

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

PERIODIC REPORTING  
(PROPOSAL SEVEN)

Docket No. RM2021-1

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO QUESTIONS 1-7 OF CHAIRMAN'S INFORMATION REQUEST NO. 2**  
(February 17, 2021)

The United States Postal Service hereby provides its responses to the above listed questions of Chairman's Information Request No. 2, issued February 10, 2021.

The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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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.

**RESPONSE:**

- a. As Tables 1 and 2 of the Bradley report illustrate, the number of regular contract cost segments vary widely by contract type. In fact, the number of Intra-SCF contract cost segments is more than six times the aggregate number for the other transportation types. The number of contract cost segments is larger because Intra-SCF contracts provide local transportation across the large network of Post Offices and delivery units, and are needed to meet service standards. Because of the need to meet service standards, the capacity utilization on Intra-SCF transportation is typically lower than other contract types. The lower capacity utilization rate on Intra-SCF contracts affords the Postal Service the opportunity to first respond to peak volume changes by increasing the capacity utilization on those contracts before obtaining additional transportation with the procurement of Christmas routes.
- b. The four main contract types cited in the question have different functions in transporting volume for the Postal Service across the nationwide network. The differences by contract type include the average distance, facility type, average capacity utilization, and mail mix transported. Hence, there is no

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inherent reason that the relative amounts of Christmas routes would be similar across the four contract types. Moreover, the availability of additional transportation is a contributing factor to the number of Christmas routes procured by contract type. If transportation is not available in certain locales, the Postal Service will not be able to purchase additional Christmas transportation.

During peak season, the demand for contract transportation increases and varies widely by lane. This depends in part on seasonal volume growth and in part on the availability of seasonal transportation capacity.

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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.

**RESPONSE:**

- a. The typical term for DRO contracts is a four-year period of performance.
- b. Yes, the contracts allow for on-demand extra transportation services at any point during the contract term as needed to support transportation needs.
- c. Manifests may change on a weekly basis under these contracts. Extra service may be requested as needed.

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- d. Decisions to change DRO routings are managed by an optimization process that reviews multiple factors. Routing optimization changes are made as a result of a collaborative effort between Postal Headquarters and the DRO site Local Logistics Department.
- e. The Postal Service is not aware of any temporary DRO contract suspensions.
- f. Confirmed. The number of contracts in effect may change at any time. Either party, the Postal Service or the transportation supplier, may terminate an existing contract with proper notice. Additionally, contracts that are set to expire may be renewed or solicited. As opportunities arise to increase the efficiency of the transportation network, Postal Operations aims to add additional DRO sites in the future, which would increase the number of DRO contracts in effect.
- g. A van contract, rather than a tractor trailer contract may be entered into if the cube size, location requirements, time constraints, and routing allow for optimal movement of the mail to make service standards. As an example, if a facility to which a DRO trip runs has a limited size parking lot or loading space, a van may be required instead of a tractor trailer.
- h. Confirmed.

Dynamic routing uses an optimization process in which the primary objective is to most effectively utilize miles in a region. Optimization constraints include in part: departure time, arrival time, window of operations, dock availability,

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trailer size restrictions, product availability, product volumes, cube size, trailer  
cube capacity, and service standards.

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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.

**RESPONSE:**

Not confirmed.

A per-mile rate is the primary form of payment. On occasion, however, some DRO contracts may have a special rate included in the contract which is paid at an hourly rate. These special rates accounted for less than one percent of total DRO costs in FY 2020.

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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.

**RESPONSE:**

DRO contract provisions do include mileage maximums. There are mileage maximums outlined in the contract which may be purchased.

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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.

**RESPONSE:**

- a. Confirmed. However, the schedule may not change every week.
- b. Not confirmed. Trips may vary in the number of stops by day of week, often because of changes in volume. For example, on trips with daily variations, trips on Mondays often vary from other days of the week.
- c. The routing of a typical DRO contract cost segment can change daily.
- d. Changes in routing are typically triggered by optimization.

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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.

**RESPONSE:**

Yes, the Postal Service is in the early stages of investigating the possibility of expansion of the DRO contracts beyond current levels.

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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.

**RESPONSE:**

- a. The variable "state" within the referenced data set is the location of the Origin facility.
- b. The value of "opfreq" is the average number of runs per year for a specific trip based on the fact that there are, on average, 365.25 days per year. Hence, the value of "opfreq" is typically not an integer. For example, a daily operational frequency is reported as 365.25 and each Sunday occurs, on average, 52.18 times per year. A contract cost segment trip operational frequency of 303.07 times per year represents the number of trips for a contract that runs daily except for Sundays and Holidays, and a contract cost segment trip operational frequency of 251.46 times per year represents daily trips except for on Saturdays, Sundays and Holidays.
- c. The variable "costsegamt" in the TCSS data set indicates the annual contracted cost for that cost segment. Note that there may be one or more

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cost segments per contract. Actual costs may vary from the contract amount due to payments for late slips or extra service.