

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

**Special Services Standards**

Kathy Siviter, MTAC Workgroup 114 industry co-chair, began the meeting by reviewing descriptions of each of the Special Services that have been assigned to the First-Class Mail subgroup for purposes of drafting recommendations on service standards. The full workgroup had reviewed the total list of Special Services provided by the USPS and selected a shorter list of Special Services for which the MTAC workgroup felt it should review and recommend standards. Six Special Services were assigned to the FCM subgroup: Business Reply Mail, Certified Mail, Registered Mail, Post Office Box/Caller Service, Certificate of Mailing, and Money Orders.

Ms. Siviter stressed that recommendations for service standards for these Special Services does not mean delivery service standards for mailpieces using the Special Service. The group should look at each Special Service and make appropriate recommendations, from a business mail user's perspective, for the Special Service itself. She noted that Jim Callow, OCA/PRC, had drafted recommendations for Delivery Confirmation service which other subgroups are using as a model for write-ups. A copy can be found on the workgroup web site under the Package Services area.

Ms. Siviter distributed handouts describing each Special Service (from excerpts from the *Domestic Mail Manual* (DMM) and Domestic Mail Classification Schedule (DMCS). [Note: a document containing all the Special Services descriptions has been posted on the PostCom workgroup web site.] The group discussed each Special Service, with the below highlights. It was agreed that volunteers are needed to draft recommendations for service standards for the Special Services noted below.

- ***Money Orders.*** A volunteer/user is needed to draft recommendations for service standards for Money Orders. Possibly a remittance mailer or financial institution? Jim Callow, OCA/PRC, volunteered to assist with drafting recommendations. It was suggested that Jody Berenblatt, Bank of America, might wish to assist or know of a subgroup participant interested in this service.
- ***Post Office Box/Caller Service.*** Mr. Callow noted that he has written up much material in rate cases on Post Office Box usage and is very familiar with the issues around that service, but lacks understanding of the issues around Caller Service. Dan Emens, Chase; Lex Litton, Phoenix-Hecht; and Jim Callow, OCA/PRC, volunteered to help draft recommendations for Post Office Box/Caller Service. It was suggested that Ms. Berenblatt also may wish to assist with this write-up. Mr. Callow noted that he has begun a draft on Post Office Boxes, and could incorporate the Caller Service write-up (other volunteers should work with Mr. Callow). He noted that one significant issue with PO Box service is the box "up time" – the time at a post office when the box mail is available for pick-up, which is posted in retail lobbies for customers.

The group briefly discussed issues around service performance measurement for PO Box/Caller Service mail. Jeff Lewis, full workgroup USPS co-chair, suggested that if PO Box mail is not available at the posted pick-up time, it would be considered a failure in terms of service performance.

The group thought that Caller Service is most widely used by remittance mailers. Chris Oronzio, FCM subgroup USPS co-chair, said that the Stop the Clock for Caller Service is one challenge because that

mail often is not included in delivery point sequenced (dps) mail. The last scan for that mail could be at the destination ADC, or 5-digit operations, or wherever there are hold outs on the sort plans, which often is volume dependent for the specific Caller Service.

Ms. Siviter asked if the USPS could provide some data on Caller Service volumes, and Mr. Oronzio said there often is a grey area between what is defined as Caller Service and Firm hold-outs. Many times the USPS is providing the service and not charging the Caller Service fees, Mr. Lewis noted, because of local agreements for businesses, so it would be hard to get a handle on that volume.

- ***Certificate of Mailing.*** A volunteer/user is needed to draft recommendations for service standards for Certificate of Mailing as no one present at the meeting uses this service. It was thought that perhaps insurance agencies or legal services are users of the service. The group briefly discussed the service, and it is unclear whether there are services provided by the USPS other than at the retail counter at time of purchase. The USPS will follow-up and provide additional information at the next meeting.
- ***Certified Mail.*** A volunteer/user is needed to draft recommendations for service standards for Certified Mail.
- ***Registered Mail.*** A volunteer/user is needed to draft recommendations for service standards for Registered Mail.
- ***Business Reply Mail (BRM).*** Volunteers/users are needed to draft recommendations for service standards for Business Reply Mail. The group noted an issue that previously had been raised relative to BRM and Intelligent Mail Barcodes (IMBs), but could not remember the exact details of the issue. [Note: in looking back at previous meeting notes, the issue identified with BRM and IMB was that currently BRM pieces can only use a 9-digit barcode, not an 11-digit barcode, which means the pieces reject off presorter's equipment, which often leads to service delays.]

Pritha Mehra, USPS, said the Postal Service is interested in doing a pilot with IMBs and BRM. She noted that one significant issue mailers have with BRM is the lack of a successful automated accounting process. The USPS would like to streamline and simplify the accounting process. Ms. Siviter suggested that the accounting portion of the service may be where customers are most interested in service standards.

Ms. Mehra also said that customers have told the USPS it is expensive for them to uniquely identify BRM pieces, so the USPS is looking at an alternative which would use a combination of the BRM barcode and USPS-applied ID tag to establish uniqueness at the piece level. Cameron Bellamy, GrayHair Software, asked if the delivery point information would be included in the IMB for BRM, but

**“Tail of the Mail” Discussion**

The group reviewed the proposed matrix for service performance goals for First-Class Mail, with goals included for “tail of the mail” that does not meet the overnight, 2-day or 3-day service standards (shown below).

<b>Service Standard</b>	<b>Overnight</b>	<b>2 Days</b>	<b>3 Days</b>	<b>4 Days</b>	<b>5 Days</b>	<b>6 Days</b>
Overnight	95%	98%	99%			
2-Day	0%	93%	97%	99%		
3-Day	0%	0%	90%	96%	97%	99%

The group briefly reviewed the rationale for including performance goals beyond the 1-3 day standards that currently exist, which is to increase the focus on more quickly delivering the “tail of the mail.”

Ms. Siviter noted that the USPS had been assigned the task of reviewing the proposal internally and coming back to the group with its reaction. Mr. Oronzio said that the USPS would want measurement that is consistent with the mail base, not focused on outliers. The USPS would not want to have performance of the tail of the mail destroy the fact that it achieved 95 percent on-time performance for overnight, for instance. Barry Walsh, USPS, stressed that there is a distinction for the USPS between service standards and performance standards. The local overnight area, for instance, is a service standard, but the performance for which the USPS holds its managers responsible for in terms of meeting that standard is a performance standard.

Mr. Walsh said that trying to pin down the standard at the 99 percent level with EXFC is very difficult because there are so few pieces being measured that fall into that category. He noted that when more data is available, as would be with Intelligent Mail Barcodes, measurement of the tail of the mail will be much easier and the data more meaningful because the sample size will be so much larger than with the existing EXFC sampling.

E. C. Nix, DST Output, suggested that the target numbers should be reviewed and adjusted on an annual basis, the above are just suggested starting points. Ms. Siviter said the subgroup could include in its recommendations the need to re-visit the targets when more detailed performance data is available. Mr. Nix noted that if more data were available, the USPS could present the cost consequences of achieving specific service improvements for the tail of the mail, which the USPS and industry then could evaluate.

Mr. Callow stressed that the underlying principle is that the tail of the mail needs to be measured. While EXFC provides some data, the exact form of the measurement does not need to be decided now in order to adopt standards for tail of the mail service performance. The standard should not be held hostage to the limitations of the measurement technology, he suggested. Mr. Bellamy noted that measurement done over a longer period would require less volume at a granular level, which would be another approach.

Mr. Nix noted that from a business perspective, mailers need to know what to tell clients in terms of service expectations for mail that is not delivered within the standard. What is a reasonable amount of time to wait before spending money to chase that information?

Mr. Nix and Mr. Walsh agreed to draft some simple language explaining the proposed recommendations for “tail of the mail” standards for First-Class Mail.

### **Forwarded/Returned Mail**

The USPS distributed a handout with its proposed service standards recommendations for forwarded/returned mail. The group reviewed the proposal (a copy of which is posted on the workgroup web site), which essentially adds 1-2 days to the existing service standards for letters that are forwarded/returned, and an additional 2 days for flats that are forwarded/returned (see USPS proposal for more details).

Ms. Siviter asked if the UFSM 1000 would also be included for flats since the current proposal only mentions the AFSM 100. The USPS said that when the UFSM 1000 equipment has been modified to read the IMB and include PARS processing, it would be included in the proposal.

Mr. Oronzio noted that there are two different processes depending on whether the piece is identified at the destination facility or the origin facility, that’s why the proposal has different standards. In some cases, the USPS noted, if the piece is identified by PARS and automatically re-directed (if before 1:00 p.m.), then there might be no delay in the service. Sometimes the piece goes to the carrier for action before being sent back to the plant (e.g., those not identified by PARS), which takes longer. Mr. Oronzio noted that non-automation letters, flats and parcels currently go through the CFS unit.

The group discussed how mailers would know whether a piece was identified through PARS or had to go to the carrier. The USPS noted that the label on the physical mailpiece would show if it went through PARS, and the PARS equipment also provides a separate operation code in Confirm scan data. John Sexton, PSI Group, suggested that some work may need to be done with the PARS operation codes because it currently acts as a trigger in Confirm to start the clock and data tracking over again, which does not make the end-to-end tracking of the piece easily apparent.

Mr. Lewis said that forwarded/returned mail would have three legs in its journey – the outgoing processing, the interception process, and the delivery process. The standard would be applied to each leg, he noted. For instance, a piece going from east coast to west coast (3 day service standard), that then gets identified on the west coast (an additional 1 day process) and has to come back to the east coast for delivery (an additional 3 days) would make the end-to-end standard 7 days.

The group agreed that a simple flow chart or table that better depicts how the standards would be applied for these pieces would be helpful.

The USPS noted that PARS for flats will be deployed in about another year, which means that intercept could occur before pieces are processed on an FSS machine. The USPS plans to test the process on the AFSM 100 first, which means that some forwardable flats would be intercepted at the origin processing facility.

Ms. Siviter asked that the USPS also write-up a proposal for FCM parcels that are forwarded/returned. The USPS said it also will provide at the next meeting a time line for Change of Address (COA) processing, as discussed at the previous meeting.

## **Survey Review**

Tim Gribben, USPS, gave an update on the efforts of the survey review team which has met by telecon to discuss development of a survey to determine consumer and small business perceptions of service standards, CETs, etc. He reported that the survey team held another telecon on May 22, but participation was low. On the telecon, Greg Whiteman, USPS Manager, Marketing Research, and Bob Michelson, USPS, discussed past survey results from an earlier rate case that they felt are applicable to this effort. Mr. Lewis had sent an e-mail to some of the subgroup participants re-capping the telecon, he noted.

The bottom line of the telecon discussion, Mr. Gribben re-capped, was that the USPS felt the survey that had been done back in 1989, which was an extensive effort that combined three different studies, provides sufficient research data. That research tried to determine customers' level of satisfaction with FCM delivery by business and residential customers and their needs. Results were that consistency of delivery was more important than speed – customers wanted to know when to expect FCM delivery. The research determined that at that time the USPS' service network did not fit the needs of its customers in terms of their perceived definitions of overnight, 2-day and 3-day service areas. The USPS subsequently realigned the standards and network based on that feedback, Mr. Gribben reported.

The USPS conducted follow-up studies in subsequent years, and feel that the research data still is valid today, therefore additional surveys/studies are not needed because they are not likely to achieve different results than those gained in the late 1980's. Mr. Gribben said that is the USPS' collective opinion, but asked how the subgroup participants feel about that. The group briefly discussed the USPS' position, and asked for the link to the summary of the 1980's research. Ms. Siviter will provide the link so that subgroup participants can review the previous research and discuss the issue at the next meeting.

Mr. Lewis noted that the survey contemplated by the current subgroup would look at how consumers/small businesses define overnight, 2-day and 3-day service areas, which the 1989 case research seems to do very well. One down side to not doing another survey, he noted, might be loss of the opportunity to ask how customers perceive a 4-day standard such as might be envisioned for the non-contiguous United States locations. Ms. Siviter noted that when the USPS officially adopts the new service standards that are an output of this workgroup and other efforts, it will have the opportunity to engage in extensive communications that could include focus on service expectations, definitions of service areas, etc.

## **Non-Contiguous United States**

Ms. Siviter briefly re-capped some data from the last U. S. Census, which was provided by Joel Thomas, NAPM. According to that data, at the time of the last census in 2000, the U. S. population was 281,421,906.

The population of Hawaii was 1,211, 537, or about 4.3 tenths of one percent. Of that, a third (371,657) lived in Honolulu and just about half lived in Honolulu and the next seven largest cities.

For Alaska, the total population was 626,932, or 2.2 tenths of one percent; and a third of those (260,283) lived in Anchorage.

Mr. Thomas in a note had asked if the USPS' statistics on delivery in Guam (population around 161,000 or about 1 tenth of 1%) take into account the international dateline (e.g., if you mail a letter to Guam from Honolulu on Monday at one minute past midnight, it is already Tuesday in Guam; so overnight is an impossible standard, etc.).

Mr. Sexton proposed that the subgroup wait and see what the USPS comes back with in its Standards Review in terms of its existing network capabilities for non-contiguous U. S. locations. Mr. Walsh said the USPS does not measure remote areas now. ZIPs that are sparsely populated don't get measured in EXFC, he noted, but measurement based on Intelligent Mail barcodes could provide more widespread geographic coverage. He suggested that it is more difficult and time consuming for the USPS to deliver mail to all remote delivery areas, not just those outside the contiguous United States.

Mr. Bellamy stressed that these areas need to be measured and have meaningful service standards, and suggested that Hawaii, Puerto Rico and Alaska should be segregated in terms of service standards. Mr. Lewis suggested that if the workgroup is unable to obtain sufficient data to make informed recommendations during the time we have to work, it could include in its recommendations that mail for these locations needs to be included in service performance measurement, but if the existing standards are not within the USPS' network capabilities that could bias the measurement scores. That would give the USPS and PRC an opportunity to further discuss those issues and could also feed into the report the USPS is required to hand off to the PRC/Congress in June 2008 relative to its network capabilities. Even if the data is not available, the workgroup can still raise the concern, he suggested.

Mr. Emens asked if the data that had been provided by GrayHair Software could be provided for the three months prior to January 2007, and also include April 2007 so that the group could view the results over a longer time period. Ms. Siviter will follow-up with GrayHair to see if we can obtain that data.

### **Drafting Service Standards Recommendations**

Ms. Siviter and Mr. Lewis asked that the FCM subgroup begin to draft formal recommendations around service standards. This is being done by other subgroups, with sections being drafted by subgroup participants for review by the larger subgroup. Ms. Siviter stressed that the recommendations should include some explanatory language as well around topics considered by the subgroup and why adjustments to service standards are/are not being recommended by the subgroup. For instance, the FCM subgroup discussed seasonality but then came to the decision not to make any adjustment in the service standards recommendations based on seasonality. These recommendations likely will be read by people that did not participate on the workgroup, she noted, and the explanation would be of value for those audiences and to document the rationale in reaching recommendations.

Ms. Siviter stressed that these still remain draft recommendations and can be changed if necessary later in the workgroup process. Mr. Lewis reported that the USPS and PRC have begun their formal consultation process, and having some draft language in place will facilitate those discussions. Both sides want to ensure that this is a customer-driven process, he noted, and input from industry and this workgroup is very important.

Some sections suggested for the recommendations, and volunteers to begin drafting those sections (some sections still need volunteers), include:

- What is FCM and why do businesses use it (typical industry segments using FCM, etc.); why are service standards important to businesses' needs: *Chris Oronzio, Jody Berenblatt, Dan Emens, Jim Prevost, and Jim Callow (single piece FCM)*
- What are the characteristics of the mailstream (e.g., shape, machinability, etc.): *Kathy Siviter*
- What are the existing FCM service standards: *Chris Oronzio*
- What service standards are being recommended for FCM (why stay with existing standards, etc.): *John Sexton*
- What potential adjustments to the service standards were considered but dismissed at this time, and the rationale underlying those decisions (e.g., seasonality, different standards for different mail shapes, etc.)
- What adjustments to service standards are being recommended and why (e.g., tail of the mail: *E.C. Nix*; forward/returned mail: *Cameron Bellamy*, non-contiguous U.S., etc.)

### **Service Performance Measurement**

Ms. Siviter walked through a presentation (copy available on the workgroup web site) on service performance measurement discussion points. This is a modified version of a presentation given to other subgroups, she noted. In the first few slides, potential "guiding principles" around measurement are suggested, which Ms. Siviter reviewed with the group. The following discussion highlights are noted:

- ***Measurement Data by Mailpiece Shape.*** Mr. Bellamy noted that the USPS currently processes letter rate pieces as flats and vice versa, as shown by Confirm Planet code scans. The USPS may do this because there is machine availability of one type vs. another, he suggested, and said it is not necessarily a bad thing, but if presenting measurement data by mailpiece shape (e.g., letters, flats, parcels) there could be some grey areas in the data. Mr. Walsh stressed that the USPS has great incentive not to mix processing of shapes because letters are much cheaper to process than flats, but agreed there are some grey areas where pieces mailed as letters can not successfully be processed on letter equipment – an issue which the USPS currently is looking at.

Mr. Callow said that the USPS is set up to process mail by shape, and needs the data broken out that way because of its need to track costs by shape. Mr. Emens noted that mailers need the data broken out by shape as well.

- ***Accountability Data vs. Reporting Data.*** Mr. Lewis suggested that there may be a difference between service measurement data that represents what the USPS is accountable for, versus what else gets reported. How do you set up rules about reporting vs. accountability?

- **Statistical Validity.** Mr. Sexton suggested that there should be something like a financial account standards board in terms of defining statistical validity. Service performance measurement should be statistically valid/representative of the mailstream being measured. Ms. Siviter suggested that mailers would accept less rigorous statistical sampling, or sampling over a longer period, for small volume mailstreams, because the cost of measurement is a significant factor for business mailers. Mr. Lewis suggested that the reporting function and sampling period do not have to mirror one another. Mr. Callow said the group could recommend that the performance measurement or reporting frequency be scaled appropriately for the volume of the service provided by the USPS.
- **Aggregate Data Reporting.** FCM business mailers need some level of consolidated aggregate data reported for comparison of individual company/mailing service performance. Mr. Sexton suggested that an aggregate data reporting framework could resemble that currently used for EXFC reporting. Mr. Callow stressed that there are EXFC reports which are public and many more that the USPS can access internally but which are not made public.

Industry participants said that they are more interested in having access to data which they can slice/dice as they need to, versus the USPS producing reports. Mr. Emens stressed that the intent behind performance measurement against standards is to be able to make improvements, which may not be the case without public regular reporting. Ms. Siviter said that the PRC will set reporting requirements for the USPS in order to ensure that service standards are being met, but it is not clear whether that information would be public and what the reporting period would be. Mr. Callow said that the USPS is required to submit reports now to the PRC on other issues and that service performance reports could be required on a monthly or quarterly basis.

The group agreed that availability of aggregate service reporting data at some level of granularity can be used to add value to mail and grow use of mail. The USPS also could use service performance data to drive mailer behavior in terms of shapes, automation, presort, drop ship entry, etc.

- **Measurement Systems.** Mr. Lewis stressed that initially the question for the workgroup was whether it supported service performance measurement through Intelligent Mail as a less expensive and more comprehensive option in terms of volume being sampled, and there appears to be no industry objection to that statement. Thinking about the time lines, the USPS said that it thinks some categories will be able to be measured using Intelligent Mail in the near future (e.g., FCM letters, perhaps Standard Mail letters), but some will not. Measurement recommendations from industry would be helpful in facilitating discussions about measurement systems, Mr. Lewis suggested.

## **Action Items**

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

1. **Task Owner:** *Jeff Lewis/Chris Oronzio, USPS*
  - a. **Mr. Oronzio will follow-up on an update at the next subgroup meeting on the CET effort and time line.**

- b. Mr. Oronzio will coordinate setting up a separate telecon to discuss International Mail service standards, to include appropriate participants (the USPS, interested workgroup members, the State Dept., etc.).
- c. The USPS will provide a revised version of the forwarded/returned mail service standards proposal at the next meeting (to include FCM parcels, and a flow chart/table showing how the standards are applied).

2. **Task Owner:** *Joel Thomas, NAPM*

- a. **Joel Thomas agreed to obtain and distribute to the subgroup the pertinent data from the PRC N89-1 case concerning FCM service standards business rules and development processes.**

3. **Task Owner:** *USPS*

- a. **The USPS agreed to perform some data analysis and review on service performance to/from areas outside the contiguous United States, such as Alaska, Hawaii, Guam and Puerto Rico, in an effort to quantify the percent of time it meets a 3-day service standards to/from those 3-digit ZIP Code areas.**
- b. **The group asked the USPS what percent of FCM is nonmachinable, by processing category (letters/flats/parcels). The USPS will get that data for the next meeting.**
- c. Vanessa Martin, USPS, will provide ADI study data on damaged mail.
- d. The USPS will provide additional information on Special Services at the next meeting (e.g., for Certificate of Mailing – are there activities/service beyond the point of purchase at the retail window).

4. **Task Owner:** *Industry Subgroup Participants*

- a. Industry participants will review the proposed tail of the mail matrix and provide feedback at the next meeting as to whether the proposed targets would meet their business needs in terms of reducing the tail of the mail in FCM.
- b. Kathy Siviter will request volume data for the non-contiguous United States areas from GrayHair Software, for the same period as their prior data on this issue.
- d. Rafe Morrissey, Greeting Card Association, will consider the issue of seasonality relative to service standards, and provide feedback at the next meeting as to whether the greeting card industry has any concerns around seasonality.
- e. Industry participants that volunteered to draft recommendations on standards for Special Services will provide a draft to the co-chairs for distribution prior to the July 10 meeting.

5. **Task Owner:** *E.C. Nix, DST Output, and Barry Walsh, USPS*

Mr. Nix and Mr. Walsh agreed to draft some simple language explaining the proposed recommendations for “tail of the mail” standards for First-Class Mail.

**Next Meeting**

The FCM subgroup will hold a telecon meeting on Tuesday, June 26, from 11:00 a.m. to 1:00 p.m. EST.

The next in-person meeting will be held on Tuesday, July 10, from 9:00 a.m. to 3:00 p.m. (the Full Workgroup is meeting on Wednesday, July 11 from 10:00 a.m. to 3:00 p.m.). Other future scheduled meetings (9:00 a.m. to 3:00 p.m.) include:

July 24	Continue final recommendations
Aug 14	Finalize recommendations