive Product List, July 20, 2012; Docket No. CP2013-3, Order No. 1536, Order Approving Changes in Rates of General Applicability for Competitive Products, November 8, 2012; Docket No. R2013-1, Order No. 1541, Order on Price Adjustments for Market Dominant Products and Related Mail Classification Changes, November 16, 2012.

<sup>5</sup> Docket No. ACR2013, Library Reference USPS-FY13-29 at 17.

Standard Post, as a competitive product not subject to publicly reported service performance results, was an inappropriate proxy for Alaska Bypass Service.<sup>6</sup> The Commission, in accordance with 39 U.S.C. § 3652(a)(2)(B), directed the Postal Service to develop a measurement system for Alaska Bypass Service. *Id.*

*Statutory requirements.* 39 U.S.C. § 3652(a)(2)(B) requires the Postal Service to report on each market dominant product's "level of service (described in terms of speed and reliability)" and "degree of customer satisfaction with the service provided." Rule 3055.3 provides the Postal Service the opportunity to request that a product, or a component of a product, be excluded from service performance measurement reporting upon demonstrating that:

- (1) The cost of implementing a measurement system would be prohibitive in relation to the revenue generated by the product, or component of a product;
- (2) The product, or component of a product, defies meaningful measurement; or
- (3) 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.

39 C.F.R. § 3055.3(a)(1)-(3).

The exception provided for in the above-cited rule does not, however, extend to customer satisfaction requirements.<sup>7</sup> In Order No. 465, the Commission stated that it "is not aware of any specific reason to extend the reporting exception rules to the customer satisfaction requirements. Most, if not all, customer satisfaction reporting requirements are based on Postal Service systems already in place, or from data that it routinely collects." Order No. 465 at 35.

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<sup>6</sup> Docket No. ACR2013, Annual Compliance Determination, March 27, 2014, at 114.

<sup>7</sup> Docket No. RM2009-11, Order Establishing Final Rules Concerning Periodic Reporting of Service Performance Measurements and Customer Satisfaction, May 25, 2010, at 34-35 (Order No. 465).

*Postal Service Request.* The Postal Service seeks a semi-permanent exception from periodic reporting of service performance measurement and customer satisfaction for Alaska Bypass Service. Request at 1. The exception is sought “due [to] the prohibitive cost of implementing a performance measurement system for this product relative to its respective revenue.” *Id.* at 2. The Postal Service presents data to demonstrate that the total expense incurred by the Postal Service for the transport and delivery of Alaska Bypass Service items is significantly more than the revenue generated by Alaska Bypass Service.<sup>8</sup> *Id.* at 6-8. The Postal Service also describes two potential performance measurement systems and describes their cost. *Id.* at 8-9. The Postal Service then argues that the cost of a measurement system “would result in an increase in costs on a product which is subject to a price cap and a product over which the Postal Service exercises little control and no ‘hands on’ operational role.” *Id.* at 9. The Postal Service then concludes that this cost is “prohibitively high in relation to the revenue [Alaska Bypass Service] generates.” *Id.* at 10. The Postal Service also argues that a potential measurement system’s prohibitive cost is further demonstrated in comparison to the service performance measurement costs of other market dominant products (*i.e.*, First-Class Mail single-piece letters, cards, and flats). *Id.*

*Comments.* Comments were received from the Public Representative.<sup>9</sup> No other comments were received. The Public Representative concludes that a semi-permanent exception from periodic reporting for Alaska Bypass Service is warranted because the cost of implementing a measurement system would be prohibitive in relation to the revenue generated by the product. PR Comments at 2, 4. The Public Representative reasons that because Alaska Bypass Service was excluded from the service standards established for Standard Post, total expenses incurred by Alaska Bypass Service do not

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<sup>8</sup> Alaska Bypass Service items are not accepted, processed, transported, or delivered by Postal Service employees or in Postal Service facilities (*i.e.*, these items “bypass” the Postal Service). See *id.* at 4.

<sup>9</sup> 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 (PR Comments).

reflect costs of a service performance measurement system. *Id.* The Public Representative also concludes that implementation of such a system would require additional costs that further increase an already substantial financial burden caused by Alaska Bypass Service. *Id.* The Public Representative agrees with the Postal Service's conclusion that the cost of a service performance management system would be significant and prohibitive. *Id.*

*Analysis.* The Commission agrees with the Public Representative and finds that Alaska Bypass Service is a product where the "cost of implementing a measurement system would be prohibitive in relation to the revenue generated by the product," 39 C.F.R. § 3055.3(a)(1), given the presumed costs of a potential service measurement system and the historical revenue generated by the product. It, therefore, grants the Postal Service's Request for a semi-permanent exception from periodic reporting of service performance for Alaska Bypass Service. Reporting of customer satisfaction, however, is still required because rule 3055.3 does not provide an exception and the Request did not address why any exception to the reporting rules should be extended.<sup>10</sup>

*It is ordered:*

The United States Postal Service Request for Semi-Permanent Exception from Periodic Reporting of Service Performance Measurement for Alaska Bypass Service, filed October 1, 2014, is granted in part, consistent with the body of this Order.

By the Commission.

Shoshana M. Grove  
Secretary

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<sup>10</sup> At this time, the Commission does not foresee this reporting to extend beyond what is required by 39 C.F.R. part 3055, subpart C.