

MTAC Workgroup 114
Service Standards and Measurement for Market-Dominant Products
Standard Mail Subgroup
May 7, 2007 Meeting Minutes

Service Standards Proposals

Tom Foti, USPS subgroup co-chair, reviewed the existing service standards proposals currently under consideration by the Standard Mail subgroup, which include maintaining the existing service standards (850,000+ 3-digit O/D pairs) for origin-entered Standard Mail, and moving to a new matrix for drop ship-entered Standard Mail. The new matrix for drop ship mail recognizes the type of facility to which the mail is drop-entered (DBMC, DSCF, or DDU) and presort (carrier route versus non-carrier route presort), with a range of days for the service standard for the combinations of drop ship entry and presort level.

The following proposed matrix is currently being considered by the subgroup for drop ship-entered Standard Mail:

Presort Type	DBMC	DSCF	DDU	Origin-Entered*
Non-Carrier Route	3-5 days	2-4 days	NA	3-10 days*
Carrier Route	3-4 days	2-3 days	0-2 days	3-10 days*

* Use the USPS' Service Standards software to calculate standards by 3-digit O/D pairs for origin-entered Standard Mail

Mr. Foti noted that the proposals currently on the table for consideration were developed in a collaborative workgroup environment. He said that the subgroup had established that the service standards recommendations could be evolutionary in nature, and consideration to changing the standards could occur in the future if warranted. Kathy Siviter, PostCom, full workgroup co-chair, reminded the subgroup that the full workgroup already has come to the conclusion that it will include in its recommendations the establishment of a formal, regular, review process for service standards and measurement as we move forward. The full workgroup will begin fleshing out draft recommendations around a formal review process at its May 15 meeting, she noted, and asked that the Standard Mail subgroup participants give some thought to what their businesses need in terms of a review process.

The following discussion points are noted from the service standards discussions:

- ***Standards Remain a Range of Days.*** It was clarified that the existing service standards for Standard Mail are a range of days in that the service standard for all Standard Mail is a range of 3-10 days. So, for example, if you look up a specific 3-digit origin/destination pair (using the USPS service standards software) and it says the service standard is 7 days, that actually means 3-7 days – the 7 days being the latest service standard. It does not mean that delivery is targeted for an absolute 7 days. Today, Standard Mail often is delivered well before the standard, or after the standard, which leads to much inconsistency and unpredictability in service. Standard Mail users have made clear that consistency and predictability are critical to their business needs. Moving to a more defined range of days based on drop ship entry and presort, are intended to lead to better consistency. It was stressed that this is not a case of loosening Standard Mail service standards.

- ***Consistency Between Origin and Drop Ship Entry Standards.*** The group stressed that a review needs to be done comparing the existing service standards, which are proposed to remain in effect for origin-entered mail, do not conflict with the proposed drop ship entry matrix. For instance, if the matrix shows a service standard of 3-5 days for mail drop ship entered to the DBMC that is destined for that BMC's service area, then the standard for the same type of mail (origin and destination within the same BMC service area) should also reflect 3-5 days to be consistent. The USPS said it will review the existing standards compared to the proposed matrix as part of its internal Standards Review.
- ***Forwarded/Returned Mail.*** Another open item on service standards was that of forwarded/returned mail in terms of its service standards and/or measurement. Ms. Siviter reported that the First-Class Mail (FCM) subgroup is working on this issue and the USPS is scheduled to bring a proposal to the next FCM subgroup meeting. She suggested that the Standard Mail subgroup could decide to wait and see what FCM subgroup proposes, then consider that, or try and work the issue on its own.

The subgroup discussed the issue and came to the consensus that very little volume of Standard Mail is forwarded, therefore the subgroup would wait and see what the FCM subgroup comes up with in terms of service standards for forwarded/returned mail, then consider applying that to Standard Mail, if appropriate. It was noted, however, that the issue of forwards may be more important to nonprofit Standard Mail users.

- ***Re-Directed Drop Ship Entry.*** The subgroup discussed the issue of instances, which are reportedly becoming more common, where the USPS re-directs mailers to enter mail at a different facility. In some cases, this includes re-directing DSCF rated mail to a DDU drop location, which means that there could be non-carrier route presort mail entered at a DDU, which the currently proposed matrix does not recognize. The group briefly discussed whether industry could supply data on re-directions, but agreed that this could not be accomplished quickly. Mr. Foti agreed to discuss the issue of re-directions with USPS operations to determine an appropriate next step. The group agreed that one approach to recognizing re-direction in terms of service standards could be to include a clarification footnote on the proposed matrix.
- ***Seasonality.*** The subgroup at its last meeting had put forward a proposal that an additional one day be added to the service standards for BMC and SCF drop-entered, non-carrier route Standard Mail during the months of September, October, and November. The subgroup discussed the issue of seasonality and how best to address it in terms of service standards for Standard Mail.

Some participants felt that half or all of December also should be included in the heavy season definition. It was decided that half the month would cause confusion and lead to difficulty in service performance measurement. Some felt that including December would send the wrong message to USPS operations – that it would be acceptable to have delays in December. Ms. Siviter asked that the subgroup participants give further consideration to whether December should be included in the heavy season definition, and bring closure to the issue at the next subgroup meeting.

- ***Non-Contiguous United States Service Standards.*** The subgroup briefly discussed the issue of service standards to/from those ZIPs outside the contiguous United States (e.g., Hawaii, Alaska, Puerto Rico, Guam, etc.). Mailer participants suggested that there may be needs for different service standards for some non-contiguous areas than for others. Jim Callow, OCA, noted that the USPS

Office of the Inspector General has reported on Express Mail service to Guam and although there is not much volume there, the USPS only meets those standards 80 percent of the time, which implies that there are issues with the existing service standards. Ms. Siviter suggested that the USPS as part of its standards review will be looking specifically at those areas, but lacking data it is difficult to begin educated discussions. The item was tabled until further data is available from the USPS, and Ms. Siviter suggested that industry also could provide data to support further discussion.

USPS Standards Review Process

Jeff Williamson, USPS, gave an update on the internal service standards review process the USPS has begun. In Phase 1 of that process, the USPS is looking at the business rules on which existing standards should be based, including its existing transportation and network environment. He said that it appears that some of the existing standards for mail that is transported by surface, may not reflect actual drive miles. The USPS is about 75 percent complete in its analysis of the business rules and existing standards, and expects to have an update for the workgroup on that part of the review process in mid-June.

Mr. Williamson said the USPS also is looking at service standards for the non-contiguous United States as part of the review, but it will take time to collect performance data. Phase 2 of the standards review is the collection of that data, including the USPS' internal Confirm seed program which it has accelerated to gather data on O/D pairs and overall O/D pair performance. He noted that the USPS is looking at all its available data, including Confirm, EXFC, ODIS, Intelligent Mail scans, etc.

Ms. Siviter suggested that many mailers also have service performance data which could be helpful to the USPS as it performs the standards review. Mr. Williamson agreed, and said the USPS welcomes mailer data. He said he can work with nearly any file format, but asked that mailers interested in providing data contact the subgroup co-chairs to coordinate what data they have available for what time period. Data for the most recent four postal quarter would be helpful, he noted, and any file format is likely to be fine, with as much detail as possible. Ms. Siviter will send a note to the industry representatives requesting the information and providing the particulars on how to share the data with the USPS.

Mr. Williamson agreed that when the USPS has completed its preliminary analysis (expected in mid-June), it will come back to the workgroup with an overview as to potential changes to 3-digit origin/destination service standards, by product, along with the rationale and what business rules were affected/changed. Ms. Siviter reiterated that the group's expectation is that the USPS will not present wholesale changes to the existing service standards, and that the proposals are subject to discussion by the workgroup. She reminded the group that if the USPS' review reveals that some existing standards are not achievable under today's transportation/network environment, the decision might be to either relax those standards, or improve the transportation/network (at a cost to mailers) to achieve the standards.

Drafting of Service Standards Recommendations

Jeff Lewis, USPS full workgroup co-chair, asked that the subgroup begin assigning participants to draft recommendations around service standards. Mr. Foti volunteered to take the lead on this for the Standard Mail subgroup, with others assigned specific portions of the write-up, as noted below.

Ms. Siviter said that the vision is that for each subgroup there will be a section of a "white paper" that will reflect the product-specific recommendations of that subgroup in terms of service standards and measurement. In discussing this

concept with the Periodicals subgroup, she noted, it was suggested that the section begin with a brief description of the product and its general needs in terms of service standards. So, for Standard Mail, that might consist of a short description of what Standard Mail is, why it is used, and the fact that those users need consistent, predictable delivery, etc.

Ms. Siviter also stressed that it is important to include in the paper the decisions that support the service standards recommendations. For instance, the fact that the Standard Mail subgroup is recommending a different service standards matrix for drop ship-entered Standard Mail. This paper will be read by people that were not part of the workgroup and therefore not privy to those discussions, so a section explaining why the subgroup came to the various recommendations would be of value.

Mr. Foti led a discussion during which the following key points for the draft recommendations were suggested:

- A process discussion – how we developed the service standards recommendations;
- A definition of the standards – what is included/excluded in the standard;
- The business needs – how the standards meet the business needs of the constituents;
- The standard matrix – addressing the origin and destination entered mail streams;
- Seasonality – defining the span of the season, what it means and why it is necessary;
- Addendums to the service standards – coverage of the concerns for non-contiguous ZIPs, forwards and returns, special footnotes, etc.;
- Summary statement – a conclusion that addresses the evolutionary process for Standard Mail standards and the need for continuous improvements to the standards.

The following subgroup participants volunteered to draft sections of the recommendations, as noted:

- Standard Mail description (what is it, why do companies use it): Joy Franckowiak, Cox Target Media
- Standard Mail users needs from service standards (e.g., consistency, predictability, etc.): Ty Taylor, J. C. Penney
- Seasonality (what led us to those recommendations, what the recommendations are, etc.): Joline Johannes, Boardroom
- Drop Ship Entry Matrix (what led us to that recommendation, what the recommendation/matrix is): Charley Howard, Harte-Hanks
- Origin-Entered Mail Service Standards (what the existing standards are, why stay with them, etc.): Tom Foti, USPS, with input from Jan Pritchard, The Flute Network
- Non-Contiguous United States (why industry supports review of those standards, business needs in terms of the standards, etc.): Charley Howard, Harte-Hanks

Draft write-ups are due by May 21 and should be sent to Mr. Foti, who will coordinate/consolidate the paper for the group for further discussion.

ADVANCE Presentation

Mr. Foti introduced the USPS managers that will present an update on the USPS' ADVANCE service. Members of the subgroup had asked for an educational briefing on the ADVANCE service, for future discussions on service performance measurement. It was not the intent that ADVANCE be considered as a service performance

measurement tool in terms of today's program, but that the subgroup learn more about the service for future discussions on how it may or may not be used to measure service performance for non-automated mailstreams.

Alexis Broadhurst-Ross, USPS, gave an update on the ADVANCE service, which currently is used by mailers to track Standard Mail and Periodicals carrier-route presorted mailings. Currently, over 200 mailers have registered for the ADVANCE service, she noted, although some are not regular users of the service. The list provided in the handouts to the subgroup are companies that have used the service within the past six months, she noted.

The subgroup participants were provided with detailed handouts on the ADVANCE program and service, and the presentation will be posted on the workgroup web site.

ADVANCE is a free web-based service for tracking non-automated mailings. Mailers participate by uploading header files to the USPS data center in Memphis that include distribution information, contents descriptors, the requested In-Home Delivery Date(s) and a PDF version of the mailing catalog/circular top cover. This information then is processed and distributed to the destination delivery units. As of March 2007 there are 7,219 postal distribution delivery locations that offer services for ADVANCE customers. The services include a requirement by delivery supervisor personnel to logon daily by 11 AM to the ADVANCE site to identify incoming customer IHD (In-Home Date) mailings, to locate the mailing and report on the date the delivery began and the percentage of mail delivered each day.

Ms. Broadhurst-Ross provided the attendees with sample reports, addressed questions concerning the functionality of the system, its level of acceptance among USPS and their customers, and the funding that supports the ADVANCE infrastructure – which at the moment is in a maintenance-only phase costing about \$100,000 annually. ADVANCE will eventually become a part of the Postal One Gateway.

The group observed that the “early” and “on-time” delivery reported through ADVANCE is compared to the participating mailer's Requested In-Home delivery date. There is no connection between the service reported by ADVANCE and the existing official USPS service Standards. Ms. Siviter noted that the Requested In-Home Dates practice by Standard mailers was born out of inconsistent and unreliable service. Those that use this practice swear by it in terms of helping improve consistency of delivery, and it is not likely that industry will move away from the practice until such time as Standard Mail delivery becomes much more predictable and consistent.

It was noted that currently not all small post offices have the computers necessary to provide the ADVANCE service, but Ms. Broadhurst-Ross reported that the USPS Chief Technology Officer has said that by the end of this summer, all offices should be up and running. Currently, offices with 10 routes or less are not equipped with the necessary computers.

Marc McCrery noted that ADVANCE is designed to track carrier-route presorted mail prepared in bundles. It is important that the mail be easily identifiable at the delivery unit, and mail presented in pieces would not be. The USPS noted that the ADVANCE volume currently is predominantly flats.

Ms. Broadhurst-Ross noted that the USPS used to audit the ADVANCE data regularly, but the last audit was in 2005 done by PriceWaterhouseCoopers. Seed data was used to validate the ADVANCE findings. The audits were stopped because of budget constraints, she noted.

Some industry ADVANCE users on the subgroup said that the service is a good tool, although it can be somewhat subjective. It is better than having to make 500 phone calls to delivery units, one participant noted, and the accuracy over the years has improved. Most users at the meeting felt that there is enough accuracy in the existing system to make it a useful tool.

Service Performance Measurement

As the subgroup is beginning to formalize its recommendations around service standards, it will begin to move on to the next portion of its work – recommendations for service performance measurement. Ms. Siviter walked the subgroup through an informal draft presentation designed to add structure to the group's work on service performance measurement recommendations. A copy of the presentation has been posted on the subgroup web site, in both the Periodicals and Standard Mail subgroup areas (it has been presented to both subgroups).

Ms. Siviter walked through the presentation once as an overview, noting that the presentation is a draft and the thoughts presented are simply to generate discussion, not conclusive statements. The group then walked through a portion of the presentation a second time, with open discussions. The key elements of the presentation, along with discussion points, are presented below.

Guiding Principles. Ms. Siviter suggested that the group could begin discussion service performance measurement by identifying some “guiding principles” that the group supported. These could be included in the workgroup's recommendations as over-arching principles upon which detailed measurement recommendations could be formed, and would help explain the rationale behind those recommendations. Ms. Siviter presented some potential examples of guiding principles (shown on Slides 2 and 3 of the presentation).

Subgroup Focus vs. Full Workgroup Focus. Ms. Siviter noticed that the primary focus of the subgroups should be product-specific discussions on service performance measurement, but that initially the discussions may include areas that later will be handled at the full workgroup level.

What Data Should be Collected/Reported? Ms. Siviter suggested that the specific data to be collected/reported may vary with the audience. The PRC/Congress may need one set of data/reports, for example, while business mailers have a different need, the USPS internally may have a different need, etc. Which of those groups are under the auspices of this MTAC workgroup to form recommendations on?

Discussion ensued on that topic, with Ms. Siviter suggesting that it is not up to the MTAC workgroup to decide what data/reports the PRC needs for oversight of the USPS' service performance, and that it is not up to the MTAC workgroup to decide what data/reports the USPS needs for its internal identification and resolution of service issues. The workgroup should be focused, she suggested, on identifying what data/reports that business mail users of the product(s) need in terms of service performance measurement.

The group discussed the topic of what data should be collected/reported. Some suggested that the USPS should not include in service performance measurement company-specific data because that data is supplied through products such as Confirm.

It was agreed that the USPS and customers should be using the same data in discussions about service issues, and that data also should be the same data the Postal Regulatory Commission is reviewing for oversight of the USPS and gauging how the USPS is performing compared to the existing standards.

The group agreed that there is value for business mail users to be able to look at aggregate performance data for mail groupings (e.g., Standard Mail automation letters, etc.) so that they can determine whether their company's service experiences are typical for that period, or whether other issues may exist that are causing service deficiencies. The group agreed that aggregate data should be provided for service performance measurement, and discussed the following potential break outs for aggregate data:

- By product (FCM, Periodicals, Standard, etc.)
- Within product (subcategories of the product)
- By Shape (letters/flats/parcels)
- By Mailstream (machinable vs. nonmachinable?)
- By Facility or Geography (3-digit pairs/service standards? Type of facility?)
- "Top Offenders" list of SCFs with poor performance during a specific period (Top 25? By mail type?)
- Other?

At the end of the discussion, the group was asked to take back the question of what their business needs in terms of service performance measurement, for further discussion at the next meeting.

What Needs to be Measured? The groups will need to decide what types of mail need to be measured (all mailstreams – even if very small volumes?), and what types of mail should be reported separately in terms of measurement (e.g., letters/flats/parcels, or machinable vs. non-machinable, etc.).

The group briefly discussed the question of what mail needs to be measured. Ms. Siviter suggested that all mail streams need to be represented in performance measurement to fulfill the Postal Service's quality of service obligations under the new law, but that the measurement systems/solutions could differ (e.g., be less statistically detailed for mailstreams with very little volume where measurement will be much more costly, etc.). Jim Callow, OCA, agreed that even small volume mailstreams likely will need to be measured, but there is past precedence in rate cases, for instance, where statistical sampling methodologies for small volume groups differs from that used for larger volume groups.

Mr. Lewis noted that the more detailed drill down of the data you do, the fewer pieces may be present and the less representative the sampling and wider the confidence level. The USPS would not want to put daily performance reports out, or reports at the 5-digit level, he suggested, noting that the USPS in the past has taken the position that performance data at the 5-digit level is proprietary information. The group should think about what level could be published to the general public, he suggested, that would represent good data confidence.

Reporting Requirements. The groups will need to decide the frequency of reports they need, and what level of detail/granularity should be included in those reports (Slides 8 and 9 in the presentation). The groups also need to identify how the performance indicator will be presented (Slide 10 in the presentation).

Ms. Siviter asked the industry participants what their business needs in terms of service performance measurement and reporting. The group discussed a concept of including all service performance measurement data in a web-based database that would supply all constituencies with the same data, but let the user drill down to as much detail as their business requires. Access to the database could be designed to allow different constituencies different levels of access. The USPS should supply some "canned" service performance reports for audiences such as small, unsophisticated users, or company CEOs, where less detail would be required, but largely the group preferred that the USPS not provide measurement reports, but provide access to the measurement data so that users can develop their own reports

to meet their business needs. The group perceived that a system of this type would be less costly to the USPS than supplying extensive data analysis and specific reports to different constituencies.

The group suggested that data would need to be actionable for the USPS to resolve service issues, and also for business mailers to react to service expectations. Post-mortem data also would be needed to provide trend analysis. There was some discussion around what constitutes accurate data, and how data could be supplied in a time frame that is “actionable” but still be “scrubbed” for accuracy. Mr. Lewis noted that today the USPS contracts with IBM for its EXFC service performance measurement, and under that program IBM prepares “perfect” seed mail, performs statistical analysis on reporter quality, and the system is a huge process that should be fail proof. Yet, at the end of the quarter, there are a few weeks of data analysis and exclusion of failures that did not meet the validation tests. It is likely that whatever the USPS reports in terms of service performance measurement in the future will be subject to that same type of rigor, he suggested.

The group discussed aggregate data for business mailers (e.g., all Standard Mail automation letters, etc.) versus company-specific service performance data. The group also discussed what data should be available to the general public.

Ms. Siviter asked the industry participants if they had preference for what entity (USPS, PRC, third party, etc.) maintains the performance data and reporting function. Mr. Callow said that the PRC likely would require monthly reporting on service performance in order to be able to complete its end of year compliance report which is required under the new law. That does not preclude the USPS contracting the data management, he noted. Charley Howard noted that his company may not have a preference as to who keeps the data, but the data should all be kept under one repository, such as the database concept described earlier in the meeting. Perhaps there should be a few “canned” reports that can be used between the USPS and industry for service issue resolution discussions.

First Define Needs...Then Evaluate Solutions. Ms. Siviter suggested that rather than taking the approach of looking at available service performance measurement solutions and letting that define the needs, the groups should begin with identifying their business needs in terms of measurement, then see what available solutions meet those needs.

Other Measurement Issues. At some point in the process, Ms. Siviter proposed, the groups will need to talk about rules around the measurement solutions such as counting methodologies, data inclusion/exclusion, communication and accessibility (Slide 13 in the presentation). Some have also requested that the workgroup embrace recommendations around the establishment of a formal service issue resolution process between customers and the USPS. There also may be recommendations the workgroup would like to advance around the evolutionary nature of measurement recommendations and the need for a formal review process to look at measurement solutions as technologies mature (Slide 14 in the presentation).

Action Items

The following action items are noted from today's meeting (those shown in bold are still pending from previous meetings):

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. For instance, if the matrix shows a service standard of 3-5 days for mail drop ship entered to the DBMC that is destined for that BMC's service area, then the standard for the same type of mail (origin and destination within the same BMC service area) should also reflect 3-5 days to be consistent.

- b. Tom Foti will discuss the issue of re-directions with USPS operations to determine an appropriate next step, and report back to the subgroup at its next meeting.

2. Task Owner: *Industry Participants*

- a. Review with appropriate constituencies prior to the next 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. ***Should the month of December also be included in the definition of the heavy season?***
- b. Kathy Siviter will send a note to the industry representatives requesting that those companies that have service performance data they are willing to share with the USPS to aid in its internal standards review process, should do so, and instructing them on how to proceed.
- c. Subgroup participants should consider the question of what their business needs are in terms of service performance measurement, for further discussion at the next meeting. Those representing a constituency should survey that constituency for input prior to the next meeting.

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 June 12 from 1:00 pm to 4:00 p.m. EST, at USPS Headquarters in Room 2P130.

The next subgroup meeting after that has been scheduled for July 10, in Washington, DC, exact time and location to be determined. An updated schedule of full workgroup and subgroup meetings is available on the workgroup web site.