

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Periodic Reporting
(Proposal Seven)

Docket No. RM2021-1

CHAIRMAN'S INFORMATION REQUEST NO. 2

(Issued February 10, 2021)

To clarify the Postal Service's petition to consider proposed changes in analytical principles, filed November 9, 2020,¹ and responses to Chairman's Information Request No. 1, filed on January 7, 2021,² the Postal Service is requested to provide written responses to the following questions. The responses should be provided as soon as they are developed, but no later than February 17, 2021.

The questions are derived from a motion filed by United Parcel Service, Inc. (UPS), which asserts that this additional information is "intended to provide greater clarity regarding some of the complex costing practices that underlie the Postal Service's Proposal Seven regarding updates to the variabilities for certain highway transportation contracts."³

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Seven), November 9, 2020 (Petition). Along with the Petition, the Postal Service filed a report supporting Proposal Seven. Petition, Research on Updating Purchased Highway Transportation Variabilities to Account for Structural Changes (Bradley Report).

² Responses of the United States Postal Service to Questions 1-9 of Chairman's Information Request No. 1, January 7, 2021 (Response to CHIR No. 1).

³ Motion of United Parcel Service, Inc. for Issuance of Information Request to the United States Postal Service, February 5, 2021.

1. Please refer to Tables 1 and 2 of the Bradley Report. Bradley Report at 7, 9.
 - a. Please explain why the proportion between Christmas routes and Regular routes in Inter SCF, Intra NDC, and Inter NDC transportation accounts is relatively higher than in Intra SCF accounts.
 - b. Please discuss why the proportions between Christmas routes and Regular routes are different for Inter SCF, Intra NDC, Inter NDC, and Intra SCF transportation accounts. Please specifically indicate whether such differences are the result of different seasonal increases in volumes in different types of locations.

2. Please refer to the Bradley Report that states: “[i]n Fiscal Year 2018, the Postal Service began replacing traditional Intra P&DC highway contracts with a new type of transportation contract at a substantial number of sites. These new contracts, called Dynamic Route Optimization (DRO) contracts, have important differences from the traditional purchased highway transportation contracts.” *Id.* at 29.
 - a. Please indicate the typical term of DRO contracts.
 - b. Please indicate whether the contracts allow for on-demand transportation services at any point during the contract term.
 - c. Please describe whether there are any limitations on the frequency with which routings can be changed under these contracts.
 - d. Please describe how the decisions are made to determine, manage, and change DRO routings and specify who makes these decisions.
 - e. Please indicate whether the Postal Service ever decides to temporarily suspend the operation of a specific DRO contract and, if so, how frequently such suspensions occur and how long they last.
 - f. Please confirm that the number of DRO contracts in effect might change during the fiscal year. If confirmed, please discuss the circumstances that

might trigger either the termination of an existing contract or the decision to enter into a new contract.

- g. Please describe the circumstances that might cause the Postal Service to enter into a van DRO contract as opposed to a tractor trailer DRO contract.
 - h. Please confirm that DRO routings are determined through some type of optimization procedure as their name implies. If confirmed, please describe the objective of this optimization process and constraints, if any, which must be met in the process of computing the optimization function.
3. Please refer to the Bradley Report that states: "DRO contracts do not have fixed annual contract awards, but rather are paid on a per-mile rate. The per-mile rate is the same for all trips within a given contract cost segment." *Id.* Please confirm that the uniform payment per mile is the only payment paid to suppliers. If not confirmed, please describe the nature of these other payments.
 4. Please refer to the Response to CHIR No. 1, stating that "[t]here is also a minimum mileage guarantee in the [DRO] contract, but at this time, there has not been any instance where the minimum guarantee is used, because it would require a very large reduction in mileage to apply." Response to CHIR No. 1, question 7. Please discuss whether there are any maximum mileage amounts that can be purchased on a given contract.
 5. Please refer to the Response to CHIR No. 1, stating that the Highway Contract Routes "supplier follows this schedule to transport the mail from the processing facility to the appropriate delivery unit(s). Currently, this schedule is generated the Wednesday prior to the transportation running, to allow time for the delivery units to staff appropriately given the mail arrival times." *Id.*
 - a. Please confirm that schedules are generated weekly. If not confirmed, please explain how often schedules are generated.

- b. Please confirm that all trips in a given week under a given DRO contract cost segment follow the same route. If not confirmed, please discuss whether the route varies by day.
 - c. Please describe the frequency with which the routing of a typical DRO contract cost segment changes.
 - d. Please discuss whether changes in the routing of a typical DRO contract cost segment are triggered by re-optimization or any other circumstances. Please identify such circumstances, if applicable.
6. Please refer to the Response to CHIR No. 1, stating that “DRO contracts are currently only used for local transportation between processing facilities and delivery units.” *Id.* Please discuss whether the Postal Service is considering or intends for the expansion of DRO contracts beyond this level of its highway transportation operations.
7. Please refer to Library Reference USPS-RM2021-1/1, November 9, 2020, PDF file “RM21.1.1.Prop.7.Preface.pdf” (Preface) and folder “1. Analysis Data Set,” SAS dataset “tcss_fy19.sas7bdat” (tcss_fy19 Dataset).
 - a. Please indicate the precise meaning of the variable “state” included in the tcss_fy19 Dataset. For example, please indicate whether “state” means the location of an origin/destination facility, the state of the supplier, or anything else.
 - b. According to the Preface, the variable “opfreq,” which provides the “Trip Frequency Per Year,” takes several non-integer values. Please explain how these values are derived. For example, please clarify what it means for a contract cost segment trip to be operated 303.07 times per year or 251.46 times per year.

- c. Please describe the relationship, if any, between the variable “costsegamt” and the actual costs incurred by the Postal Service in its various highway transportation accounts during FY 2019.

By the Chairman.

Michael Kubayanda