



Office of Inspector General | United States Postal Service

## RISC Report

# A Primer on Service Standards

Report Number RISC-WP-21-008 | September 2, 2021



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# Executive Summary

How a company measures success often has a direct impact on what employees and customers care about. For the Postal Service, one of the key metrics for success is whether it provides reliable mail delivery. To determine delivery windows and expected arrival times, the Postal Service has specific service standards. These standards may seem like simple ranges of days, but behind them is a complex system that accounts for factors about each mailpiece, such as the type of mail it is and where and when it is entered into the postal network. In this report, the U.S. Postal Service Office of Inspector General (OIG) provides an overview of how service standards for the delivery of mail and packages are established and defined, service performance is measured, and standards are revised.

The Postal Accountability and Enhancement Act of 2006 (PAEA) required the Postal Service to design a set of modern service standards for letters and flats. Today, the Postal Service maintains service standards for all products, including packages. Priority Mail Express has the fastest delivery, and Marketing Mail and Periodicals allow the most days for delivery.

The Postal Service uses two systems to measure how quickly mail moves through its network. For letters and flats, it uses a sampling method to project the time it takes to deliver each class of mail. For packages, the Postal Service scans every piece as it moves through the network. Processing, transporting, and delivering the mail is a complex process with multiple interdependencies; because of this, not all mail arrives within the service standards. To measure its success at meeting service standards, the Postal Service sets goals for the percent of mail that should be delivered on time, called service performance

targets. Similar to how the service standards fluctuate between products, service performance targets are different for each type of mail.

The Postal Service has revised service standards several times since the enactment of PAEA. For national changes, like slowing service to accommodate adjustments caused by closing or consolidating mail processing facilities, the agency must present its case to the Board of Governors and request an advisory opinion from the Postal Regulatory Commission. This process is generally the same for both packages and letter mail service standard changes. However, the Postal Service can make smaller changes, like adjusting the transit time between a pair of three-digit ZIP Codes, on its own.

Since 2007, the Postal Service has implemented four nationwide changes to service standards, all of which have been focused on letters and flats. In the first half of 2021, the Postal Service proposed two service standards changes for First-Class Mail and First-Class Package Service – increasing the upper limit from three days to five for both mail classes. These changes would enable the Postal Service to move more of this mail off of air and onto surface transportation. The proposed change to First-Class Package Service would be the first service standard change for package products since PAEA took effect. These recent, proposed service standard changes were still in progress as of July 23, 2021.

As the Postal Service and its stakeholders consider future changes to the network, clear and dependable service standards and transparent measurement and reporting of how it is achieving those standards will be essential for USPS to deliver on its mission to provide prompt, reliable, and efficient service nationwide.

# Observations

## Introduction

Getting mail to its final delivery point is more complex than most people may realize. To meet its customers' needs, the U.S. Postal Service manages a complex network of processing plants, delivery facilities, vehicles, and employees. There are many factors that determine how quickly mail moves through the postal network, including the type of mail product, where a mailpiece is entered into the mailstream, and even the time of day the mailpiece is dropped off or picked up. In order to set expectations for how long each class of mail should take to travel through the network, the Postal Service developed service standards.

Service standards set customer expectations and provide accountability for quality of service. The American public needs to know when the mail they send will arrive. For example, consumers need their bill payments to arrive before the due date, retailers need their coupons to arrive after they are effective but before they expire, and reliable package delivery tracking is an industry norm. Additionally, the Postal Service needs to measure its success at meeting anticipated delivery dates, and this is one of the key metrics upon which employee evaluations are based.

The U.S. Postal Service Office of Inspector General's (OIG) objective in this work is to provide an overview of the intricacies of the Postal Service's service standards. Specifically, we explain how the Postal Service determines, measures, and revises its service standards. To conduct our research, we interviewed Postal Service management, examined USPS technical materials, and reviewed legislation and other relevant documentation. See [Appendix A](#) for more details on the objective, scope, and methodology.

## What Are Service Standards?

Simply put, a service standard is the number of days the Postal Service has determined it should take a specific type of mail to be delivered. The Postal Service defines a service standard as a "delivery performance goal for a mail class or product."<sup>1</sup> Standards incorporate the capabilities of the processing and delivery network and reflect "the number of days after acceptance of a mailpiece by which the sender and recipient can expect it to be delivered."<sup>2</sup>

## Service Standards Vary by Mail Product

Each type of mail has its own service standard, as shown in Table 1. The faster a particular mail product moves through the processing and delivery network, the higher the cost to the Postal Service.<sup>3</sup> In order to cover these higher costs, USPS must charge customers a higher price. For example, Priority Mail Express, the fastest mail product, guarantees delivery in as little as a single day. In contrast, Marketing Mail, the most cost-effective product, can require up to 10 days for delivery.

The faster a product moves through the processing and delivery network, the higher the cost to the Postal Service.

1 U.S. Postal Service, *Delivering for America*, March 23, 2021, [https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS\\_Delivering-For-America.pdf](https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS_Delivering-For-America.pdf), p. 13. A mail class is the classification of domestic mail according to content (for example, personal correspondence versus printed advertising) and other factors. "Modern Service Standards for Market-Dominant Products; Proposed Rule," *Federal Register* 72, No. 200 (October 17, 2007), p. 58946.

2 U.S. Postal Service, *USPS Delivery Standards and Statistics: Fact Sheet*, March 2015, <https://about.usps.com/news/electronic-press-kits/our-future-network/assets/pdf/ofn-usps-dss-fact-sheet.pdf>.

3 A product is any mail class, postal service, price category, or Special Service or Extra Service for which prices are, or may reasonably be, applied.

**Table 1: Service Standards as of June 2021**

Mail Class	Days*
Priority Mail Express	1-2
Priority Mail	1-3
First-Class Mail	1-3
Marketing Mail	3-10
Periodicals	3-9
Package Services**	2-8
First-Class Package Service	1-3

\*These standards are applicable for the contiguous 48 states. For some mail products, standards are longer for Alaska, Hawaii, and U.S. Territories.

\*\*Package services includes Bound Printed Matter and Media Mail. Although the published standard for package services is two-to-eight days, mail brought by the shipper to a destination delivery unit, such as a recipient's local post office, has a one-day standard.

Source: OIG Analysis of USPS Mail & Shipping Services, <https://www.usps.com/ship/mail-shipping-services.htm> and Service Standards for Market Dominant Products, Federal Register 86, April 23, 2021, <https://www.federalregister.gov/documents/2021/04/23/2021-08463/service-standards-for-market-dominant-mail-products>, p. 21676.

Market dominant products are those that the Postal Service alone can deliver, such as First-Class Mail, Marketing Mail, and Periodicals. Competitive products are those over which the Postal Service does not hold a monopoly, and there is competition in the delivery market. Competitive products include Priority Mail Express, Priority Mail, and First-Class Package Service.<sup>4</sup> The reporting required on the agency's success at meeting service standards differs for market dominant and competitive products. The Postal Service is generally not required to publicly report how successful it is at

Service standards are one of the Postal Service's methods for setting customer expectations.

meeting service standards for competitive products because that reporting would contain sensitive commercial information.<sup>5</sup>

The process required to change the service standards is generally the same for market dominant and competitive products. For market dominant and competitive products, the Postal Service is required by law to follow certain procedures, including consulting the Postal Regulatory Commission (PRC), as described below.

### Why are Service Standards Important?

Establishing the parameters for the level and consistency of service that customers can expect is important for any type of business, and the Postal Service is no exception. Service standards are one of the Postal Service's methods for setting customer expectations and remaining competitive in the package-shipping market. Service standards are also used to help guide customers about when to reach out to customer service about a late or missing mailpiece.

Missing expected delivery windows may have significant negative impacts on customers — for example, inconsistent or unexpectedly slow delivery of billing statements or payments could result in late fees and even a drop in credit ratings for consumers, as well as a disruption in cash flow for businesses. In addition to harming the Postal Service's brand, late deliveries could drive mailers away from using mail and towards alternate methods of communication. For example, during the COVID-19 pandemic, credit card companies such as American Express urged customers to pay their bills online, citing mail delivery delays. At the same time, consumers suffering from late fees because of mail delays asked their Congressional representatives to intervene.<sup>6</sup> Once a consumer moves their bill payment online, they may be unlikely to go back to using the mail.

Ecommerce growth has exploded over the past decade, jumping over 30 percent in 2020 alone.

4 U.S. Postal Service, *Glossary of Postal Terms*, July 2013, <https://about.usps.com/publications/pub32.pdf>, pp. 45 and 130.

5 U.S. Postal Service, "Application of the United States Postal Service for Non-Public Treatment of Materials," Postal Regulatory Commission Filing ID 14430, August 31, 2020, p. 1.

6 Jacob Bogage and Hannah Denham, "As USPS delays persist, bills, paychecks, and medications are getting stuck in the mail," *The Washington Post*, February 26, 2021, <https://www.washingtonpost.com/>

Ecommerce growth has exploded over the past decade — jumping over 30 percent in 2020 alone.<sup>7</sup> In addition, the number of delivery companies has grown. As this market becomes more competitive, companies are constantly trying to provide end customers with a better experience to become a delivery provider of choice. One of the ways companies have tried to differentiate themselves is through package delivery tracking. For instance, the Postal Service provides customers with an Expected Delivery Window for some packages, which is a two-hour slot when the package is expected to arrive. The Postal Service provides delivery tracking and estimated arrival times using the same tools for measuring whether it meets service standards.

### How are Service Standards Changed?

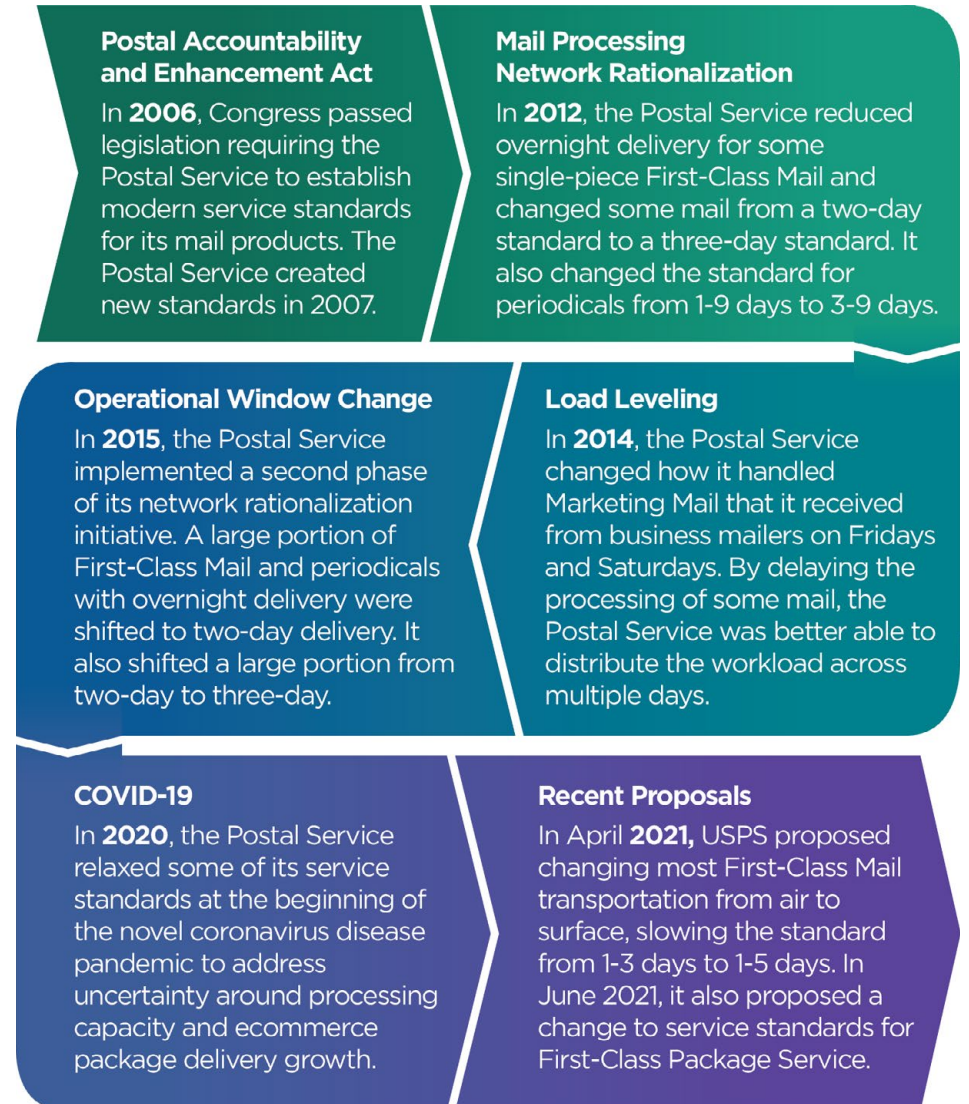
The Postal Service can change service standards when needed and has done so several times over the past 15 years. With each change, the number of expected days until delivery has increased. In March 2021, the Postal Service issued a 10-year plan that included proposed service standard revisions for First-Class Mail and First-Class Package Service. The proposals were open for public comment at the time of this white paper’s issuance.

### A Brief History of Service Standards

The Postal Service has voluntarily measured service performance for some of its products since 1971, and, beginning in 1976, it was required to provide Congress with annual data on the speed and reliability of its service. The original measurements were not as comprehensive as the ones used today and did not measure final delivery to the customer’s house or business.

In response to the Postal Service’s increasing financial challenges, Congress passed the Postal Accountability and Enhancement Act of 2006 (PAEA), which, among other things, required service standards for market dominant products and periodic reporting of performance.<sup>8</sup> USPS created these standards in 2007 and has updated them four times over the past 15 years, as shown in Figure 1.

Figure 1: Timeline of Major Service Standard Changes



Source: OIG Analysis.

[business/2021/02/26/usps-delays-bills-medications/](https://www.bisworld.com/industry-statistics/number-of-businesses/couriers-local-delivery-services-united-states/).

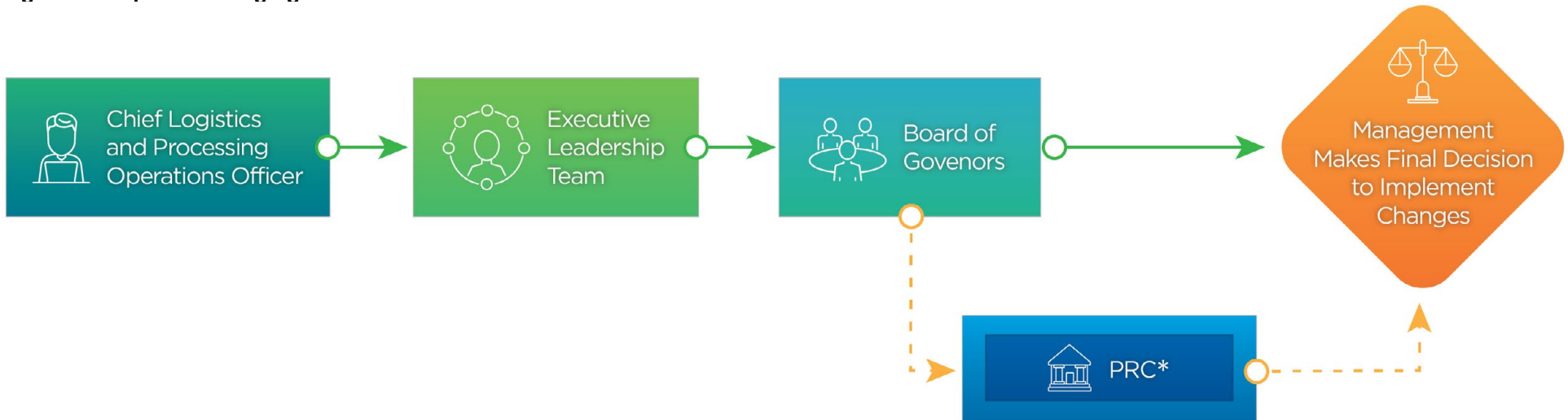
7 U.S. Census Bureau, *Quarterly Retail E-Commerce Sales 1st Quarter 2021*, May 18, 2021, [https://www.census.gov/retail/mrts/www/data/pdf/ec\\_current.pdf](https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf) and IBISWorld, *Couriers & Local Delivery Services in the US – Number of Businesses 2005-2026*, November 23, 2020, <https://www.ibisworld.com/industry-statistics/number-of-businesses/couriers-local-delivery-services-united-states/>.

8 U.S. Congressional Research Service, *The Postal Accountability and Enhancement Act*, Report No. R40983, August 24, 2012, <https://crsreports.congress.gov/product/pdf/R/R40983/8>, p. 1.

## The Process for Changing Service Standards

There is no designated schedule for reviewing service standards. Rather, service standards are reviewed when the need arises. Figure 2 illustrates the steps followed for changing service standards.

**Figure 2: Steps for Changing Service Standards**



\*Although the Postal Service is required to seek an advisory opinion from the Postal Regulatory Commission (PRC), the PRC's opinions are not binding. Source: OIG analysis of the Postal Accountability and Enhancement Act of 2006, 39 U.S.C., § 3.3(g), § 3661, and interviews with Postal Service management.

Before implementing changes that would have a nationwide impact on service standards, the Postal Service is required to follow a process. Historically, service standard change proposals are typically initiated when management identifies an operational need and submits a proposal to the executive leadership team. The Postal Service indicated this usually comes from the Chief Logistics and Processing Officer and Executive Vice President. The executive leadership team reviews the proposal and submits it to the Strategy and Innovation Committee of the Board of Governors. If the committee agrees with the proposal, it brings it to the full Board.<sup>9</sup> The full Board of Governors reviews the proposal and decides whether to authorize USPS management to proceed in requesting an advisory opinion from the PRC.

There must also be a pre-filing conference with mail users and the PRC 10 days before filing its request. The Postal Service must request the advisory opinion at least 90 days before the proposed changes would take effect. Although not a formal part of the approval process, Postal Service management has said that it conducts outreach with its customers about proposed changes throughout the entire process. For example, before it proposed to change standards for First-Class Package Service in June 2021, described in more detail below, the Postal Service conducted a survey to assess the customer impact of this change.

After Board authorization and the pre-filing conference, the Postal Service requests an advisory opinion from the PRC. The advisory opinion is not binding, meaning USPS management can decide to implement any proposed changes

<sup>9</sup> For more information regarding the Board of Governors, see: U.S. Postal Service Office of Inspector General, *Governance of the U.S. Postal Service*, Report No. RARC-WP-17-002, November 10, 2016, <https://www.uspsaig.gov/sites/default/files/document-library-files/2016/RARC-WP-17-002.pdf>.

even when the PRC advises against doing so. For example, in December 2013, the Postal Service filed a proposal with the PRC to change the way it processed and dispatched Marketing Mail, called load leveling.<sup>10</sup> The PRC issued an advisory opinion suggesting there should be more analysis, testing, and customer impact consultations before any nationwide rollout. However, USPS management had already published its final decision in the Federal Register 21 days prior.<sup>11</sup>

Other times, the Postal Service has canceled initiatives after receiving negative feedback on its proposal. In March 2010, the Postal Service proposed eliminating Saturday delivery.<sup>12</sup> Although it took nearly a year to complete, the PRC issued an opinion stating there was a failure to evaluate the impact of the proposal on customers in rural, remote, or non-contiguous areas.<sup>13</sup> Congress also generally opposed the change. Ultimately, the plan was not implemented and six-day delivery remains.

After requesting an advisory opinion, USPS management may choose to implement the service standards changes. For market dominant products, the Postal Service must list how the service standard changed and the resulting, new standards in the Federal Register; however, this is not required for competitive products.

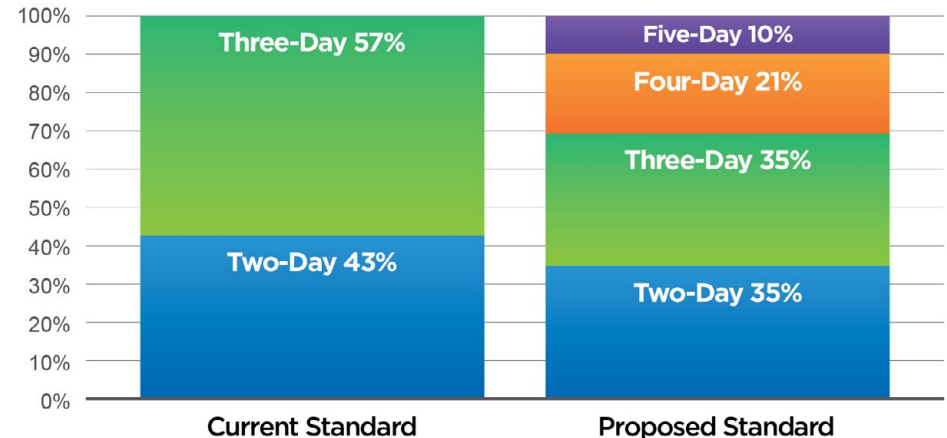
## Proposed Service Standard Changes

In April 2021, the Postal Service filed a request for an advisory opinion from the PRC on changes it intends to make to single-piece First-Class Mail service standards, and in June 2021, it filed a similar request for First-Class Package Service products.<sup>14</sup> These recent, proposed service standard changes were still in progress as of July 23, 2021.

### Proposed Service Standard Changes to First-Class Mail

The proposed changes would enable the Postal Service to move this type of mail on primarily surface transportation, instead of flying it to its destination facility. The Postal Service stated that this would save time and increase the visibility of delays.<sup>15</sup> According to postal management, 70 percent of First-Class Mail would still have a one-, two-, or three-day standard, after implementing the changes. Twenty-one percent would have a four-day standard, and 10 percent would have a five-day standard.<sup>16</sup> See Figure 3 for a summary of the proposed changes. The Postal Service expects this change to take effect no earlier than September 1, 2021.

**Figure 3: USPS Proposed Changes to Service Standards of Two-Day and Three-Day First-Class Mail**



Note: Figure may not sum to 100 percent due to rounding. The two-day standard category includes the small portion of mail with an overnight standard.  
Source: OIG analysis of USPS 10-year plan.

10 U.S. Postal Service, "United States Postal Service Request for an Advisory Opinion on Changes in the Nature of Postal Services; Before the Postal Regulatory Commission," Postal Regulatory Commission Docket No. 2014-1, December 27, 2013, <http://www.prc.gov/Docs/88/88763/Request.FINAL.pdf>.

11 "Service Standards for Destination Sectional Center Facility Rate Standard Mail," *Federal Register* 79, N. 43 (March 5, 2014), p. 12390.

12 U.S. Postal Service, "Request of the United States Postal Service for an Advisory Opinion on Changes in the Nature of Postal Services," Postal Regulatory Commission Docket No. N2010-1, March 30, 2010, <https://www.prc.gov/docs/67/67402/Request.FINAL.pdf>, p. 1.

13 "Advisory Opinion on Elimination of Saturday Delivery," Postal Regulatory Commission Docket No. 2010-1, March 24, 2011, pp. 1-5.

14 According to the Postal Service's filings, certain end-to-end Periodicals would also be affected by the changes to First-Class Mail service standards. Under the new standard, a three-to-six-day service standard would be applied to Periodicals merged with First-Class Mail pieces for surface transportation, with the standard specifically equaling the sum of one day plus the applicable First-Class Mail service standard.

15 U.S. Postal Service, "United States Postal Service Request for an Advisory Opinion on Changes in the Nature of Postal Services," Postal Regulatory Commission Docket No. N2021-1, April 21, 2021, <https://www.prc.gov/docs/116/116645/N2021-1%20Request.pdf>, pp. 6-7.

16 *Ibid.*, p. 4.

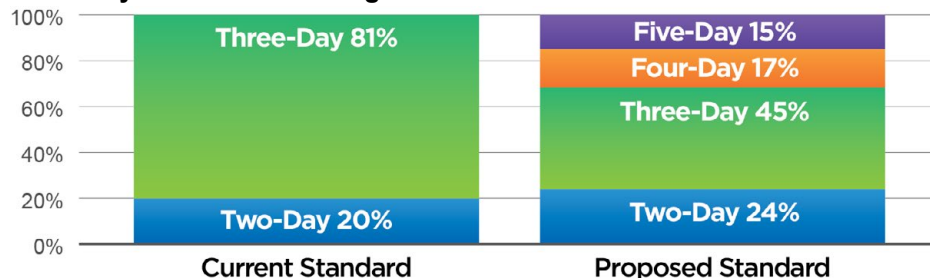


## Proposed Service Standard Changes to First-Class Package Service

First-Class Package Service currently has the same service standards as First-Class Mail. However, the Postal Service has proposed a different type of change to First-Class Package Service. According to the Postal Service, the proposed change would result in 32 percent of the First-Class Package Service volume being downgraded in service time, 4 percent being upgraded, and the remaining 64 percent being unaffected.

The downgrades affect First-Class Package Service with a current three-day standard — the proposed change calls for the three-day standard to remain, but also for the creation of four- and five-day standards. Under the proposal, 17 percent of the current three-day mail would have a four-day standard, and 15 percent would have a five-day standard. Alternatively, the upgrades would move some First-Class Package Service volume from a three-day to a two-day standard (from the current 19.5 percent of First-Class Package Service volume to 23.6 percent). The proposed changes to First-Class Package Service would involve moving some volume to ground transportation from air transportation, like the change to First-Class Mail discussed above. The Postal Service expects this change to take place no earlier than October 2021. See Figure 4 for a summary of the proposed changes.

**Figure 4: USPS Proposed Changes to Service Standards of Two-Day and Three-Day First-Class Package Service**



Note: Figure does not sum to 100 percent due to rounding. The service standard for First-Class Package Service is one-to-three days. However, in the 10-year plan, the Postal Service indicates everything is sent at the two- or three-day standard.  
Source: OIG analysis of USPS 10-year plan.

<sup>17</sup> Service performance targets are not 100 percent because processing and delivering mail is reliant on so many different parts of the network operating as expected. It is not realistic to expect every mailpiece to arrive within its service standard.

## What Are Service Performance Targets?

In order to measure its success in multiple facets of operations, the Postal Service sets performance goals. One facet of these goals relates to the Postal Service's success in meeting service standards. These goals, called service performance targets, are met when a certain percentage of all mail is delivered on time.<sup>17</sup>

### Service Targets Vary by Mail Product

Similar to how the service standards fluctuate between products, service performance targets are different for each mail class. See Table 2 for the fiscal year (FY) 2020 service performance targets.

**Table 2: FY2020 Service Performance Targets**

Mail Class	Service Performance Target (Percent Delivered on Time)
Priority Mail*	96.0
First-Class Mail	96.0
Marketing Mail	91.8
Periodicals	91.8
Market Dominant Package Services*	90.0
First-Class Package Service	90.0

\*Note: Priority Mail includes Priority Mail Express and Market Dominant Package Services includes Bound Printed Matter and Media Mail.  
Source: OIG analysis of Postal Service targets, <https://about.usps.com/what/performance/service-performance/fy2020-targets.htm>; Postal Service, FY 2020 NPA Indicators; and Informed Visibility Service Performance Trend Reports.

### Why are Service Performance Targets Important?

Service performance is one of the most important metrics tracked by the Postal Service, and the agency includes performance targets in its employees' year-end evaluations. The National Performance Assessment (NPA) scoring

system measures overall performance for different types of employees. Service performance targets are included in the NPA's national, corporate goals. These goals factor into performance evaluations for many types of postal employees, including supervisor and executive positions.<sup>18</sup>

NPA calculations differ for each type of position, but whether the agency meets its corporate goals, including service performance targets, can impact employees' bonuses. For example, senior plant managers' annual goals contain various factors. Some are measured at the corporate level, such as service performance for each class of mail. Others are measured at the local level, such as employee turnover within the unit. The higher the position within the agency, the more the position's goals will be tied to corporate, rather than local, performance.<sup>19</sup>

### How are Service Performance Targets Changed?

The annual NPA metrics and targets generally take into consideration the Postal Service's performance during the previous fiscal year and the particular challenges it anticipates having during the upcoming year.<sup>20</sup> The Postal Service decides whether to adjust service performance targets based on how successful each region is at meeting them — when median performance is above the target, the target rises. However, when the median performance misses the national service performance target, it remains the same.

All proposed changes to national service performance targets are required to be approved by the Postal Service's executive leadership team<sup>21</sup> and the Board of Governors.<sup>22</sup>

### Performance Target Changes

Service performance targets have remained relatively steady since FY2014, and, until FY2021, had only ever increased when they were changed.<sup>23</sup> However, in FY 2021, the Postal Service lowered targets significantly but also announced its intention to deliver 95 percent of mail on-time in the future.

In FY 2021, service performance targets were temporarily adjusted down to compensate for the unprecedented challenges faced by the Postal Service, including the ongoing COVID-19 pandemic, disruptions in the transportation network, and historic levels of package volume during the holiday season.<sup>24</sup> In May 2021, the Board of Governors approved targets that were lower than the FY 2020 targets but higher than the actual performance achieved in the first half of FY 2021. The lower targets are supposed to compensate for the poor performance in the first half of FY 2021 — some of which was out of the Postal Service's control — while simultaneously compelling Postal Service management to excel in the second half of the fiscal year by providing realistic goals.<sup>25</sup> As shown in [Figure 5](#), though, the Postal Service has not met First-Class Mail two-day letters targets since FY 2013.

<sup>18</sup> The NPA score is a part of executives', professionals', supervisors', postmasters', and non-bargaining technical and clerical employees' annual performance evaluations and bonuses.

<sup>19</sup> U.S. Postal Service, *Form 10K*, FY 2020, <https://about.usps.com/what/financials/10k-reports/fy2020.pdf>, p. 99.

<sup>20</sup> *Ibid.*

<sup>21</sup> The executive leadership team consists of the Postmaster General, the Deputy Postmaster General and Chief Human Resources Officer, the Chief Retail & Delivery Officer, the Chief Logistics & Processing Operations Officer, the Chief Commerce & Business Solutions Officer, the Chief Technology Officer, the Chief Information Officer, the Chief Customer & Marketing Officer, the Chief Financial Officer, the Finance and Strategy Senior Vice President, and the General Counsel.

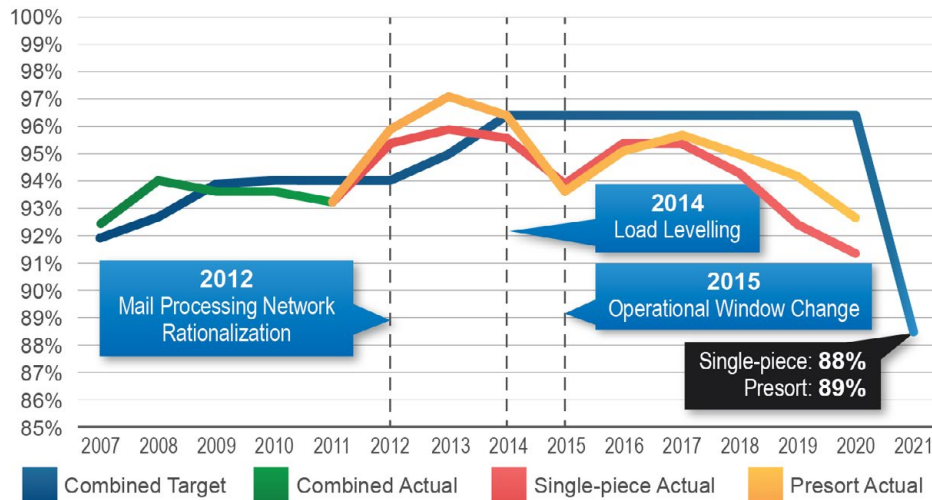
<sup>22</sup> U.S. Postal Service, "Responses of the United States Postal Service to Questions 1-11, 13-34 of Presiding Officer's Information Request No. 1," Postal Regulatory Commission Docket No. N2021-1, May 17, 2021, p. 7 <https://www.prc.gov/docs/117/117483/Resp%20-%20PO%20RFI%201%20%285.17.21%29.pdf>, and U.S. Postal Service, *2020 Report on Form 10-K*, November 13, 2020, <https://about.usps.com/what/financials/10k-reports/fy2020.pdf>, p. 99. The Board oversees changes to the performance measures because those measures can impact the pay of the Postmaster General and Deputy Postmaster General.

<sup>23</sup> U.S. Postal Service Office of Inspector General, *Assessment of U.S. Postal Service Performance and Costs*, Report No. NO-AR-19-008, September 17, 2019, <https://www.uspsioig.gov/sites/default/files/document-library-files/2019/NO-AR-19-008.pdf>, p. 23 and U.S. Postal Service, "Responses of the United States Postal Service to Questions 1-11, 13-34 of Presiding Officer's Information Request No. 1," Postal Regulatory Commission Docket No. N2021-1, May 17, 2021, p. 7, <https://www.prc.gov/docs/117/117483/Resp%20-%20PO%20RFI%201%20%285.17.21%29.pdf>.

<sup>24</sup> U.S. Postal Service, *FY 2020 Annual Report to Congress*, May 14, 2021, <https://about.usps.com/what/financials/annual-reports/fy2020.pdf>, p. 36.

<sup>25</sup> *Ibid.*

**Figure 5: Two-Day First-Class Mail Letters Performance and Targets**



Note: The performance scores depicted in this figure are based on annual numbers for each fiscal year. As a result, the figure does not present FY 2021 performance data.

Source: OIG analysis of U.S. Postal Service Annual Reports on Service Performance for Market Dominant Products, FYs 2007 – 2020, available at <https://www.prc.gov/dockets/type/Reports>, and U.S. Postal Service, *Annual Report to Congress*, FY 2020, <https://about.usps.com/what/financials/annual-reports/fy2020.pdf>, p. 33.

The Postal Service has expressed its intention that performance targets will be 95 percent across every product after the newly proposed service standards are implemented.<sup>26</sup> According to the Postal Service, it decided on 95 percent based on analyzing actual days to deliver in the current network.<sup>27</sup>

## How is Service Performance Measured?

Measuring service performance is based on a variety of factors. First, measurements depend on where a mailpiece enters the postal network and where it is destined.<sup>28</sup> Second, the beginning and end points for each mailpiece's total processing and delivery time vary based on mail product. Finally, the Postal Service uses two different measuring systems depending on whether it is a package or letter mail.

<sup>26</sup> *Delivering for America*, p. 24.

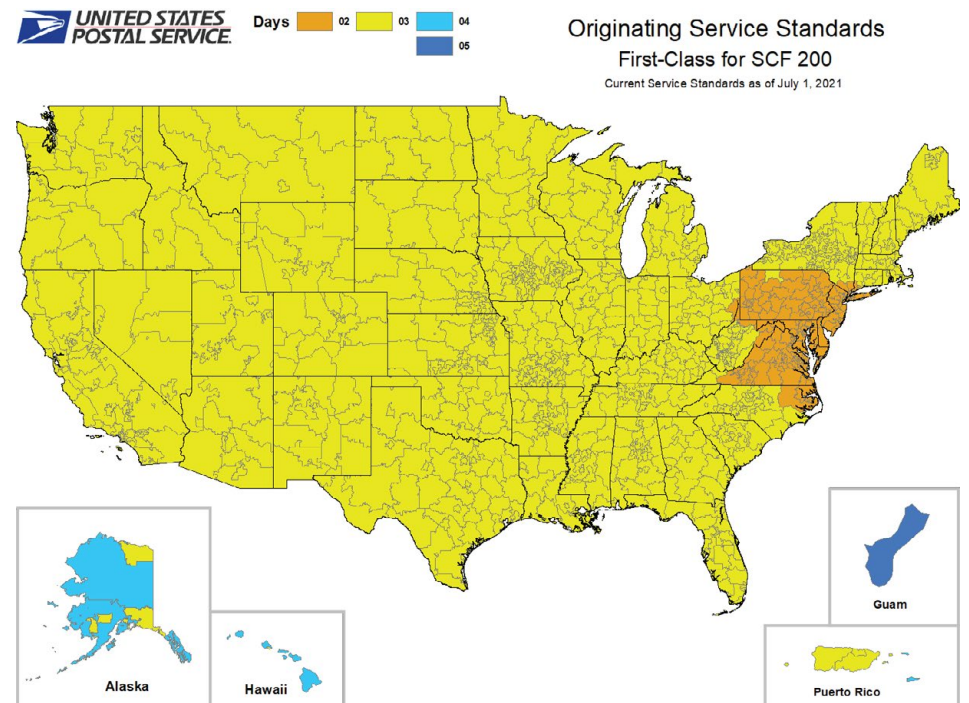
<sup>27</sup> The OIG has developed an online dashboard that allows the public to track current and historical service performance; the dashboard can be accessed at <https://www.uspsoidg.gov/service-performance>.

<sup>28</sup> "Modern Service Standards for Market-Dominant Products: Proposed Rule," *Federal Register* 72, No. 200 (October 17, 2007), p. 58947.

## Service Standards are Based Upon Business Rules

The public usually sees service standards as a range of days — for example, one-to-five days for First-Class Mail — but there are also more specific standards for processing and delivery between individual locations. For example, although the overall service standard for all First-Class Mail is one-to-five days when including non-contiguous states and U.S. territories, the expected delivery time between Washington, D.C., and New York, NY, is only two days, as shown in Figure 6. The Postal Service provides maps like the one shown below for every location in the country.

**Figure 6: First-Class Mail Delivery Times from Washington, D.C.**



Note: SCF stands for Sectional Center Facility. It generally matches with three-digit ZIP Codes. Source: USPS PostalPro Service Standard Maps, <https://postalpro.usps.com/ppro-tools/service-standards-maps>.

Business rules define the way mail moves through the system between three-digit ZIP Code pairs based on several factors, including:

- The location of a mail processing facility within a service area;<sup>29</sup>
- Whether a product can be delayed or expedited and still meet the service standard;
- Whether the mail uses air or surface transportation; and,
- The availability, speed, and relative reliability of alternative modes of transportation between specific nodes in the postal service network, such as whether the Postal Service has the option to switch from air to surface transportation in inclement weather.<sup>30</sup>

The primary source system for all service commitment calculations for packages is the Service Delivery Calculator (SDC). SDC performs service commitment and service standard calculations based on the mail class and origin/destination ZIP Code pair to provide scheduled delivery dates and times. The Postal Service refers to the time when it accepts a package as “Start-the-Clock” and when the package is available to be delivered as “Stop-the-Clock.” Service performance scores are determined by application of the business rules for each product, given the Start-the-Clock events and the origin and destination ZIP Codes. If a Stop-the-Clock event occurs on or before the expected delivery day, the delivery is considered on time. If a Stop-the-Clock event occurs after the

expected delivery date, the package is considered delayed.<sup>31</sup>

Beyond these broad definitions of Start-the-Clock and Stop-the-Clock events, business rules differ significantly among products. For example, Priority Mail Express has a Start-the-Clock indicator of physical acceptance scan. Priority

The SDC is the primary source system for all service commitment and service standard calculations for packages.

Mail, however, has a hierarchy of Start-the-Clock events; if there is no acceptance scan, then Start-the-Clock is triggered by the first en-route scan. Finally, Parcel Select has a range of Start-the-Clock events depending on the expected delivery day.

## Performance Measurement Systems

There are two systems that measure performance for different mail classes: the Product Tracking and Reporting (PTR) system measures the performance of packages, and the Service Performance Measurement (SPM) system measures the performance of letters and flats. See Table 3 for a comparison of the two systems.

**Table 3: Comparing the Postal Service’s Performance Measurement Systems**

Product Tracking and Reporting System	Service Performance Measurement System
Primarily used for packages	Primarily used for letters and flats
Scans all packages	Uses sampling for pickup and delivery
Summarizes actual performance	Estimates performance from sample

Source: OIG analysis.

## Product Tracking and Reporting System

The Postal Service uses PTR to record all scan events captured from both package-shaped market dominant products and competitive package products.<sup>32</sup> All packages get scans in PTR, and those scans are recorded and counted to determine what percentage of packages were delivered within the service standard range. The system uses over-the-counter scans for retail products, barcode scans from processing plants, and delivery confirmation scans to track the number of days between Start-the-Clock and Stop-the-Clock.

<sup>29</sup> The service area of a mail processing facility is the area for which the facility processes incoming mail for delivery or outgoing mail for transportation to another facility.

<sup>30</sup> “Modern Service Standards for Market-Dominant Products: Proposed Rule,” *Federal Register* 72, No. 200 (October 17, 2007), p. 58946.

<sup>31</sup> USPS, *Start and Stop the Clock Rules for Packages*, June 23, 2019.

<sup>32</sup> Parcel-shaped products include: Bound Printed Matter, First-Class Package Service, Library Mail, Media Mail, Parcel Return Service, Parcel Select, Priority Mail, Priority Mail Express, and USPS Retail Ground.

## Service Performance Measurement System

The performance of letters and flats is measured, in part, by using samples, rather than scans on every piece. SPM administers this sampling program and measures the collection and delivery times of mail. For single-piece mail, performance is measured in three steps that collectively constitute the total service performance estimate: First Mile, Processing Duration, and Last Mile. Business customers send mail through a slightly different process, as discussed below.

### **First Mile**

First Mile measures the time between when a mailpiece is collected and when it is first processed at a facility. First Mile applies only to single-piece mail, such as First-Class Mail entered by consumers through collection boxes, office building chutes, and retail facilities. Mail left for carriers at a customer's mailbox is not included in this system.<sup>33</sup>

When a carrier arrives at a collection box that SPM has selected for sampling, they receive an electronic message via their scanner revealing the number of barcoded mailpieces to be scanned in that box. Barcoded mail in a collection box includes Business Reply Mail and barcoded First-Class Mail dropped by mailers. SPM uses the scan at the mail entry location and the first scan at the processing plant to calculate the Postal Service's First Mile performance. Carriers also scan a barcode on the collection box. SPM compares the actual pickup time to the posted collection time to determine the proportion of mail picked up on time.

### **Processing Duration**

Processing Duration measures the time between when processing begins and when it ends. All mailpieces that are scanned by a piece of processing equipment are included in the Processing Duration calculation. When the first processing equipment scans a mailpiece, the First Mile ends and the Processing Duration begins. If mail is traveling outside of the local region, it will go through at least an originating processing facility and then be transported by land or air to a destinating processing facility. Depending on the type of mail and route it takes, it may also be sorted at interim facilities along its trip.

SPM is only able to track mailpieces that conform to Full-Service Intelligent Mail requirements, so that the system can uniquely identify and track the mailpiece through the processing network.<sup>34</sup> When the final processing equipment scans a mailpiece at its destinating processing facility, the Processing Duration ends, and the Last Mile begins.

### **Last Mile**

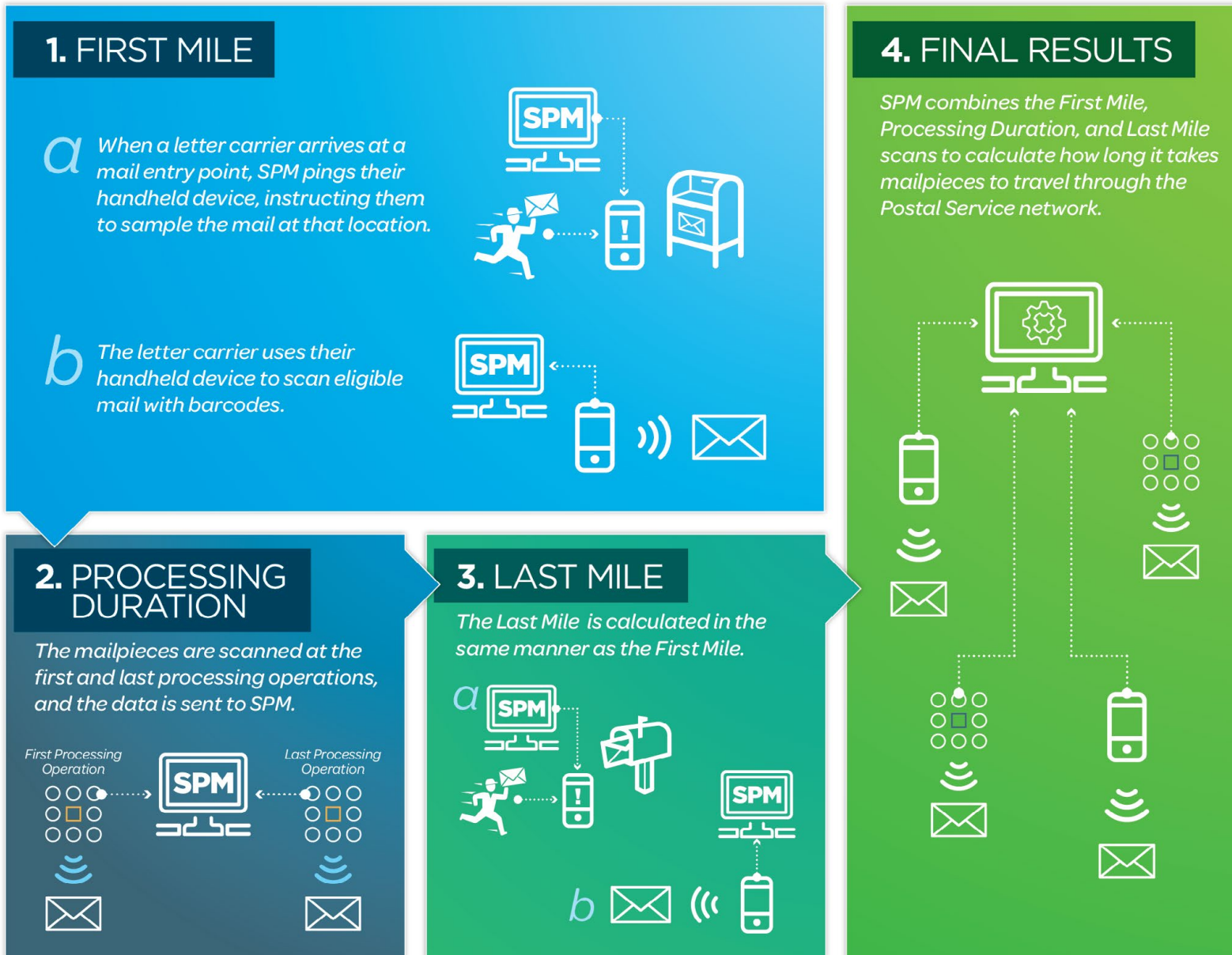
Last Mile measures the time after processing ends until the mailpiece is delivered. SPM selects delivery point locations for sampling according to the statistical design plan. When a letter carrier arrives at a selected delivery point, they are prompted by their handheld device to scan the pieces for that address, marking the Stop-the-Clock date and time of final delivery.

Using the First Mile, Processing Duration, and Last Mile, SPM calculates a total service performance estimate, as shown in [Figure 7](#).

<sup>33</sup> The Postal Service has stated there is no basis for concluding that there is any general or material difference between carrier pickup mail and collection box mail, suggesting collection box mail is a reasonable proxy for mail left for carrier pickup. Postal Regulatory Commission, *Order Approving Use of Internal Measurement Systems*, Docket No. PI2015-1, July 5, 2018, <https://www.prc.gov/docs/105/105726/Order4697.pdf>, p. 29.

<sup>34</sup> Full-Service Intelligent Mail combines the use of unique barcodes with the provision of electronic information regarding the makeup and preparation of mail, which provides high-value services and enables efficient mail processing. Mailings must bear Intelligent Mail barcodes on mailpieces, trays, and containers, where applicable. Also, mailers must submit mailing documentation electronically. U.S. Postal Service, "DMM Revision: Implementation of Full-Service Intelligent Mail Requirements," January 26, 2014, [https://about.usps.com/postal-bulletin/2014/pb22380/html/updt\\_003.htm](https://about.usps.com/postal-bulletin/2014/pb22380/html/updt_003.htm).

Figure 7: The SPM Performance Measurement Process for Single-Piece Mail



Source: OIG analysis of Postal Service data.

## SPM Commercial Mail

The SPM process is different for commercial mail. Commercial mailers generally drop off their mailpieces at postal processing facilities, so there is no First Mile. Commercial mail is often organized in a way that is easier to process than

The goal of SPM is to provide weekly First Mile and Last Mile performance information at various geographic levels.

single-piece mail. For commercial mail, which includes First-Class Mail presort letters and flats, Periodicals, Marketing Mail, and Bound Printed Matter flats, the internal SPM system is comprised of only two components — the Processing Duration and the Last Mile.

Since there is no First Mile, the Start-the-Clock date is calculated differently, using two datapoints: the arrival time at the facility and the critical entry time. A critical entry time is the

latest time of day that businesses can bring their mailings to a facility and have the Start-the-Clock date be the same day. If it arrives after the critical entry time, its Start-the-Clock date will be the following day.

## SPM Sample Design

In order for SPM to create reliable estimates of service performance, it needs to take a sample that accurately represents all mail. SPM chooses samples according to the statistical design plan. The objective of the plan is to choose a statistically relevant sample of boxes and post offices to ensure reliable data at a specified level of precision.<sup>35</sup> The plan lays out the methodology for providing performance data on single-piece letters and single-piece flats. Sampling targets are spread over the days of the week based on the volume of mail expected to be collected from that point on a given date. The population from which the sample is drawn includes collection boxes, retail transactions, and post office back-office operations, such as mail entered in drop-boxes. The goal of SPM is to provide

weekly First Mile and Last Mile performance information at various geographic levels, such as by district or state.<sup>36</sup>

At retail facilities, only mail with Ancillary Services, like insurance, is tracked for service performance.<sup>37</sup> Since all mail with Ancillary Services is tracked and travels through the processing and delivery network at the same speed as mail without Ancillary Services, the performance of tracked mail is used to estimate the performance of similar, untracked mail.

## Conclusion

Service standards are an important part of the Postal Service's mission to provide prompt, reliable, and efficient services nationwide. Their development is necessarily complex, but they provide businesses and the public with expectations for when their mail should be delivered. They are also instrumental in setting employee performance targets. Since the last major postal reform in 2006, the Postal Service has changed its standards only a few times, modestly slowing the delivery of letters and flats.

The Postal Service has struggled to meet its service performance goals for several years, and performance declined even further during the COVID-19 pandemic, largely due to low employee availability and increases in package volume. The impacts of these declines led to public debate about the current and future state of service performance and service standards. The Postal Service now sees a need to reassess its standards, as outlined in its 10-year plan. As the Postal Service and other stakeholders consider future changes to the network, clear and dependable service standards will be essential for USPS to deliver on its mission to provide prompt, reliable, and efficient service nationwide.

## Management Comments

Management stated they appreciated the OIG's report and noted it would be useful to stakeholders for understanding the context surround service standards.

<sup>35</sup> For example, a sampling target is derived that achieves an expected level of +/- .05 percent of precision for single-piece letters at the district level, using a 95 percent confidence interval. U.S. Postal Service, *USPS First Mile Sample Design Requirements*, March 17, 2017.

<sup>36</sup> Ibid.

<sup>37</sup> An Ancillary Service is an optional Special Service purchased for a fee in addition to the postage applicable to the mail class or product.

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Management also stated they believed some of the figures in the report were incorrect and referenced technical comments they had previously provided to us. Specifically, management mentioned information related to service standard changes for First-Class Package Service.

## **Evaluation of Management Comments**

The OIG appreciates management's thorough review of the report and subsequent technical comments. We considered those technical comments and made changes where appropriate to help clarify our observations. Regarding the proposed changes to First-Class Package Service, we reported the numbers published by the Postal Service as part of its 10-year plan and available on its First-Class Package Service Factsheet, .

During our exit conference with management, representatives indicated they had updated the original figures for proposed changes to the service standards for First-Class Package Service as the proposal evolved. However, management did not provide documentation supporting the revised figures and the original figures matched the PRC docket associated with the service change. As a result, we included the original figures listed in the Postal Service's 10-year plan and factsheet.



# Appendices

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# Appendix A: Additional Information

## Objective, Scope, and Methodology

The objective of this paper was to provide an overview of the Postal Service's process for establishing service standards. Specifically, we sought to answer the following questions:

1. How does the Postal Service determine and revise its service standards?
2. How does the Postal service measure mail products' performance against service standards?

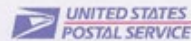
To meet our objective, we reviewed documents, policies, and legislation related to the creation, measurement, and change of service standards during our scope of FY 2007 through FY 2020. We also interviewed postal management with knowledge of the service standard change process and the performance measurement systems.

The OIG conducted work for this white paper in accordance with the Council of the Inspectors General on Integrity and Efficiency, Quality Standards for Inspection and Evaluation. We discussed our observations and conclusions with management on July 23, 2021 and included their comments where appropriate.

## Prior Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Operational Window Change Savings</i>	To determine if the U.S. Postal Service achieved its projected savings for the Operational Window Change (OWC).	<a href="#">NO-AR-19-001</a>	October 15, 2018	N/A
<i>Lessons Learned from Mail Processing Network Rationalization Initiatives</i>	To identify lessons learned from current and past mail processing Network Rationalization Initiatives.	<a href="#">NO-MA-13-004</a>	March 27, 2013	N/A
<i>U.S. Postal Service Processing Network Optimization</i>	To evaluate trends and practices used to optimize the Postal Service's processing network.	<a href="#">NO-AR-19-006</a>	September 9, 2019	N/A

# Appendix B: Management's Comments



August 27, 2021

Ms. Jennifer Mykijewycz  
Director, Operations Central  
Research and Insights Solution Center  
United States Postal Service Office of Inspector General  
1735 N. Lynn Street  
Arlington, VA 22209-2020

**RE: Management Response: A Primer on Service Standards – Final Review  
Draft (Project Number 2021RISC005)**

Dear Ms. Mykijewycz:

We write in reference to the Final Review Draft of A Primer on Service Standards. We appreciate the efforts of the Office of Inspector General to prepare a comprehensive summary of Postal Service service standards and performance measurement, which will serve as a useful guide for stakeholders on this important topic. We have previously provided a few technical comments on this report, which we request that you consider. For instance, the report references some incorrect figures regarding the Postal Service's proposal to change the service standards for First-Class Package Service.

Thank you for your attention to this matter. If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Richard T. Cooper".

Richard T. Cooper  
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**We conducted work for this white paper in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation (January 2012).**