

**MTAC Workgroup 114**  
**Service Standards and Measurement for Market-Dominant Products**  
**Full Workgroup**  
**May 15, 2007 Meeting Minutes**

**Update on Workgroup Progress**

Kathy Siviter, PostCom (full workgroup industry co-chair) and Jeff Lewis, USPS (full workgroup USPS co-chair) gave an update on the progress of the workgroup.

As of the May 15 meeting date, a total of 14 meetings had been held (subgroup and full workgroup meetings) since the workgroup was formed in mid-February. All four of the subgroups currently are working on bringing closure to service standards recommendations, although some are further along in that process than others. Two of the subgroups have begun baseline discussions around service performance measurement.

Ms. Siviter outlined open cross-product issues around service standards, some of which were discussed later in the meeting. These include:

- ZIPs outside the contiguous United States (the existing standards may not be achievable under current USPS logistics/network environment).
- Critical Entry Times (CETs) – Significant changes to CETs effectively change service standards.
- Forwarded Mail – Subgroups analyzing process, USPS exploring how best to recognize forwarded mail in terms of service standards/expectations.
- USPS Standards Review – USPS now is conducting an internal review of its existing service standards, preliminary report due to workgroup mid-June.

The workgroup also has identified a list of Special Services for which it will explore service standard recommendations. Service Standard recommendations for the following Special Services will be pursued through the subgroups/venues listed:

- |   |                   |
|---|-------------------|
| • Address Corrections                                       | Telecon           |
| • Post Office Boxes and Caller Services                     | FCM Subgroup      |
| • Business Reply Mail                                       | FCM Subgroup      |
| • Certified Mail  | FCM Subgroup      |
| • Registered Mail   | FCM Subgroup      |
| • Certificate of Mailing                                    | FCM Subgroup      |
| • Delivery Conf./Signature Conf.                            | Packages Subgroup |
| • Money Orders  | FCM Subgroup      |
| • CONFIRM   | Telecon           |
| • Merchandise Return Service/<br>Bulk Parcel Return Service | Packages Subgroup |

Ms. Siviter advised that all workgroup/subgroup participants interested in participating in discussions relative to service standards for one or more of the above Special Services should contact the co-chair for the above-listed subgroup (or contact Ms. Siviter or Mr. Lewis for those listed as “Telecon”). All Special Services service standard recommendations will be circulated to the full workgroup before they are finalized.

Mr. Lewis commented that some service standards issue cross classes, therefore we will attempt to bring focus on those issues to the full workgroup level. We need to focus on bringing closure to service standards – if there are open issues that can not yet be resolved, we can re-visit those later on, but in the interim the groups should be drafting tentative recommendations on service standards. He noted that the presentations scheduled for today’s meeting are designed to help bring closure to service standards issues and begin discussions on service performance measurement.

### **Subgroup Updates**

The four subgroups provided updates on their progress since the last report.

***First-Class Mail Subgroup.*** Jody Berenblatt, Bank of America, FCM subgroup industry co-chair, reported that the FCM subgroup has held two meetings to date, with additional telecon meetings held on First-Class Mail parcel issues and surveys. She noted that the subgroup at every meeting to date has wrestled with issues of what is included in its scope and what is not (e.g., single piece FCM, international mail, etc.).

Ms. Berenblatt reported that the subgroup participants have come to the tentative conclusion that the USPS’ current FCM service standards would be acceptable if service performance met those standards. The subgroup has had lengthy discussions on the “tail of the mail” issue, and is focusing on USPS targets for mail that is not delivered within its service standard and how service performance for that mail can be improved. She reported that the FCM subgroup has determined that there should not be different FCM service standards for different shapes (letters, flats, parcels).

The FCM subgroup is discussing an outreach of smaller First-Class Mail users, possibly through a survey that the subgroup currently is contemplating. The group felt that there was little representation of smaller FCM users on the subgroup, and wanted to ensure that the recommendations of the subgroup reflect the needs of smaller FCM users. Originally both consumers and businesses were thought to be target audiences for the survey, but it now looks like it will focus on small business users of FCM. Discussions continue on that topic, Ms. Berenblatt noted. Consumer-specific issues relative to service standards/measurement will be worked through the Consumer Advocates offices of the Postal Service and the Postal Regulatory Commission (PRC), and businesses that are interested in those issues are encouraged to participate.

The FCM subgroup has spent some time looking at service standards for remittance mail and whether the existing EXFC measurement system is adequate or not for remittance mail. Remittance mailers optimally would like volume projections by the hour of incoming remittance mail from the USPS, and are concerned that measurement for other types of FCM, which is in days, does not accommodate their needs. They also want to reflect when postal facilities deliver remittance mail earlier than the service standards, as well as later. This constituency has very different needs in terms of service standards and measurement, Ms. Berenblatt reported, and is an important group because of the amount of money being carried in remittance mail.

The FCM subgroup has also spent time discussing international mail needs in terms of service standards and measurement, with some disagreement as to which international products/services are market-dominant under the new law (and therefore within the scope of the workgroup) and which are not. The subgroup initially had embraced international mail as within its scope, but the USPS recently realigned its international mail product offerings, so now it is not clear whether some of those product offerings are within scope of this workgroup. Today, Ms. Berenblatt reported, international mail observes FCM service standards while in the United States and once the mail leaves the U. S., it falls under the destinating country. A group of about 30 countries works together to voluntarily measure service

performance, she noted, which provides a way to calculate and form service expectations, but with about 190 countries around the globe, there are many for which the same is not true. She noted that hopefully the USPS Consumer Advocate group communicates service expectations for international mail (at least to those 30 or so countries) to consumers.

The FCM subgroup will be meeting again this week on May 18, and then on June 12 and 26, Ms. Berenblatt reported. A full subgroup meeting schedule has been posted on the MTAC workgroup web site.

***Periodicals Subgroup.*** Dennis Farley, ESPN (subgroup industry co-chair) and Jo Ann Miller, USPS (subgroup USPS co-chair) gave an update on the progress of the Periodicals subgroup. Since the last full workgroup meeting report, one additional meeting has been held (May 2 in New York City).

The Periodicals subgroup has come to agreement that its initial recommendations will be to accept the USPS' existing service standards for Periodicals, with the recommendation that a formal review process be established to look at the standards regularly, particularly when more service performance measurement data becomes available. The subgroup has some open concerns with the existing standards (some of which are noted on the previous open issues list and will be discussed later today). The subgroup is concerned about the ongoing USPS standards review and what impact that could have on the existing service standards; the impact of changing Critical Entry Times (CETs) on service standards; potential service standards changes with Flats Sequencing System (FSS) deployment; small density mailers and whether the existing standards work for them; and service for the non-contiguous United States locations.

The Periodicals subgroup generally agrees that Intelligent Mail solutions should be pursued in terms of measurement, because they are passive, less costly and can provide comprehensive measurement data. The Periodicals industry has some concerns with Intelligent Mail Barcodes, however, including ability to print the barcodes to the USPS' specifications; the amount of room required for the address block; understanding the software requirements; inability to measure performance for non-automated mail; testing of the Intelligent Mail Barcode for flats; and the interim period before IM solutions are mature/available.

Mr. Farley gave an update on a pilot test that will be conducted of the Red Tag measurement system. He noted that Red Tag publication participants are a diverse group, including daily, weekly and monthly publications; commercial and nonprofit; consumer and business publications; and mailing volumes ranging from small (10,000 national distribution) to large. The pilot test is scheduled for June 4 through July 13 and will be conducted in the New York Metro Area with four Red Tag publications: AutoWeek, Computer World, ESPN The Magazine, and Newsweek.

During the pilot, the USPS will compare the "start the clock" mail entry data input into the Red Tag system by participating publishers with Surface Visibility pallet barcode scans at USPS induction. The subgroup is discussing whether Red Tag's system could act as an interim service performance measurement system until such time as Intelligent Mail solutions are viable. To further that discussion, the goal is to see if the start the clock data used by Red Tag matches actual USPS mail entry data for those publications.

Another telecon will be held May 23 to discuss the pilot test, and the full Periodicals subgroup is scheduled to meet on June 5 and June 25.

**Standard Mail Subgroup.** Tom Foti, USPS (subgroup USPS co-chair), gave an update on the progress of the Standard Mail subgroup since the last report. The subgroup last met on May 7 and focused on solidifying its position on service standards recommendations, while also touching on baseline discussions around measurement.

Standard Mail users have made clear, Mr. Foti reported, that predictability and consistency of Standard Mail service are paramount for their business needs. Service providers need to be able to communicate service expectations to their clients as to when mail will be delivered in-home. The subgroup has evaluated both the existing service standards, as well as the USPS fall mailing guidelines matrix. The subgroup has reached agreement on a recommendation that the existing service standards remain in effect for origin-entered Standard Mail (with the caveat that they be consistent with the standards developed for drop-ship entered mail for the same origin/destination pair); and a new service standards matrix for drop-ship entered mail be implemented. The drop-ship entry matrix recognizes the type of postal facility at which the mail is entered and whether it is carrier-route presorted or not in terms of the service standard.

Mr. Foti noted that the proposed Standard Mail service standards more clearly detail the range of days for service standards, which recognizes the cost characteristics of Standard Mail. The drop ship entry matrix is easier for service providers to use and communicate to their clients.

The subgroup still is discussing the issue of seasonality and the current proposal on the table is that an additional day be added to the standards in some cases during the months of September, October, November and December (tentative). The subgroup continues to discuss seasonality and should come to closure soon on those recommendations.

The subgroup received a presentation at its last meeting on the USPS' ADVANCE measurement system, which currently is used for carrier-route presort Periodicals and Standard Mail. There were no conclusions from the subgroup about the ADVANCE service, simply a desire to know more about it as discussions move towards measurement issues. The subgroup agrees that Intelligent Mail solutions are the best long term strategy for measurement, but is looking at "gaps" where Intelligent Mail may not offer viable solutions.

Mr. Foti noted that the subgroup at its last meeting had some good preliminary discussions about service performance measurement. Standard Mail users expressed the need for much granularity in terms of measurement data (by product, by shape, by geography, etc.). One message was clear, Mr. Foti re-capped, and that was that the subgroup agreed that regardless of what audience was accessing the data (the USPS, the PRC, mailers, etc.), everyone should be looking at the same data source.

The subgroup is in the process of drafting its recommendations on service standards, with the exception of open issues, Mr. Foti reported. At the June 12 meeting, the subgroup will go into more detail on measurement.

**Package Services Subgroup.** John Gullo, USPS (subgroup USPS co-chair), gave an update on the progress of the Package Services subgroup since the last full workgroup meeting report. The subgroup has held 2 telecons since the last report, with another telecon scheduled for June 1. The subgroup is working on service standards and measurement for Parcel Post, Bound Printed Matter (BPM) parcels, Library Mail, Media Mail and Standard Mail parcels. The subgroup also has been tasked with exploring service standards recommendations for several Special Services (Merchandise Return Service, Bulk Parcel Return Service, and Delivery Confirmation).

The subgroup initially had focused on attempting to gather USPS and industry data on existing parcels service performance compared to the existing standards. Limited industry data was put forward however, and the USPS also was unable to share data beyond what is published on its web site.

The subgroup now is focusing on evaluating service standard needs by product group. Most of the subgroup industry participants drop ship Package Services parcels and there is a general consensus that the existing service standards would meet their business needs because the USPS generally achieves those standards at acceptable levels. For origin-entered parcels, however, that travel through the full USPS network, there are concerns with the USPS' ability to meet the existing service standards. According to data on the USPS' web site, service performance for retail packages scored 48% compared to the existing service standards, versus 96% on time for First-Class Mail. More information is available on the USPS' web site (<http://www.usps.com/serviceperformance/welcome.htm>).

The subgroup continues to discuss Standard Mail parcel mailers' needs from service standards (e.g., whether they should align with those of other parcel mailers, or with other Standard Mail shapes). More Standard Mail parcel mailers are doing fulfillment versus continuity shipping, and their ability to predict delivery is as critical to them as to other parcel mailers.

The subgroup next will review proposals from participants on how best to approach service standards, as well as special services proposal, then move discussions to measurement.

### **USPS Internal Standards Review Process**

Jeff Williamson, USPS, gave an update on the Standards Review Process the USPS has begun. Based on feedback from subgroups early in this process, the USPS is conducting a review of the existing service standards, by product. The USPS is refreshing the existing business rules across the entire service standards matrix. Network and other changes have occurred over time and this process will ensure that the existing standards reflect those changes.

Mr. Williamson reported that the first phase of this process should be concluded around mid- to late June, at which time the USPS will report back to the workgroup with its findings and proposals. He noted that the USPS is seeing some nuances that could suggest upgrades or downgrades in service standards around the edges of service areas. The USPS is not anticipating substantial changes, but when the service standards originally were developed, he noted, they were based on straight line miles versus road distances.

Mr. Williamson noted that non-contiguous United States locations do not follow the same business rules as other geographic areas. The USPS is looking at those areas, the business rules for those locations today, and whether the standards need to be updated. He said the USPS wants to look at both sides of the equation – what do the business rules say the standards should be, and what does today's network ability indicate in terms of the refreshed standards. The USPS is not looking to relax service standards strictly because service performance does not meet those standards, he stressed.

Ms. Siviter commented that when the USPS returns to the workgroup with its findings and proposals, she hopes it also would provide data on potential cost impacts of meeting the existing standards in cases where the existing USPS business rules or network design do not allow it to achieve those standards. The decision of the workgroup would be whether to recommend downgrade of standards in those cases, or incur additional USPS costs to meet the existing standards.

Mr. Williamson said that the USPS wants to set up an ongoing process to collect data and review service standards and performance in the future.

In response to the question of whether the USPS will hold up distribution of its regular quarterly update to the Service Standards software because of this review process, Mr. Williamson said the USPS will continue to distribute the CD on a quarterly basis. Once the full process of the workgroup's recommendations, and USPS/PRC consultations on service standards and performance measurement have been completed in mid-December, the USPS will then determine how to distribute the service standards in the future. He noted that the USPS is exploring getting the Service Standards data on its web site, and also is looking at ways to highlight changes on the CD so that users can easily see the service standards changes since the last distribution.

Mr. Williamson said that the second part of the Standards Review process is using Planet code seed data to measure existing service performance plant to plant by product. Chris Oronzio, USPS, said the USPS is seeding 16 entry points within its BMC and plant network throughout the country, with different types of mail by presort level and class. The USPS is using Intelligent Mail Barcode data as well, to get a cross section of entry points and ensure good Start the Clock data. He said the USPS has a good handle on what happens when the mail gets close to its destination, but is looking at what happens when testing the limits from BMCs, lead plants in BMCs and some sites that feed into those. The USPS is about 4 weeks into an 8 week seeding period using Intelligent Mail Barcodes, he noted, and then will analyze the data against the current service standards. Mr. Williamson noted that the USPS is looking at network capabilities, which are different than performance.

Mr. Williamson advised that if mailers on the workgroup have service performance data, whether the USPS has agreed in the past it was reliable or not, his group is happy to look at that data as part of this effort. The USPS wants to evaluate all available data, he said. Interested participants should coordinate supplying their data to the USPS by contacting their subgroup co-chairs.

Shelley Dreifuss, OCA, asked if the USPS is also looking at non-automation mail or packages in this review. Mr. Oronzio said that some manual letters or flats may be included, but not many packages. The USPS is not testing at the retail counter and not a lot of packages are dropped at origin. Mr. Williamson said the USPS can augment its findings with other package measurement data available.

### **Service Standards for Non-Contiguous United States**

Ms. Siviter distributed a handout (a copy of which is posted on the workgroup web site) showing average delivery days for mail destined to Alaska, Guam, Hawaii and Puerto Rico, broken out by FCM letters, Standard Mail letters and Standard Mail flats. The data in the handout was provided by GrayHair Software and represents about 100 million Confirm scans (roughly 33 million mailpieces) tracked in the first 3 months of calendar year 2007.

Ms. Siviter noted that in no case did the delivery to these areas meet the existing standards, either within First-Class Mail (where delivery ranged from 4-6 days on average) or for Standard Mail (where delivery ranged from 14-24 days on average). Ms. Siviter also distributed an excerpt from USPS testimony filed in the R2005-1 rate case in response to an Interrogatory (copy posted on the workgroup web site). The USPS in this testimony included a detailed description of how Standard Mail is transported to Hawaii, summarizing that "Standard Mail entered on the east coast will be delivered in Honolulu in an average of twenty-one days." Yet, if you use the USPS Service Standards

software to calculate the standard for Standard Mail originating in Washington DC and destined for Hilo, Hawaii, it returns a service standard of 10 days.

Ms. Siviter noted that both the USPS and industry are compiling additional data on service to the non-contiguous U.S. for further discussions at the subgroup level on whether the existing standards should be adjusted.

### **Critical Entry Times (CETs)**

Chris Oronzio, USPS, gave a presentation on Critical Entry Times (CETs), which are the latest times mail can be made available for an operation in order to achieve its planned Clearance Time (CT) in accordance with the USPS facility's operating plan. [A copy of his presentation has been posted on the workgroup web site.]

Mr. Oronzio explained other acronyms often used by the USPS in conjunction with CETs, such as Dispatch of Value (DOV) and Clearance Time (CT). CT is the latest time committed mail must complete an operation if it is to meet the CET of the next required operation or its planned dispatch of value (DOV). The DOV is the final regularly scheduled dispatch to a destination that would allow the mail to arrive in time to meet the next facility's CET and meet the service commitment for that mail.

Mr. Oronzio explained that CETs should be established by the USPS by working backwards from the DOV of the next downstream operation, whether in the same plant or the next plant where the mail will be processed. The USPS does change CETs, he reported, when the current CET no longer meets service requirements, or ZIP Codes are redistributed between plants, or plant processing equipment is upgraded, or when transportation/network changes are made, or to standardize processes. He noted that a CET could be changed to a later time to give the previous operation more time to process the mail, or an earlier time. He stressed that communication is key in that if the CET is moved earlier without consultation with that operation, then mail can arrive late and not make its service commitments.

Mr. Oronzio said that the USPS would like to standardize the CET process to the extent practical, so that postal facilities are not making up their own CETs. Building in standard CETs can help build predictability, he noted, as well as ensuring that the CET is not the cause of mail service taking an additional day beyond its service standard. The USPS would like to develop more standardized CETs so all the connections make sense, then publish the CETs as part of the service standards CD. The USPS would like more headquarters control over CETs, he commented, in order to reduce customized CETs in the field. Sometimes customization is necessary, he acknowledged, such as in remote geographic areas where the USPS is trying to achieve a 3-day First-Class Mail service standard.

Mailers on the workgroup stressed that there should be a central source for mailers to obtain CETs by facility and product type, etc. Mr. Oronzio said that the USPS would like to tie that information into systems like FAST so that mailers will know the CETs and what service standard to expect if their mail makes the CET. Mailers need to know the CETs, he agreed, and the USPS plans to publish that information and make it accessible in more than just one media so it can be easily used in the future.

In response to the question of how presort level impacts CETs, Mr. Oronzio said that if the container is dock-transferred, there is a CET for that. If the mail has to go inside the facility to be worked, there is a CET for that. He clarified that there are not different CETs for automation mail vs. non-automation mail in terms of facility entry CETs, but there may be different CETs for manual mail within a facility. That mail is subject to the same CT and DOV, he noted, so the facility does not get more time to deliver mail that is subject to the same service standard.

Joe Schick, QUAD/Graphics, raised the issue of CETs and Flats Sequencing System (FSS) deployment. The USPS has said that CETs may need to move to early morning under FSS deployment, with some different options around that, but mail entered today at 3:00 might not get delivered until a day later under FSS. Mr. Oronzio said that CET changes are likely under FSS because once you run an FSS-zone on the machine you can't go back and re-run that zone, so all the mail needs to be available in the early morning. Mr. Schick responded that moving the CETs earlier puts enormous pressure on mailers. Periodicals with weekly magazines, for instance, have CETs today between 3:00 and 5:00 p.m., so moving those times significantly earlier would force them to make business decisions on closing their editorial earlier or living with an additional day for service. He urged the USPS to give this serious thought and engage in much discussion with mailers and service providers.

Ms. Dreifuss noted that there are CETs that impact consumers as well, such as collection box times which she said the USPS is pushing earlier all the time. Mr. Oronzio said that postmasters can survey collection boxes to see how much volume is entered at what time. If people are depositing more mail through carriers or retail windows and less in collection boxes, for instance, then the postmaster can advise customers and change the collection box cut offs. Sometimes boxes are initially placed in a location and in years later volume drops, negating the need for a later pick up for that collection box. If done correctly, the USPS can manage costs and not negatively impact service, he noted.

Bill McComb, Netflix, asked if there are any 3-digit ZIP code areas where First-Class Mail could not achieve overnight delivery at the finest distribution level. Mr. Oronzio responded that may come clear during the Standards Review Process, and Mr. Williamson said he will follow-up with that information when the USPS reports its preliminary data.

### **Workgroup Recommendations for Formal Review Process**

The workgroup previously had agreed that it would make recommendations around the establishment of a formal review process relative to service standards and performance measurement, which would include processes for customer input.

*Frequency of Review.* The group discussed how frequently a formal review of service standards should occur, with the following discussion points:

- A quarterly review process for minor changes in service standards might be appropriate, with an annual in-depth process.
- The USPS would like concurrence on the business rules that should be applied to service standards in the future, so that those business rules could be re-applied on a quarterly basis, which could result in some changes to service standards. The need to re-evaluate standards on a more widespread basis could trigger a larger involvement from the mailing community. But simple changes that result from re-applying the business results could be handled as a simple re-fresh of those rules with no public comment, but a better communication of those changes.
- The group stressed that the purpose of a regular review process would not be so that the Postal Service could relax standards simply because it is not achieving service performance.

- Once measurement data becomes more available, automating the review process should be an objective.

*Triggers for an Off-Cycle Review.* The group agreed that, in addition to regularly scheduled reviews, there are triggers that should initiate an off-cycle review.

- Network changes (distribution and transportation)
- Significant Volume changes
- Population changes
- Equipment/Processing changes (e.g., FSS deployment)

*Customer Feedback.* The group stressed that a formal review process needs to include a customer-feedback mechanism, particularly for significant changes in service standards.

- Ken Richardson, OCA, suggested the group review the customer impact provisions within the existing Area Mail Processing (AMP) consolidation process. There also are recommendations within proceedings before the PRC such as the N89-1 and N2006-1 cases.
- Rose Flanagan, Transcontinental, stressed that there should be industry/USPS discussion around significant changes on standards to ensure that all aspects are considered.
- The review should provide customers advance notification prior to changes and allow feedback like the notice and comment period used with *Federal Register* notifications or the Area Mail Processing Review process.
- The review process should include an analysis of USPS network capability and performance data, validation/update of business rules, the costs of alternatives, and mailer impacts like changes in Critical Entry Times as well as days to delivery.

*Communication.* The group stressed that changes in services standards need to be communicated to customers (both consumer and business).

- It was suggested that the USPS could report service standard changes to the PRC on a quarterly or other periodic basis, then incorporate into its annual report to the PRC a summary of changes and discussion of trends in service standard changes during the preceding annual period.
- Joel Thomas, NAPM, noted that the current AMP process is specific to a facility, and suggested that large national mailing companies would be more concerned about national trends, not specific 5-digit ZIP Codes. A quarterly summary of national changes and opportunity to comment would be more desirable for national mailers.
- Ms. Berenblatt commented that the USPS in the past has made changes that cause significant volume shifts for remittance mailers, for example, with little or no advance communication, which cripples the remittance mailer. In many times the remittance mailer may not be able to make changes, but ample advance communication would go a long way in maintaining their business in the mail, she noted. A

standard for what is a reasonable time frame for advance communications about changes in service standards would be appropriate.

- Mr. Williamson agreed that communication needs improvement, but noted that processes and needs might differ for changes from a 2-day to a 3-day service standard for some 3-digit ZIP area pairs, vs. significant operational changes. But there should be a series of communications, he suggested, leading up to the change and then when it is implemented. From the USPS' perspective, a mechanism to communicate as quickly as possible is desirable, with mailers perhaps identifying how much lead time is reasonable.

### **International Mail Performance Measurement**

John Holden, Dir., International Process and Service Performance, USPS, gave the workgroup a presentation on how the USPS currently measures service performance for its international mail products.

Mr. Holden noted that his group is responsible for the logistics and transportation functions that provide routing for international, civil and military mail, which includes the 5 USPS International Service Centers (ISCs). He explained that export international mail flows through the ISCs (including letters, flats, packages and Express Mail). His group works directly with regulatory agencies such as the Universal Postal Union (UPU), International Post Corporation (IPC), and Research International (RI).

The USPS utilizes two different measurement systems for international letters, Mr. Holden noted. An EXFC contract similar to that used for domestic mail, is in place, which is administered by IBM and is Planet-code based. The second measurement system is UNEX, which is administered by IPC/RI, and is RFID-transponder based. RI is domiciled in Europe and regulated by the IPC, he noted. The UNEX system monitors data from seed mail pieces with RFID transponders in them.

The EXFC system piece measures international mail while within the USPS domestic mail stream. It is not an end-to-end measurement as it does not track the mailpiece when it is outside the U. S. As each piece is processed through each plant, Planet code data is gathered on processing equipment. In postal facilities that also have an RFID gate, transponder data also is collected so the USPS can track when the piece came into the building and when it exits the facility. The two systems in concert allow the USPS to track international letter pieces through all USPS facilities through the hand-off to the airlines.

Import international mail while within the U.S. is subject today to the same service standards as other domestic First-Class Mail (overnight, 2-day and 3-day). Measurement begins with the first Planet code scan or ID tag read.

Export international mail is considered to be on time processed at the ISC by 8:00 pm. Measurement ends with the last Planet Code scan at the ISC.

A composite international EXFC score is developed from combining the two data streams (EXFC and UNEX). Mr. Holden handed out performance scores for the month of April 2007, which shows area and performance cluster scores for overnight, 2-day and 3-day international mail. The import score, export score, and final combined score are shown. Gray-shaded areas indicate that from the ISC to those areas is not overnight, but a 2- or 3-day score would be generated. On the last page at the bottom, all the ISCs are outlined to include performance. The nation score was

95% for overnight, international was 95.7%, so the combined score becomes 95.29% because the amount of pieces tested is not sufficient to significantly impact the national score. Comparing international to national at the 2-day and 3-day levels, international did not do as well as domestic, he noted.

The UNEX system uses transponders and RFID technology. The USPS has approximately 10 RFID gates currently installed, including gates at the 5 ISCs, and selected AMCs, ATOs, and P&DCs. These portal gates read the transponders and are located at all entry points where mail is received from other countries. Customs offices are on-site at all locations, and provide staffing to support outgoing mail operations. The CET for import volume is 5:00 pm, so anything that arrives in-country meeting the latest arrival time and CET at the ISC is committed for next day delivery. Customs offices at all the locations had adjusted their work schedules to clear volumes and induct mail into operations for next day delivery, Mr. Holden commented. An exception would be when items go into Customs and are kept for further investigation. When the item is released from Customs, the measurement clock re-starts. Using Planet code data along with the transponder data, and marrying EXFC data, the USPS can track performance from receipt in the U. S. through delivery (seed report).

With the UNEX system, for export international mail, measurement begins at induction through a collection box or retail window, and ends with the RFID read at ISC dispatch. Mr. Holden described the various “legs” of measurement for international mail (see the presentation, which has been posted on the workgroup web site).

In response to questions, Mr. Holden said that APO and FPO parcels are scanned using the same systems, noting that the military processing process is nearly identical to that for international mail.

Mr. Lewis stressed that international mail currently is subject to thorough measurement from drop to delivery. Mr. Holden noted that 100 percent of international letters inducted in the U. S. are Planet-coded or ID-tagged, and every test piece is Planet Coded.

Mr. Holden said that the volume of international mail is about two percent of total mail volume at present, and growing.

Ms. Siviter asked about the cost of the RFID transponders, and Mr. Holden noted that the installation for each gate, which was done some years ago, was about \$10,000 per gate. The whole RFID contract is done through the IPC, to which the USPS has to pay an annual membership fee and maintenance costs. The USPS also pays for each transponder and determines the number of transponders needed based on how many seeds are needed. The costs are managed through IPC and RI, he noted. In response to the question of whether the existing gates could be used for other types of mail, he said the USPS could extend the contract with RI, which is not controlled by the USPS but would require a vote of all IPC members in order to expand the use of the system.

Larry Chaido, TransGlobal Consultants, suggested that the USPS measures international mail service performance thoroughly partly because there is a recoup of funds through quality of service initiatives under the UPU. Mr. Holden said that quality of service is not just an international issue, but that as the global market is shrinking and other countries developing, the USPS needs quality of service indicators in place in order to grow its international business and compete with others.

Mr. Holden noted that the domestic and international scores come out on a weekly basis, but only the domestic scores are published. Ms. Dreifuss suggested that although the USPS has not released the international scores in the past, it

may be willing to begin doing so under the new law. Mr. Lewis acknowledged that the law requires the USPS to provide an annual report on service, so at least that level of reporting would be accomplished.

Mr. Callow, OCA, asked whether data is available on end-to-end international mail service, to the point where the piece is delivered in the foreign country. Mr. Holden said there are some performance numbers, but he is not sure what is publicly available. He will follow-up with Mr. Lewis who will report back to the group.

### **OCA Presentation on Service Performance Measurement**

Shelley Dreifuss, Director, Office of the Consumer Advocate, Postal Regulatory Commission (PRC), gave a presentation outlining what the PRC is, what the OCA is, and what the OCA has proposed for the PRC in terms of service performance measurement. [A copy of the presentation has been posted on the workgroup web site.]

Ms. Dreifuss noted that the Postal Accountability and Enhancement Act (PAEA), which was signed into law on December 20, 2006, changed the former Postal Rate Commission into a regulatory commission. Instead of making recommendations on postal rates, she noted, the Postal Service under the new law would change prices with PRC oversight.

In terms of service standards and performance measurement, the PRC will have new responsibilities. Under the PAEA, the USPS will establish service standards in consultation with the PRC, and the PRC will monitor service performance measurement. She noted that the PRC will establish periodic reporting requirements for the USPS, including service performance reports, and the USPS will be required to submit annual reports to the PRC on service performance. The PRC will report to Congress on the quality of service the USPS provides for its market dominant products and universal service provision.

Ms. Dreifuss noted that the Office of the Consumer Advocate (OCA) formerly represented consumers and small business mailers of single piece FCM, single piece Package Services, and Special Services. Ms. Dreifuss reminded workgroup participants of the role the OCA played in the most recent rate case in preserving critical features of the Confirm service.

She said that under the new law, service measurement will be an important area of activity for the OCA. The OCA's new role under the PAEA includes the ability to file complaints, she noted, which mailers also will be able to file relative to prices, service performance, and other areas where they feel the USPS is not in compliance with the policies of the PAEA. The OCA also will comment on rules and procedures. She noted that under the new law, the USPS will be required to report on service performance annually to the PRC at the end of its Fiscal Year, then the PRC has 90 days to prepare its annual report to Congress on quality of service and universal service activities.

Ms. Dreifuss noted that several weeks ago the OCA submitted its comments to the PRC relative to the ratemaking process and other provisions of the PAEA. Included in those comments (a copy of which is posted on the workgroup web site) was the recommendation that the PRC do its own service performance measurement. She noted that there would be benefits from the PRC performing its own service performance measurement, including maintenance of high quality service standards, objectivity, transparency, measurement of mail types and geographic regions that the USPS may refuse to measure, and measurement and reporting long before the Intelligent Mail Barcode system produces data.

Ms. Dreifuss further discussed each of these benefits, noting the serious gaps in USPS measuring systems reported by the Government Accounting Office (GAO) in its report published in July 2006. She noted that most of the U. S. land mass is not measured by EXFC, and suggested that USPS measuring systems and reporting systems are years away, whereas the PRC could implement systems and reporting within the next year. She suggested that the PRC could measure in the long term mailstreams where Intelligent Mail would not present viable solutions, Special Services, and elements of universal service such as the time of day and regularity of delivery to homes and businesses.

Ms. Dreifuss stressed that duplication of data collection between the USPS and PRC should be avoided. For instance, the PRC could report on some mailstreams for the next 2-3 years until Intelligent Mail solutions are available, then discontinue that measurement, or the PRC could fill in IM gaps. She noted that postage ratepayers foot the bill for either USPS or PRC reporting, so expenses should be minimized.

Ms. Dreifuss encouraged workgroup participants to share as part of this workgroup process, their comments on what businesses want in terms of service standards and measurement, and what data is needed by business mail users. Should data reporting be limited to mailer-specific information released solely to the mailer, or should there be highly aggregated "big picture" reporting? Should there be reporting on an Area by Area basis? How frequently should data be released? These are all topics where business mailers can have valuable input, she stressed.

Ms. Siviter asked why the PRC could do service performance measurement less expensively than the USPS, and Ms. Dreifuss responded that a PRC-administered system might not need to achieve statistical validity broken out for 80 performance clusters, such as the USPS' EXFC system does, and therefore might be less expensive. The PRC would strive to do things as inexpensively as possible, she stressed.

### **Seamless Acceptance Pilot**

John Sexton, PSI Group, gave the workgroup a presentation on the progress of the Seamless Acceptance pilot test, in which his company is participating. He reviewed the benefits for the industry and USPS from the seamless acceptance concept (a copy of the presentation has been posted on the workgroup web site), and noted that the USPS' infrastructure has grown dramatically over the last 4-5 years to support these efforts.

Mr. Sexton reported that the current pilot test, which includes First-Class Mail letters, included 290 mailings with 8 million mailpieces analyzed to date. Pilot participants include PSI, ZipSort, and Prudential. From PSI's perspective, he noted, operational changes necessary to support seamless acceptance included applying Intelligent Mail Barcodes to mailpieces, applying Intelligent Mail Tray barcodes on all trays in the pilot, applying Intelligent Mail pallet barcodes, scanning trays in the PostalOne Transportation Management system, creating and sending electronic documentation using Mail.dat, creating separate Seamless Acceptance mailings, and using the feedback to improve mail quality.

Mr. Sexton noted that most of the flaws encountered during the pilot have been people-related, as some processes are dependent on people successfully executing those processes. He said it is important that the features of Seamless Acceptance take the human variability out of processes as much as possible.

He reported that piece scans have successfully been used in the pilot to verify pieces counts in the electronic documentation and barcode quality. Pilot results to date show that the USPS' equipment scans on average 97.6% of

mailpieces prepared with high quality barcodes (as verified by MERLIN). Mr. Sexton noted that PSI improved its barcode quality during the pilot, which produced an average scan rate above 98% for mailpieces with high quality barcodes.

PSI is optimistic that it will have 4-5 major sites up and running with Seamless Acceptance in the next 3-4 months, Mr. Sexton reported, and that there will be ample volumes so that data can be evaluated in terms of tolerances and assessments. He commented that he has been impressed with how much more robust the USPS' infrastructure has become, which is important for seamless acceptance and also critical for service performance measurement.

### **Intelligent Mail Measurement Readiness**

Tim Gribben, USPS, gave a presentation on Intelligent Mail Measurement Readiness (a copy has been posted on the workgroup web site). Mr. Lewis commented that the USPS is on the cusp of enabling visibility across its network, but perhaps not for all types of mail. Pilots are showing we can obtain Start the Clock data, know when that mail is processed on equipment, and know when it exits the system (or a reliable proxy therefore), he noted. Mr. Gribben walked through the USPS' Intelligent Mail measurement readiness by mail type, with the following highlights.

*Automation Letters.* Mr. Gribben reviewed the Intelligent Mail solutions for automation letters, by data capture point (see slides for more detail). He noted that by next year, the USPS feels it will have a statistically valid representation of automation letters, including bulk-entered First-Class Mail and Standard Mail processed on any letter automation equipment. He commented that barriers that have been identified by the USPS include mailer willingness or enough sources to implement the required barcodes and systems.

Full deployment of Surface Visibility scanners also needs to take place, he noted. Currently there are 150 dock scanners deployed and those plants currently are enabled, he reported. The USPS is in the process of reviewing an internal DAR on expanding the deployment to the remaining plants, and Mr. Gribben was not sure of the time frame when that would be presented to the USPS Board of Governors for approval.

In terms of interim scans, Mr. Gribben reported that the USPS IMVIS (Intelligent Mail Visibility) system, which acts as a data traffic cop determining where data needs to go, is being upgraded and will be completed in June. The USPS is about half way through its deployment of new Intelligent Mail Devices (IMDs), which should be completed before the end of this Fiscal Year (end of Sept 2007), he noted. The USPS will attempt to project anticipated Intelligent Mail Barcode (IMB) usage/volume by mailer type/class in order to identify potential gaps.

Mr. Gribben posed the question of whether a hybrid system is necessary in order to determine the exit scan for automation letters. Is the last delivery point sequencing (dps) scan on automated equipment, possibly complemented with an Intelligent Mail tray barcode scan at the delivery unit, acceptable in terms of a proxy for delivery? Or is a hybrid system necessary? The USPS has compared dps scan data with EXFC results and found that 98% of letters with a dps scan by 10:00 are delivered the same day. Saturation letter mailings that are in delivery point sequence already, however, would not get processed by machines. If these trays are cross-docked at the plant, there can be a Surface Visibility scan at that point, and another (sampling?) at the delivery unit.

Mr. Lewis summarized that within a year, the USPS feels it could track the automation letter mailstream using Intelligent Mail, and feels it could generate reports that would show a good representation of the automation letter mail network. In response to the question of whether that is true before 2009 when mailers are required to use Intelligent Mail

Barcodes to obtain automation discounts, Mr. Gribben said the USPS is doing that analysis now. There were a number of mailers waiting for OneCode ACS to be available (First-Class Mail), and since the price is attractive many mailers are signing up for that service, which is IMB-based. He noted that 81 unique mailers have signed up to use IMBs, which includes some flats mailers.

*Automation Flats.* Mr. Gribben noted that much of the Start the Clock capture point technology for flats mirrors that envisioned for letters. For flats, however, the IMB print specifications remain an issue which the USPS and industry are working through. The USPS is working with the UFSM 1000 equipment manufacturer on a solution to read the IMB print specs which are more compatible with mailer's needs, and the USPS believes that flats mailers will quickly adopt the IMB once those issues are resolved.

In terms of the exit scan for flats, Mr. Gribben asked what proxy might be acceptable. Would the scan when the AFSM 100 sorts flats into carrier route be adequate as a proxy scan for delivery, or does it need to be coupled with bundle scans at the delivery unit? Ms. Siviter asked if the USPS has done any tests to validate using the incoming secondary scan (AFSM 100 carrier route sortation scan) as a proxy for delivery, such as were done for letters. Mr. Gribben responded that there has not been anything done yet in terms of measuring that because uniqueness on the piece ID is needed. The USPS currently is using the ID tag on flats on the AFSM 100 for internal diagnostic measurement so it knows when the piece is sorted on secondary operations, but the next piece would be getting the DU validation, which the USPS does not have yet. Mr. Gribben noted that there are some First-Class Mail flats mailers that are interested in participating in the Seamless Acceptance pilot and the USPS hopes to begin that testing soon.

Mr. Gribben presented possible bundle scanning scenarios being explored by the USPS. The USPS is exploring different scanning scenarios at the delivery unit, including scans by distribution clerks as they are distributing bundles to carrier cases, scans by the carrier/clerk as they are casing the flats, or both. The USPS feels it may not need both, that the distribution scan would be sufficient and more consistent because there are less distribution clerks than carriers, he noted. Cameron Bellamy, GrayHair Software, suggested that the USPS pick the one with the highest degree of confidence that delivery would occur that day.

*Parcels – Automation or Retail.* Mr. Gribben noted that for retail parcels, the Start the Clock would be generated by the POS at the retail counter, and for bulk-entered parcels it would be the scan at induction (advance notice through eVS) or mailer manifest and deposit at the delivery unit. Barriers include Start the Clock scan data for non-POS retail sites (Mr. Gribben will follow-up on what percent this represents). For the exit scan, the USPS will use the Delivery Confirmation scan, as well as Special Services scans on parcels. Ms. Siviter noted that there is an issue with the size of the barcode for Standard Mail parcels. It was later learned at the MTAC General Session that the USPS currently is testing alternatives for the barcode on Standard Mail parcels.

*Forwards>Returns.* Mr. Gribben noted that the USPS could capture re-direction data for mail that is forwarded/returned through PARS (letters), CFS (letters/flats), or carrier event scans (parcels).

## **Action Items**

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

1. **Task Owner: *Jeff Williamson, USPS***
  - a. Industry asked the USPS if there are any 3-digit ZIP code areas where First-Class Mail could not achieve overnight delivery at the finest distribution level. Mr. Williamson will follow-up with that information when the USPS reports the preliminary data from its Standards Review.
  - b. **The USPS should come back at the next meeting with data on its current service performance for 3-digit ZIPs outside the contiguous United States, by mail class, such as performance data that shows what percent of the time the USPS achieves the existing standards for those ZIPs. Even data from EXFC results alone would help start a dialog on this issue since if the USPS does not make the standards for First-Class Mail, it likely does not do so for other mail classes either.**
  
2. **Task Owner: *Tim Gribben, USPS***
  - a. Mr. Gribben will follow-up on what percentage of parcel retail entry sites are not POS-equipped.

## **Next Meeting**

The next meeting of the main workgroup (including all subgroup members) will be held on **Wednesday, June 13, from 10:00 a.m. to 2:00 p.m.** (note ending time change) in USPS Headquarters room 1P410, in Washington, DC. Further details will be distributed to participants as they are finalized.

A list of upcoming meetings for the Full Workgroup and all four Subgroups was presented and has been posted on the workgroup web site.