

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

Review of DST Proposal

E. C. Nix, DST Output, led a discussion reviewing DST's proposal for First-Class Mail (FCM) service standards (see handout previously distributed and available on the workgroup web site). He reiterated that the numbers being used on the chart in the proposal are examples for discussion purposes only, and focused on the proposed methodology.

Mailers on the subgroup agree that the tail of the mail ideally should be reduced or eliminated in a perfect world, but short of that, there should be targets and measurement. Barry Walsh, USPS, said that the USPS currently measures the tail of the mail delivery for FCM but has no standards around that. Lex Litton, Phoenix-Hecht, suggested that failure should have measurement as well, i.e., the tail of the mail delivery should also be measured and perhaps have targets.

Jim Callow, PRC, asked for clarification – is the DST proposal basically that if 5 percent of the mail does not meet the 1-, 2- or 3-day service standard, then set standards for that 5 percent in terms of the USPS' performance? The group agreed that is the basic concept being discussed. Ms. Siviter suggested that Royal Mail may have a structure of "bands" around service standards that is similar in concept, but said she was not sure of the specific structure used.

Shelley Dreifuss, OCA PRC, commented that the Postal Service has to measure all the areas where the mail is delivered. She said the Postal Service is ignoring the tail of the mail in the existing service standards and measurement, and consumers are giving up on mailing payments and paying bills online, reducing a large revenue stream. Ernie Rojas, Pitney Bowes, suggested that the USPS should end EXFC in lieu of an intelligent mail solution. He also stressed that single piece FCM mail incorporates a lot of mail not entered at business mail acceptance units, and that the workgroup should focus on all FCM.

Chris Oronzio, USPS subgroup co-chair, said he likes the idea of standards/measurement for the tail of the mail. Maryellen Clarke, USPS, suggested that the 1-, 2- and 3-day standards perhaps should be set at 98-99% rather than 95%. Jim Prevost, Prevost Enterprises, said that although the numbers used in DST's example are hypothetical, they seem somewhat solid, but the group also seems to be saying that perhaps there should be a 98 percent target for each delivery day and then measurement around that performance goal.

Jody Berenblatt, Bank of America, industry subgroup co-chair, suggested that there are two separate ideas: first, when the USPS does not deliver the first day it was supposed to, it gets a little extra time. The other idea is when it doesn't deliver on the first day, the importance for delivery gets raised (e.g., that mail then gets priority processing). E. C. Nix said that would make things very complex for the USPS to work with. He does not want to speak for the Postal Service, but it would be hard to build an exception process to make sure that pieces of missent mail got handled by a special process through a plant. Kathy Siviter, PostCom, full workgroup industry co-chair, said it could be an expensive proposition to have the USPS identify a specific mailpiece/ mailing mid-stream and give it priority handling. Mr. Nix said the USPS has a process to accelerate handling of overnight mail if it is not delivered overnight.

Ms. Siviter said that it should not be the group's job to tell the USPS how to resolve its service problems – our mission is to set the standards based on industry needs, and put measurement systems and reporting around those standards,

but not to specify exactly how the USPS should resolve service issues. Cameron Bellamy, GrayHair Software, said that was not the intent of the proposal. Mail that does not make the standard should still be measured. Do we have a standard for the 5 percent (example) that does not meet the standard?

Bill McComb, Netflix, said that the tail of the mail is sub-standard delivery. The standard ought to be 98, 99, 100 percent. Jeff Lewis, USPS full workgroup co-chair, suggested that he and Mr. Oronzio take the discussion offline and articulate their thoughts back to the group. The USPS thinks standards are a black and white thing, but will give some thought to acknowledgment of how to gauge the degree of failure. The group agreed that there should be different expectations for remittance mail.

FCM Products Within Workgroup Scope

The subgroup members asked the USPS for clarification on which First-Class Mail products are included in the workgroup's charter in terms of establishing service standards and measurement. Mr. Lewis said that FCM deposited in a collection box is not part of the MTAC workgroup's charter, but that does not mean it will not be addressed. The USPS feels that its existing EXFC program adequately measures collection box mail, he noted. The issue of collection box mail and other more consumer type products will be addressed by the USPS Consumer Advocate group, which is working with the PRC's Office of the Consumer Advocate (OCA). Courtesy Reply Mail (CRM) and Business Reply Mail (BRM) should be included in the workgroup's discussions, he clarified.

Ernie Rojas, Pitney Bowes, said that the FCM standards the group establishes through the MTAC workgroup process should be those that represent all FCM, including collection box mail. The USPS and subgroup members agreed.

Shelley Dreifuss, PRC OCA, said they have question about what products/services are being covered by the MTAC workgroup and those that are not. FCM parcels, for instance, sent by small business mailers – where can those mailers express their concerns about measurement, standards and service difficulties? Mr. Lewis said that in terms of setting standards and measurement, the MTAC workgroup would be the appropriate venue, but stressed that this is not a venue for specific service complaints. For those issues, mailers should be working through the appropriate USPS contacts to resolve service issues.

Ms. Berenblatt said that in the OCA's formal comments filed at the PRC, it said special services have no place for discussion, but at the last meeting of this subgroup we said some will be included in our work. Ms. Siviter encouraged all members of the group to read the OCA's formal comments (a link has been posted from the workgroup web site), which were submitted in response to the PRC's rulemaking on the ratemaking process under the new law, and which include a significant section on service performance and measurement. Ms. Siviter also advised the subgroup that the full workgroup at tomorrow's meeting will be reviewing the list of Special Services to determine which should be included in the MTAC workgroup's charter.

Don Harle, MTAC Industry Vice-Chair, noted that when MTAC was asked to create the workgroup, there was no discussion that there were certain exceptions, but which things go in which subgroups is a different issue.

Mr. Lewis reiterated that the USPS thinks it has the measurement solution for collection box mail, but not for the rest of First-Class Mail, which is where it needs input from business mailers. But, he acknowledged, the world is not always simple, and there are FCM mailers like Netflix, that use collection boxes, and remittance mail used by large financial

institutions, etc. He said the USPS would like to see the workgroup first focus on bulk-entered FCM, then look at the other areas. We don't want to get held up on the core mission of the workgroup because we are getting lost in too many other directions.

Ms. Berenblatt stressed that in some ways you can't separate bulk business mail from citizen mail because they are inter-dependent. Mr. Nix stressed that setting the standards is important because the USPS will set its Critical Entry Times (CETs), operations, carrier schedules, transportation, etc. around those standards. But we can't be unreasonable because we can't afford it.

Jim Callow, PRC, noted that the statute requires that we look at standards for all FCM. In terms of measurement, he disagreed that we should accept that single piece measurement is taken care of sufficiently by EXFC, but we don't want to pre-judge the future. He suggested that down the road, there may be ways in which technology will develop to measure bulk FCM that then could piggyback with single piece and EXFC is no longer needed.

Ms. Dreifuss noted that looking at major service standards changes the USPS made in 1989 (docket no. -89-1), in the old Postal Reorganization Act (PRA) era when the then Postal Rate Commission could tell the USPS it did not like its changes and the USPS could just say the PRC provides an advisory opinion that it does not have to follow...prior to the 1989 change, the overnight service area was about a 150-mile radius, but the 1989 change narrowed it to about 50 miles. Could this group re-visit that? It might be costly to re-establish the previous standard, but do we want to accept the narrower standard today? There were lesser changes made to the 2-day and 3-day standards, she noted, but asked if business mailers want to re-visit that in this workgroup.

Jim Hess, USPS, said the Postal Service is satisfied with the change. It did not just use a 50 mile overnight radius, he noted, there are areas where the overnight radius is 15-20 miles and some where it is hundreds of miles. It is based on transportation, mail flows, etc. He said the 1989 case was extensive and customer input was sought before the changes were made. Since then, other changes have been made to the standards based on internal changes. Ms. Dreifuss responded that although the USPS may have asked for customer input, it largely ignored their views in the 1989 case.

Ms. Siviter suggested that the group not spend too much time re-hashing the events of 1989, but noted that the full workgroup does intend to include in its recommendations the development of a formal review process that includes customer input and dialog on changes to service standards. But the question the group should be focusing on in terms of establishing service standards is – do the existing standards meet your company's business needs? If not, what needs to be changed? That is the question on the table for the workgroup.

John Sexton, PSI Group, noted that in testimony in 1989, the USPS said that an ongoing review process would be put in place...but it has not been. The workgroup needs to be sure to include that in its recommendations. There have been dramatic changes in the business FCM industry, and with consolidations and workshare, it is a different customer profile than in 1989, so the review process should reflect today's community with large mailers having a role in how the network is influenced.

Forwards/Returns and Service Standards

Jeffrey Fistel, USPS, gave a lengthy and detailed presentation on the Postal Automated Redirection System (PARS) and the potential service impacts for forwarded/returned mail. A copy of the presentation will be posted on the workgroup web site. Subgroup participants were encouraged to focus on those aspects of the process that could

impact service and whether/how service standards could reflect those processes. The following highlights from Mr. Fistel's presentation are noted:

- The USPS processes 43 million COAs annually, not including those filed by phone or internet, and not including carrier corrections to original COAs filed by customers (see below).
- When customer completes a USPS Change-of-Address (COA) hardcopy form, they could make a mistake (wrong apt. #, etc.). A USPS carrier will get a print out of COAs where the address is not a valid delivery point, and they can complete a form 3546 (change to the original COA), but there is a lag time between the filing of the COA by the customer and the carrier correction, and notification to the customer does not happen until later in the process (when the customer initiates an inquiry because mail is not being properly re-directed). Industry urged the USPS to review this process in the appropriate venue (not this workgroup) and provide customer notification as early as possible so that incorrect addresses are not born. The customer may provide that incorrect address to others which multiplies the incidence of the incorrect address in mailer systems, etc.
- Tim Gribben, USPS Intelligent Mail, reported that the USPS has a focused strategy to move customers to internet COA process, which prompts the customer for correct address information.
- The USPS in September will be introducing new COA forms with barcodes.
- The technology has changed which the USPS uses to get COA forms into the system. It now is using two separate form readers once the forms have been scanned in. If both readers agree on an element of the COA, that element is considered verified. Whatever the two readers disagree on, goes to a REC site keyer. If the keyer agrees with one of the readers, that element is considered verified. Then the information goes into the system. If the keyer does not agree with either reader, it goes to an additional keyer, up to 3 keyers. This process time is variable, but is hours, not days.
- There currently do not appear to be specific standards around the processes involved in USPS handling of COAs. The USPS admitted that parts of the process could take a week or more if a carrier is on vacation, for instance. But during that time, the mail is still going to the old address.
- The USPS said that about 50-55% of mail that has a COA on file is intercepted by PARS, which is at about 75% deployment. When full deployment is reached, about 98% of network mail will go through a facility with intercept capability. That does not mean the intercept is always at the origin, it means that including origin and destination processing, the mail gets intercepted 98% of the time, but not necessarily on the origin machine. The service expectation would depend on whether the origin plant intercepts the piece at that point. Ms. Dreifuss asked what makes the piece interceptable, and Mr. Fistel responded that machine speed, the camera's ability to identify the address, and other factors play into whether or not a piece is intercepted, plus the addressee name needs to be an exact match. For example, if 50 COA pieces in a row went through a machine, its speed could not keep up with the required activities to identify and intercept each piece.

Ms. Siviter summarized the presentation (which she recommended be viewed by MTAC workgroups working on address quality issues) as showing that the processes involved in forwarding/return of mail are very complex, include

many variables that can impact service, and different mailstreams (PARS vs non-PARS) might be hard to identify in terms of service expectations/standards. Can the USPS say what the average number of days would be to process and deliver forwarded pieces for our service standards discussion?

Mr. Nix said that a new Start the Clock after a piece has been intercepted and labeled by PARS might be the best solution. Mr. Callow asked what internal goals the USPS has for processing these pieces, e.g., is there a 5-day wait built into the system, and other time periods of goals the USPS has for COAs? Mr. Oronzio said once a piece is labeled with the new address, it goes back into the mailstream and then is subject to the same FCM service standards as the rest of the mail but with a new start at that point.

Ms. Dreifuss reported that her office often has complaints that it has taken one month before mail is re-directed to its new address after a COA is filed. Why does it take that long now, and will the changes the USPS is making in September address those issues?

The USPS agreed to discuss the issue of forwards/returns further internally and come back to the subgroup with its thoughts on service standards for this mail.

Remittance Mail and Service Standards

Prat Shah, USPS, presented several handouts (which will be posted on the WG web site) highlighting facts about the remittance mailstream. About 60% of the entire FCM base is derived from bills, statements and payments, he noted. Of that, remittance mail is about 20%. On any given day, the USPS handles nearly \$20 billion worth of commerce through remittance mail, and that's a conservative estimate.

Remittance mail is divided into two categories: retail (FIM, reply mail, constitutes majority of retail volume) which is low dollar high volume mail; and wholesale, which is high dollar low volume mail, including \$1 million - \$5 million checks going through the USPS to major 5-digit ZIP code financial institutions, etc. In response to the question of why the latter is not prone to electronic diversion vs. using the mail, Mr. Litton responded that when corporations pay other corporations, the payment could go electronically but unless the information about what is being paid could also go electronically, that option is not of value to the corporation. And no one has come up with a viable way to exchange electronically what sometimes is multiple invoices or information pieces to support the payment.

Remittance mail is not measured today by EXFC, Mr. Shah noted, although there are kits within EXFC today that mirror some of the remittance mail characteristics (e.g., #10 window envelopes, nonbarcoded, etc.), but they are not exactly like remittance mail pieces. In the late 1990's, a special remittance team was started at USPS Headquarters and there was an effort to try to extend EXFC to remittance mail, he noted, but a sample size large enough to mirror retail volume could not be performed, and reporting was an issue. The USPS has not pursued any other measurement of remittance mail. Phoenix-Hecht is the single source today for measurement of remittance mail.

Processing centers for wholesale remittance mail are located solely on the performance of USPS facilities, as assessed by Phoenix-Hecht. Phoenix-Hecht measures remittance mail performance two times per year, using seeds in 150-180 origin cities. The clock starts when the seed mail is entered at the post office counter or collection box. Seeds are destined to about 37 major remittance centers which are located based on bank locations that subscribe to Phoenix-Hecht. A site may not get much volume, but if a subscriber bank wants it studied, it is included. The clock stops when

the piece arrives at the remittance processing center (although Phoenix-Hecht also performs measurement of the processing of the remittance piece that begins at the remittance processing center and ends when the deposit is made).

The Postal Service owns about 75-80% of the total float time of that payment, Mr. Litton noted. One significant component that drives some performance is that once the mail is processed in postal facilities and receives its last scan on the machine (all Phoenix-Hecht seed mail is Planet-coded), then the USPS is done because the mail is made available to the customer. In just about every major remittance center, however, private couriers are employed to come pick up the mail. Some banks pick up only once a day, others pick up 24 times a day.

Phoenix-Hecht measures service performance in hours, not days, because remittance mailers are looking at the number of hours it takes the mail to get to them.

Phoenix-Hecht does not track handwritten non barcoded remit pieces, however. In many cases the business mails remittance using an address on a check that shows through a window envelope, but many issues with the address readability, etc. are associated with this method. Mr. Lewis asked what is not measured by Phoenix-Hecht and how representative the data is of the overall remittance industry. Also, Phoenix-Hecht reports twice per year, he noted. The USPS under the law is required to report once a year, which he said probably will not pass the laugh test with most constituencies, but for smaller volumes of mail perhaps less frequently reporting or rigor might be a way to keep costs down. The Postal Service does not have to measure everything, he suggested, others could do it.

Mr. Litton said that corporate America is the real user of Phoenix-Hecht data to determine how many processing centers they need and where. Those are long term decisions, so measuring only twice a year is reasonable. If you are using the data to run operations, however, twice a year is not good. Internal processors generally don't subscribe to Phoenix-Hecht, which leaves out much retail such as utilities, and large credit cards that process their own remittance. Mr. Lewis asked if Phoenix-Hecht feels its service scores match those presented by utilities, and Mr. Litton said Phoenix-Hecht's are better because they are not as driven by flat and speed of processing, but more by the cost of transactions as long as credits of customer payments are processed in a reasonable amount of time. That's why Phoenix-Hecht is focused on hours for service vs. days. Corporate America is focused on the days to credit payment and days to withdraw funds, which get down to hours.

Ms. Dreifuss asked how Phoenix-Hecht chose its 170 entry points and whether they change over a period of time, and whether there appears to be significantly different service for pieces entered into collection boxes versus to post office retail counters. Mr. Litton responded that the 170 entry points are based on postal plants, not necessarily urban locations, and chosen based on the outbound volume of First-Class Mail, so those 170 plants surveyed represent about 80% of outbound FCM volume. He said Phoenix-Hecht would like to never change those points so that trend data can be gathered, which requires the same entry points for comparison purposes, but unfortunately with USPS network consolidation some changes do have to be made. He said Phoenix-Hecht is probably not as sensitive to potential failures in Start the Clock, so its mailing agents are told to mail the item in a method reasonable to approximate what corporations would do. Generally pieces are mailed in collection boxes, and when significant problems are encountered we tell the agent to start mailing at the post office because otherwise it introduces artificial noise into the data.

Ms. Siviter asked if the Remittance Mail Advisory Council, a joint effort between the USPS and remittance mailers, has discussed service standards or measurement, and to what end. Mr. Litton said there has not been much discussion on

standards because remittance mailers felt they could not change much since the 1989 proceeding. Remittance mailers wanted to focus the USPS on how EXFC fails the industry and causes the USPS to make decisions that can be negative for the remit community. For instance, the USPS may decide it can change an air transportation route to surface and still make its standards and therefore thinks there is no impact, but since EXFC does not track when the USPS performs better than the standard, it misses the subtleties of this type of change causing mail to take hours longer to arrive and hit at bad times in terms of clearance. So the USPS might make a perfectly rational cost-based decision that has a significant negative impact on remittance mailers.

Mr. Shah acknowledged that these types of impacts do happen, referring to one of the handouts prepared for the meeting, which notes that the advance number was reduced from around 55% to around 30%. The USPS still is making its standards, but taking longer in hours, so the number of hours increases on the Phoenix-Hecht survey. Ms. Berenblatt asked how the USPS communicated that network change to the remittance mailers beforehand. Mr. Shah said that individual sites did communicate and in some cases, the sites saw arrival profile differences. Mr. Litton said that the Remittance Mail Advisory Council has devoted one third of its resources to communication issues where it is felt that the USPS and industry are missing important dialog. When this type of change is envisioned, it will impact remittance mailers. Conversely, if a large remittance mailer moves from City A to City B and does not give the USPS notice, it does not warn the USPS on mail flow impacts for that facility. The communication needs to go both ways.

Mr. Lewis noted that there are huge cost implications between air and surface transportation, which is what drives those types of decisions. Ms. Berenblatt recommended that a big component of the workgroup's recommendations should be around the need for better communication.

Mr. Shah noted that there is not a solid measurement base today on retail remittance mail, which is very streamlined in terms of USPS processing. He suggested that the clock should be stopped at the last hit in the USPS plant because that's when the USPS makes it available for delivery, and it's up to the remittance mailer to pick it up. He said the USPS needs measurement on remittance mail more than twice per year and needs a wider mail base to survey.

The USPS internally is performing a national Planet code seed testing for remittance mail, Mr. Shah reported, which it has done once and is getting ready to do again at the end of April. Ms. Berenblatt asked if that data is being shared with customers and Mr. Shah said it is being done through the BSNs and Susan Plonkey's group. The USPS has people put Planet Codes on live mailpieces and re-induct them into the system, seeding roughly 100-150 pieces of mail per night in every major origin facility in the country, then taking that data for analysis. The USPS has not yet developed the detailed reports it needs, but is working on it, he reported. Mr. Gribben clarified that this test is a plant-to-plant diagnostics test which the USPS expanded last quarter, and is designed to see what is happening between postal facilities.

Mr. Shah reported that there are two programs the USPS is working on to expedite remittance mail flow. One is the national FIM list, where destination offices that receive a lot of CRM FIM mail can request that separate direct sorts be added when sort plans are developed by origin offices where a significant volume of mail for that firm can be pulled as a direct sort. National Firm Holdout is an initiative to address wholesale remittance mail. The key to remittance success is to keep the mail constantly moving throughout the building, he said. The USPS' challenge is equipment availability to run the mail.

Ms. Siviter suggested that some FCM mailers dream of getting service such as remittance mail currently receives...what are the remittance mailers' needs in terms of service standards? Mr. Litton responded that service standards for

remittance mail are acceptable as they are today, but for the measurement a system is needed that recognizes two problems: a 5-day failure on a \$10,000 check is more punitive than a 1-day failure; and the measurement system ought to reward performance that beats the standards so that when decisions are made on transportation, there is knowledge that it would hurt one stream of mail that has a significant financial value.

Mr. Litton said one big issue for remittance mailers is that of “phantom” P. O. Box addresses, which are not physical post office boxes, but phantom addresses. These must match those in the USPS database in order to get accurate barcodes. If they don’t, it increases the probability of bad barcodes and poor delivery.

Ms. Siviter asked why the remittance mailer does not provide a pre-printed barcoded envelope for the return of the wholesale remittance, and Mr. Shah said that even if they do it is not used and that generally the business-to-business wholesale remittance payments are checks in #10 window envelopes, or handwritten envelopes. From the USPS’ perspective, he noted, the technology has made tremendous strides in reading mail and barcoding, but there is a good probability with these types of pieces of getting bad barcodes.

Mr. Litton said that there is a perception that if the remittance mailer has a unique 5-digit ZIP Code, you could write anything on the envelope and it would still go to that ZIP, but if you write a deliverable address not in that ZIP Code, the OCR reads it and sorts it to the other city. Unique ZIPs should have a range of boxes assigned to them so when the USPS equipment sees that range, it knows it belongs to that unique ZIP, he suggested. Ms. Berenblatt concurred that standards are needed for addressing because they impact service.

International Mail and Service Standards

The subgroup is looking for clarification around which international products/services are included in the scope of the law relative to service standards and measurement. Ms. Dreifuss said that single piece international is included under the law, but that does not preclude the USPS from having a dialog with its bulk international customers in the competitive products arena.

Larry Chaido, TransGlobal Consultants, subgroup member, introduced himself as an international consultant who has worked with the USPS and Universal Postal Union (UPU) in the past, as well as with private companies. He has over 25 years experience in the international mail arena, 12 of that as a consultant to the UPU. He noted that some information that may be touched on by the workgroup in terms of international mail are considered privileged, but noted that the USPS has access to all of that information.

Mr. Chaido noted that international mail is about 3% of the total USPS revenue, and about 0.37% of total USPS volume (all international products). The highest volume product is FCM (airmail) at 54%, if International Priority Airmail (IPA) is included, it goes to nearly 60%. Ms. Dreifuss asked what percentage of international is single piece vs. bulk, and Mr. Chaido responded that lettermail noncommercial is about 51.1% of total international mail volume.

Mr. Chaido suggested that what international products/services fall under the law in the market-dominant category is still somewhat a grey area, partly because the USPS recently has regrouped and renamed its international mail products. Mr. Chaido referred subgroup members to review the USPS proposed and final rules (the latter published April 4, 2007) to see how the USPS has changed its international mail products and services. (Copies of both notices will be posted on the workgroup web site.) In his opinion, Mr. Chaido noted, there is a good chance that all FCM international will fall into the market-dominant category, including that which is being called Priority Mail International

(which includes airmail parcel post, economy parcel post, and Global Priority Mail), but a ruling still needs to be made on what is considered market-dominant under the new law.

The subgroup determined that its initial focus should be on international airmail and wait for a PRC ruling on the rest of international products/services.

Mr. Chaido touched on the existing service standards and measurement for international mail. He explained that all international mail is under a pay for performance system. Foreign posts get paid for performance under a quality incentive program. There is one system that was started in 1994 by the Common Union, which is measurable and part of a postal directive that says all cross border mail within the Common Union has to arrive in 3 days end to end. The UPU then decided to take the same basic philosophy in pay for performance, and the USPS is part of the UPU.

An external measurement system is administered by the International Post Corporation, of which USPS Postmaster General Jack Potter currently is co-chair. Mr. Chaido noted that the FCM service standard for international, which was 4-7 days, was not included in the USPS' recent *Federal Register* proposal and final rule concerning its international services and products. He suggested that the group find out what the UPU standard is then dovetail on that. The measurement system starts with the sender at Country A, then that country's sorting center, then the outbound exchange office, then the international exchange office, receiving country and then recipient. So the performance measurement vehicle already exists for international mail.

Ron Middlebrooks, USPS, said that IBM measures international EXFC and also uses transponders created by IPC and managed by Research International. Scan A is the 1st scan in collection, scan B is time it arrives at the post office or International Service Center (ISC), Scan C is when it leaves the US, Scan D is when it arrives at the foreign post, Scans E and F are in and out of customs, Scan G is arrival at the delivery unit, Scan H is attempted delivery, and Scan I is delivery. He said the USPS measures, slices, dices, and comes up with different measures for different reasons such as transportation, ISC operations, etc. The measurement is only for the 48 countries in the IPC, he noted. He also said that terminal dues include a quality element and are based on what we exchange monetarily between posts. The measurement for terminal dues money is from the time the mail enters this country (transponder read at ISC gate), then the process works to measure it to the time it is delivered.

Ms. Berenblatt asked what the service standard is for mail originating from the United States and destined to other countries, and Mr. Middlebrooks responded that it is 5 days for IPC countries (from collection point to delivery). He noted that a problem for this group will be the commercial confidentiality of data because of foreign posts.

Mr. Lewis asked the group if it needed more in terms of international mail measurement than what currently exists, and Ms. Siviter asked if any of the businesses on the group need different service standards for international than those that currently exist. Several subgroup members responded that they have interest in measurement of the international mail as it travels within the U. S. and, possibly when it leaves the U. S. Mr. Middlebrooks noted that the USPS has the scans now, but as far as reporting that information, that is a discussion between the USPS and other foreign posts. He said he is not sure what the new law requires in terms of reporting.

Mr. Lewis will follow-up on whether the existing measurement system is sufficient to meet the requirements of the new law. The USPS also will follow-up on identifying the existing service standards (effective May 14, 2007) for international mail.

FCM Parcels and Service Standards

Tom Underkoffler, Medco Health Solutions, joined the latter part of the subgroup meeting representing an interest in FCM parcels. In terms of his business' needs, he said they are looking for standardization and consistency of service. The service standards for FCM parcels can be the same as for other FCM, however once it gets past 3 days, there is a problem from a service perspective. When service is not consistent, he said, it creates customer service issues for his company, which ships mail order medications. His company is largely a drop ship mailer, but FCM parcels are entered at origin, about 30,000 per week. The existing 1- to 3- day service standards would be acceptable, he suggested, if consistency were built in and the USPS largely achieved those standards.

Mr. Underkoffler said that his company currently does not use a barcode on its pieces for measurement purposes, but plans to begin using Delivery Confirmation service and barcode all its FCM parcels. His company does not have a peak season as do other parcel shippers. On the tail of the mail, his company would like to see no more than one additional day, he said. Ms. Dreifuss asked if his company receives a lot of customer complaints about delivery, and Mr. Underkoffler responded that as a whole the USPS seems to be doing pretty good, but there are certain geographic areas his company has service issues with which do not necessarily correspond to the busy season.

The subgroup decided to pursue the discussion on FCM parcels and service standards by telecon to allow for more participation from FCM parcel mailers.

Consumer Surveys

The subgroup briefly discussed the topic of the consumer surveys which had come up at the last meeting. Ms. Berenblatt said that a small group had been formed and a telecon has been set up for April 20. Mr. Gribben will be heading that effort for the USPS. The challenge with the survey would not necessarily be with getting it designed, but with having it completed in time for the workgroup to act on its findings.

Critical Entry Times (CETs)

The subgroup briefly discussed Critical Entry Times (CETs). Mr. McComb said that when the USPS changes CETs, it is changing service standards from his company's point of view. Ms. Berenblatt said many mailers have issue with the fact that the CETs are not published anywhere. Mr. Oronzio said that the USPS has an effort currently to standardize CETs for Standard Mail and Periodicals nationwide. FCM has specific operating plans, so the CETs could be standardized but there would be more of them.

Mr. Lewis said that when measuring service performance, you need a set of CETs to measure from. That has to be part of the database you compare entry times against, so we will have to discuss CETs. Mr. Sexton said that CETs vary by presort level, containerization, and there are many different ones for a single facility, depending on mail type. Mr. Oronzio said mailers would have access to the facility operating plans to know the CETs and compare when the mail is entered relative to CETs. Dan Emens, Chase, said the workgroup will have to talk about CETs because we can't set standards without knowing the CETs. Mailers could be penalized on service by the USPS changing around CETs. Mr. Harle agreed that it is difficult to separate the two topics because when CETs change, service expectations need to change. Mr. Bellamy said the Facilities Database initiative will need to be consistent with the CETs, and the USPS agreed with that statement. Mr. Oronzio will follow-up on an update at the next subgroup meeting on the CET effort and time line.

Action Items

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

1. **Task Owner:** *Jeff Lewis/Chris Oronzio, USPS*
 - a. The USPS will discuss internally and give further consideration to the concept of standards for the "tail" of the mail in terms of FCM service performance (mail that does not meet the standard), per the DST Output proposal. The USPS will follow-up with the subgroup on a suggested course of action to further consider these concepts.
 - b. The USPS agreed to discuss the issue of forwards/returns further internally and come back to the subgroup with its thoughts on service standards for this mail.
 - c. Mr. Lewis will follow-up on whether the existing international mail measurement system is sufficient to meet the requirements of the new law.
 - d. The USPS will follow-up on identifying the existing service standards (effective May 14, 2007) for international mail.
 - e. Mr. Oronzio will follow-up on an update at the next subgroup meeting on the CET effort and time line.
2. **Task Owner:** *Joel Thomas, NAPM*
 - a. Joel Thomas agreed to obtain and distribute to the subgroup the pertinent data from the PRC N89-1 case concerning FCM service standards business rules and development processes. **
3. **Task Owner:** *Jeff Williamson, USPS*
 - a. Mr. Williamson agreed to provide the subgroup with simple language that explains the business rules used by the USPS in development of the existing service standards. **
4. **Task Owner:** *USPS*
 - a. The group agreed that it may need more representation from FCM flats and parcel mailers. The USPS will reach out through the BSN to identify more of these types of mailers and invite them to participate. **
 - b. It was agreed that the USPS should look at historical FCM volume trends to identify peak volume periods and provide that data at the next subgroup meeting. **
 - c. The USPS agreed to perform some data analysis and review on service performance to/from areas outside the contiguous United States, such as Alaska, Hawaii, Guam and Puerto Rico, in an effort to quantify the percent of time it meets a 3-day service standards to/from those 3-digit ZIP Code areas. **

- d. It was suggested that the USPS at one time reported an average 5-6 percent of mail is misdelivered, which can impact service performance. The USPS will follow-up to provide an accurate number. **
- f. The group asked the USPS what percent of FCM is nonmachinable, by processing category (letters/flats/parcels). The USPS will get that data for the next meeting. **
- g. The USPS will review for further discussion whether there would be any significant cost savings associated with having a separate service standard for nonmachinable FCM mail (an additional day, etc.). **

** These action items still are pending from the previous subgroup meeting.

Next Meeting

The next meeting of the Full Workgroup will be on Tuesday, May 15, from 10:00 a.m. to 3:00 p.m. (the day before the MTAC General Session meetings). The FCM subgroup decided its next meeting will be on Friday, May 18, from 8:30 a.m. - 12:30 p.m. at USPS Headquarters (the day following the Flats Summit).

The group agreed that future meetings will run from 9:00 a.m. to 3:00 p.m. and offered a list of tentative dates for future meetings as follows:

June 12	Finalize Standards recommendation
June 26	Continue Measurement discussion
July 10	Finalize Measurement recommendation
July 24	Continue final recommendations
Aug 14	Finalize recommendations