

**MTAC Workgroup 114**  
**Service Standards and Measurement for Market-Dominant Products**  
**Standard Mail Subgroup**  
**March 14, 2007 Meeting Minutes**

**Review of Current USPS Standard Mail Service Standards**

The subgroup meeting began with a review of the existing USPS service standards for First-Class Mail with a focus on the questions:

- ? What are the standards today?
- ? Do they meet customer needs?
- ? If not, why not?

Tom Foti, USPS, presented USPS data for FY 2006 profiling Standard Mail and Bound Printed Matter (BPM) by entry and presort characteristics (copy of presentation available on MITS or the PostCom WG 114 web site). The purpose of the presentation was to provide a baseline for the subgroup as to the physical and makeup characteristics of these two Market Dominant products. A summary of the presentation is depicted in the below table.

Pct. Split Of Destination/Origin =		Drop Entry = 75%			25%			
Standard Mail		Entry Point	DBMC	DSC F	DDU	Origin	Volume	
	% Share =		24%	42%	9%	25%		
	Volume	(Billions)	24.7	42.9	9.5	25.3	102.4B	
ALL ENTRY POINTS	Presort Level	<i>None</i>	2%	0%		14%	102.4B	
		<i>AADC</i>	2%	0%		13%		
		<i>5-Digit</i>	23%	29%		15%		
		<i>3-Digit</i>	43%	8%		29%		
		<i>3/5 Digit</i>	17%	13%		21%		
		<i>ECR Basic</i>	11%	30%		9%		5%
		<i>ECR Sat/HD</i>	2%	20%		94%		3%
	Shape	<i>Flat</i>	24%	47%	85%	23%		
		<i>Letters</i>	75%	53%	15%	76%		
		<i>Parcels</i>	1%	0%	0%	1%		
Bound Printed Matter		Entry Point	DBMC	DSC F	DDU	Origin	Volume	
	% Share =		32%	34%	11%	23%	618.7M	
ALL POINTS	Presort	<i>Carrier Route</i>					618.7M	
		<i>Presorted</i>	27%					
		<i>Single Piece</i>	68%					
		5%						
	Shape	<i>Flat/Letters</i>	50/50%					

Discussion points during the presentation included the following highlights:

- ? **Historical Trends.** Industry asked the USPS if it had similar data/analysis from a historical perspective, say for the past five years, to see what the trends have been in terms of mail entry and presort. Marc McCrery, USPS, said he would try to obtain that type of data.

The group agreed that there likely will be changes in the Standard Mail entry and presort profile as a result of the R2006-1 rate case, with the establishment of categories such as Not Flat-Machinables and distinctions between shapes in Standard Mail. Steve Lopez, Experian, asked whether the USPS has attempted to begin modeling likely shifts in entry and presort resulting from the rate case. Mr. McCrery responded that modeling is limited in terms of understanding the rate changes and volume forecasts, and the USPS does not have forecasts going forward at a very detailed level. The group agreed that while the above shown data may represent a good baseline of the Standard Mail profile today, there likely will be shifts going forward. Deployment of the Flats Sequencing System (FSS) also potentially could impact service standards for both letters and flats, the group noted.

In response to a question, Mr. Foti noted that the statistics show Destination Entry has increased, ECR entered at DDU has grown, and that there has been a shift from BMC to SCF entry over the past 5 years. The USPS expects a continuing shift to destination entry and expects that FSS implementation will shift more mail to DSCF entry. However, USPS said it does not have modeling information that forecasts the effect of the latest rate case on Standard and BPM mail entry.

- ? **Recommendation for Regular Review Process.** Kathy Siviter, PostCom, industry co-chair for the full workgroup, noted that the concept of a regular review process for service standards has been raised in other subgroup meetings, and will be taken up by the full workgroup. Part of the workgroup's recommendation to the Postal Regulatory Commission (PRC) likely will be the establishment of a regular review process to evaluate the service standards. This could be triggered by the USPS requesting to change the service standards in excess of a certain percentage of 3-digit O/D pairs, or by significant changes that would impact the Postal Service's ability to meet the existing standards (such as network redesign, FSS deployment, etc.).
- ? **Service Standards Software Usage.** Leading up to the service standard discussion the group was first queried on the use and availability of Service Standard data supplied by the USPS through their AMS operations in Memphis, TN. This data is in a compact diskette format and represents a matrix of service standards for over 850,000 3-Digit to 3-Digit paired locations. The polled group showed very little exposure or knowledge of this existing data. Consequently, discussions to use this data format/tool to express changes, or improvements to modernize Standard Mail service standards found no group support. Rather, the group's preference would eventually shift to using a more streamlined, simplified format that could be easily communicated and understood by end use customers, mail service providers and USPS personnel alike. The group preference would align to a document(s) that looks similar in fashion to the current Fall Season Planning Guidelines.

That being said, the group recognized that there are customers and constituencies that need and will use the Service Standards CD format, and agreed that the USPS should continue to offer that data. Ms. Siviter encouraged any mailers that have used the software (or try it at this point) to let the workgroup co-chairs know any suggestions for improvements/enhancements to the software to make it more useful to customers. The group also recommended that the USPS should better promote the availability of the software to those customers that would find it useful.

- ? **Business Rules Around Existing Service Standards.** Kurt Kramer, USPS, presented how the current service standards were developed and described the business rules by which these standards undergo change (a copy of his presentation is available on MITS or the PostCom WG 114 web site). The basic business rule is that there is a "stated goal for service achievement for each class of mail."

Using that as starting point, most goals for Standard Mail originated in the early 1970's, and were based on 3-digit to 3-digit pairs that used the network operations of the then newly designed Bulk Mail Centers (BMCs) and the subsequent changes to transport and processing networks that occurred over time through Area Mail Processing programs .

The USPS' data showed that 80% of Standard Mail is entered where it has a 3- to 5-day service standard (versus the 3-10 day service standard that encompasses all Standard Mail). The data presented reflect the time period of Quarter 3 of FY 2005 through Quarter 2 of FY2006.

- ? **Updates to Existing Standards.** Questioning next centered on what now affects the standards and whether improved automation equipment/processing functions result in changes to the standards. The USPS noted that Standard Mail is moved on surface transportation and that the resulting standards are a function of distance, transport mode and the number of facilities the mail moves through. Thus, the accrued savings that result from work-sharing is more a function of bypassing material handling processes at upstream facilities where the mail is entered closer to a destination.

The USPS reported that it updates the service standards if it makes network changes (e.g., consolidating facilities, etc.). Some workgroup members asked that as the USPS automates and increases mail processing speeds, shouldn't that positively impact the service standards? The USPS responded that while it might decrease the processing time, it would not impact the transportation that mail would travel on (unless it took a day out of the process, or transportation processes changed).

Facilities have not gotten closer, nor the transport time modal distance changed between those facilities (i.e. using air service as a mode), rather the standards reflect the entire range of time to accommodate mail entry points that are nearer to a destination or nearer to the original mail location. A distance zone chart was used to display this point of ranges in the service standard bias. The group briefly digressed into one-off situations experienced where extremes in delivery performance may belie consistency in USPS mail processing directives.

- ? **Industry Needs from Service Standards.** The operational discussion led to a broader exchange of what function a standard should serve for Standard Mail mailers. The consensus was that consistent, predictable delivery, rather than fast delivery, was more important for Standard mailers (within reason - i.e., 2 weeks for delivery would be unreasonable, etc.). Beating a standard by delivering the mail too early was as undesirable as missing a standard by delivering the mail too late. Early delivery wreaks havoc with activities scheduled around sale dates, etc. Mailers would expect the Postal Service to consistently meet the service standard.

How to express a standard delivery day and account for the deferability of Standard Mail led to a discussion of an expected range of delivery days being more useful than a specific day identified with no consistency with regard to the spread of delivery before or after that date due to deferability. Also a critical component of standard development was meeting Critical Entry Times (CET's) to allow the USPS to meet an internal business rule for 48 hour turnaround of mail and achieving consistent standards.

The group discussed the existing industry practice of applying Requested In-Home Dates to Standard Mail. It was agreed that this is a practice born from inconsistent and unpredictable delivery and that in the future when the service standards reflect actual delivery the majority of the time, it may be a practice no longer necessary. But for the foreseeable future, the practice will continue. Industry was not in agreement as to the value and purpose of the Requested In Home Dates. Some mailers feel they encourage postal managers to give that mail expedited treatment and that the requested in home dates are costly to print and manage from a mail service provider's perspective. There is mail owner client perception that not using them means the mail will not get delivered in a timely fashion. Mailers agreed that they are not going to stop the practice until such time as Standard Mail delivery becomes extremely predictable and consistent.

- ? **Existing USPS Color Coding Process.** A quick presentation was given on the USPS' Color Code policy (business rules) as it applied to internal mail processing operations.

Joe Schick, QUAD/Graphics, suggested that there is a huge inconsistency between the existing service standards for Standard Mail and the USPS' policies communicated to its facilities (e.g., the color code policy). With the latter, he said, facilities are told they have 48 hours to move Standard Mail through their facility. That would mean 2 days at a BMC, 2 days at an SCF and 2 days at a Delivery Unit, he noted, which would total 6 days - which is inconsistent with the service standards on the USPS' CD.

The USPS disagreed that its color coding policy dictates that, but agreed that there are inconsistencies and miscommunication around the policy, and said that the USPS currently is reviewing that policy for improvements. The color coding policy was never intended to give facilities extra time to process Standard Mail, the USPS noted. The USPS wants managers to process all the volume in their plants, but the color coding policy allows them to identify where there are opportunities to manage workload since Standard Mail is deferrable.

Joy Franckowiak, Cox Target Media, noted that often her company sees ECR Standard Mail entered at the DDU that then gets sent back and forth between the plant and DDU because both think the other should be processing it. This adds days to the delivery time. The USPS responded that this should not be happening. Paul Giampolo, ADVO, noted similar occurrences with postcard mailings.

Mr. Schick urged that the USPS' internal policies need to be clear and consistent in terms of expectations for processing Standard Mail. Jeff Lewis, USPS workgroup co-chair, said that putting service performance measurement systems in place will allow the USPS to improve service and become more consistent, and will help identify those areas where the USPS does not meet service standards and whether it is because of systemic issues or inventory management issues.

The take-away from this discussion was the importance the group placed on syncing up mail processing and transportation as the critical elements for improved predictability/consistency of operations, leading towards reliable standards.

### **Development of Modern Standard Mail Service Standards**

Recognizing that approximately 75 percent of Standard Mail now is drop ship entered, the group elected to pursue development of a matrix that would incorporate drop entry level, a minimum presort distinction (Enhanced Carrier Route presort vs. non-Enhanced Carrier Route presort) and a range of days rather than a one day target.

The group decided to use the existing USPS Standard Mail Destinating Mail Entry Guidelines, commonly known as the Planning Guidelines or simply PGLs, as a starting point. The group collectively recognized that the PGLs have inconsistency that need to be address as they relate to the published Standard Mail Service standards as contained in the Service Standards CD. The USPS will review the PGLs to see where they may not reflect the standards presented on the Service Standards CD.

The discussion of standards seemed to lead to a coalition around the ideas that a service standard:

- ? should be in a format like the Standard Mail Destinating Mail Entry Guidelines;
- ? identify a range of 2 to 3 delivery days;
- ? the range should be 1 day less for Enhanced Carrier Route (ECR) presorted mail;
- ? should include entry points broken out by Origin, DBMC, DSCF, and DDU;
- ? should be simple to use and easy for mailers, their customers, regulators, and others to understand.

The end-to-end delivery standard for Origin-entered mail should match the current 3-Digit to 3-Digit standards except that the expected delivery date range should be the current standard minus 1 day and plus one day. For example, if the current standard is 7 days, a revised standard would be within the range of 6 to 8 days. Delivery in 5 days or less or 9 days or more both would be failures in terms of meeting the standard.

Lisa Wurman, Vertis Communications, said that better communication on how to use the matrix is also needed, as she has had some customers tell her that their local postal managers have told them to add up the days in each cell to get a total expected service standard, versus the standard being the number of days in one cell.

The following is the proposed matrix for modern Service Standards that was drafted (note: the group tabled the discussion of a similar matrix for Bound Printed Matter flats because more representation was needed from that constituency):

**Proposed Standard Mail Service Standards**

		Drop Entry = 75%			25%		
		DBMC	DSCF	DDU	Origin	Volume	
% Share Volume (B)		24%	42%	9%	25%		
		24.7	42.9	9.5	25.3	102.4B	
Non-Carrier Route		3 to 5 Days	2 to 4 Days	N/A	3 to 10 Days*	N/A	
Carrier Route		3 to 4 Days	2 to 3 Days	0 to 2 Days	3 to 10 Days*	N/A	
*Service Standards based on 3-digit pairs as shown in Service Standards CD							
Not Discussed or Outlined							
Bound Printed Matter		Entry Point	DBMC	DSCF	DDU	Origin	Volume
ALL POINTS	% Share =		32%	34%	11%	23%	618.7M
	Presort	Carrier Route					618.7M
		Presorted					
	Single Piece						
Shape	Flat/Letters	50/50%					

**Footnotes: Under Consideration**

- Standards to Consider Seasonality (?)
- Standards to Consider Postal Holidays
- Day "Zero" is not a guarantee of Delivery - Critical Entry Times will prevail
- Standards are based on when USPS receives the mail
- Service Standards Matrix Chart represents service in the 48 Contiguous States
- The Service Standard is based on the facility where the DMM requires mail entry regardless of local re-direction plans to accommodate mail processing.
- ACS Services may add "days" to the Standard (?)

The group discussed a variety of potential “footnotes” to the service standards matrix, with the following highlights:

- ? **Seasonality.** The group discussed whether any adjustment to the service standards should be made for heavy mailing seasons. For example, a footnote of +1 day could be added during the busy fall mailing season (which would need to be defined and explained in the footnote). The USPS acknowledged that during heavy volume periods, there are capacity issues, but all agreed that the network should not be designed based on peak volume periods because then those facilities would sit idle the rest of the year, at a significant cost, etc. The group discussed how best to reflect the impact of heavy volume periods on the service standards. Some mailers like the idea of adding an additional day during heavy volume periods, because we know it happens and it would be helpful to be able to document that to end users.

Seasonality was mentioned as a key ingredient in the communication efforts between mail service providers and the end use customers. However during exchanges within this group, seasonality was later tabled as a primary ingredient function of the development of a standard. The group’s preliminary conclusion was that expressing the standard in a range of days likely would provide the flexibility needed to accommodate seasonal volume peaks, but the group was interested in having the Postal Service present information about seasonal peak volumes and network capacity and how they impact service. Further discussion on seasonality was tabled until the USPS comes back with that information (targeted for the April 12 meeting).

- ? **Service Standards – Counting Methodologies.** The group discussed the fact that Sundays or holidays play into the calculation of service standards in terms of the day the mail actually will be delivered on. The USPS clarified that Sundays/holidays do alter the service standard counting methodology in terms of delivery, but not processing days (i.e., mail is processed on Sundays and holidays, but not delivered on those days). Ms. Siviter noted that the issue of how the days are counted for purposes of delivery expectations will be taken up by the larger workgroup since it impacts all classes.

The group also discussed the 0-2 day range proposed for ECR mail entered at the DDU. Day 0 is a concept used for parcels that are entered at the delivery unit before the CET for that day’s delivery – hence delivery is the same day as the mail is entered. Saturation mailers entering at the DDU noted that same day delivery could be achieved under the right circumstances. The USPS cautioned that Day 0 does not imply a guarantee of same day delivery, because Standard Mail is deferrable.

- ? **Facility Re-Direction Should Not Alter the Standards.** The group discussed the growing occurrence of USPS facility re-directions. This occurs when the mailer enters mail at the USPS facility dictated by existing DMM mailing standards, but upon arrival at the facility they are re-directed to enter the mail at a different facility. The group agreed that the service standards matrix being developed for destination entered Standard Mail would show standards based on the facility dictated by the DMM mailing standards and should not be impacted by re-direction.

The group also agreed that for purposes of using the Destination Entry Standard Mail matrix, the entry point should reflect the physical entry point of the mail, not the rate category (e.g., in cases where mail is entered at the DBMC but gets the DSCF rate, the entry point still should be the DBMC in terms of the service standard).

- ? **Standard not always reversible for 3-digit O/D Pairs.** The USPS acknowledged that there are some situations where the existing 3-digit O/D pairs are not reversible (i.e., the standard is different in one direction between 3-digit pairs than the other direction). The USPS noted that this is true in some situations for a variety of reasons (such as one 3-digit being a larger plant with better transportation or processing capabilities for mail going in that direction), but that there are not a lot of those situations.

The group asked the USPS to quantify the number or percent of 3d O/D pairs that are not reversible in terms of service standards.

- ? **Shape Differentiation.** The group discussed whether there should be different service standards based on mailpiece shape (letters vs flats). The USPS said that while different shapes may be processed differently, all are working toward meeting the same transportation where they then are merged together to travel to the next facility, so they should have the same service standards.

Ms. Siviter noted that the workgroup can recommend much more granularity in the service performance measurement data than the groupings for purposes of service standards. For instance, even if letters and flats had the same service standard, the measurement data on actual performance could be broken out by letters and flats.

The PRC recommended that if the USPS is going to redesign its Service Standards CD/software, it should do so in a manner that breaks out the different shapes, even if at the start they have the same standard, to allow for easier implementation of different standards by shape in future software versions.

- ? **Forwards>Returns/UAA Mail.** The group briefly discussed Standard Mail that is forwarded or returned and how that should be addressed in terms of service standards. Currently there is no differentiation in the service standards for that is forwarded or returned. Some pieces will get processed through PARS in the future, others will not. Steve Lopez, Experian, offered to put together a brief process flow for discussion at the next meeting.
- ? **Recommendation that the USPS Analyze its Existing Standards.** The group recommended that the Postal Service analyze its existing service standards to identify:

- where the standards are not achievable because of network issues (rural areas far distant from servicing plants, for example);
- appropriate standards for Alaska and islands (Hawaii, Puerto Rico, Guam, etc);
- appropriate standards for forwarded Standard Mail.

Jan Pritchard, The Flute Network, offered to take the existing Standard Mail service standards (from the software/CD) and overlay their company's data concerning actual delivery performance of Standard Mail to see how the two align. The group agreed that any data is of value at this point.

- ? **Presentation of Service Standards.** The group briefly discussed the existing USPS Service Standards software CD versus the simple matrix being discussed. Most favored the matrix/chart format as simpler and easier to use, but recognized that for origin-entered Standard Mail, the software would need to be continued to provide standards for specific 3-digit O/D pairs. PRC members on the workgroup recommended that if the USPS redesigns the existing Service Standards software, it do so in a manner that will allow the standards to be separated by shape in the future should that change occur. The workgroup assumes that if the USPS redesigns the software it would do so in a manner flexible to a variety of future changes.
- ? **Consistency Between Service Standards Sources.** The group recommended that the Postal Service ensure that the service standards provided on all of the future sources be consistent. So the standards provided on the Service Standards software/CD should be consistent with those provided on the Destination Entry matrix, and any *guidelines* promulgated by the Postal Service in the future.

To that end, the group agreed that the USPS should revise the Service Standards CD to reflect the range of delivery days recommended by the workgroup if approved by the PRC.

The USPS agreed to discuss the proposed matrix for Destination Entered Standard Mail internally and provide feedback at the next subgroup meeting as to whether the proposed standards are feasible and whether there are any cost implications.

### **Issues Re-Directed to the Full Workgroup**

The following issues are being re-directed to the full workgroup for consideration because they cross classes/product lines:

- ? **Service Standard Software Enhancements.** The full workgroup will take up the task of compiling a list of desired enhancements to the Service Standards software.
- ? **Regular Review Process.** The group agreed that part of the workgroup's recommendation to the Postal Regulatory Commission (PRC) should be the establishment of a regular review process to evaluate the service standards. This could be triggered by the USPS requesting to change the service standards in excess of a certain percentage of 3-digit O/D pairs, or by significant changes that would impact the Postal Service's ability to meet the existing standards (such as network redesign, FSS deployment, etc.).
- ? **Service Standards – Counting Methodologies.** The group agreed that the full workgroup should discuss the issue of how Sundays, holidays, and other occurrences impact the counting of service standard days to delivery.

### **Action Items**

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

1. Task Owner: **Kurt Kramer, USPS**
  - a. The group asked the USPS to quantify the number or percent of 3d O/D pairs that are not reversible in terms of service standards (from the FCM service standards CD). Mr. Kramer will follow-up to provide the information.
2. Task Owner: **Steve Lopez, Experian**
  - a. Steve Lopez, Experian, offered to put together a brief process flow for discussion at the next meeting concerning Standard Mail forwards/returns.
3. Task Owner: **USPS**
  - a. The Postal Service will present at the next meeting information about seasonal peak volumes and network capacity and how they impact service.
  - b. The USPS will attempt to quantify the number or percent of 3d O/D pairs that are not reversible in terms of service standards (from the USPS Service Standards CD).

### **Next Meeting**

The next meeting for this subgroup will be in Washington, DC on April 12th from 3:00 p.m. to 6:00 p.m. EST in room 1P410. A web conference connection is being established to better accommodate the presentations and

telephone connections for those who can not attend in person. Subgroup members who do not plan to attend in person should contact the subgroup co-chairs if they would like to participate by web conference.

The primary discussion topic for the next meeting will be Service Performance Measurement. An agenda will be distributed closer to the meeting date and will be posted on MITS and the PostCom WG 114 web sites.