September 11, 2015

Ms. Lori Rectanus  
Director, Physical Infrastructure Issues  
Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

RE: VIA EMAIL AND U.S. MAIL

Dear Ms. Rectanus:


The GAO made two recommendations in this Draft Report to the Commission: (1) hold a public proceeding to address how the Postal Service can improve the “completeness” of its delivery performance information; and (2) provide more readily available data and additional analysis of the Postal Service’s delivery performance information.¹ The Commission adopts both recommendations as follows: (1) the Commission is committed to holding a public proceeding to consider the issues raised

by the GAO in the Draft Report; and (2) the Commission already has updated its website to provide instantaneous access to service performance reports and dockets.

However, as described below, the Commission finds portions of the Draft Report unsupported by evidence. Specifically, the Commission disagrees with the GAO's characterization of the Commission's oversight of the Postal Service, the criteria the GAO uses to evaluate delivery performance information, the analytical basis the GAO employs, the GAO's limited review of the record, and the conclusions the GAO reaches to formulate its recommendations.

I. The Commission Objects to the GAO's Characterization of the Commission's Oversight Responsibilities Based on GAO-Created Criteria

As an initial matter, the Commission objects to the GAO's implication that it is not fully successful in meeting its oversight responsibilities. To make such an assessment, an initial inquiry must identify the Commission's statutory responsibilities with respect to measurement of service performance data submitted by the Postal Service. Only then is it possible to assess whether the Commission has met that responsibility. The Commission's responsibility to determine the Postal Service's service performance is specifically outlined in the Commission's governing authority.

The Postal Accountability and Enhancement Act (PAEA) charges the Commission with establishing the methodologies by which quality of service is analyzed, including regulations prescribing the form and content of reports to the Commission and consulting with the Postal Service concerning the establishment of service standards. The PAEA also mandates that the Commission annually review service performance.

The Commission has consistently reported in Annual Compliance Determinations whether any service standards, on a nationwide basis, in effect during the year under

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review were not met. Because of the Commission's reporting, review, and oversight since enactment of the PAEA, all policymakers, including Congress, the President, and postal stakeholders, know whether or not the Postal Service has been meeting its delivery standards on a nationwide basis for all market dominant products.

The Draft Report does not suggest that the Commission has been anything but fully successful in meeting its mission and statutorily required duties as outlined in the PAEA. Instead, the GAO produces an assessment based on GAO-created criteria, rather than the statutory requirements of the PAEA. The GAO then posits that because the Commission has not ventured into areas beyond its clear statutory mandate, regardless of the reasons, it is not providing the oversight mandated by Congress when it passed the PAEA.  

Congress’s enactment of the PAEA in December 2006 created a new system of modern postal rate regulation, including a complementary provision for service performance measurement. In this new statute, Congress delegated authority to the Commission to prescribe, by regulation, how the Postal Service would report on the newly created service performance standards.

The Commission did not formulate its regulations in a vacuum. The PAEA directs the Commission to balance providing the public with “timely, adequate information” with “avoiding unnecessary or unwarranted administrative effort and expense.” This mandate was embraced by the Commission when it proposed the annual service

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4 For example, the GAO suggests the Commission provide trend analysis of service performance results at the sub-national level and provide service performance data specific to rural areas. Draft Report at 20, 22. The PAEA, however, provides for an annual determination of compliance with service performance standards. The Commission, in establishing regulations concerning the Postal Service's reporting, determined that it would measure the Postal Service's attainment of service standards at a national level. See 39 U.S.C. §§ 3652, 3653, 3691; 39 C.F.R. § 3055.2(g). Commission rules require Postal Service reporting at the district, area, and national levels. See 39 C.F.R. part 3055, subpart B. Sub-national data is used to validate national-level data.


performance reporting regulations. The Commission explained that “these proposed rules are being published at a time when the Postal Service is experiencing unprecedented fiscal challenges” and, as such, were “designed to maximize transparency using data sources that either exist now, or are in active development.”

Moreover, the two Commission dockets concerning service performance measurement reporting proceeded under notice-and-comment rulemaking procedures and provided the Postal Service, mailers, and the general public with the opportunity for meaningful participation. In the 5 years since those regulations were issued, no stakeholder has petitioned the Commission to revisit those regulations or otherwise improve service performance reporting. In addition, the statute directs the Commission to review the entire system of rate regulation, including maintaining the service standards established under 39 U.S.C. § 3691, 10 years after its enactment (i.e., commencing in December 2016). The PAEA also requires the Commission to submit a report to the President and Congress by December 2016 on how the entire law is working and any recommendations for improvement.

The Commission recognizes that continual improvement should be the goal of all government agencies. Indeed, rather than restrict this discussion to a single chapter in the Commission’s Annual Compliance Determination, the Commission for the past 2

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10 Docket No. RM2009-11, Order No. 465, Order Establishing Final Rules Concerning Periodic Reporting of Service Performance Measurements and Customer Satisfaction, May 25, 2010; see also 75 FR 38725 (July 6, 2010).

11 See 39 C.F.R. § 3050.11. Since the enactment of these rules, various stakeholders have petitioned the Commission to improve other types of periodic reporting and the Commission has acted on those concerns. See, e.g., Docket No. RM2014-5.


years has chosen to evaluate the Postal Service's plans and progress with the
Government Performance and Results Act in an in-depth report, which has provided a
more thorough assessment of Postal Service performance, including meeting its service
performance goals over time. The Commission's work in the area of service
performance has led to significant improvements.

To reiterate, the Commission has provided strong oversight in order to achieve
the transparency and accountability required by Congress. The Commission objects to
the GAO's statements that by not entering into issues that are unilaterally created by the
GAO, the Commission is not providing the oversight mandated by Congress when it
enacted the PAEA. The Commission acknowledges there are legitimate concerns
regarding the Postal Service's service performance, especially in rural service areas.
The Commission is working with Congress on those issues and is committed to
responding appropriately to the GAO's recommendations. However, in this Draft Report
the GAO simultaneously finds fault with the Commission's regulatory efforts but does
not acknowledge the Commission's statutorily defined regulatory role with respect to
service performance reporting under the PAEA.

II. The Commission Has Provided Strong Oversight of Service Performance
Measurement, Consistent with the PAEA; the Commission Disagrees with the
GAO Over the Significance of Data "Completeness"

The GAO concludes in its Draft Report that the Postal Service's measurement of
service performance is "incomplete because only about 55 percent of market-dominant
mail volume is currently included in measurement."\(^{14}\) According to the GAO,
Commission reports "have not assessed why these measurements were incomplete nor
specified what actions USPS needs to take to achieve complete performance data."\(^{15}\)
As a result of this conclusion, the GAO recommends the Commission conduct a

\(^{14}\) Draft Report at 9.
\(^{15}\) Id. at 16-17.
proceeding focused on data quality and completeness. As indicated above, the Commission is committed to initiating a proceeding to consider the issues raised in the Draft Report. However, as further addressed in the following sections, the Commission strongly disagrees with the basis used to arrive at this recommendation, particularly the GAO's focus on data "completeness," and lack of recognition for the Commission's efforts in improving data quality.

A. The Commission has prompted consistent, continual improvement in the quality of service performance data

The GAO concludes the Commission should initiate a proceeding to improve the quality of Postal Service data. Under section 3652 of title 39, such a proceeding is warranted by statute when it appears "the quality of service data has become significantly inaccurate or can be significantly improved." The Commission sees clear evidence, as explained below, that the quality (i.e., accuracy, reliability, and representativeness) of the Postal Service's service performance data is and has been improving. Specifically, the Commission has observed a decrease in the amount of "uncategorized" mail and an increase in the number of postal districts with enough measured volume to provide meaningful results.

B. The GAO's focus on data "completeness" is not statistically meaningful

The Commission respectfully notes that the GAO's definition of "completeness" is not a meaningful statistical measure. The Commission has not concluded that the "percentage of mail measured" should be the primary determinant of accurate, reliable, or representative service performance data. Instead, the Commission reviews Postal

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16 Id. at 19.
17 Id. at 17-18.
19 In addition, stakeholders have not presented the Commission with any evidence that there is any systematic problem with the quality of data.
Service data using accepted statistical principles that determine whether service performance data are sufficient and service performance results are meaningful.

Sampling fractions, confidence intervals, and margins of error at the district level are the primary factors used by the Commission to determine whether data are accurate and reliable. To illustrate, the Postal Service derives sample sizes at a given reporting level \( n_0 \) for presort First-Class Mail, Standard Mail, Periodicals, and Package Services using the following formula, where \( p \) is the expected on-time rate in the worst-case scenario for a specified mail product; \( d \) is the desired margin of error; and \( z \) is the score corresponding to a selected confidence level:

\[
n_0 = \frac{z^2 p(1-p)}{d^2}.
\]

After estimating sample size per recording level \( n_0 \), the total sample size \( n \) is calculated by multiplying \( n_0 \) by the number of service standard types and postal districts. Next, the sampling fraction \( f \), which is the fraction of mail pieces selected for actual measurement, is determined. The sampling fraction \( f \) is derived by dividing the estimated sample size per recording level \( n_0 \) by population size, where \( N \) is the population size at the mail class level:

\[
f = \frac{n_0}{N}.
\]

In order to estimate the overall mail population in each mail category, the Postal Service uses data on historical mail volumes by class, mail shape level, and 3-digit ZIP Code. Density and overall mail volumes in postal districts vary; therefore to obtain samples of the same size in different districts, sampling fractions in the districts with low mail volumes should be higher than in districts with higher mail volumes. Consequently, only focusing on the “percentage of mail in measurement” as a determinant of service performance data “completeness” is not meaningful from a statistical perspective.
C. The Commission has assessed and issued directives related to data quality

The Commission would like to correct the GAO’s statement that Commission “reports have not assessed why these measurements were incomplete nor specified what actions USPS needs to take to achieve complete performance data.”

1. The Commission has assessed mail exclusions

The Commission has assessed the primary reasons measured mail may be inaccurate, unreliable, or not representative of nationwide performance. These reasons include data not in full-service IMb, uncategorized mail, invalid data, and low district level volumes. Under the Commission’s oversight, the Postal Service has been improving in each of these areas.

Participation in full-service IMb. The Postal Service shifted from a pilot test for IMb measurement to an actual measurement system in the second half of fiscal year 2010. In the Annual Compliance Determination for fiscal year 2010, the Commission noted:

The data yield on both Bulk First-Class Mail and Standard Mail is minimal and must be increased to be useful for measurement purposes. Participation rates and compliance must be increased and progress reports made on a monthly basis to the Commission. The Commission will monitor participation rates. Should growth not continue during this fiscal year, the Commission may review its previous decision to allow the Postal Service to proceed with development of an internal IMb based hybrid measurement system.

In fiscal year 2011, the Commission noted that the pieces in measurement had almost doubled over the year but that some concerns about the reliability of data for

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specific products remained. The Commission warned that “[i]t [was] imperative for the Postal Service to find a reliable way to measure service performance” and the Commission would continue to monitor progress.\(^{22}\) In each of the subsequent 3 fiscal years, the number of pieces in measurement for most products continued to increase. Additionally, the Commission consults with Postal Service leadership on a monthly basis to discuss progress in IMb participation and other issues related to service performance.

**Uncategorized mail.** Mail pieces are uncategorized if the specific product cannot be identified. These pieces are captured in either Mixed Product Letters or Mixed Product Flats categories. In fiscal year 2011, the Postal Service reported that 61 percent of measured Standard Mail letter volume and 91 percent of measured Standard Mail flat volume fell into the Mixed Product categories. The Commission determined that the large quantity of mail pieces categorized as a Mixed Product hindered proper service performance measurement and insisted the Postal Service “work with mailers to obtain the data necessary to accomplish product level reporting in FY 2012.”\(^{23}\) As a result, the Postal Service reported in fiscal year 2012 that it had been working with the mailing industry to revise the documentation requirements for mailers.\(^{24}\) The new system required mailers to document all mail pieces, thereby ensuring proper categorization of each mail piece.\(^{25}\) In the Annual Compliance Determination for fiscal year 2012, the Commission stated that “[i]t is encouraging that measured mix product volumes… have declined significantly…. The effort to properly categorize Standard Mail products should improve the accuracy of service performance measurements.”\(^{26}\)


\(^{23}\) FY 2011 ACD at 73.


\(^{25}\) FY 2012 ACD at 55.

\(^{26}\) Id. at 57.
In fiscal year 2014, the Postal Service reported that 1.4 percent of measured letter volume and 0.1 percent of measured flat volume fell into the Mixed Product categories.\textsuperscript{27} The Commission's attention to this issue spurred the Postal Service's new requirements and increased the accuracy of product level measurement by increasing the volume of identifiable mail pieces and decreasing the volume of Mixed Product categories.\textsuperscript{28}

Data validation. For the annual compliance determinations for fiscal years 2011 and 2012, the Commission expressed concern about the lack of progress towards data reliability for some products. Consequently, in fiscal year 2013, the Commission asked the Postal Service to provide an updated description of the parameters used to determine the reliability of IMb data.\textsuperscript{29} In general, data undergo a series of validation reviews which test for start-the-clock accuracy, address quality, mail preparation, receipt date accuracy, and assurance that the piece originated from and destined to a ZIP Code.\textsuperscript{30}

IMb data passing these validation tests are then assessed to determine whether there are sufficient data to meet the Postal Service's minimum requirements. The Postal Service explained that these requirements include:

- Excluding pieces where the total volume of origin plus destination pieces for a Postal Area is less than or equal to 10,000 for presort First-Class Mail at the service standard group level, Periodicals mail at the Entry Type and service standard group level, Standard Mail at the Entry Type and service standard group level, and Bound Printed Matter Flats at the Entry Type level.

- Excluding pieces where the total volume of measured pieces is less than or equal to 50 pieces for an origin district-destination district combination

\textsuperscript{27} Docket No. ACR2014, Annual Compliance Determination Report, March 27, 2015, at 93 (FY 2014 ACD).

\textsuperscript{28} FY 2014 ACD at 95.


\textsuperscript{30} Id.
for the following: First-Class Mail at the service standard level by shape, Periodicals mail at the basic Entry Type (DDU, DSCF, DADC, DNDC) and service standard level, Standard Mail at the basic Entry Type (DDU, DSCF, DADC, DNDC), shape, and service standard level, and Bound Printed Matter Flats at the basic Entry Type (DDU, DSCF, DADC, DNDC) level.

- Excluding pieces for individual Standard Mail products where the total volume of originating plus destinating pieces are less than 1000 pieces for a district and basic entry type (DDU, DSCF, DADC, DNDC) and excluding pieces where the total volume of originating plus destinating pieces are less than 100 at the district and service standard group reporting level. These are evaluated for each Standard Mail product.31

The Commission has observed continuous, steady declines in the amount of measured mail pieces excluded during this process. Due to this improvement, data reliability has also markedly improved.

District-level volume. Another critical step in assessing whether data are reliable and representative is to evaluate the number of districts that report reliable data.32 The Commission continuously monitors the number of districts that reported service performance results and has noted that for certain mail products or categories the number was low. For example, the Commission found that none of the 67 districts reported results for Bound Printed Matter Flats measured End-to-End service quality in several quarters of fiscal years 2012 and 2013.33

As a result, the Commission directed the Postal Service to "develop strategies to enhance Full-Service mailer participation and increase service performance results."34 In fiscal year 2014, the Postal Service reported results in all 67 districts for all market

31 Id.
32 Id.
34 FY 2013 ACD at 115.
dominant products, standards, and categories including End-to-End Bound Printed Matter Flats.

2. The Commission has issued directives with respect to data quality

The Commission has regularly directed the Postal Service to improve data reliability and accuracy by: (1) increasing full-service IMb participation; (2) increasing measured volumes for mail product categories in districts where the volume measured was insufficient; and (3) increasing the number of districts providing results.35 As a result of Commission directives, factors related to the overall quality of Postal Service service performance data have markedly improved.36

D. The GAO disregards the USPS OIG’s important role

The GAO Draft Report also does not fully consider the important role of the Postal Service’s Inspector General (USPS OIG) with respect to data quality. When Congress enacted the PAEA, it mandated that the USPS OIG—not the Commission—perform the critical task of “regularly audit[ing] the data collection systems and procedures utilized in collecting information and preparing such report [on measures of the quality of service]” and required those audits to be submitted to the Commission.37 When the USPS OIG audited the service performance measurement data for mail measured with full-service IMb in 2012 (the most recent audit conducted), it found the

35 See Docket No. ACR2008, Annual Compliance Determination Report, March 30, 2009, at 44 (FY 2008 ACD); Docket No. ACR2009, Annual Compliance Determination Report, March 29, 2010, at 54 (FY 2009 ACD); FY 2011 ACD at 64-65, 73, 75; FY 2012 ACD at 49-51, 53-57, 61; FY 2013 ACD at 102-103, 105-108, 110-111, 113-115. In certain instances, the Postal Service has withheld service performance data when it did not have the requisite number of mail pieces to provide statistically reliable service performance results.


data to be “generally reliable.” This is another example that data “completeness” is not an issue.

III. The Commission’s Reports are Useful

In its Draft Report, the GAO also comments on the usefulness and transparency of Commission reports on service performance. The GAO does not allege the Commission is deficient in performing its statutorily required duties; rather, the GAO claims that Commission reports regarding other areas of service performance could be more useful to stakeholders. While the Commission recognizes additional analysis may be useful, it is inaccurate to label Commission reports as “not sufficiently useful” when the reports are tailored to current law. In addition, the Commission has gone beyond the requirements of current law by mandating quarterly reporting by the Postal Service, providing district-level trend analysis, and is working with congressional requesters to explore the ability of the Postal Service to isolate rural service performance.

A. Trend data

The GAO comments that “...PRC reports provided little analysis to facilitate an understanding of results and trends below the national level.” The Draft Report acknowledges the Commission provides annual service performance trend data analysis at the national level, but concludes this analysis is not “sufficiently useful for determining variations in delivery performance across the nation.”

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40 Id. at 19.

41 Id. at 19-20.
The Commission uses area- and district-level data that have been validated for reliability, accuracy, and representativeness to: (1) analyze geographic effects of storms; (2) identify districts that routinely report lower than average service performance scores; and (3) compare regional versus nationwide results. For example, the Commission reported in fiscal year 2013 "[t]he Northeast area, especially for the 3-5-day service standard category [for Standard Mail flats], has been a consistent underperformer and is a partial reason for below-target national scores." The following year, which is the most recent Annual Compliance Determination, the Commission conducted several district-level analyses, which: (1) evaluated the impact of severe winter storms; (2) investigated low performing districts in the Northeast area; (3) compared Parcels service performance in Chicago with nationwide results; and (4) highlighted End-to-End Periodicals service performance in the Great Lakes area.

Analysis of data that have not been validated or may not be sufficiently robust, such as quarterly district-level data, could result in misleading or erroneous reports.

B. Data do not currently exist to report separately on rural areas

The GAO states in its Draft Report that the Commission does not separately report service performance data for rural areas. This is correct. Although the Commission has addressed service performance in rural and urban areas in other docketst, it does not separately analyze rural service performance in its Annual Compliance Determinations. Data to perform such an analysis have not been developed because the PAEA and the regulations promulgated thereunder provide for a determination of compliance with service performance standards on a nationwide scale.

42 See FY 2014 ACD at 96-103, 110-112; FY 2013 ACD at 106, 135-142.
43 FY 2013 ACD at 106.
44 See FY 2014 ACD at 96-99, 101-103, 110.
45 Draft Report at 22.
basis. However, the Commission evaluates a special study that, by regulation, it requires the Postal Service to conduct every 2 years, which measures the final delivery service performance to remote locations of Alaska, Caribbean, and Honolulu districts.47

Recently, Senators Heidi Heitkamp and Jon Tester asked the Commission to produce a semi-annual report on rural service performance for market dominant mail.48 In working with Senate staffers and the Postal Service to meet this request, the Commission has discovered several fundamental difficulties with respect to separately reporting service performance results in rural areas. This is not unexpected, given that the service performance measurement systems in place were designed by regulation to produce results at the national level.49

First, there is no consensus definition of "rural." Several government agencies define rural and non-rural, but significant differences exist among the definitions. Second, the Postal Service must determine whether its data correspond with a particular definition of rural. Third, it is unknown whether enough measurable mail pieces exist between particular "rural" areas and other specified areas to provide statistically meaningful results. Fourth and finally, the Postal Service must consider potentially significant costs associated with extracting, compiling, or reporting these data at a more disaggregated and granular level than what presently exists. The Commission, the Postal Service, and the Senate requesters are working collaboratively to better understand the challenges in resolving these issues with the goal of providing the requested information.

47 See 39 C.F.R. § 3055.7; see also FY 2011 ACD at 77-79; FY 2013 ACD at 135-142.
C. The Commission has updated its website in response to the GAO’s recommendation

The GAO is also critical of the Commission’s website, noting that information is in multiple locations. In response, the Commission agrees that information it receives and produces regarding performance measures for the Postal Service can be better organized, and has updated its website in response to the GAO’s recommendation. A menu item on the homepage of the Commission’s website titled “Reports/Data Service Reports” has been adjusted to allow instantaneous access to service performance related reports and dockets.

Under this tab, visitors to the Commission’s website can locate all Annual Compliance Determination reports since inception in 2007, Commission analysis of Postal Service fiscal year program performance and performance plans, rulemaking and public inquiry dockets related to service performance, and periodic reports on service performance filed with the Commission by the Postal Service. While these website changes will make navigation easier, all of these reports have been consistently issued widely to the public and postal stakeholders, including a request in the recent Annual Compliance Determinations seeking feedback from users on how reporting could be improved or made more useful.

Lastly, the Commission notes that the GAO’s recommendations should be directed towards the Commission rather than to the agency’s Acting Chairman. Although the Acting Chairman serves as the principal executive officer of the Commission, neither he nor any other Commissioner has the power to exercise unilaterally the Commission’s statutory authority. This authority resides with the Commission’s five Commissioners.

50 Draft Report at 22.
In closing, the Commission appreciates the opportunity to offer comments on this Draft Report and the recommendations contained within. The Commission is committed to continual improvement and consequently has already acted upon, and is committed to implementing, the GAO's recommendations. The Commission also appreciates the constructive dialogue that the GAO has provided in discussing the Draft Report. The Commission strongly urges the GAO to substantially revise its Draft Report to correct the issues and inaccuracies identified in these comments.

With best wishes, I am

Sincerely yours,

Robert G. Taub
Acting Chairman
Postal Regulatory Commission