

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

EVOLUTIONARY NETWORK DEVELOPMENT
SERVICE CHANGES, 2006

Docket No. N2006-1

SUPPLEMENTAL RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 4 QUESTION 6

The United States Postal Service hereby provides this supplemental response to Question 6 in Presiding Officer's Information Request No. 4. The original response to Question 6 was filed on June 2, 2006, and is reflected in the record at Tr. 3/1163. The supplemental response supersedes the original response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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Revised: July 28, 2008**

Question 6

At pages 6-7 of USPS-T-1, witness Shah suggests that the current network has redundant mail processing and transportation capacity that has arisen in order to maintain class distinctions that are to some extent unnecessary. He provides Figure 2 as an illustration of redundant capacity and the resulting unnecessary complexity of the current network. He states that a primary objective of END is to identify and eliminate such redundant capacity. In the future network against which AMP proposals are currently being validated

- a. please indicate which subclasses are processed together in a facility that are not processed together in the same facility in the current network;
- b. please indicate which subclasses are transported together that are not transported together in the current network;
- c. please provide your best estimate of the amount of processing costs saved by eliminating class distinctions in processing capacity in the future network (prior to any modification of the future network that might result from the process of AMP review);
- d. please provide your best estimate of the number of 3-digit ZIP Code pairs in which service for a particular subclass is upgraded, and the number of 3-digit ZIP Code pairs in which service for a particular subclass is downgraded in the future network (prior to any modification that might result from AMP review) as a result of the consolidation referred to in "a" or the consolidation referred to in "b," above;
- e. please provide your best estimate of the number of facilities in which a Critical Entry Time has been relaxed in the future network (prior to any modification that might result from AMP review) as a result of the consolidation referred to in "a" or the consolidation referred to in "b," above.

RESPONSE:

- a. Potentially, all subclasses are processed together in the same future facility.
- b. Potentially, all subclasses may be transported together, based on service standards and operating windows. As has been described in previous responses, one of the network redesign objectives is to move to a future network based on a shape-base processing concept. The END models assumed all classes of mail for a particular shape could be processed in the same facility and

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RESPONSE to Question 6 (continued):

potentially transported on the same transportation as long as the service distinction between each class is not compromised.

- c. The Postal Service's best estimates will emerge from analysis resulting from utilization of the AMP process. In addition, what savings can be achieved is directly dependent on the number of Regional Distribution Centers that get activated, and the costs and benefits associated with each project. The END models were not designed to estimate savings directly attributable to the elimination of the current class-based networks. The END models look at total network costs/savings that result from the systemic network change prescribed by the concept being modeled, not individual components of that concept. The estimated savings that could be attributed to the theoretical network described in response to the supplemental response to POIR 5 Q 7 (a concept that will continue to evolve and change over time) is approximately \$750 million. This is theoretical and based purely on strategic modeling using aggregate data inputs, the real savings will depend on the extent to which this network could be implemented.
- d. See the response to subpart (c). As indicated in previous responses the END models do not make any recommendations regarding service standard changes. The simulation model simply evaluates the proposed network against a given set

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RESPONSE to Question 6 (continued):

of service standards into the model. As with subpart (c), this is purely speculative and assumes reassigned ZIP Codes take on the gaining sites service commitments and the most expeditious service commitment is used when multiple options exist, the theoretical network (which will continue to evolve and change) could result in the upgrade of 2,507 and downgrade of 2,701 First-Class pairs, which represents only 0.61% of total First-Class pairs.

- e. See the response to subpart (c). The End models attempt to hold the departure profile of volumes from the associate offices, stations, and branches constant as volume is reassigned in the future. The models are not constrained by Critical Entry Times. They evaluate a facility's ability to process all of the required volume by specific Clearance Times. These Clearance Times align with today's CTs for both originating and destinating mail.