

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

Origin-Entered Standard Mail – Service Standards Proposal

The group began its meeting by further discussing the service standards proposal for origin-entered Standard Mail. The group had tentatively agreed on service standards that used a matrix (shown below) for drop-ship entered Standard Mail, but used the existing service standards (as represented on the USPS’ Service Standards software) for origin entered mail.

The following proposed matrix is currently being considered by the subgroup for Standard Mail:

Presort Type	DBMC	DSCF	DDU	Origin Entered*
Non-Carrier Route	3-5 Days	2-4 Days	NA	3-10 Days /1 /2
Carrier Route	3-4 Days	2-3 Days	0-2 Days	3-10 Days /1 /2

/1 Add an additional day to the maximum number of days shown during the months of Sept-Dec

/2 Use the USPS’ Service Standards software to calculate standards by 3-digit O/D pairs for origin-entered Standard Mail

Kathy Siviter, Full Workgroup Industry Co-Chair, noted that there appears to be some confusion as to the implied range of days for the existing service standards, which the proposal would continue to use for origin-entered mail. Some interpret the existing service standards to mean that the number of days shown on the Service Standards software would be the maximum number of days for delivery, with the minimum number being 3 days. For instance, if a 3-digit pair on the software said the service standard is 8 days, then the implied range is 3-8 days. If it said 5 days, then the range would be 3-5 days, and if it said 10 days, then the range is 3-10 days. Others, however, interpret the standard shown on the software to be that number of days +/- 1 day (e.g., 6 days would mean 5-7 days). There is no clear explanation as to how the existing standards include the deferability of Standard Mail and range of days, Ms. Siviter noted.

The group discussed the issue, with focus on what business mailers that are entering Standard Mail at origin need in terms of service. Is a longer range of days (e.g., 3-10 for origin-entered mail destined from one coast to another, etc.) too wide a range to meet their business needs? What range does the USPS need in order to maintain the deferability of Standard Mail in processing/delivery? Discussion highlights included the following:

- ***Standard Mail is not day certain.*** The USPS stressed that Standard Mail is not a “day certain” product in terms of delivery. The potential to defer is part of the cost

characteristics of Standard Mail and must be maintained. Conceivably, origin-entered Standard Mail may need a wider range of days because it may travel through more facilities to reach its destination than drop-entered Standard Mail.

- ***Customers Need Consistency.*** Mailers maintained that consistency and predictability of delivery still are paramount to Standard Mail users, and that even with origin-entered Standard Mail where there may be more variables in terms of its service standards, consistent achievement of those standards is important.
- ***Consistency of Service Standards for all Standard Mail.*** The group agreed that where the 3-digit pairs being represented by the origin-entry and drop-ship entry service standards are the same, the service standards should be the same. For instance, the origin-entry standards for mail between 3-digit pairs within a BMC service area should mirror the drop-ship entry standards for DBMC entered mail.
- ***Standards Review.*** The group discussed whether the 3-10 days total service standard range for origin-entered Standard Mail is based on existing USPS' network capabilities because so much origin entered mail does not seem to get delivered within 10 days (e.g., The Flute Network's service data). The group agreed that this issue may need to be revisited when the USPS completes its Standards Review process (see discussion later in these notes). It may be appropriate to increase the number of days across the origin-entered standards. Increasing the number of days (within reason) may be acceptable to Standard Mail users if the delivery then becomes more consistent and predictable.
- ***Communication of Range of Days for Origin-Entered Standard Mail.*** The group agreed that the USPS needs to significantly enhance its communication of the range of days for the service standards for origin-entered Standard Mail. The Service Standards software (or any other mechanism that gives customers information about service standards) should be clear that the standard incorporates a range of days and what that range is for a particular 3-digit O/D pair.

Other Service Standards Issues

The following outstanding issues around Standard Mail service standards were discussed by the group, with highlights noted.

- ***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, November and December. The group further discussed seasonality and agreed to define the time range of the fall mailing season to be inclusive of all four months from September 1 to December

31. One additional day will be given to all categories in the origin-entered and drop-ship entered matrices except for Standard Mail entered at the DDU (see chart on previous page).

- ***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.). The group decided that lacking USPS input on the 3D matrix impaired their ability to qualify the non-contiguous states issue. It is difficult to determine if the service to these areas is a USPS performance issue or a network issue. The group agreed to defer further discussion on this issue until after the USPS has completed its Standards Review and brings back data to the subgroup on this issue, which is anticipated to occur at the July 10 meeting. It is likely that a footnote would be needed to note that the service standards matrices do not apply to the non-contiguous United States and that for those locations the USPS Service Standards software should be used.
- ***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. Tom Foti, Standard Mail subgroup USPS co-chair, noted that re-directions will continue to exist in the future, per USPS operations, and should be reflected in the service standards matrix.

Wanda Senne, Standard Mail subgroup industry co-chair, stressed that there needs to be clarification on the matrix itself as to which column users should look at to identify service standards and expectations – the facility type where the mail is being re-directed to, or the facility type for which the postage rate is paid. The group agreed that the standards should be based on the latter. For instance, if the mail qualifies for a DSCF rate and would normally be entered at an SCF, but the USPS re-directs the mailer to enter the mail at the DBMC, the service standards should remain that for the DSCF. Language for a footnote needs to be drafted to explain which service standards apply in cases of USPS re-direction.

The group was presented the revised draft of a recommendation proposal as constructed by assignment and modified by Wanda Senne, Tom Foti and Phil Fabrizio. The draft proposal statement will be revised to accommodate the agreements reached at today's meeting. Ms. Siviter requested that all subgroup participants forward any comments to the subgroup co-chairs by **June 29**. Wanda Senne will finalize the recommendation proposal for distribution prior to, and consideration at the July 10th subgroup work meeting.

USPS Standards Review Process

Mr. Foti gave a brief update on the USPS Standards Review process, which has been actively going on for the past several weeks. 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. The USPS has indicated that it appears that some of the existing standards for mail that is transported by surface may not reflect actual drive miles, so some adjustments may be in order, which will be discussed with the workgroup.

Mr. Foti noted that the USPS does not yet have any output to share, but has received lots of data from mailers and USPS internal seeding data. He thanked those mailers on the subgroup that have provided the USPS with service performance data, including GreyHair Software, J. C. Penney, Harte-Hanks, Sprint, The Flute Network and others. It is expected that the USPS will have data to share from the Standards Review in early to mid-July.

Future Service Standard Review Process

Ms. Siviter reported that the Full MTAC # 114 Workgroup will receive a presentation and draft language around recommendations for a future formal review process for service standards and measurement at tomorrow's meeting. Considerations will be given to convening a review of the standards when certain triggers have been reached such as major network design changes, emergency situations, new processing equipment deployment, transportation changes, major service interruptions and the like. Considerations of mailer/customer relocations impacting mail volumes at origin facilities was not discussed by this group but could be addressed at a later meeting.

Mailer Data Analysis

Jan Pritchard, of the Flute Network (a PhD trained researcher), reported on how this non-profit incurred a crisis in mail confidence surrounding the delivery of their published news bulletin in 2006. Ms. Pritchard related how subscriber data was collected, analyzed and eventually submitted to the PRC through the Office of Consumer Advocate for consideration in the R2006-1 rate case. The confidence eroded to a point where mailing of the publication stopped from February to September 2006. Ms. Pritchard reported that delivery times ranged anywhere from 4 to 6 weeks. She also related how differences in production/entry (East Coast [NC] versus West Coast [CA]) did influence service performance. In 2006 for East Coast produced mailings service ranged from 32 to 41 days. In 2007 for West Coast produced mailings service ranged from 13 to 24 days.

Ms. Pritchard briefly gave the history of how her organization had come to participate in the R2006-1 rate case and compile its reports on its service performance. In 2006, The Flute Network began asking subscribers to its newsletter to report on receipt of their mailpieces. Over 500 responses were received, and the results indicating widely varying and very long delivery times. This presented challenges for The Flute Network in terms of advising its advertisers, and its ability to plan content around delivery expectations.

Ms. Pritchard noted that there is nothing unusual about The Flute Network's newsletter mail piece. It is a folded selfmailer, tabbed, barcoded and mailed as an automation letter. Hardcopies were distributed at the meeting. Charley Howard suggested that the piece may be physically designed incorrectly to qualify for automation letter rates, because the "leading edge" is in the wrong direction. Ms. Pritchard agreed to further investigate that possibility. [Note: it was later clarified that The Flute Network mailpiece does meet the existing DMM requirements for automation letter design.]

Ms. Pritchard's report includes an extensive series of maps that overlay the service performance data from The Flute Network's newsletter with the existing USPS service standards for those 3-digit O/D pairs. She noted that even for "local" delivery of the newsletter, service ranged from 2-10 days. [A complete copy of her report is posted on the workgroup web site, as well as an abbreviated version for those with file size limitations.]

Ty Taylor, J. C. Penney, also reported on the quality of CONFIRM data analyzed and returned to USPS Area/District/Facility managers. The reports show by USPS District, by facility, by day, by area, by ZIP Summary, and lastly a scan detail page. The data is Confirm based with no non-Confirm data augmentations, he noted. Mr. Taylor noted that J. C. Penney plans to put Intelligent Mail Barcodes on all its pieces in the future. He cautioned that the USPS needs to be prepared to manage data from 3-5 scans per mailpiece for a billion mailpieces with J. C. Penney's mail alone.

Charley Howard, Harte-Hanks, said that from a retailer mailer perspective, the USPS is given 10 days to deliver and with the exception of three areas, met the 10 day expectation across the country. He noted some issues with local facilities, and also noted that their company does not recommend using Standard Mail for smaller national mailing such as The Flute Network does. They recommend using First-Class Mail because the Standard Mail service is so inconsistent for those types of mailings. Ms. Pritchard and others responded that First-Class Mail is not a viable option for smaller organizations such as hers because of cost.

Curt Harmon, Harte-Hanks/Pennysaver, noted that his company uses ADVANCE data for service performance, which is not 100 percent accurate, but is sufficient for customers to rely on. Paul Giampolo, ADVO, reported that his company uses a combination of data from ADVANCE, and phone calls to USPS delivery units.

Mailers that collect and analyze Confirm data agreed that they always learn something new in the data analysis, even those that think they know a lot about mail processing and operations. That is not necessarily a bad thing, but shows that there is an ongoing learning process in the data analysis. For instance, many people think there will be a scan every place the mail goes and are surprised when they only get a scan at the end of the process – which is not always at the DDU.

Subgroup participants agreed that they would like to be able to use Confirm data to more accurately plan future mailing service expectations. They also agreed that training USPS personnel to interpret and analyze Confirm data remains a challenge. Customers are often in the

position of providing training to USPS personnel so that they can have intelligent discussions about service performance issues.

Service Performance Measurement

Mr. Foti reported that the USPS faces customer expectations for using Intelligent Mail data and systems to help fulfill performance measurement needs. The reality is that, at best, Intelligent Mail is targeted for implementation in the 2008-2009 time frame. He suggested that the subgroup should focus its efforts on discussing interim solutions for starting performance measurement prior to that time frame. In other words what can we do together using existing USPS tools supplemented by industry tools that will measure service, start the process and resolve some basic issues such as "Start the Clock" in order to accommodate the law.

Ms. Siviter stressed that the Postal Service and/or the Postal Regulatory Commission (PRC) will have to fulfill the mandate under the law and that could include establishment of interim external performance measurement systems, which could add costs to mailers and the USPS. Ms. Senne stressed that mailers do not want postage rates to go up to support external measurement systems.

The subgroup spent the remainder of the meeting brainstorming issues around the Start the Clock indicator for service performance measurement, the use of Confirm data, Seamless Acceptance, and other performance measurement issues. Highlights of the discussion follow.

- ***Start the Clock.*** The group discussed issues around obtaining accurate Start the Clock (STC) data. Surface visibility scans of containers at induction can be used to generate STC information (such as with Seamless Acceptance). The group agreed that the USPS needs to increase efforts around scanning 8125 barcodes as a means to generate STC data.

Jeff Sinn, USPS, noted that there still are issues around STC in Confirm data because of pre-shipment issues and inability to match up individual mailpiece data with the STC data. There are limitations with the pre-shipment notification process currently, he noted, in terms of how much data it can handle and inability to attain mailpiece uniqueness with Planet codes. There is some good service performance data from Confirm that the USPS can use, but other data can not be used because of these issues, he stressed.

Mr. Howard suggested that the USPS tie fiduciary responsibility in terms of the actual postage payment date to the USPS scanning of the 8125. This would give the USPS incentive to improve scanning rates and give mailers incentive to use programs such as Seamless Acceptance, which Mr. Howard suggested might help negate some of the risk factors associated with participation.

- ***Seamless Acceptance.*** The group discussed the notion of whether there will be enough participation in Seamless Acceptance in a reasonable time frame to provide data that is sufficiently representative of the Standard Mail mailstream for purposes of service performance measurement.

Mr. Howard noted that there are barriers to participation in Seamless Acceptance from the mailer's perspective. Today mailers have the ability to fix errors at acceptance, but under the Seamless Acceptance model they will not have that ability. He noted that his company will be piloting Seamless Acceptance, but has concerns about this aspect of the program in particular. He also noted that Group One Software, a major vendor, does not support Mail.dat, which is an integral component to Seamless Acceptance.

- **ADVANCE.** Could the ADVANCE system be used for carrier-route presorted mail?
- **Seed Data.** Could customer seed data information be used to measure service performance? Mailers noted that even with external seed programs (whether customer or USPS administered); obtaining an accurate Start the Clock is a very complicated issue.
- **Hot Spot Reports.** Could the USPS provide reports that better inform mailers of facility bottlenecks that cause delays? The group discussed the USPS "Facility Mail Condition" reports that used to be available on the USPS' web site and showed green/yellow/red indicators for BMC conditions. Mailers need to know how USPS facilities are performing so that they can accurately plan service expectations.

Ms. Siviter asked subgroup participants to consider service performance measurement solutions in the absence of Intelligent Mail (particularly for flats) for further discussion at the next meeting.

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.

2. Task Owner: *Industry Participants*

a. Industry subgroup participants will consider the issue of service standards (and the range of days) for origin-entered Standard Mail, for further discussion at the next meeting. Issues that mailers should consider include how long the range of days should be to meet their business needs (e.g., is a 3-10 day range acceptable for coast to coast Standard Mail, etc.).

b. 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.

c. Subgroup participants should review the draft service standards recommendations circulated by the subgroup co-chairs and provide comments prior to **June 29, 2007**.

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 group discussed the remaining meetings scheduled for the Standard Mail subgroup. Ms. Siviter noted that August 28 is the last scheduled meeting, with only one other remaining (July 10). She suggested that the subgroup may want to consider adding an additional meeting between those dates in order to be able to bring closure to the recommendations around measurement. The group agreed to hold another meeting on July 30 from 1:00 pm to 4:00 pm at USPS headquarters (this is the MTAC meeting week and the full workgroup will be meeting on July 31).

Accordingly, the Standard Mail subgroup meetings will be held as follows:

Tuesday, July 10, 1:00 pm - 4:00 pm USPS Headquarters, Washington, DC

Monday, July 30, 1:00 pm - 4:00 pm USPS Headquarters, Washington DC

Tuesday, August 28, 1:00 pm - 4:00 pm USPS Headquarters, Washington DC