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I. The PAEA requires the Postal Service to promulgate new service standards. What are service standards? They are a stated goal for a service achievement for each class of mail. The standard consists of two elements: the range of days allowed for delivery; and the business rules that determine the precise delivery day within the range that applies to a specific origin destination 3-digit zip code for each class of mail. One of the important elements in this determination is what is called “Critical Entry Time” (CET) that is, if the mailpiece is accepted by the Postal Service before the CET, then that date is called “day zero”. If it is delivered after the CET, then the next day is “day zero”.

There are 851,000 origin destination 3-digit zip code pairs. The business rules have determined the exact number of delivery days for each of those pairs in the various classes of mail. In its proposed rules, the Postal Service has created new business rules. However, they have done very little in terms of changing the range of days for delivery for classes of mail. For example, dealing only with the 48 contiguous states, there are no changes for First Class mail, it is still 1- 3 days; there are no changes for Standard Mail, it is still 3-10 days. There is an expansion of the range for Periodicals from 7-9 days; and there is a reduction in the range for package services from 9 - 8 days. In other words, after all of the convolutions of computer studies etc., the Postal Service has not changed the day ranges for the vast majority of its mail, First and Standard, although it has made a determination of business rules that give a more precise service day within the range for all classes.

The big picture is as follows:

- 80.7 % of all mail will be delivered within a 1-5 day range
- 10.1% will be delivered within a 6-10 day range.

- .1% more than 10 days.
- For Standard Mail there will be a 79.6% delivery between 2 – 5 days, 20.2% between 6-10 days and a .2% for more than 10 days.
- 70% of Standard and 70% of Periodicals are destination entered.

The Postal Service has posted on its website files containing the specific standard from any 3-digit zip code pairs.

II. Through the Mailers' Technical Advisory Committee (MTAC), USPS worked with the mailing community in developing its proposed service standards for packages.

Throughout this process, parcel mailers' message was simple: they want service standards and performance measurement systems that will result in consistent, reliable, and affordable package delivery by the Postal Service and its partners. Generally, consistency is more important than speed when it comes to the delivery of business and consumer products. Product delivery that is delayed beyond the expected time frame, the so-called "tail of the mail," is a serious problem for parcel shippers. This results in increased costs in terms of shipping of replacement goods, and decreased customer satisfaction.

Parcel shippers were generally pleased with the service standards – i.e., 1 day for destination delivery unit (DDU)-entered parcels, 2 days for destination sectional center facility (DSCF)-entered parcels, and 3 days for destination bulk mail center (DBMC)-entered parcels – proposed by the Postal Service for destination-entered market-dominant parcels in the Package Services class. This will help ensure consistent, reliable, and affordable package

delivery. However, there are four recommendations on how the Postal Service's proposal can be improved without adding costs to the Postal Service network.

First, through participation in MTAC Workgroup 114, package shippers understand that the Postal Service can reliably deliver DSCF-entered packages for most 3-Digit ZIP Code destinations within one day of entry as long as the package was entered before the critical entry time (CET). Only a fraction of destination ZIP Codes require an additional day. Similarly, the Postal Service can reliably deliver DBMC-entered packages to most 3-Digit ZIP Codes within two days of entry.

Rather than establishing a two-day standard for all DSCF-entered packages and a three-day standard for all DBMC-entered packages because one-day and two-day service, respectively, are not achievable for a small percentage of destination 3-Digit ZIP Codes, the Postal Service should define the service standard for DSCF-entered and DBMC-entered packages by destination 3-Digit ZIP Code. Under this approach, the standard for DSCF-entered packages would be 1-to-2 days depending on the destination 3-Digit ZIP Code and the standard for DBMC-entered packages would be 2-to-3 days depending on the destination 3-Digit ZIP Code. A ZIP-by-ZIP approach would be similar to the USPS proposal for all origin-entered mail and for dropshipped Periodicals entered at destination area distribution centers (DADC).

Second, while understandably while the Postal Service desires to initially establish service standards at the mail class level (rather than by class and shape), the Postal Service should be able to deliver Standard Mail parcels within the same standards as Package Services parcels, not the more relaxed standards proposed for Standard Mail. This is because Standard Mail parcels are processed in the same manner and through the same equipment as

Package Service parcels. In fact, Standard Mail and Packages Service pieces are frequently combined and entered by parcel shippers in the same containers.

In contrast, the proposed standards for Standard Mail are based upon the mail flow for letters and flats, which comprise the vast majority of the class. The proposed three-day standard for DSCF-entered Standard Mail, for example, includes two days for processing at a flats sequencing system (FSS) facility or DDU, an amount of time for processing that is not required for parcels.

Looking forward, the Postal Service should establish shape-specific service standards for Standard Mail parcels that closely mirror those established for Package Services parcels. In the meantime, the Postal Service should measure and publicly report Standard Mail parcel service performance separate from that for Standard Mail letters and flats.

Third, while the purpose of the October 17 Federal Register notice is to propose service standards, not performance targets, it must be emphasized that consistency in achieving service standards is at least as important to parcel shippers as the speed of delivery. The “tail of the mail” is particularly problematic. Delivery delayed beyond the expected time frame is the primary cause of unnecessary cost and customer dissatisfaction. It is understandable that a “ramp-up” period may be required, but the ultimate performance target should be to achieve 98 percent on-time delivery performance with the established standard. Further, the Postal Service must put in place the operational disciplines necessary to ensure that the remaining parcels are delivered soon thereafter.

Finally, the proposed 24-hour standard for making delivery/signature confirmation information available to shippers does not meet the needs of parcel shippers who operate in a competitive marketplace where timely access to delivery information is critical to success. All scan events from the prior day should be made available on the Postal Service’s website,

at the Postal Service's toll-free number, and in electronic files no later than 6:00 AM local time, with a performance goal of 98 percent. This standard would properly balance the needs of parcel shippers with the current operational constraints of the Postal Service. The Postal Service also needs to develop a strategy for providing shippers with access to delivery information in as close to real time as possible.

III. The Parcel Shippers Association cooperative efforts with the USPS is a model for other mailers. As far back as 2000, PSA asked the Postal Service for delivery standards, performance measurement, and reporting for parcels. Thus began a collaboration between PSA and the USPS Mailers Technical Advisory Committee (MTAC) to resolve the difficult issues such as how to start and stop the service "clock" and critical entry times. Both are resolved and today there are excellent standards for Parcel Select delivery; for instance, 1 day for parcels entered at the Destination Delivery unit (DDU); 2 days for parcels entered at the Destination Center Facility (DSCF); and 2-3 days for parcels entered at the Destination Bulk Mail Center (DBMC).

In a GAO Report, generally critical of USPS delivery performance standards and reporting, the GAO said that a noteworthy exception were the standards evolved through the collaborative efforts of PSA and the Postal Service for Parcel Select parcels. (Delivery Performance Standards, Measurement, and Reporting Need Improvement. GAO-06-733 (Washington DC, 2006) (Page 15, see pages 16 & 35)

A noteworthy exception involves useful delivery standards that USPS created for a specific type of Package Services mail called Parcel Select, when it was introduced in 1999. These standards were updated in 2002. USPS's standards for Parcel Select differentiate speed of delivery by point of entry, e.g., 1 day for entry at the destination delivery facility or 2 days for entry at the mail processing center that forwards the parcels to the delivery facility. These standards were intended to provide an appropriate benchmark for

delivery performance measurement in order to facilitate efforts to improve the delivery performance for this mail. USPS subsequently collaborated with officials of the Parcel Shippers Association (PSA) to implement delivery performance measurement for Parcel Select against these standards, and the results are factored into individual pay-for-performance incentives for many USPS managers.

All these standards were developed for what are now deemed to be competitive products; the same or similar standards are reasonable as well for the market-dominant parcels.

Today, Parcel Select service is measured and reported using delivery confirmation data. This measurement has resulted in a significant amount of delivery data that has allowed service to be accurately measured and reported at a very detailed level. The Postal Service has a website (mailtracking.usps.com) which currently provides Parcel Select shippers with detailed and aggregate reports summarizing the Postal Service's performance delivery for that parcel shipper's own packages. And shippers, through reports with aggregated data, can compare their own experiences with a broad spectrum of other results. This has proved most beneficial to mailers in planning their mailings and working with the Postal Service to resolve service issues. There is no reason why the Postal Service should not provide similar reporting for shippers of all types of market-dominant parcels.

Much improved technology is now available, such as the Intelligent Mail Barcode, which provide "transparency", such as tracking and tracing. Unique identification of mailpieces should be the norm, not the exception.

To return to a point made about the particular problem of the "tail of the mail", this phenomena is the primary cause of unnecessary cost and customer dissatisfaction, and any performance measurement system to be effective must disaggregate data on the "tail of the mail".

IV. The proposed standards do not establish a system of objective external performance measurements for each product as required by the PAEA. The Postal Service says they are

in discussion with the PRC about employing a hybrid mix of external and internal service performance measurement systems.

Whatever system is agreed on must generate data sufficiently reliable and robust that will allow:

- Management of its mail.
- Customers to be kept reasonably informed about the quality of service provided.
- Permit the PRC to fulfill its regulatory functions.
- Do it in a manner that minimizes harm to the Postal Service's commercial interests.

Evidently, we will not learn what this measurement system is until it is revealed in the Postal Service's Report to Congress detailing its network plan and operational objectives that will be implemented to meet the service standards that are due to be reported to Congress by June 20, 2008.

Deficiencies

- Among the deficiencies in the proposal are the fact that standards are established by class, not shape; the MTAC work groups want measurements by shape.
- The Postal Service does not address the MTAC recommendations on Critical Entry Times, but says another work group may be formed to explore the issues raised.
- The proposal does not establish attainable goals; for example, 95% overnight delivery for First Class mail ignores the fact of the "tail" effect.
- There is too much discretion allowed for local postal managers to set the CTE.

- There remains a serious issue about the access to performance measurement data for what the Postal Service calls competitive reasons. There must be an agreement on the ground rules for what data can be excluded.
- Also, it is obvious that there should be an external audit of the measurement systems, whether those measurement systems are internal or external.