

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

Service Performance Measurement
Systems For Market Dominant Products

Docket No. PI2015-1

COMMENTS OF NATIONAL NEWSPAPER ASSOCIATION

Pursuant to Commission Order No. 2336, National Newspaper Association (NNA) provides its comments on the Postal Service's proposal to develop new internal service performance measurement systems for the mail products (classes) most heavily used by its members.

NNA's membership comprises approximately 2,400 community newspapers, most of which depend heavily upon the mail for distribution of newspapers to subscribers through the Periodicals mail class and of advertising materials to their communities through Standard mail. It also includes free circulation newspapers that distribute through Standard mail.

NNA's comments here are focused on the effects of the proposed new system upon Periodicals. NNA is generally supportive of the Postal Service's proposal, with its support conditioned upon further development of systems to capture at least some data about newspaper Periodicals service.

It is important, however, for the Commission to be aware that neither the existing measurement reports nor the system of proposed internal measurements that USPS contemplates for the immediate future provide any useful service information on the transit of Periodicals newspapers through the mail. NNA is currently working with USPS on certain improvements and additions to the measurement system that it believes could provide, in time, data that are not presently captured.

NNA also believes the Postal Service's new visibility system may permit more precise measurement of service to rural areas. It urges the Commission to consider the statutory obligations to ensure service to rural areas and to work with USPS to develop a periodic report on rural service.

Background of Community Newspaper Measurement Systems

The Postal Service is required by 39 USC §3691(b)(1)(D) to establish, in consultation with the Commission, a set of service standards for each market dominant product. The Commission carried out its obligations to set up service measurement requirements in its proceeding titled Service Standards and Performance Measurement for Market Dominant Products, Docket No. PI 2008-1. NNA participated in that proceeding.

NNA noted that there were "unique problems of measuring service delivery" and that "the systems being proposed (by the Postal Service) are likely to miss the most critical problems in newspaper delivery." Comments of the National Newspaper Association on Service Performance Measurement Systems at 1. Among NNA's concerns:

- That until use of Flats Sequencing equipment for long distance newspaper mail was deployed, the cycle of manual handling of newspapers would not be interrupted and that many problems of poor service were within the manual handling processes. NNA Comments at 2.
- That use of the Intelligent Mail Barcode (IMb) would see slow adoption among newspaper mailers because of printing challenges and doubts about previous automation plans that failed to perform for newspapers. NNA comments at 3 *et seq.*
- That the FAST system would not capture many newspaper acceptance incidents. NNA comments at 7.

- That newspapers would not participate in outside measurement systems for Periodicals, like Red Tag, because of the cost. NNA comments at 7-8.
- That outside external monitors tend to be in high-density, urban areas, and do not capture sufficient data about rural newspaper mail. NNA comments at 9.

NNA also submitted that it found DU-entered mail to have reliable service and that, speaking as the primary representative with Within-County mail before the Commission, it was willing to forgo a measurement system for that mail unless and until newspapers lost DU entry privileges because of FSS or other developments. NNA comments at 10.

In its Order approving the USPS plan for Periodicals measurement, the Commission acknowledged NNA's concerns about the various digital measurements planned for Periodicals and noted that, notwithstanding NNA's willingness to forgo measurement of DU-entered mail,

Nonetheless, service problems for nationally distributed pieces paying Within County rates have been reported, and the statute does not provide an exemption from measurement for this significant segment of Periodicals mail. Thus, the Postal Service must strive to develop an appropriate measurement system for Within County mail and inform the Commission of its proposal by the conclusion of fiscal year 2010. Order Concerning Proposals for Internal Service Standards Measurement Systems. Docket PI2008-1. At 27.

Following that order, NNA participated in a study implemented by USPS contractor IBM to measure newspaper mail delivery. The study results were provided to NNA in draft form. Considerable time passed before those results were reported to the Commission. In fact, NNA believed the report had not been filed at all and it submitted a number of interrogatories to the Postal Service in the network rationalization docket, No. N2012-1. It later discovered the report had in fact been filed in a docket in which NNA did not participate, Docket No. RM2010-11. In that docket, USPS requested a "semi-permanent" waiver in the requirement to report Within County Periodicals service

performance. It reported that the IBM study had provided little insight into a way of gathering reliable results.

In 2009, the Postal Service contracted with an external supplier to develop a baseline performance measurement for community newspapers, a significant segment of Within County Periodicals users; although the study suggests that these Within County Periodicals' performance resembles that of Periodicals as a whole, even this study was unable to determine a feasible way to measure Within County Periodicals performance on a continuous basis. United States Postal Service Response to Order No. 465 and Request for Semi-Permanent Exceptions from Periodic Reporting of Service Performance Measurement. At 9.

USPS also noted in that filing that most Within County mail is manually processed (and would therefore receive no scan data from the IMb.) It asked for consent to use all Periodicals data as a proxy for the Within County report. USPS at 8.

The Commission denied the Postal Service's waiver request and directed it to consider various alternatives, including the use of seeded mail. It asked for another special study within five years to determine whether the use of all Periodicals data was a suitable proxy for more direct measurement. Order Concerning Postal Service Request for Semi-Permanent Exceptions from Periodic Reporting of Service Performance Measurement. At 10.

Status of Community Newspaper Measurement Today

Under the Order's timeline, the time for performing such a special study has arrived. The Postal Service makes no mention of plans to do one in its request in this docket but one could infer from its desire to eliminate outside measurement of all Periodicals that it would prefer not to do a separate study. NNA here expresses its preferences for more measurement, but in a different way than the Commission might expect.

It is useful to distinguish NNA's concerns with Periodicals mail service overall from the intense focus upon the performance of Within County mail service that occurred in previous dockets.

Most NNA member newspapers use Periodicals mail to reach three distinct groups of subscribers:

1. The truly local—almost always Within County—subscribers, for which mail is typically delivery-unit entered.
2. The surrounding market subscribers, which may be found both in the Within-County product class and the Outside County class. What distinguishes the pattern of this mail from the first category is its entry pattern. Although publishers are increasingly forced by changes within the USPS distribution network to use a privilege called Exceptional Dispatch to drop mail at nearby post offices, in many cases that drop-ship entry is not feasible. So that mail must travel through some portion of the mail processing network. It is this class of subscribers who are newly at risk in today's mail processing environment, particularly in rural areas. These subscribers may live in the next-smallest town to the publisher's community or in unincorporated areas. They would subscribe to the newspaper in the publisher's town because that is where they do their shopping or participate in community activities.
3. The long distance subscribers, who wish to receive the newspaper because they have ties to the community. These may be seasonal residents, students or displaced workers who want the news of their home town. This final category of subscribers are most likely to be found in Outside County mail. Delivery to this category has long been troubled and susceptible to lengthy delays.

None of this mail is currently in service measurement.

NNA witnesses have presented testimony repeatedly over the past decade about problems in newspaper delivery. See e.g. Direct Testimony of Max Heath, NNA T-1, on Behalf of National Newspaper Association, April 23, 2012; Direct Testimony of David Bordewyk, NNA T-2 on behalf of National Newspaper Association, April 23, 2012; and Rebuttal Testimony of Al Cross, NNA-T2, August 2, 2010. NNA believes the

Commission is familiar with these long-standing problems, as it acknowledged in its final in Order RM2010-11.

The status of newspaper delivery today is not improved since this bracket of 2010-11 proceedings. In fact, because of the Postal Service's network rationalization of recent years, the problems have become even more acute. If publishers were to testify before the Commission today, their comments likely would be represented in the recent posting—one of several by publishers--of NNA Vice President Chip Hutcheson to the Office of the Inspector General's blog:

Submitted by Chip Hutcheson on Tue, 2015-03-24 17:24

We have experienced severe degradation of service since January 2015. Our newspaper is prepared for maximum delivery outside our county, yet we find subscribers 30 miles away not receiving a paper for 7 days after it has been mailed. Also, first class has deteriorated greatly as well. There will be a large pile of mail one day, virtually nothing the next, and that cycle seems to repeat itself. Our local utility has experienced problems with customers not getting their bills on time. I understand the concept of the mail consolidation — my fear is that the service was not ready for it and is satisfied with delivery without any regard for maintaining service standards. That seems to be the case in Princeton, Ky. Our local post office does an excellent job, but the plants supplying mail here are sub-standard. <https://uspsoidg.gov/blog/network-consolidation-it-takes-two-phases>

The causes of the poor service performance are no different from the historical woes: manual handling, multiple passes through processing plants, and now, the greater distance of travel of these mailpieces as the mail processing network has contracted.

In general, community newspapers' experience is that service in rural areas has declined. NNA receives reports that even Priority Mail service is a problem, causing newspapers to have difficulty distributing their payroll to employees in locations outside the central office.

With These Problems, Why Would the Postal Service's Proposal Help?

The short answer is that, from NNA's viewpoint, it is the only hope community publishers have left. The existing system of outside-party measurement provides no useful data for Within County newspaper mail and no data specific to newspapers from the Outside County measurements.

Neither does the internal system of measurements that travel now under the Postal Service's rubric of "visibility" provide any such data. Newspapers in the typical newspaper's first category—all Within County mail—do not receive mailpiece scans on mail processing equipment because there are no machines in the Delivery Units, as a rule. Newspapers present their mail in carrier-route sorted bundles and they are expected to be delivered the same or the following day. Though episodic complaints are made to NNA from its members, the DU-entered mail has not as yet suffered systemic problems.

The second category of mail, in the "nearby markets" that are important to a local newspaper's subscriber base and to local advertisers' businesses, is now replete with problems. These problems are new, occasioned by the massive changes within USPS. These newspapers are also not in the visibility measurements. Either they travel in 5-digit and carrier-route bundles through a distribution center or a hub to their destination delivery unit without being opened or they are in mixed bundles and containers that do require some processing. Any of these mail patterns are now susceptible to delay.

The third category is Origin-entered mail that must be broken down from mixed bundles and containers at a plant. That mail has been a problem for many years, as noted earlier, and current mail processing network changes have done it no favors.

The measurement issues to date all grow from the same root: these newspapers are not sorted on mail processing equipment so they receive no service scans as they move through the network. Indeed, as predicted at the outset of service measurement, the adoption of Full-Service barcodes by newspapers has been exceedingly slow. Because the barcodes provide no value to either the mailer or the Postal Service, publishers are ill-motivated to make the considerable investments in the Full-Service system.

Amidst such doom and gloom, however, NNA has some glimmer of hope for the future. It has recently begun a dialogue with the Postal Service about developing some scanning processes that might produce worthwhile data. The possibilities of including barcodes on facing slips for bundles and on flats trays (tubs) have been discussed. If such systems were to be deployed, at least some data from newspapers that remain within their bundles and containers while being passed through the network could flow back to the mailers and USPS. It would assist in diagnosing and measuring the sweeping problems in NNA's Category 2 subscribers, though it would still be of little use for the Category 3 subscribers once those copies were removed from bundles or containers for further processing.

At present there is no system that works for service measurement of newspapers. NNA's work with USPS is nascent and is expected to require months, if not years. USPS must create a process for scanning these barcodes and tying them to Mailer IDs. It must provide NNA's members and other Periodicals mailers as well as software providers with the information they need to use such a system. The industry must urge its members to invest in the mail preparation process necessary to deploy the barcodes and to finally enter at least some segments of the Full-Service world. If the development of mail.XML to permit electronic filing of mailer reports is any indication, the Postal Service's end of this evolving process alone could take several years.

Even if all goes well, only a portion of the newspaper mail will be in measurement. But it would be better than nothing.

In Lieu of a Special Study of Within County Mail, NNA Urges a Rural Mail Report

The Commission's order in the RM2010-11 docket should be implemented this year, the end of the five-year time frame it decreed.

However, NNA maintains its belief that such a special study is not worthy of the resources it would require.

First, its experience in the study submitted in that docket was that the contractor found few mail monitors within areas served by NNA newspapers. Mail monitors appear to be clustered in urban and suburban areas, as one might expect, and not so many in small towns and rural America. To produce any providers of seeded mail for that study, NNA experienced the need to solicit only the suburban and urban newspapers among its membership—not its typical membership profile. The results, therefore, provided little data of value for the rural areas.

Second, NNA continues to believe that the DU-entered mail that constitutes most of the Within-County subclass receives pretty good service.

The study that is needed, however, is the study that the mail monitoring contracts have not yet produced—a reliable study of rural mail delivery. NNA now urges the Commission to require a pilot test of that mail and to develop criteria for periodic reporting of three categories of rural mail of all market-dominant classes:

1. Mail between two rural communities where at least one mail processing operation is required;
2. Origin-entered mail all from urban areas to rural communities;
3. Origin-entered mail from rural communities to an urban area not directly served by the nearest mail processing plant.

NNA believes inquiry by the Commission into the capabilities of the existing visibility systems could produce information that the Postal Service presently is capable of measuring First-Class, Periodicals and Standard Mail as well as consumer-entered packages, from randomly-selected 3-digit areas. Much of that mail, with the exception of newspapers, seems to be within measurement already.

Within the time frames expected for Commission decisions, it may not be possible to develop a record sufficient for the Postal Service to illuminate the Commission on its capabilities for measuring rural mail. In that case, NNA would urge the Commission to exercise its authority to open a separate docket focused upon that mail to gather information about the data that could be produced about rural mail from existing systems.

Such information would enlighten NNA about the sources of its mail distribution problems. If, for example, difficulties were rampant in all rural mail regardless of sortations or processing schemes, it would tell NNA that the problems were not solely in the manual handling. If the measurement showed delays in increased travel distances, those problems could be evident in all classes. If certain mail processing plants were less efficient than others, more granular reports might uncover those problems as well. In short, the possibility that what ails NNA newspapers also ails rural mail in general is more than a random guess and NNA hopes the Commission will embark upon a path to examine the problems.

The Postal Service and Commission are mandated under 39 USC (b)(1)(B) to preserve regular and effective access to postal services in all communities, including those in rural areas. The closing and curtailment of retail services and relocation of mail processing facilities have continued during the recent periods of USPS financial distress without regard to section (b)(1)(B). This docket provides an opportunity for the Service and the Commission to learn more about the impact upon rural America from these changes.

Summary

1. NNA observes that existing mail service measurements exclude newspapers and so has little reason to argue for preserving them if USPS has a better system to propose.
2. NNA has hope and expectation that further development of the Postal Service's visibility system will include some newspaper service measurement and that the Commission will continue to express its concern about the paucity of information available about newspaper mail. Therefore, NNA conditionally supports the Postal Service proposal.
3. NNA believes the new visibility system is or will soon be capable of producing systemic data about rural mail service. It urges the Commission to explore development of periodic rural mail reports.

Respectfully submitted,

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