

**BEFORE THE
UNITED STATES POSTAL SERVICE
WASHINGTON DC 20026-3280**

MODERN SERVICE STANDARDS FOR)
MARKET-DOMINANT PRODUCTS)

**COMMENTS OF NATIONAL POSTAL POLICY COUNCIL
(November 16, 2007)**

The National Postal Policy Council (“NPPC”) respectfully submits these comments in response to the Notice of Proposed Rule published by the Postal Service in *Modern Service Standards for Market-Dominant Products*, 72 Fed. Reg. 58946 (October 17, 2007) (“NPR”).

NPPC very much appreciates the opportunity to comment on the proposed rules. The quality and consistency of mail service performance greatly affect the value of the market dominant postal products used by NPPC members. NPPC members have been active participants in Mailers Technical Advisory Committee (“MTAC”) Workgroup 114, *Establish Service Standards and Measurement*. NPPC also submitted comments to the Postal Regulatory Commission in Docket No. PI2007-1, *Service Standards and Performance Measurement For Market-Dominant Products*.

The Postal Service merits praise for both the degree of thought and analysis reflected in the proposed rules, as well as the time devoted by the Postal Service to solicit the views of its stakeholders. Moreover, the proposed rules are generally consistent with the standards proposed by MTAC Workgroup #114 in its *Final*

Recommendations Report of September 20, 2007. In several important respects, however, the proposed rules are incomplete or at odds with the public interest. NPPC is particularly concerned about:

1. The absence of any service standards for the *consistency* of mail delivery—including standards governing the volume and time distribution of the “tail of the mail” beyond the delivery standard.
2. The absence of standards for Critical Entry Times (“CETs”).
3. The failure to disaggregate service standards and performance measurement by mailpiece shape.
4. The absence of service standards for Caller Service.
5. The absence of service standards for Address Change Service.
6. The absence of any procedures for review of changes in business rules such as changes in the three-digit ZIP Code origin/destination pairs falling within a particular delivery standard.

We discuss each item in turn.

I. SERVICE STANDARDS FOR FIRST-CLASS MAIL AND STANDARD MAIL

A. Standards For Consistency Of Service, Including The “Tail Of The Mail”

A major shortcoming of the proposed rules is the omission of standards for the *consistency* of service—particularly the volume of mail delivered each additional day after the delivery date specified by a standard (the “tail of the mail”). MTAC

Workgroup 114 repeatedly noted the importance of service consistency in its *Final Recommendations Report*:

Consistency of delivery is at least as important to business mailers as speed of delivery, and more important for some products (such as Standard Mail).

The workgroup recommends that the USPS establish, in addition to on-time performance goals and measurement of performance to service standards, secondary performance goals and measurement of service consistency.

MTAC Workgroup 114, *Final Recommendations Report* at 2.

Within First-Class Mail, inconsistent delivery of bills and bill payments can result in “late charges, monetary interest rate increases, credit rating deterioration, or other negative consequences” for consumers and other debtors; damage the reputation of the creditor “or the Postal Service or both”; and serious disruption of a small business’s cash flow. *Id.* at 23. For creditors, “the delay of outgoing bills and return remittances has a very real cost . . . in terms of lost interest, interest that the customer is unlikely to be able to captures since the funds needed to cover a check that has already been mailed are usually already in a non-interest bearing account.” *Id.* at 24. The “longer the tail of the mail (the time it takes to complete delivery of virtually all of a day’s mail) the greater the cost to both businesses and their customers of using the mail.” *Id.*

Inconsistent mail delivery times cause particularly acute problems for the remittance mail industry. Every additional day that a remittance transaction remains undelivered imposes an equal additional cost on the addressee, based upon the size of the payment and the collecting firm’s cost of capital. Additionally, bill

payers generally hold the payment processor responsible for any delays in payment posting that cause late fees, interest rate increases, credit rating deterioration, or other negative consequences—whether the actual cause was within the payment processor’s control or not. In particular, many bill payers time the release of payment with expectation of mail performance and have little forgiveness for deviation. The remittance industry needs a performance measurement system that distinguishes the distribution of late delivery by days of lateness.

MTAC Workgroup 114 also noted the harms of inconsistent delivery of Standard Mail:

Standard Mail that is delivered prior to, or later than, an expected service standard date (or date range) harms the product user’s marketing/communication events and diminishes all of a businesses’ surrounding supply chain and consumer end-user activities. . . . Standard mail must be delivered in a timely and consistent manner to the end customer according to published standards, in order to remain a viable growth product for its users and the Postal Service, and to remain competitive with alternative advertising media.

MTAC Workgroup 114, *Final Recommendations Report* at 34. Indeed, “early delivery can be as harmful and disruptive as late delivery for Standard Mail product users.” *Id.* at 35.

Credible public data on service consistency help the Postal Service maximize service consistency and help mailers mitigate the harms of inconsistent service. For these reasons, the Postal Service should also establish service standards for the *variance* from the target delivery day—particularly for the portion of the mail that is delivered late (the “tail of the mail”). The approaches recommended by MTAC Workgroup 114 are reasonable: the service standards should specify not only a

target delivery date or range but also “the total time it takes to complete delivery of nearly all (99%) of the mail in each service.” *Id.* at 24; *see also id.* at 16 (“Supplemental performance goals to improve consistency could be that 99% of the mail for overnight service be delivered within 2 days; 99% of the mail for 2-day service areas be delivered within 4 days, etc.”).

B. Standards For Critical Entry Times (“CETs”)

The proposed standards also lack standards for critical entry times (“CETs”). A critical entry time is the latest time a postal facility will accept a particular type of mail “in order to undergo the processing and/or dispatch to downstream operations necessary for delivery within the service standard for that mail.” 72 Fed. Reg. at 58949, col. 2. CETs should be specified, and changes in CETs should be subject to the same review process as changes in delivery times.

The final report of MTAC Workgroup 114 stressed the critical link between CETs, service standards, and service performance measurement:

CETs are of paramount concern to all product users, many of whom build their mail preparation and entry models around achieving USPS CETs. The CET is an integral part of determining the service standard in that the mail must be entered before the CET in order to achieve that standard. . . . *Changes in CETs are, effectively, a change in service standards.*

MTAC Workgroup 114, *Final Recommendations Report* at 2 & 16.

This is a significant issue. Large mailers can generate tens of thousands of pieces of mail in an hour—for some mailers close to a hundred thousand pieces. A five hour advance in the CET change could amount to a one-day delay in delivery

for several hundred thousand pieces of mail each day from such a mailer. Unfortunately, there exist today no centralized standards for CETs, no procedures for mailer comment on proposed changes in CETs by individual facilities, and no single location where mailers may obtain current CET data for all Postal Service facilities. *Id.* at 16-17.

The final report of MTAC Workgroup 114 recommended the following standards and procedures for CETs for all products of mail:

1. For CETs established by local postal facilities, an oversight process should be established to ensure that CETs are not arbitrarily changed, that customers are provided with adequate notice of changes in CETs, and that the needs of customers entering mail at the facility are taken into consideration in establishing/changing CETs.
2. A new, focused MTAC workgroup should be formed to address CET issues and obtain industry feedback to be considered in the development of national standardized CETs for Standard Mail and Package Services.
3. The Postal Service should provide customers with an easier means—preferably a software/web tool—to obtain CETs for any facility in the network.
4. The CET also must be tied to service performance measurement systems to calculate when performance has met the applicable service standard.
5. CETs should not change without prior notice, and any changes should be specifically addressed in whatever periodic review,

annual, biannual, etc., of service standards and the Postal Service's performance in achieving those standards.

MTAC Workgroup 114, *Final Recommendations Report* at 17, 20, 29.

The Postal Service has indicated that it intends to establish national standardized CETs for Standard Mail and Package Services in a submission to Congress and the Commission in mid-2008. *Id.* at 17. Without knowing the actual terms of the proposed CETs, however, mailers cannot comment knowledgeably on the practical implications of the delivery standards proposed by the Postal Service in this rulemaking. Moreover, appropriate standards and procedures for the establishment and modification of CETs are even more crucial for First-Class Mail, which is generally more time-sensitive. Accordingly, we urge the Commission to solicit and consider public comments on specific standards and procedures for CETs *before* establishing final delivery standards.

C. Disaggregation Of Performance Measurement Reporting By Shape

Another shortcoming of the proposed service standards is the Postal Service's apparent intention not to report on service performance separately by mailpiece shape. The Postal Service suggests that separate standards would be inappropriate because all mail designated by the same product name "receives the same particular service standard day to a given 3-digit ZIP Code origin-destination pair, irrespective of mailpiece shape or level of mailer presortation." NPR, 72 Fed. Reg. at 58947 (col. 2) and 58949 (col. 1). Different shapes within the same class, however, are processed on different equipment. The resulting differences in mail flows and

productivities may very well lead to differences in actual service performance. Unless performance data are separately compiled and made available to mailers for each shape, shape-specific differences in performance will evade public scrutiny and potential remedy.

Accordingly, the final report of the MTAC 114 working group recommended that “service performance measurement data be broken out by mailpiece shape . . . so that the data becomes more actionable for the USPS and business customers in terms of pinpointing processes that contribute to service issues.” MTAC Workgroup 114, *Final Recommendations Report* at 24. Given the relatively modest additional cost of establishing a data collection protocol that disaggregates actual service performance by shape, there is not legitimate justification for not disclosing shape-related differences in performance reports.

II. STANDARDS FOR SPECIAL SERVICES

A. Caller Service

The Postal Service also should adopt a separate performance standard for Caller Service. Caller Service “provides an alternative means of receiving properly addressed mail at a postal facility call window or loading dock, at times arranged between the recipient and the postal facility.” 72 Fed. Reg. at 58962, cols. 2-3; *see generally* DMM 508.5.0 *et seq.* Pickup times “often vary from posted Post Office Box section ‘uptimes’ and many Caller Service customers arrange for multiple pickups on a given day.” *Id.* at 58964 col. 2.

The speed and reliability of Caller Service is especially critical to payment processors—i.e., companies that receive and process remittance mail. Remittance mail is mail containing a payment, usually by check, and mailed by a consumer or other debtor to the billing address of a creditor via First-Class Mail. For the USPS, remittance mail under the strict definition above represents about twenty percent of total First Class Mail volume. However, the USPS tends to view the industry under the wider perspective of bills and statements mailed, payments mailed, and customer inquiry and dispute resolution correspondence. Under this more liberal definition, the USPS believes that this industry may account for just under half of First Class Mail. In any day, there is conservatively at least \$20 billion of commerce in transit.

Each day of additional delay in the delivery of remittance mail imposes direct and measurable costs on the businesses that receive and process it. The costs of an additional day of delay include the amount of each delayed payment multiplied by the cost of capital of the collecting firm. Other costs are likely to include damage to the reputations of the debtor, creditor and collecting firm, as well as the Postal Service itself.

Another critical element of Caller Service, particularly for remittance mail processors, is the hourly distribution of the volume of remittance mail made available for pickup by subscribers to Caller Service *within* each 24-hour day. Because the payments contained in remittance mail are typically checks, collecting party typically must deliver the paying bank before the transfer of funds occurs. The delivery of checks is undergoing profound evolution currently in the banking

industry, but physical delivery is still a widely utilized practice. The transportation for much of this does not occur during so-called “normal” banking hours, but occurs in late evening and early morning hours. For this reason, payment processing is usually performed both on weekends and on multiple shifts during the processing day. Many processors perform the function constantly, including holidays. Hence, the hourly time distribution of the receipt of remittance mail can have a huge impact on the collecting institution. A bulge of incoming mail made available to a remittance mail processor at the end of a day imposes far greater staffing requirements on the processor than the same volume of incoming mail made available for pickup in several smaller increments throughout the day.

The Postal Service asserts in its NPR that establishment of service standards for Caller Service is “infeasible” because “there is no one posted daily ‘uptime’ standard by which all Caller Service, either system wide or at a particular post office, is established.” 72 Fed. Reg. 58964, col. 2. While the premise of this statement is correct, the conclusion is not. The final report of the MTAC 114 working group proposed a number of sensible standards and performance goals for Caller Service. MTAC Workgroup 114, *Final Recommendations Report* at 90-92. The Postal Service should establish standards along these lines.

B. Standard For Processing Change-Of-Address Requests And PARS-Identified Forwards.

The Postal Service should also establish a service standard for address changes, both manual and automated. Slow or unpredictable implementation of (1)

change of address requests by customers and carriers and (2) PARS-identified forwards harms mailers, consumers and the Postal Service:

Timely Postal Service processing of customer COA requests and forwarded mail is of critical import to many businesses. Updating address lists with change-of-address information is not only essential to maintain and further business relationships but is also required to obtain discounted rates. Moreover, businesses often bear the brunt of customer complaints when valued mail is not delivered in a timely fashion at their new address. For the Postal Service, improving the accuracy of updating addresses and processing forwarded mail can eliminate thousands of misdirected mailpieces to each address, thereby minimizing customer complaints.

MTAC Workgroup 114, *Final Recommendations Report* at 25. MTAC Workgroup 114 recommended specific service standards for Change of Address data entry service, PARS-identified forwards service, and carrier-identified forwards service. *Id.* at 26-28.

For reasons that are unclear, the Postal Service did not establish performance standards for these services. We respectfully request that the Postal Service reconsider this decision.

III. PROCEDURES FOR NOTIFICATION AND REVIEW OF FUTURE CHANGES IN SERVICE STANDARDS.

MTAC Workgroup 114 also recommended that major changes in service standards should be preceded by a regularly scheduled review process, enhanced notification to mailers, and opportunity for consultation with the Postal Service. MTAC Workgroup 114, *Final Recommendations Report* at 79-80. For “routine” or “minor” changes in service standards—e.g., the upgrading or downgrading of the delivery standards for particular 3-digit origin-destination ZIP Code pairs—the

Postal Service should provide mailers with advance notice that is timely, detailed and readily accessible. *Id.* at 78.

In its proposed rules, however, the Postal Service appears to contemplate providing advance notice as a matter of course only when the contemplated change in service standards is at least “substantially nationwide” in scope under 39 U.S.C. § 3661. 72 Fed. Reg. at 59867, col. 2. Otherwise, notice and opportunity for public comment of service changes will occur only when the Postal Service, “at its discretion,” chooses to solicit such comment. *Id.*, cols. 2-3.

The Postal Service should allow public comment on major changes in service standards, whether “substantially nationwide” in impact or not, as a matter of course. The Postal Service should also adopt the recommendations of MTAC Workgroup 114 for “minor” changes in service standards:

[E]ven changes in service standards which the USPS may consider to be “minor” can have a profound impact on certain constituencies whose operations and processes are designed around the existing service standards for a specific geographic area. For example, remittance mailers often determine the location of their processing centers due to the service standards/performance of the postal facility for that region. ZIP Code realignments or changes in service standards for that postal facility could severely negatively impact the remittance mailer.

Id. at 78.

CONCLUSION

For the foregoing reasons, and those set forth in the final report of MTAC Workgroup 114, NPPC respectfully requests that the Postal Service adopt service standards consistent with these comments.

Respectfully submitted,

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