

ORDER NO. 2544

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

Before Commissioners:

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

Service Performance Measurement  
Systems For Market Dominant Products

Docket No. PI2015-1

INTERIM ORDER CONCERNING SERVICE PERFORMANCE  
MEASUREMENT SYSTEMS FOR MARKET DOMINANT PRODUCTS

(Issued June 17, 2015)

On January 29, 2015, the Commission established Docket No. PI2015-1 to consider a Postal Service proposal to develop new internal service performance measurement systems for several of its market dominant products, including products within domestic First-Class Mail, Periodicals, Standard Mail and Package Services.<sup>1</sup>

The Postal Service has indicated that it intends to proceed with the proposed service performance measurement systems for internal purposes by the end of FY2015. It has expressed its preference for also using these new systems for the service performance reporting required by the Commission.<sup>2</sup>

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<sup>1</sup> Order No. 2336, Notice of Request for Comments and Scheduling of Technical Conference Concerning Service Performance Measurement Systems for Market Dominant Products, January 29, 2015.

<sup>2</sup> Responses of the United States Postal Service to Questions 1-16 of Chairman's Information Request No. 1 (Postal Service Response to CHIR No. 1), questions 5 and 9, March 31, 2015.

For the service performance reporting required by the Commission, service performance must be measured by an objective external performance measurement system unless the Commission approves the use of an internal measurement system.<sup>3</sup> Thus, this docket considers whether or not to approve the proposed internal service performance measurement systems for use in providing product level reporting to the Commission.

The Postal Service's proposal remains under development. The latest description associated with the proposed measurement systems, essentially a high-level overview, was filed with the Commission on March 24, 2015.<sup>4</sup> The Postal Service anticipates filing the statistical/operational plans with the Commission sometime in June.<sup>5</sup> The Postal Service anticipates filing the systems' auditing plans sometime in July.<sup>6</sup> When these plans are filed the Commission will have its first opportunity to evaluate how the proposed measurement systems will work and consider the checks and balances that will ensure the reliability and integrity of data. The Postal Service expects to be able to generate service performance data using the new systems by the first quarter of FY2016.<sup>7</sup>

Because the Postal Service's proposal is still in development, the Commission lacks sufficient information at this time to make decisions concerning whether or not the proposed systems will be suitable for reporting service performance to the Commission. This Order provides direction to the Postal Service and interested persons in pursuing a conclusion of this docket.

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<sup>3</sup> See 39 U.S.C. § 3691(b)(1)(D) and (b)(2). Service performance, for the products under consideration, are currently measured using either external or hybrid (combined internal and external) measurement systems.

<sup>4</sup> United States Postal Service, Service Performance Measurement, Revised March 24, 2015, filed March 24, 2015.

<sup>5</sup> Postal Service Response to CHIR No. 1, question 10, March 31, 2015.

<sup>6</sup> Responses of the United States Postal Service to Questions 1 through 4 of Chairman's Information Request No. 3 (Postal Service Response to CHIR No. 3), question 4, May 14, 2015.

<sup>7</sup> Postal Service Response to CHIR No. 1, question 9, March 31, 2015.

First, the Commission will undertake a thorough review of the detailed statistical, operational, and auditing plans that the Postal Service states will be available in the June or July timeframe. These plans are necessary to answer some of the basic questions that the Commission has previously asked concerning how the proposed systems work.<sup>8</sup> After the plans are filed, the Commission will determine whether one or more technical conferences will be necessary to answer questions concerning these plans. The Postal Service should anticipate responding to questions at the technical conferences. This will be followed by an opportunity for interested persons to provide comments.<sup>9</sup>

Second, the Commission will explore whether the measurement systems are consistent with statutory guidance. This guidance establishes as a default option an objective external measurement system. Upon request of the Postal Service, the Commission may consider an objective internal measurement system.

In the case of approving the development of the Intelligent Mail barcode (IMb) based systems, the Commission recognized that the Postal Service's options were limited. There were no measurement systems in place for the applicable products. Furthermore, at that time IMb-based systems appeared to be the only viable alternatives, when considering both costs and expedited implementation.<sup>10</sup>

The External First Class (EXFC) is already in place and producing what appears to be reliable data. The instant proposal would replace the External First Class (EXFC) measurement system. The Postal Service is not basing its current proposal on potential cost savings, nor is it basing its current proposal on any significant data quality improvements.<sup>11</sup>

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<sup>8</sup> Postal Service Response to CHIR No. 3, questions 1 and 3, May 14, 2015.

<sup>9</sup> The need for and scheduling of technical conferences and comment periods will be arranged at a later date after review of the Postal Service's plans.

<sup>10</sup> See Docket No. PI2008-1, Order No. 140, Order Concerning Proposals for Internal Service Standards Measurement Systems, November 25, 2008.

<sup>11</sup> See Letter to Margaret M. Cigno, Postal Regulatory Commission Director, Officer of Accountability and Compliance from Stephen M. Dearing, United States Postal Service Manager, Mailing Information Systems, December 22, 2014.

Third, given that the EXFC measurement system is an operational system that appears to have been producing reliable results for a considerable number of years, the Commission cannot approve a new system until it is similarly operational and verifiable. This may require running the two systems in parallel for a period of time.

For example, test results demonstrating that the EXFC and the new systems generate objective and reliable performance measurements for all affected products over a period of four consecutive fiscal quarters would appear to be an acceptable demonstration.<sup>12</sup> This would include parallel service performance reporting pursuant to 39 U.S.C. part 3055, with the addition of providing data also disaggregated by the first mile, processing, and last mile factors for both systems, as applicable to the specific mail product.

*It is ordered:*

1. The Postal Service shall provide the information described in the body of this Order.
2. The Postal Service shall plan to run the External First Class and internal measurement systems in parallel for sufficient time to ensure the internal system is operational and verifiable.

By the Commission.

Shoshana M. Grove  
Secretary

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<sup>12</sup> For example, reporting over four fiscal quarters may provide an indication that the proposed systems are not affected by seasonality issues. The Commission is mindful that the previously allowed IMb based measurement systems were in development for several years.