

COMMENTS OF THE POSTAL REGULATORY COMMISSION
ON MODERN SERVICE STANDARDS FOR
MARKET DOMINANT PRODUCTS

(November 16, 2007)

Section 301 of the Postal Accountability and Enhancement Act (PAEA), 120 Stat. 3218, requires the Postal Service, in consultation with the Postal Regulatory Commission (Commission), to establish by regulation a set of modern service standards for market dominant products by December 20, 2007.¹ The Postal Service published its proposed modern service standards for its market dominant products, requesting comments by no later than November 16, 2007. 72 Fed. Reg. 58946, October 17, 2007 (to be codified at 39 C.F.R. Parts 121 and 122). The Commission hereby submits its comments on the proposed modern service standards.

I. Statutory Standards

The modern service standards required by 39 U.S.C. § 3691 are to be designed based on certain objectives, *e.g.*, preserving regular and effective access to service in all communities, and providing delivery reliability, speed, and frequency consistent with reasonable rates and best business practices. The Postal Service's performance in achieving the service standards adopted is required to be measured by an objective external measurement system, unless the Commission approves the use of an internal measurement system. See 39 U.S.C. § 3691(b). In addition, the service standards are intended to reflect numerous factors, including the degree of customer satisfaction with

¹ Section 301 of the PAEA is codified at 39 U.S.C. § 3691.

the Postal Service's performance, and the needs and cost of serving Postal Service customers. 39 U.S.C. § 3691(c).

Within six months of establishing the modern service standards, the Postal Service is required to develop a plan, in consultation with the Commission, for meeting those service standards and submit it to Congress.² Among other things, the plan shall establish performance goals.

II. DEVELOPING SERVICE STANDARDS AND PERFORMANCE MEASUREMENT SYSTEM

To assist it in the consultative process, the Commission solicited public input in multiple forums. An open joint summit with the Postal Service was convened shortly after passage of the new law. Later, in conjunction with its rulemaking proceeding in Docket No. RM2007-1, the Commission held field hearings in locations throughout the country to hear comments from a broad cross-section of the mailing community. See PRC Order No. 19, June 8, 2007. At the hearings, which were held in Wilmington, Delaware, Kansas City, Missouri, and Los Angeles, California during June and July 2007, the Commission heard from representatives of all classes of mail and engaged in a dialogue with panelists regarding issues arising under the PAEA. The Commission also initiated Docket No. PI2007-1 to elicit a broad spectrum of opinion designed to inform Commission consultation regarding service standards and performance measurement under the PAEA. PRC Order No. 21, June 13, 2007. Thirty-four sets of comments were filed by a diverse group of mailing interests, representing virtually all market dominant products and including retail and commercial mailers, employee organizations, and the interests of the general public. These outreach initiatives provided valuable input to the Commission from the mailing industry regarding service issues and, more broadly, the development of implementing regulations under the PAEA.

² PAEA section 302, 120 Stat. 3219 (2006).

The consultation process itself began in May 2007, continuing monthly thereafter until concluding in October 2007.³ The discussions addressed the Postal Service efforts to develop modern service standards, measurement systems, customer input, and data reporting requirements. These frank and fruitful discussions were characterized by useful give-and-take exchanges between the Postal Service and the Commission.

In early September 2007, the Postal Service circulated a preliminary draft proposal to the Commission outlining its proposals for service standards and service performance measurements. The Commission responded to the draft proposal, expressing concerns with certain proposed service standards, *e.g.*, days-to-deliver standards to non-contiguous states and territories.⁴ The bulk of those comments dealt with issues concerning the proposed service performance measurement system, including, for example, the granularity of the data to be reported, start- and stop-the-clock events, tail-of-the-mail details, and reporting on special services. In addition, following a subsequent briefing by MTAC workgroup 114 concerning its final recommendations report, the Commission supplemented its earlier response, urging the Postal Service to present mailers with the full details of its proposed service standard adjustments to ensure that mailers were under no misconception regarding the proposed service standards and advocating an annual review of the standards and measurement system.

Before offering its specific comments on the proposed service standards, the Commission commends the Postal Service for its comprehensive efforts to develop service standards that satisfy customers' needs for reliable, realistic, and attainable

³ Even earlier than that, however, the Postal Service provided informal informational briefings to the Commission concerning service standard issues. In addition, the Commission staff monitored regular meetings of Mailer Technical Advisory Committee (MTAC) workgroups developing recommendations on service standards and measurement systems.

⁴ In our initial comments, we defined "service standards" to mean the class-specific 3-digit ZIP Code to 3-digit ZIP Code days-to-deliver standards the Postal Service attempts to achieve.

delivery service standards. The Postal Service's approach to developing modern service standards reflects thorough and thoughtful consideration of relevant concerns. Among other things, it examined current operations and existing measures of customer satisfaction; it solicited input from mailers, and union and management organizations; it consulted with MTAC; it kept the Commission informed through the consultation process, taking into account concerns expressed by the Commission; it applied best business practices; and finally, and perhaps most importantly, the Postal Service was guided by the governing principle that customers' reasonable needs be met.⁵ Management has devoted considerable resources and attention to the task and, in a brief span of time, has developed a reasonable initial set of service standards to achieve the PAEA's goals of reliable, predictable, and efficient service.

III. PROPOSED SERVICE STANDARDS

As published in the *Federal Register*, the Postal Service's proposed rule focuses exclusively on the proposed service standards for market dominant products. It does not discuss, other than in passing, the performance measurement systems to be employed.⁶ With respect to that issue, consultation with the Commission continues. It is the Commission's expectation that the public will be afforded an opportunity to comment on proposed service performance measurement systems. Turning to the proposed service standards, the Commission has the following comments.

⁵ The Postal Service's cooperative approach is evidenced by its willingness to further collaborate with a mailing industry workgroup to explore the needs of mailers requesting "in-home" delivery dates. In addition, it has indicated a willingness to consider the issue of seasonal service standards during the process of establishing performance goals. 72 Fed. Reg. 58966, October 17, 2007.

⁶ See *id.* at 58964. The narrative appears to suggest that details regarding the performance measurement systems will be included in a report to Congress due no later than June 20, 2008. In its preliminary draft proposal, the Postal Service's proposed service standards and performance measurement systems were discussed jointly.

A. Service to Non-Contiguous Areas

The proposed days-to-deliver standards for mail to and from addresses in the states of Alaska and Hawaii, and the territories of Guam, Puerto Rico, and the U.S. Virgin Islands, are intended to reflect current network capabilities. As discussed in its initial comments, the Commission appreciates that service to and from non-contiguous areas presents significant challenges. While available transportation appears to be a limiting factor in the extended delivery day ranges, further review may permit the Postal Service to shorten that range for origin mail to/from the 48 contiguous states at reasonable cost. For example, offshore and onshore cities linked by direct air transportation may be candidates for improved delivery day standards. Similarly, there may be alternative surface transportation options that have not been sufficiently explored which might shorten the delivery day ranges for mail transported by surface vehicle. Such efforts may pay eventual dividends in terms of better mail service to and from non-contiguous states.⁷ Prompt mail service continues to have an important role in binding these areas to the Nation. Accordingly, the Commission encourages the Postal Service to examine ways in which the days-to-deliver standards may be improved at reasonable cost.

B. Inbound International Mail

Consistent with its suggestion in Docket No. RM2007-1 that inbound international mail not be treated as a product or otherwise be classified within the Mail Classification Schedule, the Postal Service did not propose service standards for such mail. Since, in a subsequent order, the Commission did not adopt the Postal Service's suggestion, the

⁷ Each non-contiguous state or territory presents unique logistical challenges, including the availability of economical transportation options. By referencing origin mail to/from the 48 contiguous states, the Commission is focusing on that segment of offshore mail where transportation options may be more generally available and thus offer the possibility of shortening the delivery day ranges.

final rule should clarify that class-specific service standards are applicable to inbound international mail. See PRC Order No. 43, October 29, 2007, at 81-86.

C. Periodic Review

In its September, 2007 preliminary draft proposal, the Postal Service indicated its intent to initiate periodically an omnibus review of service standards for market dominant products. In its supplemental comments, the Commission endorsed MTAC's similar recommendation favoring annual review to assess the continuing viability of the service standards. The discussion in the *Federal Register* indicates that the Postal Service "intends to place a high priority on annual internal review of the standard day ranges and business rules" and may, in its discretion, solicit comment regarding current or proposed standards. 72 Fed. Reg. 58967, October 17, 2007. The Commission believes that the commitment to include customer input in the annual review process needs to be more explicit.⁸

The process used to develop the initial service standards has by all accounts worked well and would appear to be a useful template for periodic review of the service standards. The issue is not what the Postal Service is required to do, but rather what best business practices might suggest as most appropriate. Plainly, as experience with the new standards is gained and the mail processing network changes over time, periodic review of the standards is imperative if the Postal Service is to fulfill its statutory duty to provide prompt, reliable, and efficient mail services to patrons in all areas. Engaging interested stakeholders in the process is in the best long-term interests of all concerned, including, we believe, the Postal Service. That very process has produced proposed service standards that reasonably balance the needs of various constituencies. These standards represent a solid beginning or, in the Postal Service's

⁸ The Postal Service notes that the service standards established through the consultative process under section 3691 should be considered as establishing a baseline for any subsequent service standards, which, if proposed, could be subject to the requirements of section 3661. 72 Fed. Reg., October 17, 2007, at 58946, n.1.

parlance, “a baseline for any subsequent service changes.” *Id.* Based on a consideration of all relevant facts, the Postal Service can determine whether the review should initially be done annually or less frequently. The Commission strongly encourages the Postal Service to reiterate in the final rule its intention to conduct periodic omnibus review of the service standards to include consultations with interested stakeholders.⁹

D. Miscellaneous Matters

Forwarded mail. Although important work remains to be done with respect to performance measurement systems, the proposed service standards represent a good, pragmatic beginning to meeting customers’ needs for reliable, consistent, and attainable delivery service standards. The Commission recognizes that the relatively short period allotted for establishing these regulations forecloses, as a practical matter, full consideration of all service-related issues. One such area, which the Commission touched on in its earlier comments, involves standards for mail that is forwarded or returned. The proposed rules do not address this issue. Since approximately 43 million people move each year (17 percent of the Nation’s population), the issue is not insignificant.¹⁰ Timely processing of forwarded mail is a pressing issue for many mailers. Consequently, the Postal Service should devote resources soon to this issue in an effort to develop suitable standards.

Retail service. A second area, also mentioned in our earlier comments, concerns the general public’s access to postal services, *e.g.*, wait times for window services, collection box pick-up times, and availability of post office boxes. Among other things, the service standards are intended to preserve regular and effective access to postal

⁹ To be clear, we are not recommending that limited changes in service standards be subject to the same process. The Postal Service should continue to address changes of limited scope as it has traditionally done. In any event, it always may request an advisory opinion under section 3661; however, periodic consultations should make such proceedings less adversarial.

¹⁰ See MTAC Workgroup 114, Final Recommendations Report, September 24, 2007, at 25.

services in all communities. 39 U.S.C. § 3691(b)(1)(B). The general public's access to postal services is often the basis of their perception of the service provided. Retail services are an important component of the customer experience with the Postal Service, whether the customer purchases a market dominant product or not. Accordingly, the Postal Service is encouraged to establish standards for wait times consistent with best business practices of private industry firms that serve the general public.

Special services. The proposed rules include service standards with respect to 11 special services. 72 Fed. Reg. 58963, October 17, 2007. Many of these involve the availability of delivery scan information for which the proposed standard is within 24 hours of the scan.¹¹ The within 24 hours standard appears to be too expansive. Notification of the delivery scan should be achievable sooner. The Commission would expect that, once experience is gained with the proposed standards, the Postal Service will narrow the delivery scan standard to realistically achievable results, something considerably closer to real-time.¹² No service standards are proposed for the remaining special services. For purposes of establishing initial service standards, the Postal Service's rationales for not doing so are acceptable. *See id.* at 58964. Nonetheless, should experience prove otherwise, revisiting the issue may be appropriate.

Availability of service standards. Public access to the service standards should be facilitated in two respects. First, the proposed rules themselves, 39 C.F.R. Parts 121 and 122, are, to say the least, dense. The utility of these rules would be enhanced considerably if they include tables depicting service standards by class (or product)

¹¹ This standard also applies to Confirm service, although it is not intended to abrogate existing individual Confirm service agreements that may provide a different frequency. *Id.*

¹² Perhaps this is what the Postal Service means by the phrase "objective expectation of availability" when referring to standards for various types of scans. *Id.*

instead of only a narrative.¹³ Thus, the final rules should contain the tables setting forth current service standards.

Second, the Postal Service notes that customers interested in determining service standards between specific ZIP Code pairs may access the following Internet link: <http://ribbs.usps.gov/svcstandardsprop>. 72 Fed. Reg. 58953, October 17, 2007. The standards, once adopted, should be widely publicized and easily available through the Postal Service's website. The Postal Service should rightly be proud of its service standards and, it is hoped, its performance in achieving those standards. Consumers have the right to know by product the service that can be expected for the rates paid. Accordingly, the service standards by product for service between specific ZIP Code pairs should be readily available through the Postal Service's website.

For the Commission:

Steven W. Williams
Secretary

¹³ Presumably, the Domestic Mail Manual would also contain tables depicting the service standards by product.