

**MTAC Workgroup 114**  
**Service Standards and Measurement for Market-Dominant Products**  
**Feb 21, 2007 Meeting Minutes**

**Introduction**

Linda Kingsley, USPS Senior Vice President of Strategy and Transition, welcomed participants to the first meeting of MTAC workgroup # 114, Service Standards and Measurement for Market-Dominant Products.

Ms. Kingsley noted that the Postal Accountability and Enhancement Act (PAEA), which was enacted in December 2006, requires the Postal Service to establish service standards and measurements for its market dominant products. The USPS has decided to use the Mailers Technical Advisory Committee (MTAC) to work with mailers to form recommendations that will be advanced at the Postal Regulatory Commission (PRC). She said the USPS also wants to outreach to mailers through other venues and asked the workgroup participants to provide suggestions on that process. The targeted completion for the workgroup is September 20, 2007, and the workgroup's recommendations then would be handed off to the Postal Regulatory Commission for formal review.

Ms. Kingsley noted that today's meeting is to provide all the workgroup participants with a baseline understanding of the Postal Service's existing service standards for each class of mail. She said it has become apparent that there are many different terms used and understanding of those terms, which causes confusion and leads to different assumptions. Today's meeting, in part, will focus on understanding the USPS' existing standards, what the law says in terms of external versus internal service measurement performance (and the definitions thereof), and an update on the Postal Service's Intelligent Mail initiatives as they relate to performance measurement.

Ms. Kingsley cautioned participants not to duplicate efforts of other MTAC workgroups that may be working on related tasks – such as the seamless acceptance initiative. The focus of this group should be on service standards and measurement systems.

Bill Galligan, USPS Senior Vice President of Operations, also welcomed the workgroup. He said the group's work can be divided into two basic components. The first is the recommendations for the Postal Service's service standards. He noted that the existing service standards, which have been subject to some criticism, were set up in the 1970's, and were built around the Bulk Mail Center (BMC) network, which is still in operation today. Although the USPS is working under the legacy of end-to-end service standards from coast to coast, Mr. Galligan said, trucks still move across the country at the same speeds as they did then. He suggested that the existing service standards structure could serve well, although it could be tweaked.

The second issue, Mr. Galligan said, is that of entry guidelines, which he acknowledged have changed significantly since the 1970's due to heavy penetration at the destination entry level (e.g., drop ship entry to the DBMC, DSCF, DDU). The USPS several years ago began publishing service "guidelines" based on drop ship entry. He said the workgroup will need to explore how best to align the existing standards and guidelines.

Once the service standards are developed, Mr. Galligan said, the real challenge is the measurement system because that is enormous. How do you measure 600-700 million pieces of mail a day? The Postal Service does that today in terms of some systems, such as EXFC for public First-Class Mail deposited in collection boxes. He said it is a good system which serves the USPS well, but it does not measure other mail classes or other First-Class Mail.

Setting the right measurement system at the right cost, Mr. Galligan emphasized, is something that has to be explored from every possible direction. Think about Standard Mail, Mr. Galligan suggested, in that the Postal Service has the ability to leverage its automation infrastructure and Intelligent Mail Barcode. The USPS would push for an "internal" system there, he suggested, which used passive data collection versus an external measurement system like EXFC which would add significant costs.

This workgroup will be wrestling with many issues, Mr. Galligan cautioned, including whether measurement data should be sample versus census. He noted that the Postal Service moved away from paying an external service provider for sampling and moved internally to leverage Delivery Confirmation data and get census counts on Priority Mail.

Mr. Galligan said that the first challenge – the service standards – he feels can be dealt with more efficiently. Should there be a seasonal aspect to the USPS' service standards, he suggested, because in the fall mailing season there are days the USPS accepts volume entry of flats well over its capacity? The service standards could be rigid at 48 hours, for example, but how many more machines and space would the USPS need to meet that standard in the month of October, he suggested. Or would the USPS disappoint its customers in terms of service standards during that peak volume mailing season... He summarized that there are opportunities and issues for the workgroup to explore and many things to consider.

Jim Bowler, MTAC Service Measurement and Improvement Track Co-Chair, also welcomed the participants, noting that this workgroup will have a different structure and mandate than previous MTAC efforts looking at these issues, so hopefully it will be successful. He said that even though the USPS is mandated to get the work done, industry needs to focus.

## **Workgroup Overview**

***Workgroup Mission.*** A brief review of the workgroup's issue statement was provided, which is as follows:

"The Postal Accountability and Enhancement Act (P.L. 109-435) requires the Postal Service to establish a set of service standards and a system of objective performance measurements for market dominant products. The proposed work group will be tasked with working in consultation with the Postal Regulatory Commission to meet the requirements of the law.

*Desired Results:* The workgroup will develop recommendations on service standards and potential measurement systems that effectively measure the service performance at the lowest combined costs to both the USPS and industry. Market-dominant products include: " First-Class Mail " Periodical mail " Standard mail " Single-Piece Package Services.

*Targeted Completion Date:* September 20, 2007

***Workgroup Structure.*** The main workgroup co-chairs were introduced: Kathy Siviter, PostCom, and Jeff Lewis, USPS Manager of Pricing and Policy.

The main workgroup will be divided into four subgroups, each with an industry and USPS co-chair. The subgroups are as follows:

- ***First-Class Mail (FCM).*** This subgroup will include discussions relative to FCM parcels, single-piece FCM, commercial FCM, remittance FCM mail, international mail, etc.
  - Industry co-chair: Jody Berenblatt, Senior VP, Postal Strategy, Bank of America (646-366-4425, jody.berenblatt@bankofamerica.com).
  - USPS co-chair: Chris Oronzio, Manager, Processing Center Operations, USPS (202-268-3294, chris.r.oronzio@usps.gov)
  
- ***Periodicals Mail.*** This subgroup will include discussions relative to all Periodicals Mail.
  - Industry co-chair: Dennis Farley, Senior Manager Distribution, ESPN The Magazine (212-515-1240, Dennis.Farley@espn3.com)
  - USPS co-chair: Jo Ann Miller, Mgr., Integration & Support, Global Business, USPS (202-268-3869, joann.m.miller@usps.gov)
  
- ***Standard Mail.*** This subgroup will include discussions relative to Standard Mail letters and flats, and Bound Printed Matter (BPM) flats.
  - Industry co-chair: Kimberly Ryan, Director of Marketing Services, L. L. Bean (207-552-2512, kryan@llbean.com)
  - Industry co-chair: Wanda Senne, National Director of Postal Development, World Marketing (770-431-2591, wsenne@worldmarkinc.com)
  - USPS co-chair: Tom Foti, Manager, Integration and Planning, Product Development, USPS (202-268-7707, thomas.j.foti@usps.gov)
  
- ***Packages.*** This subgroup will include discussions relative to single-piece Parcel Post, Bound Printed Matter (BPM) parcels, Library Mail, Media Mail and Standard Mail parcels.
  - Industry co-chair: Pete Grottini, Director, Postal Affairs, Bookspan/YES Solutions (717-795-1216, peter.grottini@YESolutions.com)
  - USPS co-chair: John Gullo, Manager, Product Development, Package Service, USPS (202-268-8057, john.f.gullo@usps.gov)

***Meetings.*** The main workgroup will meet every 4-6 weeks and those meetings will include speakers and topics that are relevant to all the subgroups. The main workgroup meetings will take place in Washington, DC. Subgroup co-chairs will provide updates at the main workgroup meetings as to the work they have completed since the last main workgroup meeting.

The subgroups will meet as needed, keeping the workgroup schedule and targeted completion date (September 2007) in mind. Subgroups may meet in person or by telecon, as needed, and may meet where convenient to the bulk of the participants (to be determined by the subgroup co-chairs). Subgroup meeting speakers and topics will be product-specific.

**Notes.** Meeting notes from the main workgroup meetings as well as subgroup meetings will be distributed and posted on the MTAC Issue Tracking System (MITS) (<http://ribbs.usps.gov/mits/mtac.cfm>). Subgroup meeting notes will be distributed directly to participants of that subgroup and posted on MITS. Notes from full workgroup meetings will be distributed to all participants listed on the master roster, and will be posted on MITS. All presentations from workgroup and subgroup meetings will be posted on MITS as available. An index file will be posted on MITS which will describe what is contained in each file posted for the workgroup (the filenames are assigned by MITS and do not describe the file contents).

**Participation.** The workgroup co-chairs emphasized that active participation is expected. All participants on the main workgroup and subgroups are expected to contribute. Those that represent larger constituencies (e.g., association representatives, service providers, etc.) are expected to gather input from their constituency when needed by the subgroup/workgroup. Work in between meetings is likely – largely because of the short time line to get this work accomplished.

Kathy Siviter, main workgroup industry co-chair, noted that representatives from the Postal Regulatory Commission (PRC) and the Government Accounting Office (GAO) will be observing the workgroup meetings and process.

**Roster.** A main workgroup roster will be kept so that e-mail distribution of documents, meeting notices, etc. can be made. Each subgroup may keep its own participant roster as long as updates are made to the main workgroup roster. Participants must select a subgroup on which to work.

**Future Meeting Dates.** Ms. Siviter briefly reviewed the subgroup future meeting dates that already have been scheduled, as follows: *[Please note this information has been updated since the February 21 meeting.]*

- First-Class Mail Subgroup: March 12, 2007, in Washington, DC, (time TBD)
- Periodicals Mail Subgroup: February 28, 2007, 9:00 a.m. to 3:00 p.m., in New York City
- Standard Mail Subgroup: March 14, 2007, 9:00 a.m. to 3:00 p.m. in Washington DC (USPS Headquarters, Room 11228)
- Packages Subgroup: Initial telecon to be held March 2, 2007, at 10:30 a.m. EST

### **Requirements of the New Law**

Nina Strait, USPS Manager, Operations Budget & Performance Management, gave a short presentation on the requirements of the Postal Accountability and Enhancement Act (PAEA). [A copy of her presentation has been posted on MITS on the MTAC WG # 114 page – click on “View Minutes” then select the filename “114-070223b.pdf” to view a list of the files available on the site and their contents.]

Ms. Strait clarified the contents of the law as it relates to establishment of service standards and measurement. In addition, she clarified the terms “internal” and “external” as used to describe service performance measurement

systems. An external system, for example, is one like the Postal Service's existing EXFC system. An internal system is one the USPS would conduct using technology and data already available to it, such as the existing Priority Mail measurement system. She noted that system had been conducted by an external contractor, but moved to technology to reduce the cost of the system. Ms. Siviter noted that some have perceived "internal" to mean that the USPS would hold the service performance measurement data and not publish any aggregate reports. That is not what "internal" means, she stressed.

Ms. Strait noted that subsequent to the establishment of the service standards, the USPS within six months (which would be June 2008) is required to develop and submit to Congress its plan on how it will meet the service standards. In response to the question of whether a service performance measurement system could be a combination of external and internal ("hybrid"), she said the Postal Service has no preconceived notions about this work because there are so many different possibilities. For example, she said, EXFC could remain in place for service performance measurement of residential First-Class Mail, but a different system (perhaps internal) could be used to measure service performance for commercial First-Class Mail.

### **Existing Service Standards**

Jeff Williamson, USPS Manager, Network Development & Support, took the group through a detailed presentation on the Postal Service's existing service standards by class of mail, including the business rules used to develop the standards and volume distribution across service standards. [A copy of his presentation has been posted on MITS on the MTAC WG # 114 page – click on "View Minutes" then select the filename "114-070223b.pdf" to view a list of the files available on the site and their contents.]

Mr. Williamson noted that he is available to meet with the subgroups individually if need be, to provide more detail on the service standards for a particular class of mail.

He noted that all of the USPS existing service standards for market-dominant products are established by originating 3-digit ZIP Code areas and destinating 3-digit ZIP Code areas. The standards measure end-to-end between any two points in the USPS' system, based on the point of entry. All classes of mail today have established service standards, he noted.

In response to the question of what is used for origin for military mail, Mr. Williamson said if it is destined outside the U.S., there is no way to measure it today, but he will follow-up and provide information on how the USPS measures military mail in terms of service standards, and whether that is within the scope for the workgroup to address.

The USPS' existing service standards, by class of mail, are: 1 to 3 days for First-Class Mail; 1 to 7 days for Periodicals Mail; 3 to 10 days for Standard Mail; and 1\* to 9 days for Package Services (\*only for Parcel Select entered at DDU by 4:00 p.m. the previous day).

***First-Class Mail Service Standards.*** Mr. Williamson reviewed the business rules for First-Class Mail. He noted that the FCM service standards were realigned in 2001. Overnight standards, which were not changed in the 2001 realignment, include a plant's turnaround ZIP Codes and possibly mail to/from other facilities that are in close proximity. Two-day standards include destinations that can be reached within 12 hours via surface transportation and some destinations that have significant volume with dependable and timely air transportation. Three-day standards include all

the other destinations. Mr. Williamson showed a screen shot of the FCM service standards for mail originating in the 3-digit ZIP Code area 200 (Washington DC).

Mr. Williamson noted that roughly 25 percent of First-Class Mail volume falls into the overnight service standard; and 22 percent falls into the 2-day service standard. The remaining 50 percent (roughly) falls into the 3-day service standards. He noted that these numbers are based on national numbers and volumes that would flow between those Originating/Destinating Pairs. He clarified that this volume break down is the amount of volume that falls into that service standard – not the volume that actually achieved that level of service over a given period.

***Periodicals and Standard Mail Service Standards.*** Mr. Williamson then reviewed the existing service standards for Periodicals and Standard Mail. The zones are distance-based, a function of the time it takes to move mail via surface transportation between the originating and destinating processing facility. Overnight Periodicals service commitments are similar to the commitments for First-Class Mail. By comparison, the Standard Mail commitment between a given origin and destination is wider than Periodicals mail to allow more operational flexibility. This flexibility helps lower the cost of Standard Mail. He noted that the zone distances have not changed, and were established around eight different zone radiuses to reflect mail movement by surface transportation.

Periodical and Standard Mail have zone-based service commitments. While the service commitments for Periodical mail ranges between 1 and 7 days, 95% of Periodical mail has a service commitment of 3 days or less. The service commitment for almost 80% of Periodicals is 1 day. Similarly, the service commitment for Standard Mail ranges between 3 and 10 days, however 80% of Standard mail is committed for delivery within 3 to 5 days.

In response to questions from the group, Mr. Williamson stressed that the “Standard Destinating Mail: Entry Guidelines for In-Home Delivery” chart which the USPS began publishing some years ago, represents entry guidelines for mailers, but not the USPS’ official service standards. The USPS could continue to publish guidelines to help mailers better plan, he said, but the USPS wants to align the official service standards with customer expectations.

He said that the Periodicals overnight pairs align closely with the First-Class Mail overnight pairs, but they diverge more at the 2-day level when more surface transportation is used for Periodicals. He reported that the volume distribution for Periodicals is 95 percent in the 1-3 day service standard. He suggested that the amount of Periodicals Mail that today gets drop shipped does align with the existing standards because the latter are based on the point of entry, so perhaps not all the standards need to be re-evaluated.

***Package Services Service Standards.*** Mr. Williamson noted the service commitments for Package Services mail is based upon the BMC network and primarily a function of surface transportation times between the originating and destinating BMCs and from a destinating BMC to the downstream delivery office. Package Services service commitments range between 2 and 9 days, however, the commitment for 85% of Package Services mail is 4 days or less. About 65% has a 2-day commitment.

***Service Standards Methodology.*** Questions from the floor led to a discussion of how weekends and holidays affect service commitment days. It was determined that when the last day (the delivery day) of a commitment falls on a Sunday or holiday, the commitment is extended to the next delivery day. For instance, Sunday is not a USPS delivery day, so the standard would be the next delivery day. Mr. Williamson said that if mail is accepted before its Critical Entry Time (CET) then the next day would be Day 1 in the service standard, except for Sundays and holidays if

calculating the delivery day. Sundays do count as processing days in terms of the service standards, he noted, but not as delivery days.

Mr. Williamson noted that there is no differentiation in the USPS' existing service standards between processing categories (e.g., letters, flats, etc.) – they are purely based on class of mail. In response to the question of whether the Critical Entry Times (CETs) for some types of mail are up for consideration by the workgroup, Mr. Williamson said the workgroup can look at anything, but the group would need to evaluate the potential impact of changing CETs in terms of costs. The group asked if they could review existing CET documents/guidelines. Mr. Williamson will follow-up on what can be provided in terms of CET information.

In response to the question of how new mail classifications from rate cases, such as the Not Flat-Machinable category in the current case, are addressed in terms of service standards, Mr. Williamson said that unless it is a new mail class, the category would come under the existing service standards for that class of mail. In the case of NFMs, the proposal is for a new category within a mail class, not a new class. There also is no existing differentiation based on any seasonality, he noted.

***Service Standards Updates/Communication.*** Mr. Williamson reported that the Postal Service currently re-evaluates its service standards when it makes mail processing changes, such as moving ZIP Codes between processing plants. In response to the question of how that information is communicated to mailers, he said the changes are published on the Service Standards CD on a quarterly basis, but otherwise he is not sure what communication is made as a result of routine mail processing changes. In cases of an Area Mail Processing (AMP) change, there is a formal communications process, he said. The group stressed that a better communication process for both types of changes is needed.

***Consideration of Existing Service Standards.*** Mr. Williamson cautioned the group that the existing service standards have been developed based on USPS' operations, transportation, distances and other factors. Volume plays a large part in the Postal Service's ability to achieve the standards, he said. If the service standards for Periodicals, for instance, were changed so that the standards were 1-3 days for all Periodicals, there are ramifications of doing so in terms of surface transportation having to be replaced with air, and those costs would need to be considered. He commented that the existing service standards largely are based on the Postal Service's ability, from a distance perspective, to get from point A to point B, and that's why there has been little change over the last 15-20 years.

In response to questions, Mr. Williamson said that the workgroup can look at any aspect of service standards – whether they are acceptable as they now stand, whether shape is important, etc. Today's service standards are mail class based – if they are acceptable, the subgroups should move on to the measurement part of the discussion. If the existing standard is not acceptable, what is the standard customers need for that product? Jeff Lewis stressed that whatever service standards a subgroup wants to suggest should be business rule based. For instance, if there is something about different mailpiece shapes that would lead to different business rules which the standards are based on, then the recommendation should be expressed that way.

The group briefly discussed the postage rate implications of changing service standards and asked how best to approach the pricing and cost aspects comparing the current standards to those being contemplated. Mr. Galligan responded that there are significant implications from a cost standpoint for some changes while others may have no impact. For instance, he said, if the USPS were to deliver more First-Class Mail in the 2 day standard, but would have to spend an additional \$1 billion in contract airlift...would industry or the USPS want to do that? He cautioned that the

workgroup should be careful about pursuing standards without assessing the pricing implications. He urged the workgroup members to think in terms of the Postal Service's existing business environment and not pursue massive upgrading of service standards at an expensive price.

***Service Standards Data.*** In response to the question of where the service standards information resides, Mr. Williamson said that the USPS makes available a Service Standards CD, on request at no charge. He offered to demo the CD during the meeting break and noted he will attempt to obtain copies of the CD for workgroup participants. He also referred to a slide in his presentation that provides the instruction on how to get on the mailing list for the CD on a regular basis.

### **Intelligent Mail and Seamless Acceptance**

Gary Reblin, USPS Manager of Intelligent Mail Planning & Standards, and Pritha Mehra, USPS Manager, Marketing Technology and Channel Mgmt., briefed the group on the state of the Postal Service's Intelligent Mail initiatives as cornerstones toward potential service performance measurement systems. They noted that their presentation at the meeting today is more detailed than that given recently for the Postal Service's Board of Governors (which many on the workgroup had already seen). [A copy of their presentation has been posted on MITS on the MTAC WG # 114 page – click on “View Minutes” then select the filename “114-070223b.pdf” to view a list of the files available on the site and their contents.]

Ms. Mehra noted that there are several current MTAC workgroups focusing on various aspects of seamless acceptance, which she said is an initiative that could provide some insight into service performance.

Ms. Mehra and Mr. Reblin detailed a potential approach to service performance measurement that begins with mailers preparing mail with unique intelligent mail barcodes (on pieces, handling units and containers) that would allow for accurate Start-the-Clock data, Stop-the-Clock data, and calculation of service performance by facility, by OD pairs, by individual transportation components between OD pairs, by presort level, by customer and by class.

Ms. Mehra and Mr. Reblin suggested that data from barcodes that do not have high quality manifest information should be excluded from service performance measurement. Only data that is sound and of high quality should be included, they stressed. There may be other types of pieces that should be excluded or treated differently in terms of service performance measurement data, Mr. Reblin suggested, such as mail that is being forwarded or re-directed during postal processing as a result of a change of address. With systems like PARS and the intelligent mail barcode, he noted, such pieces can be identified and excluded from service performance measurement, or accounted for separately. In response to questions of whether forwards could have separate service standards, Mr. Reblin said that should be discussed. Should the clock get re-set at that point? There are things you could discuss as a subgroup and the USPS would consider it, he said.

Ms. Mehra and Mr. Reblin noted that when defining a service performance measurement system, there have to be enough pieces for statistical sampling.

Mr. Reblin suggested that the workgroup focus on internal measurement systems as a goal. He reviewed the time lines for intelligent mail initiatives for various types of mail and processes (see presentation for more detail). Another aspect of service performance measurement that the workgroup should focus on, he advised, is what type of Stop-the-Clock scan is needed for the various products. For instance, with letters the last scan on delivery point sequencing automation

is generally accepted as a delivery predictor based on the date/time of the last scan and CETs. Do we need to go beyond that? Scans of letter trays being loaded onto transportation could be obtained through Surface Visibility, for instance, with assumed nesting of pieces to the trailer level to the DDU. When the subgroups begin discussing service performance measurement, he suggested, this is an issue they should discuss.

Ms. Siviter noted to the workgroup that a differentiation should be made between a need for separate service standards at a granular level versus separate service performance measurement at that level. For instance, perhaps in First-Class Mail you don't need separate service standards for letters and flats, but you may want to separate the service performance measurement data to isolate letters vs. flats or any other specific type of mail. The level of detail provided in the service performance measurement data can be much more granular than the service standards product grouping, she stressed.

Mr. Reblin agreed, stressing that both the Postal Service and industry will have more detailed needs from the diagnostic data in order to identify and resolve service issues. He said that the USPS will have point-to-point diagnostics so that service improvements can be made.

The group asked how the Postal Service plans to move mailers to adopt intelligent mail barcoding, if it is the cornerstone of service performance measurement. How will the USPS facilitate the transition and provide incentives for mailers to move to intelligent mail barcodes? Some suggested that the current USPS Confirm pricing proposal, for example, is perceived by many in the industry as a dis-incentive for participating.

Mr. Reblin responded that the Postal Service's end vision is it will have more than enough mailers on board with intelligent mail to go way beyond what is required for statistical sampling. The strategies on how to get there are varied and may not yet have been fully formulated.

Ms. Siviter stressed that the subgroups need to look service performance measurement systems for all types of mail in a product grouping. How would non-automation mail be measured, for instance. What about products with a long or non-existent adoption curve for using intelligent mail?

### **Subgroup Breakouts**

The workgroup for the last portion of the meeting broke out into the four subgroups, with instructions given from the main workgroup co-chairs. The subgroups at this meeting were assigned the task of introducing participants; updating the subgroup roster; reviewing the subgroup roster to ensure adequate representation of key constituencies; set initial meeting date and location; discuss first meeting agenda; and designate note-taker for meetings.

The subgroups were instructed that their preliminary focus should be the service standards recommendations. Each subgroup should review the existing service standards to see if they are adequate to service customer needs. If not, the subgroup should identify why not and what needs to be changed. Subgroups should consider questions such as how products should be grouped for service standards, and what customer needs are in terms of service standards for a specific product grouping. Subgroups should keep in mind the cost implications of establishing service standards, and that service performance data can be much more granular than a service standard product grouping.

### **Action Items**

The following action items are noted from today's meeting:

1. **Task Owner: *Jeff Williamson, USPS***
  - a. Will provide information on how the USPS measures military mail in terms of service standards, and whether that is within the scope for the workgroup to address;
  - b. Will follow-up on what guidelines/documents are available for subgroup review on existing Critical Entry Time (CET) rules or policies.

### **Next Meeting**

The next meeting of the main workgroup (including all subgroup members) has tentatively been scheduled for Friday, April 13, 2007, in Washington, DC. Further details will be distributed to participants as they are finalized.