

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

RETAIL ACCESS OPTIMIZATION INITIATIVE, 2011

Docket No. N2011-1

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO NAPUS INTERROGATORIES  
NAPUS/USPS-T1-1 THROUGH T1-22**

The United States Postal Service hereby provides the responses of witness James Boldt to the above-listed interrogatories of the National Association of Postmasters of the United States dated August 8, 2011. Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BOLDT  
TO NAPUS INTERROGATORY**

**NAPUS/USPS-T1-1**

Please refer to USPS-T-1, page 15. You state that the 2,800 candidate post offices had earned workload of 2 hours or less per day, and annual revenue was less than \$27,500. Please provide the list the 2,800 Post Offices, by state, in excel format, with workload and revenue data for the 12-month period ending in July 2011?

**RESPONSE**

State designations for each facility are reflected in USPS Library Reference N2011-1/2.

Walk-in revenue figures for each facility, and data reflecting the combined earned workload for mail distribution, Post Office Box delivery, and retail window service activity used to determine whether the facilities exceeded the "low earned workload" threshold will be provided in a Library Reference shortly.

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**NAPUS/USPS-T1-2**

Consistent with the U.S. Census Department definition of rural areas, please identify those 2,800 candidate Post Offices that are located in rural areas?

**RESPONSE**

The question neither provides a US Census Bureau definition of "rural area" nor a citation to one. The Postal Service does not classify its retail facilities on the basis of US Census Bureau designations for the places where those facilities are located. Many of the 2800 offices on the list are CAG H through L offices, which tend to be located outside of major cities and their immediate suburbs. Such offices will tend to be located in smaller towns and/or rural areas.

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**NAPUS/USPS-T1-3**

Please provide the data which identifies which of the 2,800 candidate post offices were managed by an on-site Postmaster, rather than a non-Postmaster?

**RESPONSE**

Whether or not any given Post Office is managed by a Postmaster -- or, in the event of vacancy in that position, another Officer-in-Charge -- has no bearing on whether that Post Office meets the criteria for inclusion as a candidate for review as part of the RAO Initiative. The criteria for low earned workload Post Offices are limited to earned workload and revenue.

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**NAPUS/USPS-T1-4**

Please refer to USPS-T-1, page 13. You state that postal management is not pursuing the RAO initiative to achieve a predetermined operating cost savings. Yet, USPS spokeswoman Cathy Yarosky is quoted in the press as stating: "The projected savings, if every one of the 3,653 offices were to close, is \$200 million annually." Please explain in detail how these savings were calculated.

**RESPONSE**

No detailed calculations were involved. The statement was merely an attempt to illustrate that if the total operating cost of the candidate facilities was approximately \$200 million and all of them were discontinued, then operating costs would be reduced by that amount. The interview from which the quotation appears to have been taken also expresses that it is unlikely that all candidate facilities will be discontinued and offers no estimate of the number expected to be discontinued.

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**NAPUS/USPS-T1-5**

How many of the 2,800 candidate post offices have been “temporarily suspended”?

**RESPONSE**

It is not known how many of the 2800 "low earned workload" RAO candidate offices have been temporarily suspended during their history of operation. See the response to POIR 1, Question 9.

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**NAPUS/USPS-T1-6**

How many of the 2,800 candidate post offices have been part of the delivery unit optimization (DUO) initiative?

**RESPONSE**

Any optimization of carrier delivery routes and related operations at Post Offices that house carrier operations does not involve changes in the nature of retail services and, therefore, is outside the scope of the RAO Initiative. Accordingly, no research has been conducted to determine which RAO candidate Post Offices have carrier delivery operations, or which of the offices with carrier delivery have had a carrier route or any carrier operations consolidated.

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**NAPUS/USPS-T1-7**

Has the USPS, including any of its Districts, transmitted reduction-in-force (RIF) notices to any of the Postmasters, or managers-in-charge of the 2,800 candidate post offices? If so, how many were distributed?

**RESPONSE**

USPS Handbook PO-101 requires that each discontinuance proposal must:

summarize the possible effects of the change on the Postmaster (if applicable) and other employees of the installation considered for discontinuance. The District Manager must suggest measures to comply with personnel regulations.

No decisions to discontinue any Post Office will be made as a part of the RAO Initiative until October, 2011. At that time, it will be known whether circumstances will arise that would trigger transmission of reduction-in-force or other notices to any affected employees.



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**NAPUS/USPS-T1-8**

How many post office boxes and general deliveries are located within the 2,800 candidate post offices? How many of these boxes are provided without cost, and how many are revenue-producing? What is the total revenue attributable to the boxes located in the 2,800 candidate post offices?

**RESPONSE**

General delivery is intended primarily for use at offices without carrier delivery and for residents not eligible for carrier delivery service, to serve transients, and for other customers who are not permanently located. Mail addressed to persons via General Delivery at a postal delivery unit is placed in the General Delivery case to be delivered to the addressee upon request at a retail service counter and with proper identification. Persons living permanently in cities having carrier delivery service and who have good and sufficient reasons satisfactory to the postmaster may receive their mail at general delivery retail service counters. General Delivery recipients at a particular postal delivery unit are not required to register at that unit. Accordingly, the Postal Service has no basis for estimating the number of general Delivery customers there may be at these 2800 facilities.

Data reflecting the total number of Post Office boxes, the number of free Group E boxes, and total box revenue for these 2800 Post offices are being developed.

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**NAPUS/USPS-T1-9**

39 USC 101(b) requires the Postal Service to provide a “maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sufficient? How does this definition differ from “effective and regular service,” as stated in section 231 of *Handbook PO-101*?

**RESPONSE**

I am informed that the Handbook PO-101 in its entirety is intended to be in consistent with Title 39, US Code, in its entirety. However, I am not a lawyer, so I will leave it to the lawyers representing the various parties in this case to explain how or to debate whether the handbook provisions and the statutes are aligned.

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**NAPUS/USPS-T1-10**

Please refer to USPS-T-1, page 6, Table 1. Could you explain what specifically the “y-axis” represents? Could you please provide a definition for “point of sale” (POS) location?

**RESPONSE**

The y-axis depicts the annual customer visits per POS terminal per year.

A POS location is a postal retail location with a Point of Sale (POS) retail terminal.

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**NAPUS/USPS-T1-11**

How does the Postal Service define "customer visit? Does it only include post office visits in which a financial postal transaction takes place?

**RESPONSE**

A customer visit is a transaction that involves customer interaction with a postal employee at a retail window, whether revenue-generating or not.

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**NAPUS/USPS-T1-12**

How does the USPS collect customer interaction data for non-financial postal transactions, including customer inquiries and collection of accountable mail)?

**RESPONSE**

Where POS terminals exist, retail employees may use the "hot" key on the POS terminal to record the occurrence of such transactions.

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**NAPUS/USPS-T1-13**

Please refer to USPS-T-1, page 2. The testimony enumerates the operations and transactions provided by U.S. Post Offices and subordinate US Postal Service retail units. Please list the operations, transactions, services and products that Village Post Offices would be required to provide under contract to the USPS.

**RESPONSE**

See the response to POIR 1, Question 10.

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**NAPUS/USPS-T1-14**

Please refer to USPS-T-1, page 2, line 18. How many “non-personnel units” exist? Does the USPS calculate revenue for these units? If so, how and please provide the revenue and expense data per location?

**RESPONSE**

Almost all of the over 6800 non-personnel units (NPU) consist of PO Office Box units. At many of these, rural carriers conduct retail transactions during designated periods each day at NPUs on their routes. Few have revenue generating sales equipment such as APCs. Any NPU revenue is included in that which is reported for the postal retail facility with which the NPU is associated.

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**NAPUS/USPS-T1-15**

Please refer to USPS-T-1, page 4, line 15. With reference to the statement regarding the trend for retail revenue and USPS statements that postal customers are surging towards alternative postal retail access, please reconcile with the *FY 2010 Household Diary Study*, filed with the PRC on July 7, 2011, which states "Even with the continued availability of mail-related products and services through alternative modes (such as Internet orders), in-person visits to postal facilities remain stable."

**RESPONSE**

I am informed that data in the 2010 USPS Household Diary Study (HDS) regarding in-person visits to postal facilities are based on interviews of about 8,500 household customers conducted by phone or over the internet in which those customers provide demographic, lifestyle, and attitudinal information. Customer there were asked to recall whether their Post Office visits in the last month were in the range of 1-to-2, or 3-to-6, or greater. They were not asked to recall or provide evidence of the actual number of visits. When one compares customer HDS recollections from FY 2009 to FY 2010, the percentage of customers who identified with each of the three ranges remains relatively stable. See 2010 USPS Household Diary Study at 19.

[http://www.prc.gov/Docs/73/73501/USPS\\_HDS\\_FY10\\_FINAL\\_.pdf](http://www.prc.gov/Docs/73/73501/USPS_HDS_FY10_FINAL_.pdf).

USPS-T-1 at page 4 shows that the proportion of postal retail revenue generated through alternative access channels has grown to over one-third of total retail revenue. There was a time when all virtually all postal retail revenue was generated by visits to postal facilities. The continued expansion of alternative channels has reduced that total to around two-thirds. Even assuming postal retail visits were relatively stable from 2009 to 2010, it would not be incompatible with that trend that the percentage of retail revenue generated through such visits could shrink.



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**RESPONSE to NAPUS/USPS-T1-15 (continued)**

Page 6 of USPS-T-1 relies on Point of Sale terminal data on actual retail customer transactions at postal facilities, as opposed to customer recollections of visits. Table 6 shows a decline in overall visits for each year since 2007. I am informed by the managers of the HDS project that such a trend is not incompatible with data showing that the percentage of HDS interview subjects within the different HDS ranges stayed roughly the same from FY 2009 to FY 2010. Declines from FY 2009 to FY 2010 in HDS from twice to once (or zero) a month, or from six to three times a month, or from ten times to seven times per month would not be reflected in HDS. Nor would increases within each of the respective HDS ranges.

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**NAPUS/USPS-T1-16**

Please refer to USPS-T-1, page 6, Table 1. For each of the measured years, please provide the number of POS locations surveyed, and differentiate between urban, suburban and rural/small town locations.

**RESPONSE**

In an effort to be responsive to this interrogatory, POS terminal distribution by CAG level are being developed and will be provided.

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**NAPUS/USPS-T1-17**

Please refer USPS-T1, page 15, lines 1 and 2. Do the 2,800 candidate post offices have less than 2 hours per day earned workload and annual revenue of \$27,500 or less? Or does each of the 2,800 candidate post offices fulfill just one of the two measurements?

**RESPONSE**

A Post Office had to meet both criteria to merit study as a RAO Initiative "low earned workload" Post Office.

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**NAPUS/USPS-T1-18**

Please refer to USPS-T1, page 8, Table 3. How was the sample 748 retail locations selected that is referred to in note 1? How was the sample 481 retail locations selected that is referred to in note 2? In each of the samples, please differentiate the percentage revenue collected among post offices, stations and branches, retail annexes, and contract postal units.

**RESPONSE**

I am informed of the following:

Of the 748 sample locations, 481 come from POS-technology retail postal facilities ("Facilities") with a FY2010 walk-in revenue of less than \$100K ("LT100K").

Approximately 112 additional POS-technology facilities were selected from those facilities with FY2010 walk-in revenue of \$100K or greater ("GE100K"), using the following technique:

The (roughly) 15,000 GE100K facilities were grouped into 4 revenue buckets, or categories – Very Large (> \$3MM), Large (\$800K - \$3MM), Medium (\$200K - \$800K), and Small (\$100K - \$200K). The Very Large facilities were excluded outright because they were deemed to be well outside the normal spread of revenue for the vast majority of the enterprise. The other 3 revenue buckets were chosen so that they had approximately the same number of Facilities in each bucket. Within each of these 3 buckets, the median revenue for each postal district was computed, and of the roughly 75 districts, roughly 36 districts were selected and the Facility with the median revenue selected (or one with a revenue value very close to the median). In this way a good geographic distribution was obtained. A subset of districts was chosen for data sample size reasons.

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**RESPONSE to NAPUS/USPS-T1-18 (continued)**

The remaining Facilities in the sample population were selected completely at random from the roughly 15,000 LT100K Facilities using either IRT or eMOVES reporting technologies. The average revenue for this sample was extremely close to the overall average of the LT100K Facilities (approximately \$40K for FY2010).

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**NAPUS/USPS-T1-19**

Please refer to USPS-T1, page 11, line 8. Of the 13,494 retail facilities, how many were independent post offices, and what percentage is located in rural areas or small towns? Please explain why the USPS did not have location data for the remaining facilities?

**RESPONSE**

See the response to NAPUS/USPS-T1-18.

Post Offices are located in places that are defined by non-postal entities for non-postal reasons as urban, suburban, small town or rural. Other designations may also be used to refer to such locations. Definitions used by different entities for different locations may overlap, such that a Post Office deemed "rural" by one may be "small town" for another, and one deemed "suburban" by one may be deemed "small town" by another. Suffice it to say that a significant number of Post Offices in the 13,494 sample are located in areas that a consensus would agree are not urbanized or suburban, and are in towns that "small" in relation to others, or in rural areas. Please see the response to NAPUS/USPS-T1-2.

I am also informed that the database from which the geo coordinates for the 13,494 facilities were drawn did not include similar information for other facilities and did not see. Accordingly, the analysis reflected in that Table, which was not initially prepared for purposes of my testimony and was only included to make a general observation about proximity, was limited to those 13,494 facilities. See the response to PR/USPS-T1-3.

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**NAPUS/USPS-T1-20**

Please refer to USPS-T1, page 12, Table 5. Referring to note 1 (lines 8 and 9), please explain the difference between geographic coordinate distance and driving distance?

**RESPONSE**

One represents the straight-line distance between two points based on their respective latitudes and longitude. The other represents the distance between two points that would be travelled using available surface roads. The latter is always equal to or greater than the former.

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**NAPUS/USPS-T1-21**

Please refer to USPS-T1, page 3, footnote 3. Please provide details on how “earned workload” is calculated? Please explain how “window service activity” is measured.

**RESPONSE**

Please see the response to PR/USPS-T1-2(a). Activity is measured on the basis of earned workload, not on the basis of the number of hours the window is open.



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**NAPUS/USPS-T1-22**

Please refer to USPS-T-1, page 15, line 3 and 4, relating to the Small Office Variance (SOV) tool. For the 52-week period ending July 2011, please answer the following questions.

- (a) On what basis was 2 hours of earned workload per day determined as the threshold for identifying post offices for the discontinuance feasibility study?
- (b) Does the 2 hours of earned workload represent the totality of work conducted at the candidate post offices? If not, please explain.
- (c) Please enumerate how many of the 2,800 candidate post offices utilized window automation, through either IRT or POS?
- (d) For those candidate post offices that did not use IRT or POS, how were the number and value of transactions (both financial and non financial) calculated?
- (e) Could you explain how the following post office functions were valued through SOV and the basis of those valuations:
  - (1) Building and ground maintenance, where there was no contractor retained
  - (2) Servicing free post office boxes (i.e., no residential delivery available)
  - (3) Delivery of packages
  - (4) Multiple scans of parcel mail
  - (5) Parcel return service
  - (6) Premium forwarding

**RESPONSE**

- (a) The Postal Service was interested in examining offices at which the workload devoted to the provision of retail services was low and needed an objective yardstick by which to define that threshold. Two hours of earned workload associated with the provision of retail service was deemed to be a reasonable yardstick.
- (b) No. See USPS-T-1 at 3, n.3.
- (c) Responsive data are being collected and will be reported.
- (d) A calculated value against WIR (walk in revenue) is used to determine earned workload.

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**RESPONSE TO NAPUS/USPS-T1-22 (continued)**

- (e)(1) I am informed by the SOV tool management team that the Small Office Variance tool is an LDC47/LDC80 only model. SOV was designed to account for the Administrative and Clerical workload in small offices, which is tracked through Labor Distribution Codes (LDC's) 47 and 80. LDC 47 and LDC 80 workhours follow Clerk craft and Management (Postmasters/PMR's) in small offices. Building and ground maintenance where there is no contractor retained, does not fall under LDC 47 or 80. The "heavy lifting" building and grounds workload would fall under Function 3 and would typically be done and charged to a larger neighboring office. Basic cleaning, taking out the trash, etc., may be performed by Clerks/PM depending on past practice in that office. In any case, building and ground maintenance is not funded as part of the SOV model.
- (2) I am informed by the SOV tool management team that mail volume and number of boxes rented time a factor is used to determine earned workload. This includes all active PO boxes, paid and free. SOV funds PO Box related servicing based on volume received, and based on "active" PO boxes per Address Management System (AMS). Whether a box is free or paid does not enter into the equation where earned workhours are concerned.
- (3) See the response to subpart (e)(1) above. I am informed by the SOV tool management team that over-the-counter delivery is included, but not street delivery. Retail and administrative activity including delivery of packages

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**RESPONSE TO NAPUS/USPS-T1-22 (continued)**

over the counter are included in the SOV model. Street delivery falls under a different set of LDC's and is accounted for in the Delivery models.

(e)(4) I am informed by the SOV tool management team that a factor is applied against average scans to determine earned workload.

SOV is currently funding scanning activity at offices based on a standard number of anticipated scans in the unit.

(5) I am informed by the SOV tool management team that SOV does not currently fund Parcel Return Service related activity. Of the 18,874 SOV sites, 2,790 would be potentially identified PRS sites per the Facilities Database.

(6) I am informed by the SOV tool management team that premium forwarding is included in the SOV model under delivery administrative workload.