**MTAC Workgroup 114**
**Service Standards and Measurement for Market-Dominant Products**
***Standard Mail Subgroup***
**April 12, 2007 Meeting Minutes**

## Re-Cap of Last Meeting

Tom Foti, USPS subgroup co-chair, kicked off the meeting. Industry co-chairs Wanda Senne and Kimberly Ryan were unable to attend this meeting, but Kathy Siviter, industry co-chair for the full workgroup, filled in as industry Standard Mail subgroup co-chair. Mr. Foti asked if anyone had any changes or comments on the notes from the last subgroup meeting. There were no revisions or comments.

## Tentative Recommendations for Service Standards

Ms. Siviter gave an overview of where things stand with the subgroup's discussions from the last meeting in terms of service standards for Standard Mail. As of the last meeting, the subgroup tentatively had agreed on the following recommendations for service standards for Standard Mail:

- ***Origin-entered Standard Mail:*** Maintain the existing service standards as represented on USPS service standards software

- ***Drop Ship entered Standard Mail:*** Adopt a new service standards matrix for drop-ship entered Standard Mail (75% of volume) that recognizes entry point and presort (carrier route vs non-carrier route). A handout from the notes of the last meeting was circulated showing the proposed matrix.

Ms. Siviter reported that after the last subgroup meeting, she was approached by mailers that expressed concern that the drop ship entry matrix recommendation would include a range of days rather than a single target day (e.g., 3-4 days vs. 3 days, etc.). Ms. Siviter stressed the below points concerning the existing service standards for Standard Mail, as well as the recommended matrix discussed at the last meeting:

- Current service standards for Standard Mail are a range of days. The existing standards are 3-10 days, then the software breaks that down by 3-digit ZIP O/D pairs – but still a range. For instance, if the software says "5" days, that means 3-5 days. The USPS concurred that the existing standards represent a range of days.

- Standard Mail must remain deferrable in terms of the USPS' ability to process it and remain flexible. A range of days allows the USPS the ability to do so, but does not mean that will happen all the time.

- Allowing a range of days will lead to better consistency and predictability of Standard Mail delivery.

Ms. Siviter asked the subgroup members if there are still concerns around the range of days concept that should be discussed. Angelo Anagnostopoulos, GrayHair Software, commented that as long as the USPS did not have the ability to defer Standard Mail indefinitely or for an inordinate amount of time within the service standards, the range is not a problem. He also noted that having the USPS achieve the service standards a greater percent of the time if the window is a range of days would be better than the USPS achieving the standard less often. Others concurred.

James West, Williams-Sonoma, asked if the range could be narrowed on the matrix and then broadened during peak seasons. Mr. Foti noted that seasonality would be discussed later in the agenda and that the subgroup could make recommendations around the standards for high volume periods.

Ms. Siviter re-capped issues still outstanding in terms of service standards for Standard Mail:

-seasonality/heavy volume periods
-ZIPs outside the contiguous United States
-forwards/returns
-other "footnotes" to standards

Ms. Siviter and Mr. Foti asked the subgroup if the tentative recommendations laid out (see previous page) accurately represent the subgroup's preference to date, and the subgroup agreed. The issue of targets was raised and Mr. Foti responded that ideally the USPS' target in meeting the standards should be 100 percent, but that would not be realistic, particularly when starting off and a lack of performance measurement data.

The issue of whether the standards should be differentiated by shape was raised. Mr. Foti noted that at the last meeting the subgroup had decided that the impact of shape on service is not known at this point, so the group had decided to defer that discussion until a later point when measurement data is available to support whether or not there should be different standards for letters and flats. Ms. Siviter reminded the group that the full workgroup will be including in its recommendations that there be a regular review process of service standards in the future that includes customer input, so issues like shape and other factors where we don't yet have supporting data can be revisited in the future.

## Seasonality and Service Standards

Mr. Foti provided a handout that shows trends in Standard Mail volume by quarter for FY 2004-2007 as a total volume, then by entry type, then by shape. He noted that destination entered Standard Mail continues to grow, with an increase of 3-4% over the last 3-4 years to the current 75% level. The destination SCF level is the primary growth portion, he noted.

In terms of heaviest volume, the months of September to November show the biggest peak, with a smaller peak in March/April . The exact dates vary depending on where delivery days, Sundays, and holidays fall, so there is some skew in terms of the exact heavy volume period, but generally the impact is seen during the fall mailing season from September through November. Looking at the profile by destination entry point or shape, the trend is relatively constant.

Should the subgroup make recommendations for an adjustment to the service standards during the heavy fall mailing season, or build standards that incorporate that into the existing range of days? For instance, if we look at a 3-day range, should we really start with a 2-day range then add an additional day to the end of the range (e.g., 2-4 would become 2-5) for the fall period? Or should there be a wider gap all year long because that way mailers could more accurately predict in-home dates?

Charley Howard stressed that the service standard should not be set at 2 days if the USPS currently can't make it in 3 days. He likes the idea of adding a day during the fall mailing season, but would not cut the in-home window to 2 days. He suggested that we want the USPS to come as close as possible to meeting the standards we set, because it will allow mailers to better predict delivery dates.

Mr. Anagnostopoulos reiterated that an on-time percent of 95-98 percent in a 3-day window is better than 80 percent in a 2-day window. Reliability and consistency are critical.

Paul Giampolo, ADVO, suggested that adding a day during the fall mailing season would be appropriate for mail entered at the BMC or SCF, but not at the DDU. He also suggested that any additional time should be allowed for non-carrier route presort mail because the range on the proposed matrix for carrier-route presort mail already is sufficient to cover peak volume periods. John Sexton, PSI Group, noted that if mailers want to achieve better service during peak volume periods, they can drop mail closer to the destination (e.g., to the SCF for better service).

Dan Emens, Chase, suggested that the BMC is a lot less reliable than the SCF during heavy volume periods. He stressed that accurate predictions in terms of the time it will take are important. The proposed matrix already includes an additional day to go from the BMC to SCF, he noted.

Mr. Howard stressed that early delivery is as bad as late delivery, and that while many facilities might need extra time during the peak season, many will not. If we add too many days, then we have to figure out when to drop ship enter based on specific facility performance.

Jan Pritchard, The Flute Network, asked if there could be a way for local folks to fine tune the public's expectations in terms of service standards by using the service standards software, which offers 3-digit to 3-digit ZIP standards. Ms. Siviter responded that the software contains the standards (goals) but has no data on actual performance, so it could not be used for that purpose.

The group agreed that the USPS should evaluate the existing service standards software to ensure it is in alignment with the proposed drop-ship entered mail matrix. The matrix should represent a higher level detail view, but not be inconsistent with the O/D pairs represented on the service standards software.

The group then discussed how to define the heavy volume period – should it be date specific, or by month? Labor Day to Christmas? Based on the data, the months of September, October, and November are the heaviest volume periods. Lisa Wurman, Vertis, noted that delays often are seen in February because the USPS is catching up after the heavy season. The group agreed that the service standards should be met at that point, not adjusted to continue reflecting the aftermath of a heavy volume period.

The group agreed that lacking more specific data, a proposal around the three heaviest months would make the most sense.

Ms. Siviter re-capped the **proposal in front of the group,** which is to add an additional 1 day footnote for BMC and SCF drop-entered, non-carrier route mail during the months of September, October and November. Subgroup participants should take that proposal back to their constituencies for review and final discussion at the May 7 subgroup meeting.

## USPS Review of Existing Standards

Ms. Siviter reported that the Postal Service, at the suggestion of subgroups at previous meetings, is conducting a review of its existing service standards for all products. The purpose of the review is to see if the USPS can determine whether there are any existing standards that are not achievable in terms of the underlying business rules and current

transportation/network considerations. She said that the USPS is expected to come back at a later date with the results of its review for discussion with the workgroup.

Ms. Siviter commented that it is not her expectation that the USPS will come back late in the game (e.g., August) with a proposal to significantly change any existing service standards because that would negatively impact the progress of the workgroup and it's ability to complete its recommendations on time. From previous subgroup discussions, however, it does not seem that industry would be opposed to some minor "tweaking" of the existing service standards if there are situations where the USPS would not be able to achieve the existing standards without significant expenditures or unreasonable actions.

Mr. Foti concurred that the USPS is currently conducting a review of the existing standards across all product categories. Once the information can be shared, the USPS will provide an update on potential adjustments with the workgroup.

Ms. Pritchard noted that mailers could live with the existing standards if the USPS were to actually achieve them, but in their experience service often is in excess of 10 days. There also is a lack of consistency between facilities, which perhaps can be addressed in the measurement discussions. Sue Farris, National Account Manager USPS for J. C. Penney reported that based on their Confirm scan data, USPS service performance on a recent mailing of barcoded letters showed that out of 5.5 million pieces, 90 percent of them SCF entered, 44 percent were delivered early (allowing a 3-day in-home window), 4.5 percent were delivered late, and of the latter, 1.6 percent took 10-18 days for delivery.

Mr. Foti acknowledged that it is hard to know what changes to make until we have data to identify where the problems are, and that's what the USPS is struggling a bit with internally. There needs to be data to support changes.

## Forwarded/Returned Mail and Service Standards

Mr. Foti noted another potential "footnote" to the service standards that was raised in previous subgroup meetings is that of how to recognize the additional time needed for forwarded or returned mail. Ms. Siviter noted that the USPS at the First-Class Mail subgroup meeting earlier today gave a lengthy presentation on the PARS process and its impact on forwarded/returned mail. A copy of that presentation will be posted on the workgroup web site, and all participants will be encouraged to read it.

Ms. Siviter reported that as a result of the discussion in the First-Class Mail subgroup, the group agreed that the process can be complex and there are many variables that can impact service for forwarded/returned mail. The USPS committed to coming back with its thoughts on the process flow and time lines for forwarded/returned mail. The USPS will consider whether the issue should be raised in the full workgroup because it crosses classes. Either way, the USPS will come back with a response/proposal at the next subgroup or full workgroup meeting.

## Bound Printed Matter (BPM) Flats and Service Standards

The issue of Bound Printed Matter (BPM) flats and service standards was tabled due to lack of any BPM mailers in attendance. Mr. Foti noted that the existing service standards for BPM are relatively the same as those for Standard Mail on a national basis, except that the range for BPM is 2-9 days. The co-chairs will reach out to the BPM mailer community for input.

## Intelligent Mail and Service Performance Measurement

Tim Gribben, USPS Intelligent Mail, gave the group a presentation concerning the USPS' thoughts in terms of intelligent mail and service performance measurement. (A copy of the presentation has been posted on the workgroup web site, as well as a copy of a second presentation on this topic which was presented at the full workgroup meeting on April 13. Subgroup participants are encouraged to review both presentations.)

Mr. Gribben described the intelligent mail program as a collaborative effort, and explained that three different types of barcodes are envisioned: the Intelligent Mail barcode on mailpieces; the Intelligent Tray Barcode on trays/sacks; and the Intelligent Container Barcode on pallets/containers. The piece level barcodes would be unique and provide intelligence at the piece level which then an be nested to the tray/sack and container levels. Jim Callow, PRC, asked if all these barcodes are currently being used by mailers, and Mr. Gribben responded that the Intelligent Mail Barcodes are being used on mailpieces today, and the Intelligent Tray Barcode currently is in pilot. Mr. Callow asked if the information allows the USPS to track pieces in containers on transportation, and Mr. Gribben responded that the USPS currently is doing so in the First-Class Mail pilot test with 3 mailers.

***Start the Clock.*** Mr. Gribben discussed the need for accurate Start the Clock data. For Standard Mail, the process would be the same as is currently being used in the First-Class Mail pilot, but the information would be captured at a different place depending on where the mail is deposited since more Standard Mail is drop ship entered closer to the destination. At the origin facility, BMC, and SCF, USPS acceptance personnel would scan container barcodes and through the seamless acceptance process we would know how many trays/sacks in the container and then pieces in the tray/sack. When the container is opened, another scan is performed, then as the trays are fed through the Tray Management System, those barcodes are scanned. Seamless acceptance ties all the data together and uses it to verify the mailing information which was electronically provided to the USPS for acceptance.

At the DDU level, mail is presented in bundles and does not get processed on automation. For this mail, the USPS does not have a process in place yet, but it's vision is that when the container is accepted at the DDU dock, it is scanned, and then as trays are brought to the carrier station and opened for distribution, the carrier would scan the first piece in the bundle, and as the bundle is broken for distribution, there could be another scan reporting that the bundle is being broken and cased for delivery.

In response to whether the USPS contemplates scanning all bundles at the DDU, or a sampling, Mr. Gribben said that has yet to be determined. As the USPS goes through pilot testing, it would assess the costs for different scanning scenarios. Mr. Foti stressed that manual (active) scanning costs money, and asked what do customers want and what are they willing to pay for in terms of all mailpieces versus sampling. Mr. Giampolo said that if his company is mailing 20 routes into that DDU and the USPS scans a bundle to report that 100 percent of that mail is going out that day, that would be fine, but if the USPS were only delivering 60 percent of those routes one day and 40 percent the next, then that information would be needed. Ms. Siviter stressed that the USPS should analyze costs for a variety of scenarios when it conducts its pilots so that mailers can assess the various options and their likely price tags.

When asked how long the FCM pilot will run, Mr. Gribben said the USPS does not know how long it will run the pilot, but is looking to expand it to Standard Mail and flats mailers, and is recruiting participants. Interested mailers should contact Pritha Mehra or Tim Gribben at USPS. In response to the question of what is required to participate in the

pilot, he said mailers should be using PostalOne, Intelligent Mail Barcodes on pieces, making appointments in FAST, etc.

Mr. Callow asked whether the USPS feels that the earlier issues identified over the years with the Start the Clock data accuracy have been resolved through the Intelligent Mail Barcodes and seamless acceptance. Mr. Gribben responded that the pilot is confirming that the Start the Clock data is accurate, but the USPS will continue to rest that. More Standard Mail mailers need to get involved, and flats mailers, because their mailing profiles are different and entry points are different.

Mr. Gribben noted that the USPS plans to conduct a pilot test of OneCode ACS for Standard Mail in the near future to work out that process, which depends on full PARS deployment.

***Stop the Clock.*** Mr. Gribben said that on the automation side, the USPS would use the last delivery point sequencing scan as a proxy to indicate delivery. He reported that studies of EXFC data have shown that if the mailpiece gets a delivery point sequencing (dps) scan by 10:00 a.m., then 98 percent is delivered that day. He noted that for the pilot, the final dps scan is being used as a proxy for final delivery, but in the future when the Intelligent Mail Devices (handheld scanners) are fully deployed, there would be more ability to scan at the Delivery Unit. The IMD deployment has been accelerated, he noted, and will be fully completed in September.

Ms. Siviter asked the group how it felt about using the dps scan as a proxy to indicate delivery for letter mail and the unanimous response was in support of doing so. No one voiced a vote for creating another scan to track actual delivery of letters, which would be extremely costly.

JoAnne Miller, USPS Periodicals subgroup co-chair, asked if the USPS plans to scan both mailer transportation and USPS transportation at the DU. Mr. Gribben said it will depend. If acceptance is at the Delivery Unit, the mailer-provided transportation would need to show receipt which would be scanned. If the transportation to the DU is USPS, then as trays are being loaded into a container at the postal facility, scans would be obtained there. The USPS may not need another scan at the DU, that is undecided.

Mr. Gribben said that the USPS is contemplating proxies for delivery such as if things ride with EXFC-measured mail, then implied delivery data there. He acknowledged that measuring the non-automated mailstream is a challenge.

Ms. Siviter suggested that the full workgroup should discuss Stop the Clock needs from the industry perspective as we move further into the measurement portion of the workgroup's task.

***Data Quality.*** In terms of data quality, Mr. Gribben noted the USPS proposes that scans from mailers that do not have high quality manifest information would be excluded from service performance measurement. He said that the data being obtained in the FCM pilot tests has been very revealing in terms of manifest information provided versus actual mailing data, and has helped those mailers improve their manifest data quality and the USPS' acceptance of that mail.

***Measuring Mail Streams.*** Mr. Gribben walked the group through a series of slides that break out measurement by type of mail stream (e.g., letters – auto/manual, etc.) and present the USPS' thoughts on intelligent mail solutions, gaps, time lines, and barriers.

***Reporting.*** Mr. Gribben touched on service performance reporting. There are different needs for different constituencies. Service performance measurement data could be collected and reported by facility, by O/D pairs, by individual transportation components between O/D pairs, by presort level, by customer, or by class, etc. He noted that the USPS is trying to determine what measurement data is needed for each constituency – Congress, the PRC, the USPS, and mailers. Ms. Siviter stressed that the USPS should begin having that dialog with mailers through the workgroup. The full workgroup likely will address some of the reporting recommendations, with subgroups addressing those reporting recommendations that are product-specific.

Ms. Siviter noted that what is required under the law in terms of service performance measurement data may be inadequate to allow the USPS and customers to track and resolve service issues, so there are different needs in terms of the data. Looking strictly at what the law requires in terms of reporting would be short sighted, she suggested, in terms of what other needs the USPS and industry have to resolve service issues.

Mr. Callow stressed that the law establishes a preference for external measurement, but the Postal Regulatory Commission can allow an internal system. The law does not require it to be either/or. One aggregate number could give context and permit the PRC to look at whether service is being met at a high level. But is that number sufficient for the USPS to resolve service issues – no. He stressed that no one is making the case that one number would be sufficient. For oversight purposes and reporting to Congress, or USPS reports to the public, an aggregate number may be appropriate, but that is not sufficient for the USPS' diagnostics.

Mr. Foti agreed that the USPS has many reasons to want more detailed data, including looking at better pricing and marketing of its products. He suggested it is more a question of what is made public and what is internal to the USPS.

***Time Lines.*** Mr. Gribben reviewed the USPS' time lines for intelligent mail systems. He clarified that the Intelligent Mail Barcode requirement is for automation discounts and will begin in calendar year 2009, as announced by the USPS previously.

***Questions.*** During the Q&A period following Mr. Gribben's presentation, the following questions were raised:

- Will any of the intelligent mail processes envisioned by the USPS help locate a trailer of mail that has been "misplaced?" Mr. Gribben said it is not included in this presentation, but there is a proposal to replace the USPS' yard management system at BMCs to track trailers. The USPS is looking at different possibilities, including using GPS to track/locate trailers at and between postal facilities. In addition, the USPS could build metrics that indicate where there is data submitted by mailers that show no corresponding scan data, which would provide diagnostics to identify those situations.

- The USPS has presented time lines around the "when we build it" part of the equation, but what about the "they will come" part? What does the USPS estimate in terms of how much volume is needed in order to obtain statistical validity for service performance measurement? What are the adoption rates anticipated for the various mail streams to achieve that critical mass? Mr. Gribben said the USPS is struggling with that. The requirement for using the IMB in 2009 and diagnostic seeding are not the same. The USPS' vision is that as more mailers adopt the IMB and seamless acceptance, it would scale back on other activities. When IMB was first rolled out, a trickling was seen, but now it is at 4-8 million pieces per week.

- At some point in the future, does EXFC go away, to be replaced with intelligent mail solutions? Mr. Gribben said he does not know. The question is what needs to be measured and is it representative. For instance, the adoption rate for Standard Mail likely will not be representative of the entire mail base, so how does the USPS structure service performance measurement under the mandate of the law?

- There should be standards around how new development addresses are added to the USPS' database, and other address quality anomalies. This was raised in the First-Class Mail subgroup meeting but suggested to be out of scope of the workgroup. Industry would like to ensure that all valid addresses are part of the USPS' database and there should be standards around that because it impacts service standards. Ms. Siviter will follow-up on these issues for further discussion at the subgroup or workgroup level.

## Intelligent Mail as a Service Performance Measurement Solution

Mr. Foti asked the subgroup if, as a general statement, industry supports the use of intelligent mail solutions for long term service performance measurement. The USPS believes it does, and is making a lot of investment around that.

Jody Berenblatt, Bank of America, asked whether the USPS envisions that Intelligent Mail barcodes would need to be Confirm-subscriber barcodes in order to support a service performance measurement system that meets the requirements of the law. Mr. Foti said Confirm subscription may be necessary for mailers to get the detailed information they want. The law talks about aggregate data, which does not help individual customers, he suggested. But does a national performance number for Standard Mail help any constituency, he asked. Some replied that it gives a context for mailer-specific performance. Mr. Callow stated that the law does not specify what the level of detail the actual service performance measure should be and that the PRC will probably rely upon input of key stakeholders when making that decision. Mr. Foti agreed that the law did not expressly state that only a national performance number was required.

Mr. Giampolo stressed that Intelligent Mail Barcodes could be used in sampling versus on every mailpiece. Steve Colella, Calmark, expressed concerns about the time lines for industry adoption of Intelligent Mail Barcodes. Yes, the USPS has proposed to require the IMB in 2009 for automation discounts, but things can slip even later and there are segments of the industry that will be able to comply quicker than others, which needs to be taken into consideration.

Jeff Sinn, USPS, reported that there are about 1 billion Planet Code/Intelligent Mail Barcode scans per month in the system overall today, which amounts to about 400 million pieces per month. Mr. Foti said the issue is more whether there is adequate representation of the mail stream and geographic spread. Ms. Siviter stressed that the USPS needs to be analyzing and determining what the necessary statistical sample volume needs to be for the various mail streams so that it can assess the time line for achieving that volume for that mail stream and what actions are necessary to support that.

Mr. Callow agreed that whatever measurement system is set up should be statistically representative. We don't yet know what that is, and the question of how that breaks down needs to be answered, but in terms of measurement, there must be some confidence around the data system to be used. He stressed that the workgroup's recommendations will communicate the needs from business mailers in terms of standards and measurement. The more information that can be included in this up-front process, the less the PRC will ask what mailers want later on. What is

important for business mailers to be able to measure in terms of service performance? Ms. Siviter agreed that the workgroup should recommend what meets the needs of business mailers, and the PRC will assess with the USPS whether or not the requirements of the law are being met.

Ms. Siviter also suggested that all workgroup participants should read the comments submitted by the Office of the Consumer Advocate (OCA) in response to the PRC's rulemaking process for ratemaking under the new law, because there is a significant section on service standards and measurement, including a proposal from the OCA. A link to the OCA's comments will be posted on the workgroup web site.

## Action Items

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

1. Task Owner: ***USPS***

    a. The USPS will evaluate the existing service standards software to ensure it is in alignment with the proposed drop-ship entered mail matrix. The matrix should represent a higher level detail view, but not be inconsistent with the O/D pairs represented on the service standards software.

    b. The USPS will put forward its thoughts on the process flow and time lines for forwarded/returned mail. The USPS will consider whether the issue should be raised in the full workgroup because it crosses classes. Either way, the USPS will come back with a response/proposal at the next subgroup or full workgroup meeting.

2. Task Owner: ***Industry Participants***

    a. Review with appropriate constituencies prior to the May 7 meeting the following proposal: An additional one day (footnote) should be added to the service standards for Standard Mail for BMC and SCF drop-entered, non-carrier route mail during the months of September, October and November.

3. Task Owner: ***Subgroup Co-Chairs***

    a. The subgroup co-chairs will reach out to the Bound Printed Matter (BPM) mailer community for input on their service standards needs.

## Next Meeting

The next meeting for this subgroup will be in Washington, DC on May 7 from 10:00 am to 3:00 p.m. EST at the offices of Venable. Directions and meeting details will be sent out prior to the meeting date. A dial-in number will be available for participants to join by phone.

The group discussed a potential meeting date after the May 7 meeting, with the week of June 12 contemplated. Ms. Siviter noted that as the subgroups move to discuss service performance measurement, there may be more cross-product presentations and discussions that will happen at the full workgroup level, but the co-chairs will discuss this and advise the subgroups as the work progresses.