

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

FIRST-CLASS MAIL AND PERIODICALS SERVICE STANDARD
CHANGES, 2021

Docket No. N2021-1

DIRECT TESTIMONY OF
ROBERT CINTRON
ON BEHALF OF THE
UNITED STATES POSTAL SERVICE

(USPS-T-1)

TABLE OF CONTENTS

- Autobiographical Sketch..... 1
- Purpose and Scope of Testimony 2
- Associated Library References 4
- I. Introduction..... 5
 - A. Background..... 5
 - 1. Discussion of Current Ability to Meet Existing Service Standards... 6
 - 2. Potential Improvements in Service Capability and Improved Achievement of Service Standards 9
 - 3. Potential Reductions in Mail Transportation Costs Outside the Contiguous United States 12
 - B. Overview of Existing and Planned Changes to Service Standards..... 12
 - 1. Existing Service Standards 13
 - 2. Proposed Changes to Service Standards 15
- II. Maintenance of Current Network Operations and Service Standards Makes it Very Difficult to Meet Performance Targets and Prevents Postal Service’s Realization of Operational and Cost Efficiencies 18
 - A. Current and Projected Declines in Mail Volume and Revenue Require the Postal Service to Adapt Its Network Operations 19
 - B. Current Mail Transportation Logistics Overview 21
- III. The Postal Service Intends to Implement Transportation Network Changes to Respond to Current and Projected Declines in Mail Volume and Revenue 26
 - A. Proposed Transportation Network Changes and Benefits 26
 - B. Proposed Mail Processing Changes..... 29
- IV. The Postal Service Has Carefully Considered Impacts of the Proposed Changes to Relevant Stakeholders and Measure to Mitigate Those Impacts 30
 - A. Impact on Customers and Mitigation Measures..... 30
 - B. Impact on Postal Service Workforce 32

C.	Impact on Commercial Air and Surface Transportation Suppliers and Mitigation Measures.....	32
D.	Impact on Postal Service Contribution.....	33
V.	The Postal Service’s Proposed Network Operations Changes are Consistent With the Policies and Requirements of Title 39, United States Code	33
A.	These Changes More Responsibly and Efficiently Align Service Standards, Transportation Costs, Projected Mail Volumes/Revenue, and Actual Performance to Ensure Continued Provision of Adequately Prompt and Reliable Universal Service.....	34
B.	The Changes Will Have Minimal Impact on Customer Satisfaction and the Needs of Postal Customers, Without Any Undue or Unreasonable Discrimination	35
C.	The Changes Allow Economical Prioritization of Important Letter Mail....	36
VI.	The Postal Service Will Initiate a Rulemaking to Amend 39 C.F.R. Part 121.....	36
VII.	Conclusion.....	37

1 **AUTOBIOGRAPHICAL SKETCH**

2 My name is Robert Cintron.

3 I received my bachelor’s degree in organizational management from Roberts
4 Wesleyan College. In December 2017, I received my Master of Business degree in
5 operational excellence from Ohio State University’s Fisher College of Business. I am a
6 graduate of the Postal Service’s Advanced Leadership Program, the Processing and
7 Distribution and Management Program, and am a Certified Executive Green Belt
8 through a Six Sigma-accredited certification program.

9 I am currently the Vice President for Logistics at the United States Postal
10 Service. I have held this position since August 2020. My duties and responsibilities in
11 this capacity include oversight of the Postal Service’s Surface Logistics, Air Logistics,
12 International Logistics, Systems Integration Support, Logistics Modeling and Analytics,
13 Mail Transportation Equipment Service Centers, and the Headquarters National
14 Operations Control Center. Together, these functions focus on the Postal Service’s
15 logistics capabilities and centralize research, modeling, and analytics for surface and air
16 transportation to improve logistics planning and execution.

17 I began my postal career in 1986 as a clerk in Rochester, New York. Since that
18 time, I have held a wide variety of positions, including Vice President for Product
19 Information; District Manager, Western Pennsylvania District; senior plant manager,
20 Northern Ohio and Western New York Districts; manager, In-Plant Support for the
21 Northeastern Area; and plant manager in Stamford, Connecticut.

1 **PURPOSE AND SCOPE OF TESTIMONY**

2 The purpose of my testimony is to describe the nature of changes in services that
3 the Postal Service proposes to implement no earlier than the fourth quarter of fiscal year
4 2021¹ in conjunction with its plan to amend 39 C.F.R. Part 121 to revise the current
5 service standards for First-Class Mail and Periodicals.² The most significant revisions
6 would increase the service standards for certain categories of First-Class Mail from a
7 current one-to-three-day service standard to a one-to-five-day service standard for First-
8 Class Mail originating and destinating within the contiguous United States. We also
9 propose to adjust the service standards associated with the non-contiguous states and
10 territories, including Alaska, Hawaii, Guam, American Samoa, and the U.S. Virgin
11 Islands.³

12 These revisions will allow for significant improvements in reliability and cost-
13 efficiency in a number of inter-related ways. First, they will allow the Postal Service to
14 increase the volume of First-Class Mail moved by surface transportation⁴, which is more
15 cost-effective and reliable than air transportation. Second, the revisions will enable the
16 Postal Service to improve its service capability by both (a) increasing the efficiency of

¹ All references to years in this testimony refer to Postal Service fiscal years.

² The Postal Service's proposed revisions to 39 C.F.R. Part 121 also include non-substantive technical revisions to rename Standard Mail as USPS Marketing Mail. Although modeling projects that 0.2 percent of Marketing Mail pieces, which consist of a small percentage of Marketing Mail that travels through the First-Class network, will see an increase in transit time, by processing this volume at the entry location and thereby avoiding increased transit time, the Postal Service expects this volume to meet existing Marketing Mail service standards. The proposed revisions further include amendments to Part 121 Appendix A tables depicting service standard day ranges.

³ Changes to First-Class Mail service standards would also incidentally affect international mail service standards, in that First-Class Mail service standards generally apply to inbound international mail from domestic origin airports to delivery points, and for outbound international mail from origin to International Service Center. We are not proposing any service standard changes regarding packages or changes to caller service through this proceeding, nor are we proposing pricing changes for any product here.

⁴ See Section II.B., *infra*, for a discussion of "surface transportation" in the context of this testimony.

1 the surface transportation network through improved routing efficiency and utilization of
2 vehicle volume, and (b) more realistically aligning the Postal Service's First-Class Mail
3 service standards with the Postal Service's operational capabilities in light of declining
4 mail volumes and prior network consolidation and rationalization efforts. Third, and with
5 respect to the adjustments to noncontiguous states and territories, adding a day to the
6 service standards aligns with the changes to the proposed service standards for the
7 contiguous United States and adds opportunity for the Postal Service to utilize lower-
8 cost commercial air carriers rather than higher-cost cargo air carriers. Overall, this will
9 result in network operations that better match current and projected mail volumes, and
10 the Postal Service anticipates that the changes will result in cost savings and a network
11 that is more consistent, reliable, and efficient.

12 My testimony also describes how the Postal Service intends to implement the
13 proposed service standards and, equally importantly, how the Postal Service has
14 carefully considered the impacts of the changes on all relevant stakeholders, including
15 its customers, Postal Service personnel, air and surface transportation suppliers, and
16 the Postal Service itself. I further discuss how the Postal Service's proposed network
17 operations changes are consistent with the policies and requirements of Title 39 of the
18 United States Code, the status of the Postal Service's rulemaking to revise 39 C.F.R.
19 Part 121, and the Postal Service's decision-making process moving forward.

20

ASSOCIATED LIBRARY REFERENCES

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I sponsor the following Library Reference that is associated with my testimony:
USPS-LR-N2021-1-6 (Informed Visibility Service Performance Metrics (Enterprise Analytics) Data).

1 **I. INTRODUCTION**

2 The Postal Service continually seeks ways of improving its network operations
3 efficiency, reducing costs, and maintaining the high quality of service the public expects
4 and to which it is entitled from the Postal Service. In evaluating its current network
5 operations and service standards for First-Class Mail and Periodicals, the Postal
6 Service has noted its current abilities to meet existing service standards leave room for
7 improvement. Adding up to two additional days for limited categories of First-Class Mail
8 and Periodicals has the potential to improve the Postal Service’s service capabilities,
9 improve achievement of service standards, and reduce mail transportation costs. And
10 adjusting service standards with respect to Alaska, Hawaii, and offshore territories will
11 further enable the Postal Service to realize reductions in mail transportation costs and
12 improve achievement of service standards.

13 **A. Background**

14 Using the process outlined in 39 U.S.C. § 3691(a), the Postal Service established
15 its current market-dominant service standards for First-Class and Periodicals Mail in
16 2012, as amended, after the Network Rationalization proceeding. The service
17 standards adopted in 2012 enabled the Postal Service to implement its Mail Processing
18 Network Rationalization plan. Operationally, the 2012 service standards allowed the
19 Postal Service to expand its nightly processing window, smooth out the peak volume
20 load over more of the workday, and reduce the number of processing locations needed
21 in the network.

22 Although the Postal Service’s changes to service standards enabled then-
23 necessary network rationalization, continued declines in overall mail volume, and in
24 particular declines in the Postal Service’s volume of market-dominant products like

1 First-Class Mail, necessitate further changes both to decrease the Postal Service's
2 costs and to align service standards with cost-effective mail service. In developing the
3 service standards proposed herein, the Postal Service conferred with industry
4 representatives, the Mailer Technical Advisory Committee, and the public through a pre-
5 filing conference. We will further solicit public comment through the Federal Register
6 and conduct outreach to Congress and our labor unions as we plan to implement
7 services standards that will result in more reliable, predictable, and efficient service.

8 **1. Discussion of Current Inability to Meet Existing Service Standards**

9 The Postal Service's existing service standards generally require First-Class Mail
10 to be delivered in one to three days where mail originates and destines within the
11 contiguous United States or certain ZIP Codes in Alaska, Hawaii, and Puerto Rico. A
12 three-day service standard likewise applies for limited categories of mail between
13 Hawaii and Guam, Hawaii and American Samoa, and within Alaska.

14 With respect to Periodicals, the Postal Service applies a three-to-four-day service
15 standard for pieces accepted before the day-zero Critical Entry Time ("CET") and
16 merged with First-Class Mail pieces for surface transportation, with the service standard
17 essentially equaling the sum of one day plus the applicable First-Class Mail service
18 standard.

19 There is substantial room for improvement in service performance vis-à-vis the
20 goals that the Postal Service has set for itself. The following chart lists the Postal
21 Service's Percent-On-Time performance for Single-Piece First-Class Mail from 2012
22 through the fourth quarter of 2020:

23

24

Year/Quarter	Overnight	Two-Day	Three-To-Five-Day
	Percent On-Time	Percent On-Time	Percent On-Time
FY2012 Annual	96.5	94.8	92.3
FY2013 Annual	96.1	95.3	91.6
FY2014 Annual	96.0	94.9	87.7
FY2015 Annual	95.6	93.2	76.5
FY2016 Annual	N/A	94.7	83.7
FY2017 Annual	N/A	94.7	85.6
FY2018 Annual	N/A	93.8	82.5
FY2019 Annual	N/A	92.0	80.8
FY2020 Q1	N/A	91.9	78.2
FY2020 Q2	N/A	93.0	83.3
FY2020 Q3	N/A	92.4	81.4
FY2020 Q4	N/A	88.2	72.1

1 See Quarter IV, FY2020 Quarterly Performance for Single-Piece First-Class Mail.⁵
2 Although the Postal Service consistently exceeded 90 percent on-time delivery for
3 Single-Piece First-Class Mail with an Overnight or Two-Day service standard, other than
4 in 2020 Quarter 4, that performance was below target, and the Postal Service has fallen
5 well below 90 percent on-time delivery for Single-Piece First-Class Mail with a three-to-
6 five-day service standard each year from 2014 through the present. The Postal
7 Service's 2020 Annual Target for on-time performance was 96.50 percent for Two-Day
8 mail and 95.25 percent for Three-To-Five-Day mail.

9 The following chart lists the Postal Service's Percent-On-Time performance for
10 Presort First-Class Mail from 2012 through 2020:

Year/Quarter	Overnight	Two-Day	Three-To-Five-Day
	Percent On-Time	Percent On-Time	Percent On-Time
FY2012 Annual	96.8	95.7	95.1
FY2013 Annual	97.2	97.0	95.1
FY2014 Annual	97.0	96.4	92.2
FY2015 Annual	95.7	93.6	87.8
FY2016 Annual	96.2	95.1	91.7

⁵ The COVID-19 pandemic has negatively affected the Postal Service's workforce and transportation-supplier availability to different extents over time throughout the United States during much of FY2020, including significant impacts to our commercial and cargo air transportation supplier network. While these recent service standard performance figures reflect effects of COVID-19-related workforce and supplier availability issues, and the Postal Service accordingly anticipates potential performance improvements against existing service standards, the Postal Service's service performance would benefit further from the service standard changes addressed herein.

FY2017 Annual	96.5	95.6	93.2
FY2018 Annual	96.0	94.9	92.0
FY2019 Annual	95.5	94.1	92.0
FY2020 Annual	94.7	92.8	89.9

1
2 See Quarter I, FY2021 Quarterly Performance for Presort First-Class Mail. As is the
3 case with Single-Piece First-Class Mail, the Postal Service’s performance was
4 frequently below its target performance. The Postal Service’s 2020 Annual Target for
5 on-time performance was 96.80 percent for Overnight mail, 96.50 percent for Two-Day
6 mail and 95.25 percent for Three-To-Five-Day mail.

7 The following chart lists the Postal Service’s Percent-On-Time performance for
8 Periodicals from 2012 through the fourth quarter of 2020:

Year/Quarter	Percent-On-Time
FY2012 Annual	68.7
FY2013 Annual	82.0
FY2014 Annual	80.9
FY2015 Annual	77.7
FY2016 Annual	80.1
FY2017 Annual	85.6
FY2018 Annual	85.6
FY2019 Annual	85.7
FY2020 Q1	84.8
FY2020 Q2	87.0
FY2020 Q3	76.9
FY2020 Q4	74.3

9 See Quarter IV, FY2020 Quarterly Performance for Periodical Mail. This performance
10 has been consistently well below target. The Postal Service’s FY2020 Annual Target
11 for on-time performance for Periodicals was 91.8 percent.

12 Notably, as discussed in the U.S. Postal Service FY2020 Annual Report to
13 Congress, its 2020 target on-time delivery performance composite for First-Class Mail
14 Letters and Flats was 96.0 percent, and for USPS Marketing Mail and Periodicals, 91.80
15 percent. The Postal Service has not met these targets.

1 **2. Potential Improvements in Service Capability and Improved**
 2 **Achievement of Service Standards**

3 The Postal Service’s regulations pertaining to the current three-day service
 4 standard for First-Class Mail do not account for transit time within the contiguous United
 5 States between origin Processing & Distribution Centers or Facilities (“P&DC/Fs”), Area
 6 Distribution Centers (“ADCs”), and Sectional Center Facilities (“SCFs”). In order to
 7 meet these service standards, a significant quantity of First-Class Mail must be
 8 transported within the contiguous United States by air, rather than more cost-effectively
 9 by surface transportation.

10 The Postal Service’s historical service performance measurements indicate that
 11 volume transported via surface modes has better on-time performance than volume
 12 transported by air. As set forth below, surface transportation has provided better
 13 reliability than air transportation in recent years:⁶

Time Period	Percent on Time	
	Air	Surface
FY19 Q1	85.82%	89.06%
FY19 Q2	88.00%	91.13%
FY19 Q3	91.50%	94.00%
FY19 Q4	92.40%	94.27%
FY19	89.40%	92.02%
FY20 Q1	88.66%	90.95%
FY20 Q2	90.64%	93.05%
FY20 Q3	87.90%	92.20%
FY20 Q4	83.01%	86.85%
FY20	87.72%	90.85%
FY21 Q1	76.87%	78.80%
FY21 Q2	74.00%	79.40%
FY21 Q3TD	81.17%	88.81%

14

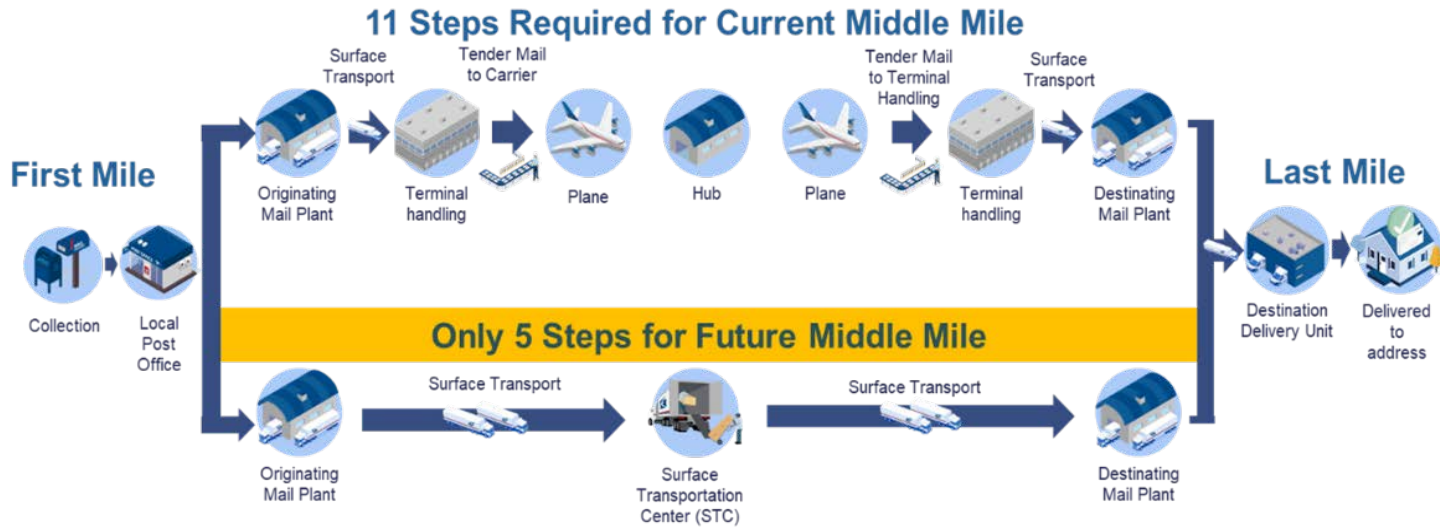
⁶ See USPS-LR-N2021-1-6 (Informed Visibility Service Performance Metrics (Enterprise Analytics) Data)

1 A number of factors contribute to the better performance reliability of surface
2 transportation over air transportation. For example, air carriers' flight schedules can be
3 volatile and subject to last minute changes based upon weather delays, network
4 congestion, and air traffic control ground stops. Delays and schedule alterations occur
5 less frequently with surface transportation, improving its overall on-time reliability.

6 The Postal Service does not anticipate that shifting volume from air to surface
7 would negatively affect surface transportation reliability. While some surface
8 transportation schedule changes would be necessary, current average utilization of
9 surface transportation capacity is 42 percent. That is to say, the surface transportation
10 network has ample existing capacity to absorb volume from air transportation and
11 shifting volume from air to surface would not introduce factors to surface transportation,
12 like weather delays and ground stops, that have negatively affected air transportation
13 reliability. Moreover, through improved surface transportation capacity utilization and
14 consolidation, we expect to require fewer surface transportation trips over a given
15 period than we currently require.⁷

⁷ As a result, we do not anticipate increased challenges with respect to driver shortages/availability or motor vehicle accidents.

1 By moving First-Class Mail from air to surface, the Postal Service will also be
 2 able to reduce the total number of touch points for each mail piece, which mitigates
 3 opportunities for delay and, therefore, improves service reliability:



4 Accordingly, the Postal Service believes that transporting a greater volume of
 5 mail by surface transportation, where feasible within service standards, will improve on-
 6 time performance.⁸ Increasing First-Class Mail service standards by one and, in some
 7 cases, two days, will therefore serve multiple purposes: enabling the Postal Service to
 8 transport a greater volume of mail within the contiguous United States by surface
 9 transportation rather than by air transportation; enabling the Postal Service to better
 10 meet the revised service standards; and reducing cost to the Postal Service by favoring
 11 the less expensive surface transportation modes.

12
 13

⁸ The Postal Service is not seeking an advisory opinion with respect to service performance targets through this proceeding, and our service standards do not, themselves, specify performance targets. That being said, we expect to set service performance targets at 95 percent once the new service standards are in place, and we expect to meet or exceed them consistently upon implementation of our proposed service standard changes during all times of the year.

1 **3. Potential Reductions in Mail Transportation Costs Outside the**
2 **Contiguous United States**

3 In addition to achieving cost reductions by moving First-Class Mail within the
4 contiguous United States from air to surface transportation, the Postal Service can
5 further reduce its mail transportation costs for transportation by air to and from Alaska,
6 Hawaii, and the territories through a service standard change for these categories of
7 First-Class Mail. The Postal Service anticipates that a service standard change would
8 enable it to reduce air transportation costs by adding flight schedule flexibility that does
9 not exist with the current service standards and operating plan. In order to meet current
10 service standards, the Postal Service must frequently transport mail to and from Alaska,
11 Hawaii, and the offshore territories using more expensive air cargo transportation
12 carriers, rather than less expensive commercial air carriers, because commercial air
13 carriers' flight schedules frequently would not permit the Postal Service to achieve its
14 current service standards.

15 **B. Overview of Existing and Planned Changes to Service Standards**

16 As set forth in greater detail below, the Postal Service proposes to increase
17 service standards for delivery of certain First-Class Mail and Periodicals within the
18 United States and territories by one to two days. The changed service standards will
19 result in nearly system-wide changes in mail transportation.⁹
20
21

⁹ Because service standards for both Periodicals and International Mail are tied to First-Class Mail service standards, the proposed changes to First-Class Mail service standards would consequentially affect Periodical and International Mail service standards. With respect to Periodicals, however, we anticipate that 93 percent of Periodical volume will not be impacted by the proposed service standard changes.

1 **1. Existing Service Standards**

2 Service standards are comprised of two components: (1) a delivery day range
3 within which mail in a given product is expected to be delivered;¹⁰ and (2) business
4 rules that determine, within a product's applicable day range, the specific number of
5 delivery days after acceptance of a mail piece by which a customer can expect that
6 piece to be delivered, based on the 3-Digit ZIP Code prefixes associated with the
7 piece's point of entry into the mail-stream and its delivery address.

8 Business rules are based on CETs. The CET is the latest time on a particular
9 day that a mail-piece can be entered into the postal network and still have its service
10 standard calculated based on that day (this day is termed "day-zero"). In other words, if
11 a piece is entered before the CET, its service standard is calculated from the day of
12 entry, whereas if it is entered after the CET, its service standard is calculated from the
13 following day.¹¹ For example, if the applicable CET is 5:00 p.m., and a letter is entered
14 at 4:00 p.m. on a Tuesday, its service standard will be calculated from Tuesday,
15 whereas if the letter is entered at 6:00 p.m. on a Tuesday, its service standard will be
16 calculated from Wednesday. CETs are not contained in 39 C.F.R. Part 121 because
17 they vary based on where mail is entered, the mail's level of preparation, and other
18 factors.

19 Currently, a one-day (overnight) service standard is applied to intra- SCF
20 domestic Presort First-Class Mail pieces properly accepted at the SCF before the day-

¹⁰ There are separate delivery day ranges for mail within the contiguous 48 states and mail that originates or destines outside the contiguous 48 states.

¹¹ If the following day is a Sunday or holiday, then the service standard is calculated from the next Postal Service delivery day.

1 zero CET. A two-day service standard is applied to intra-SCF single piece domestic
2 First-Class Mail properly accepted before the day-zero CET, as well as to inter-SCF
3 domestic First-Class Mail pieces properly accepted before the day-zero CET if the drive
4 time between the origin P&DC/F and destination SCF is 6 hours or less. A three-day
5 service standard is applied to inter-SCF domestic First-Class Mail pieces properly
6 accepted before the day-zero CET if the drive time between the origin P&DC/F and
7 destination SCF is more than 6 hours and the origin and the destination are within the
8 contiguous 48 states. A three-day service standard is also applied to instances
9 involving states and U.S. territories outside the contiguous 48 states where:

- 10 1. The origin is in the contiguous 48 states, and the destination is in any of
11 the following: Anchorage, Alaska (5-digit ZIP Codes 99501 through
12 99539); the 968 3-digit ZIP Code area in Hawaii; or the 006, 007, or 009 3-
13 digit ZIP Code areas in Puerto Rico;
- 14 2. The origin is in the 006, 007, or 009 3-digit ZIP Code areas in Puerto Rico,
15 and the destination is in the contiguous 48 states;
- 16 3. The origin is in Hawaii, and the destination is in Guam, or vice versa;
- 17 4. The origin is in Hawaii, and the destination is in American Samoa, or vice
18 versa; or
- 19 5. Both the origin and destination are within Alaska.

20 A four-day service standard is applied where:

- 21 1. The origin is in the contiguous 48 states and the destination is in any of
22 the following: any portion of Alaska other than Anchorage (5-digit ZIP

- 1 Codes 99501 through 99539); any portion of Hawaii other than the 968 3-
2 digit ZIP Code area; or the U.S. Virgin Islands;
- 3 2. The destination is in the contiguous 48 states and the origin is in Alaska,
4 Hawaii, or the U.S. Virgin Islands; or
- 5 3. The origin and destination are in different non-contiguous states or
6 territories, excluding mail to and from Guam and mail between Puerto
7 Rico and the U.S. Virgin Islands.

8 A five-day service standard is applied to all remaining domestic First-Class Mail
9 pieces properly accepted before the day-zero CET.

10 Under current standards, end-to-end Periodicals have a three to four-day service
11 standard applied to Periodical pieces properly accepted before the day-zero CET and
12 merged with First-Class Mail pieces for surface transportation, with the standard
13 specifically equaling the sum of one day plus the applicable First-Class Mail service
14 standard (*i.e.*, either two or three days, depending on whether the drive time is more
15 than 6 hours).

16 2. **Proposed Changes to Existing Service Standards**

17 The changes to service standards proposed at this time would not alter the
18 current standards for a substantial amount of intra-SCF First-Class Mail. Therefore,
19 those standards would remain as the one-day (overnight) service standard applied to
20 intra-SCF domestic Presort First-Class Mail and the two-day service standard applied to
21 intra-SCF Single-Piece First-Class Mail properly prepared and accepted before the day-
22 zero CET, provided that the combined drive time between the origin P&DC/F and
23 destination ADC and SCR is less than 3 hours.

1 The two-day service standard that is applied to inter-SCF domestic First-Class
2 Mail pieces would be limited to where the drive time between the origin P&DC/F,
3 destination ADC, and destination SCF is 3 hours or less, rather than 6 hours or less.
4 The three-day service standard that is applied to domestic First-Class Mail pieces
5 where the origin and the destination are within the contiguous 48 states would be limited
6 to where the drive time between the origin P&DC/F, destination ADC, and destination
7 SCF is between 3 hours and 20 hours. A four-day service standard would be applied to
8 domestic First-Class Mail pieces where

- 9 1. The combined drive time between the origin P&DC/F, destination ADC,
10 and destination SCF is 41 hours or less, and both the origin and the
11 destination are within the contiguous 48 states;
- 12 2. The origin is in the contiguous 48 states, and the destination is in any of
13 the following: the city of Anchorage, Alaska (5-digit ZIP Codes 99501
14 through 99539); the 968 3-digit ZIP Code area in Hawaii; or the 006, 007,
15 or 009 3-digit ZIP Code areas in Puerto Rico;
- 16 3. The origin is in the 006, 007, or 009 3-digit ZIP Code areas in Puerto
17 Rico, and the destination is in the contiguous 48 states;
- 18 4. The origin is in Hawaii, and the destination is in Guam, or vice versa;
- 19 5. The origin is in Hawaii, and the destination is in American Samoa, or vice
20 versa; or
- 21 6. Both the origin and destination are within Alaska.

22 A five-day service standard would be applied to all other domestic First-Class Mail
23 pieces, meaning those pieces where

- 1 1. The origin and the destination are within the contiguous 48 states and the
2 drive time between the origin P&DC/F, destination ADC, and destination
3 SCF exceeds 41 hours;
- 4 2. The origin is in the contiguous 48 states and the destination is in any of
5 the following: any portion of Alaska other than Anchorage (5-digit ZIP
6 Codes 99501 through 99539); any portion of Hawaii other than the 968 3-
7 digit ZIP Code area; or the U.S. Virgin Islands;
- 8 3. The destination is in the contiguous 48 states and the origin is in Alaska,
9 Hawaii, or the U.S. Virgin Islands; or
- 10 4. The origin and destination are in different non-contiguous states or
11 territories, excluding mail to and from Guam and mail between Puerto
12 Rico and the U.S. Virgin Islands.

13 Finally, for end-to-end Periodicals, because of the changes to First-Class Mail
14 standards, the current three-to-four-day service standard that is applied to Periodicals
15 pieces merged with First-Class Mail pieces for surface transportation would be changed
16 to a three-to-six-day standard, still based on the sum of one day plus the applicable
17 First-Class Mail service standard (which would have changed to two, three, four, or five
18 days, depending on the drive time).¹²

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20

¹² At the pre-filing conference, a question was raised regarding Election Mail. None of the changes we are proposing are specific to Election Mail. This service standard change is intended to improve reliability and consistency overall, and those benefits will extend to Election Mail. Based on data collected during the last federal election cycle, less than 4 percent of Election Mail would potentially be impacted by the change in service standards. While we believe any impact will be minimal, as we implement, we will continue to work with local election officials to help them understand any impacts and plan accordingly.

1 **II. MAINTENANCE OF CURRENT NETWORK OPERATIONS AND SERVICE**
2 **STANDARDS MAKES IT VERY DIFFICULT TO MEET PERFORMANCE**
3 **TARGETS AND PREVENTS POSTAL SERVICE'S REALIZATION OF**
4 **OPERATIONAL AND COST EFFICIENCIES**

5 Current First-Class Mail service standards account for surface transit times with
6 respect to one-day and two-day service standards, but not for service standards of three
7 or more days. The one-day service standard applies to Intra-SCF Presort First-Class
8 Mail. The current two-day service standard is determined based upon transit time
9 between the origin P&DC/F and the destination SCF. Specifically, the two-day service
10 standard applies when the transit time is 6 hours or less. 39 C.F.R. § 121.1(b)(2). And
11 the three-day service standard applies to all other First-Class Mail pieces where the
12 origin and destination are within the contiguous United States, no matter how long the
13 distance between the two. *Id.* § 121.1(c). In practice, the two-day service standard has
14 proven to be impracticable, and the three-day service standard is achievable in theory
15 only by forcing the Postal Service to prioritize air transportation, which is both more
16 costly and less reliable than surface transportation. The end result is that the Postal
17 Service is incapable of meeting its service performance targets, and hence providing
18 reliable and consistent service, under the current standards.

19 More particularly, when the Postal Service established the current two-day
20 service standard – that is, the standard applicable to mail that can be transported by
21 surface transportation from origin P&DC/F to destination SCF within 6 hours – it
22 assumed that P&DCs were able to dispatch Day 1 mail at 2:00 a.m., such that it would
23 arrive at the destination by the 8:00 a.m. CET. Achieving this standard requires the
24 Postal Service to employ substantial point-to-point two-day transportation for, at times,
25 very low volume. Shortly after the 2012 Network Rationalization, the Postal Service

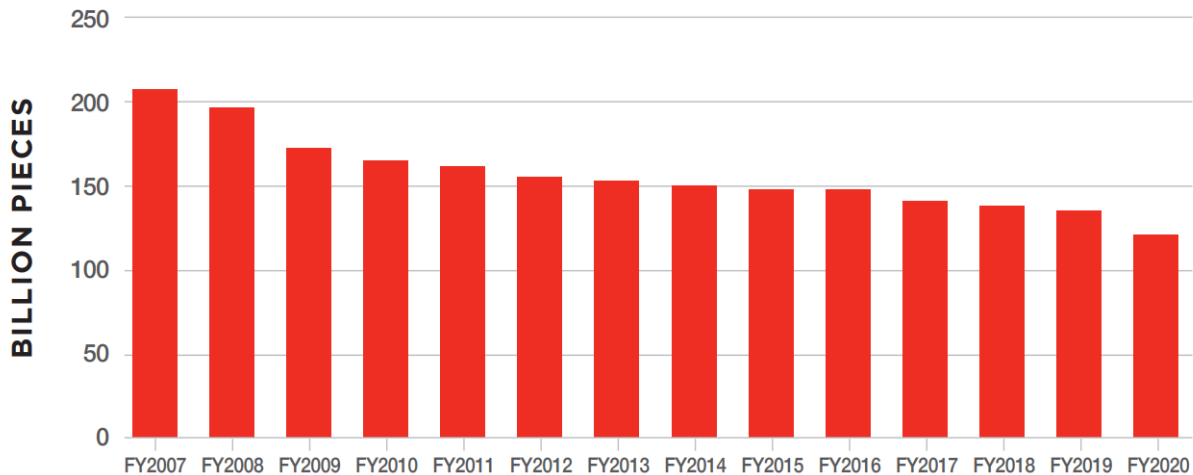
1 relaxed the CET somewhat to allow for multi-stop routings, or transfers through hubs to
2 help mitigate costly underutilization of surface transportation resources and reduce
3 frequent point-to-point trips that were necessary to meet the 8:00 a.m. CET. Relaxing
4 the CET at destination would occasionally negatively impact the destination sites' ability
5 to adhere to the established operating plan; overall, however, this change also allowed
6 additional time for processing, clearance, and dispatching and was intended not only to
7 reduce costs but also to improve service capability. Reducing the transit time from
8 origin P&DC/F to destination ADC and SCF to 3 hours will better enable the Postal
9 Service to meet the 8:00 a.m. CET and reduce the occasional negative impacts on
10 destination sites' ability to adhere to the established operating plan.

11 Similarly, mail volume with a three-day service standard must arrive at the
12 destination ADC/SCF by 8:00 a.m. on Day 2. Assuming that mail departs from its origin
13 at 4:00 a.m. on Day 1, this permits the Postal Service to use surface modes of
14 transportation only where the transit distance is approximately 1,300 miles or less
15 (assuming an average transit speed of 46.5 miles per hour). Origin and destination
16 points that are either beyond this range or, for other reasons, cannot be reached by the
17 Day 2 CET, are routed via the air network. As noted above, utilization of the air network
18 is both more costly and less reliable than surface transportation.

19 **A. Current and Projected Declines in Mail Volume and Revenue Require the**
20 **Postal Service to Adapt Its Network Operations**

21 Current and projected declines in First-Class Mail volume (and volume trends
22 with respect to other market-dominant and competitive mail products) require the Postal
23 Service to adapt its network operations in order to achieve logistical and cost
24 efficiencies and improve service reliability.

1 The Postal Service has observed two volume trends which complicate current
2 network operations. First-Class Mail volume has steadily declined at a rate of
3 approximately 3 to 4 percent annually over the past several years.¹³ More recently, the
4 rate of decline of First-Class Mail volume has increased during the ongoing COVID-19
5 pandemic, with volume in Quarters 3 and 4 of 2020 at levels 9.2 percent and 5.7
6 percent below the respective corresponding quarters of 2019.¹⁴ The decline in total
7 mail volume from 2007 to 2020 is shown in the following chart:



8
9 These changing volumes, combined with current service standard requirements,
10 together hamper the Postal Service’s ability to move mail volume cost-effectively. On
11 certain surface transportation lanes, the Postal Service may be moving only First-Class
12 Mail letters and flats. Where the Postal Service has redundant lanes, decreases in
13 First-Class-Mail letter and flat volume may justify eliminating trips. However, where the
14 Postal Service has only one trip in place on a given lane, current service standards may

¹³ See Direct Testimony of Curtis C. Whiteman on Behalf of the United States Postal Service (USPS-T-2), PRC Docket No. N2021-1 (April 21, 2021), at 3 (Table 1).

¹⁴ *Id.* at 4.

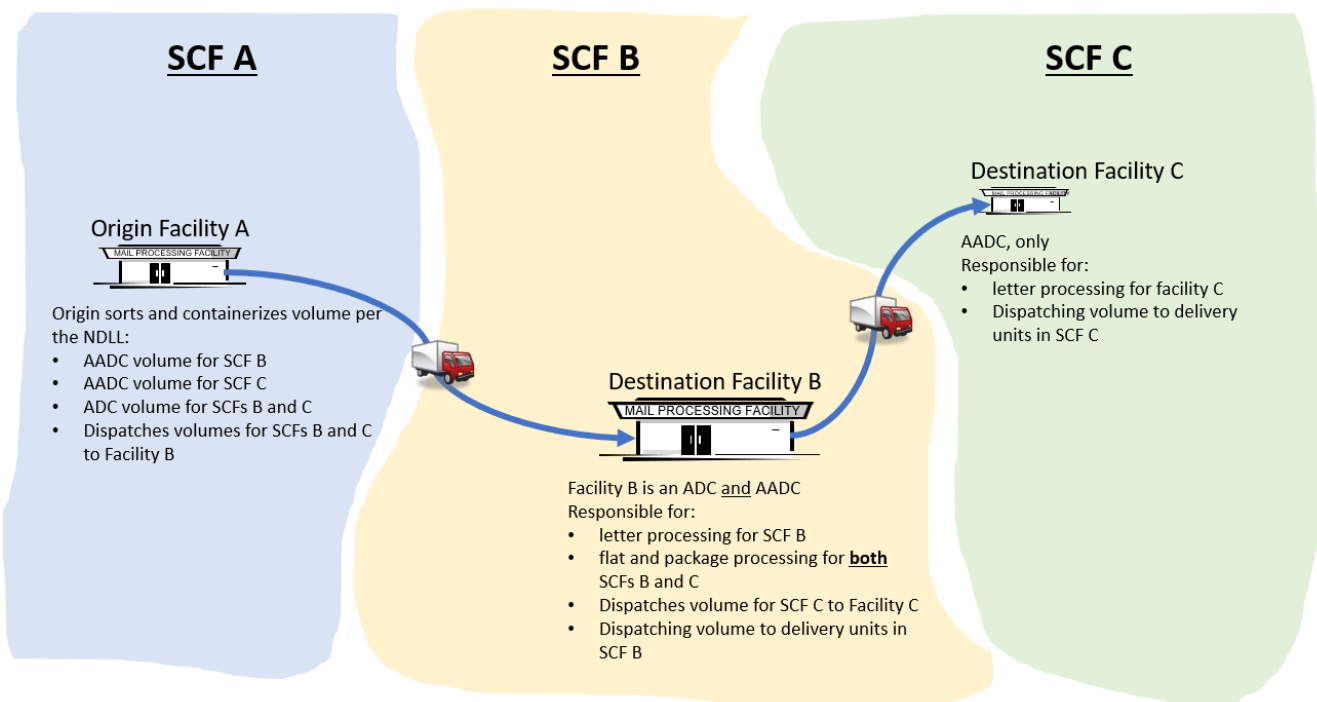
1 require the Postal Service to run the trip even with substantially decreased volumes.
2 Thus, where current service standards do not permit the Postal Service to delay a trip to
3 increase its volume, or route volumes via a hub and spoke network to improve
4 utilization, ongoing volume declines result in ever greater per-piece costs on those
5 lanes.

6 More complex still is the situation when the Postal Service must move both mail
7 and packages on the same trip. The Postal Service must take into consideration both
8 the increasing volume of packages and decreases in letter and flat volume. In some
9 cases, the Postal Service is able to reduce trips in lanes where network redundancies
10 exist. Overall, the network is fluid and must be adjusted on a continual basis to address
11 these fluctuations. However, the decreasing volume of First-Class Mail letters and flats,
12 current service standards, and the cost differential between surface and air modes
13 contribute to higher per-piece costs.

14 **B. Current Mail Transportation Logistics Overview**

15 The Postal Service has several types of processing and distributions centers.
16 Area Distribution Centers (“ADCs”) are typically the larger facilities that handle the
17 processing and distribution of letters, flats, and packages. Internally, all origin facilities
18 must sort flats and packages to the ADC separations as defined in the National
19 Distribution Labeling List (“NDLL”). Automated Area Distribution Centers (“AADCs”) are
20 facilities categorized as having automated letter processing, and the minimum
21 separations required for an origin facility to make for AADCs are also defined in the
22 NDLL under the AADC list. Sectional Center Facilities (“SCFs”) are the destination
23 processing facilities that have a distinct area of responsibility for processing and
24 finalizing volumes for dispatch to delivery units within that area. SCFs are typically

1 AADCs, and not all AADCs are ADCs. ADCs can have subordinate AADCs and SCFs.
 2 For internal surface routing purposes, origin facilities will typically route to the parent
 3 ADCs, and local transportation from the ADCs will transfer volumes shorter distances to
 4 the downstream AADCs/SCFs. Under the present business rules, there are cases
 5 where the SCF is closer to origin facilities and have a 2-day service standard while the
 6 parent ADC is beyond the 6-hour drive time and therefore 3-day. In these situations, to
 7 meet the service commitments to the subordinate SCF, the origin facility must make a
 8 separation for the SCF's volume and in some cases plan specific transportation to the
 9 SCF to meet the service commitments.



10
 11 The Postal Service currently employs two primary modes of transportation for the
 12 delivery of mail and packages: air and surface transportation. In this context, “surface
 13 transportation” refers primarily to transportation by trucks of various dimensions and
 14 automobiles. In very isolated cases, mail is also transported by barge, hovercraft,

1 snowcat, rail, and mule. Mail and packages transported by air are primarily flown by
2 either cargo or commercial passenger air carriers and, in some cases, contracted or
3 chartered carriers.¹⁵

4 The Postal Service divides surface transportation, in general, into two types of
5 service: local and network.

6 Local surface transportation refers to the transportation of mail and packages
7 between delivery units, mailers, and business mail entry units (collectively, “acceptance
8 sites”), on the one hand, and P&DC/Fs on the other. More particularly, under the rubric
9 of local surface transportation, in the afternoon, postal employees or contractors collect
10 mail and packages from acceptance sites and transport them to processing facilities,
11 where the items will be further sorted for delivery or transportation to a subsequent
12 processing facility. In the morning, postal employees or contractors transport
13 destinating mail and packages, which were sorted at the processing facility overnight, to
14 local delivery units. The Postal Service effects local transportation of mail and
15 packages through the services of both postal employees, *i.e.*, the Postal Vehicle
16 Service (“PVS”), and Highway Contract Route (“HCR”) suppliers.¹⁶

17 “Network surface transportation” refers to mail that is transported between
18 processing facilities, such as SCFs, ADCs, and P&DC/Fs. Mail that does not both
19 originate and destinate within the geographic area of an SCF must be further
20 transported to downstream processing facilities for further sortation, transportation, and

¹⁵ Transportation of mail by air between points within Alaska is effected by a regulated equitable distribution of volume among qualified carriers, which serve primarily or exclusively the Alaska market. See 39 U.S.C. § 5402(g). Such transportation is not the subject of this testimony.

¹⁶ Certain HCR suppliers who primarily transport mail between processing facilities occasionally also transport mail to individual delivery units located along a processing-facility-to-processing-facility route.

1 delivery. The Postal Service enters contracts with HCR suppliers to perform the vast
2 majority of these trips.

3 As noted above, the Postal Service provides surface transportation using either
4 postal employees (PVS) or HCR suppliers. In general, the Postal Service employs PVS
5 only for local surface transportation. In a few instances, however, PVS may provide
6 network surface transportation between plants close to employees' home facilities.
7 HCR suppliers provide the bulk of network surface transportation. The Local
8 Distribution Transportation ("LDT") Transportation Services Group manages the Postal
9 Service's LDT contracts in Largo, Maryland. Longer-haul transportation contracts, *i.e.*,
10 Process Network Transportation ("PNT") contracts, are managed by the PNT
11 Transportation Group in Memphis, Tennessee.¹⁷

12 Costs for local surface transportation currently average \$2.55 per mile, and
13 typically range from \$1.70 per mile to as much as \$2.90 per mile. The cost of network
14 surface transportation currently averages approximately \$2.20 per mile, and ranges
15 from \$1.90 per mile to over \$3.00 per mile.¹⁸ Network surface transportation is typically
16 more cost-efficient than local surface transportation due to a number of factors,
17 including the ratio of time spent loading and unloading vehicles vs. their time actually in
18 transit, and the greater amount of time in a day during which network surface

¹⁷ Contract Delivery Service contracts for last-mile delivery, typically on rural routes, although performed by HCR contracts, are not at issue here.

¹⁸ These costs are used to compare the cost effectiveness of different modes in the model; they are not used to calculate the overall cost savings in the Whiteman Testimony (USPS-T-2).

1 transportation assets, e.g. trucks, are utilized vs. idle when compared to local surface
2 transportation assets.¹⁹

3 Two main criteria determine whether the Postal Service transports mail by air or
4 by surface: time and cost. The first consideration, time, refers to whether the Postal
5 Service can physically transport mail from one point to another in time to meet
6 applicable service standards and operational plans. If it is possible to transport mail by
7 surface transportation and if the volume of mail warrants it, then the Postal Service
8 employs surface transportation modes. If the volume of mail and packages on a
9 particular lane is insufficient to justify the cost of surface transportation, or if surface
10 transportation is too time-consuming to permit the Postal Service to meet applicable
11 service standards, then the Postal Service transports that volume by air.

12 First-Class Mail must fly between the contiguous 48 states and Alaska, Hawaii,
13 and the offshore territories to meet the current service standards. Three to five-day
14 volumes must arrive before the CET at the destination processing center, typically by
15 8:00 a.m., Day-2, to meet the operating plan for processing and transfer to downstream
16 territories and/or processing centers for final processing and delivery. Currently,
17 commercial air-carrier (“CAIR”) options are limited due to the Required Delivery Time
18 (RDT) established to meet the operating plan and the current schedules and capacity of
19 the flights in those lanes. This requires the Postal Service to move the majority of the
20 volume on a cargo carrier, and cargo carriers tend to be more expensive than
21 passenger air carriers.

¹⁹ Occasionally, the Postal Service enters into emergency transportation contracts, the cost of which can exceed the amounts stated herein. Such emergency transportation contracts are not, themselves, significant cost drivers.

1 Adding a day to the current service standards applied to offshore volumes will
2 allow the Postal Service to utilize lower cost carriers, save transportation costs,
3 efficiently route mail through transfer points, and be better situated to meet our service
4 performance targets.

5 **III. THE POSTAL SERVICE INTENDS TO IMPLEMENT TRANSPORTATION**
6 **NETWORK CHANGES TO RESPOND TO CURRENT AND PROJECTED**
7 **DECLINES IN MAIL VOLUME AND REVENUE**

8 Current and projected declines in letter and flat mail volume and revenue, which
9 are primary drivers of the Postal Service's overall revenue, require that the Postal
10 Service implement transportation network changes to maintain efficient and cost-
11 effective service. In this section, I discuss more specifically the Postal Service's
12 proposed transportation network changes, mail processing changes, and service
13 standards, as well as their effects on Postal operations.

14 **A. Proposed Transportation Network Changes and Benefits**

15 The Postal Service's proposed changes to First-Class Mail and Periodicals
16 service standards will enable the Postal Service to implement cost-saving and
17 efficiency-improving transportation network changes. Such changes will help the Postal
18 Service achieve a better balance of cost effectiveness and reliability by moving more
19 volume by surface transportation. Further, they will enable the Postal Service to more
20 efficiently utilize surface transportation. They may also eventually enable the Postal
21 Service to more effectively consider modes of surface transportation, such as rail, that
22 are arguably underutilized.²⁰

²⁰ See *generally* U.S. Postal Serv., RARC-WP-12-013, Strategic Advantages of Moving Mail by Rail (July 16, 2012).

1 With respect to a two-day service standard, if the Postal Service reduces the
2 origin-to-destination drive time to 3 hours for First-Class Mail and Periodicals it will
3 reduce the geographic reach of two-day origin-destination pairs. This will help to ensure
4 the mail arrival profile supports successful operating plan compliance at the point of
5 destination, and reduce dedicated, inefficient surface transportation.

6 Similarly, expanding the available time in the transit window for three-day volume
7 opens opportunity to route volumes more efficiently. Currently, the three-day service
8 standard applies to all First-Class Mail with an origin and destination within the
9 contiguous United States if a shorter service standard does not apply. In practice, to
10 meet this standard, the Postal Service currently transports most mail by surface
11 transportation where the transit window is 28 hours or less. The Postal Service
12 proposes to modify the three-day service standard to apply only to volume that the
13 Postal Service can transport via surface transportation from origin P&DC/F to
14 destination SCF within 20 hours, including any transfer times from the ADC. This
15 change would add sufficient time to allow for efficiency-increasing measures, such as
16 (a) increasing the use of transfers via aggregation sites and surface transfer centers
17 (“STCs”), (b) combining trailer loads for one destination with loads for other destinations
18 (load sequencing), or (c) routing “multi-stop” lanes where the Postal Service could pick
19 up volume from multiple origins along the line of travel for final destination.

20 Adding a four-day service standard for mail originating and destinating within the
21 48 contiguous states with a surface transit time from P&DC/F to Destination ADC and
22 SCF of 41 hours or less would have similar efficiency-increasing effects. In addition to
23 the added available time in the transit windows between origin and destination pairs

1 within the current three-day network, adding an additional day also significantly extends
2 the surface transportation reach capability and allows for more efficient surface routings
3 and capacity utilization. Finally, adding a five-day service standard within the 48
4 contiguous states will allow the Postal Service to shift additional volume from the more
5 costly air transportation network to the more economical surface transportation network
6 with routing capacity utilization benefits as well.

7 Beyond the potential cost savings from shifting volume from air to surface and
8 enhancing the efficiency of the surface network, the proposed addition of one or two
9 days to current service standards will help to ensure that all mail volumes are properly
10 loaded onto designated transportation within the time constraints of the operating plan.
11 Early dispatches, which are frequently necessary to achieve current service standards,
12 risk departing from origin points without all committed volumes, leading to operational
13 plan failures and missed service standard targets.

14 Moreover, adding a day to the First-Class Mail service standards currently
15 applied to offshore volumes will allow the Postal Service to utilize lower-cost commercial
16 air carrier providers, rather than cargo air carriers, while meeting our service
17 performance targets.

18 Finally, after extending service standards by one or two days within the
19 contiguous United States, the Postal Service will establish an expanded surface
20 network for First-Class letters and flats, capable of reaching coast to coast. This
21 expanded FCM network will provide the opportunity to consolidate with the Network
22 Distribution Center (NDC) surface network. The NDC network is currently dedicated to
23 transporting end-to-end Marketing Mail, Periodicals and package service products from

1 P&DC to NDC, NDC to NDC, and NDC to P&DC. Merging these two parallel networks
2 will take advantage of shared space, improve network utilization, and reduce mileage
3 and trips. The shared network would facilitate changes needed to modernize the letter,
4 flat, and package network. Current letter and flat responsibilities would shift from the
5 NDCs to the P&DCs, shifting to a consolidated shape-based sort, and allow expansion
6 and improvement of the NDCs' core function – package sortation. This concept is
7 expected to reduce handlings, improve efficiencies in the processing centers and
8 network, optimize letter and flat processing for predictable, reliable operations and
9 enable the organization to better handle the growth in package volumes.

10 **B. Proposed Mail Processing Changes**

11 The network transportation changes discussed above would require some
12 modifications to the Postal Service's mail processing operations. The Postal Service
13 does not anticipate that the necessary mail processing changes, themselves, would
14 materially affect cost or revenue.

15 The Postal Service expects a reduction in workload within its air transportation
16 assignment operations. In larger postal facilities, air transportation assignments are
17 performed within dispatching operations in conjunction with tray sortation. Shifting
18 volume from air transportation to surface transportation would still require the Postal
19 Service to appropriately sort mail trays for dispatch, but instead of needing to weigh,
20 scan, and assign individual trays to an air carrier, the Postal Service could directly
21 containerize trays into working STC-containers or direct containers where volume
22 warrants.

23 Volumes that the Postal Service previously transferred to airports, typically
24 between 12:00 a.m. and 3:00 a.m. on Day-1 would instead depart later on the same day

1 via network surface transportation. The Postal Service anticipates that this could
2 potentially require a shift of dock operation resources to a later window. Although not
3 specifically modelled, based on my personal knowledge and experience, I do not
4 believe that these mail processing changes would, themselves, materially affect cost,
5 revenue, or service standard capability, maintenance operations, or utilization of Postal
6 Service human resources other than a shift of dock operations referenced above.

7 The Postal Service anticipates that implementing the proposed changes would
8 allow a significant reduction in the use of domestic commercial air transportation for
9 First-Class Mail volume. Currently, approximately 21 percent of FCM letters and flats
10 volume travels via air transportation. The Postal Service estimates that these proposed
11 changes would enable it to reduce this to approximately 12 percent of total volume.

12 The reduction in air transportation will lead to an increase in the volume moved
13 by surface transportation. While this may appear to result in increased surface miles
14 travelled, increased efficiency will more than offset a theoretical need for increased
15 miles. The proposed changes will give the Postal Service more flexibility to route mail
16 more efficiently, and to maximize the use of space on each trip. As such, the Postal
17 Service anticipates a decrease in miles traveled by surface transportation contractors.

18 **IV. THE POSTAL SERVICE HAS CAREFULLY CONSIDERED IMPACTS OF THE**
19 **PROPOSED CHANGES TO RELEVANT STAKEHOLDERS AND MEASURES**
20 **TO MITIGATE THOSE IMPACTS**

21 **A. Impact on Customers and Mitigation Measures**

22 The proposed changes would impact retail customers by, in some instances,
23 increasing the amount of time it would take to deliver a piece to a recipient. Therefore,
24 for mail that must be received by a certain date, the mailer would sometimes have to
25 enter the mail into the system sooner than under the previous standards. In order to

1 mitigate any harm from this change, the Postal Service will work to inform retail
2 customers about the service changes, so that they can set appropriate expectations for
3 delivery times. This is discussed in the testimony of witness Monteith.

4 The proposed service changes would have no impact on overnight and
5 destination entry volume, as their standards would not be changed. Thirty-four percent
6 of remittance volume may be impacted by a downgrade in service, and such downgrade
7 will reflect realignment of remittance mail processing and transportation with all other
8 First-Class Mail processing and transportation.²¹ The Postal Service will mitigate any
9 resulting confusion by explaining these changes and their potential impacts to its
10 customers. This is discussed in the testimony of witness Monteith.

11 We recognize that some customers may need to adjust their internal processes
12 to account for the changed service standards. In order to mitigate the impact of the
13 changes on business customers' need to make mailing process changes, the Postal
14 Service will work to provide industry with timely information regarding the service
15 standard changes, including information regarding affected ZIP Code pairs so as to
16 allow orderly process adjustments. Moreover, business customers' destination-entry
17 presort mail will remain unaffected by the proposed service standard changes, and all
18 mail will benefit from improved reliability and predictability.

19

20

²¹ The Postal Service presently prioritizes remittance mail such that certain remittance mail volume is delivered more quickly than is required under current First-Class Mail service standards. The Postal Service intends, going forward, to transport remittance volumes together with all other First-Class Mail.

1 **B. Impact on Postal Service Workforce**

2 These changes will not directly impact the Postal Service’s workforce. As noted
3 above, mail assignment operations will be adjusted, and the expected increases in
4 efficiency from consolidating more pieces into the same number of vehicles, due to the
5 reduction in separate trips to connect to air transportation, may lead to some decrease
6 in hours worked to move a given volume of mail. Although not specifically modeled, this
7 efficiency increase could potentially enable the Postal Service to reduce overtime hours
8 required to meet service standards but is not anticipated to lead to a reduction in
9 workforce size.

10 **C. Impact on Commercial Air and Surface Transportation Suppliers and**
11 **Mitigation Measures**

13 The Postal Service anticipates that the proposed changes would reduce the
14 volume of First-Class Mail carried by air contractors within the contiguous United States
15 and cargo air contractors between and among the contiguous United States, Alaska,
16 Hawaii, and overseas territories for the transportation of First-Class Mail, while
17 increasing the use of surface transportation suppliers. Because the Postal Service
18 anticipates cost savings as a result of these changes, there will likely be fewer total
19 expenses related to contracted transportation of mail. The Postal Service will work with
20 its contractors to ensure that changes are communicated effectively and that negative
21 impacts on suppliers from abrupt changes are minimized.

1 **D. Impact on Postal Service Contribution**

2 As noted in the testimony of Steven Monteith,²² the Postal Service anticipates
3 that the proposed service standard changes will result in a reduction in contribution
4 attributable to First-Class Mail of \$105.6 million, and negligible impacts on contribution
5 attributable to Periodicals. As the primary driver of First-Class Mail revenue loss is
6 electronic diversion, this initiative will balance those effects by reducing costs and
7 improving transportation efficiency, and by enhancing service reliability.²³

8 **V. THE POSTAL SERVICE’S PROPOSED NETWORK OPERATIONS CHANGES**
9 **ARE CONSISTENT WITH THE POLICIES AND REQUIREMENTS OF TITLE**
10 **39, UNITED STATES CODE**

11 The Postal Service has designed its proposed service standard changes with
12 certain intended objectives. In particular, the Postal Service seeks to enhance the value
13 of postal services to both senders and recipients; to preserve regular and effective
14 access to postal services in all communities, including those in rural areas or where
15 post offices are not self-sustaining; and to reasonably assure Postal Service customers
16 delivery reliability, speed and frequency consistent with reasonable rates and best
17 business practices.

18 In considering the proposed revisions to its service standards, the Postal Service
19 has taken into account all necessary and appropriate factors. Importantly, it will ensure
20 the continued provision of prompt, reliable, and efficient services. More specifically,
21 these factors also include:

²² See Direct Testimony of Steven W. Monteith on Behalf of the United States Postal Service (USPS-T-4), PRC Docket No. N2021-1 (April 21, 2021), at 6 (Table 1).

²³ *Id.* at 3.

1 (1) the actual level of service that Postal Service customers receive under any
2 service guidelines previously established by the Postal Service or service standards
3 established under this section;

4 (2) the degree of customer satisfaction with Postal Service performance in the
5 acceptance, processing and delivery of mail;

6 (3) the needs of Postal Service customers, including those with physical
7 impairments;

8 (4) mail volume and revenues projected for future years;

9 (5) the projected growth in the number of addresses the Postal Service will be
10 required to serve in future years;

11 (6) the current and projected future cost of serving Postal Service customers; and

12 (7) the effect of changes in technology, demographics, and population
13 distribution on the efficient and reliable operation of the postal delivery system, as well
14 as other policies that Congress has established.

15 **A. These Changes More Responsibly and Efficiently Align Service**
16 **Standards, Transportation Costs, Projected Mail Volumes/Revenue,**
17 **and Actual Performance to Ensure Continued Provision of**
18 **Adequately Prompt and Reliable Universal Service**

19 In order to fulfill its mission into the future for the American public, the Postal
20 Service must ensure that its operations and finances are managed responsibly and
21 efficiently. If the Postal Service cannot sustain itself financially, then it also cannot
22 continue to provide adequately prompt and reliable universal service to the country.
23 The proposed changes in service are intended to ensure sustainability and therefore
24 continued universal service. They are the product of close analysis of the Postal
25 Service's projected costs, volumes, and revenues, taking into account the changing mix

1 and magnitude of the mails. Critically, the Postal Service has identified greater cost and
2 service efficiencies through enhanced use of surface transportation options. Its service
3 standards need to be aligned to order to enable these changes.

4 At the same time, its standards should also be aligned to improve predictability
5 and reliability, by considering the Postal Service's operational capabilities. Data on
6 service performance from recent years confirms that the standards currently in place
7 have not aligned closely with actual performance. With the changes proposed in
8 transportation that are enabled by these changes, the Postal Service will be able to
9 significantly improve its service reliability. As noted above, we expect to set service
10 performance targets at 95 percent once the new service standards are in place, and we
11 expect to meet or exceed those standards on a consistent basis.

12 **B. The Changes Will Have Minimal Impact on Customer Satisfaction and**
13 **the Needs of Postal Customers, Without Any Undue or Unreasonable**
14 **Discrimination**

15 The changes being proposed will, on balance, benefit users of the mail by
16 enhancing the reliability of service, and helping to ensure the continued availability of
17 affordable, universal postal services to the country six days a week. Most mail volume
18 will remain at its current standard; in addition, most mail volume will continue to be
19 delivered within 1-3 days in the contiguous United States. Although certain service
20 standards will increase by one or two days, those services will remain quality and
21 adequate services. Indeed, as described above, the standards themselves have not
22 been aligned in recent years with actual performance. By aligning the standards with
23 actual performance and changing operations to perform more efficiently, the American
24 mailing public will benefit from more predictable service.

1 Moreover, these changes will not cause any undue or unreasonable
2 discrimination against any users of the mail. First, they do not treat different groups of
3 users in different ways. The changes are based on time and distance, which is not only
4 more efficient, but also more equitable. Second, the nature of the changes does not
5 impact any customer-facing facilities, meaning that customers with physical impairments
6 will face no changes that impact them any differently than any other customers.

7 **C. The Changes Allow Economical Prioritization of Important Letter Mail**

8 The changes being proposed do not unduly impact priority for important letter
9 mail. While some standards will increase by one or two days, the actual performance
10 will become more efficient and predictable. Customers who desire greater speed will
11 also have the ability to utilize other Postal Service products, specifically Priority Mail
12 Express and Priority Mail.

13 **VI. THE POSTAL SERVICE WILL INITIATE A RULEMAKING TO AMEND**
14 **39 C.F.R. PART 121**

15 In the present proceeding, the Postal Service is seeking an advisory opinion from
16 the Commission on the changes that I have described which will affect service on a
17 substantially nationwide basis. The Postal Service plans to initiate its own rulemaking
18 process to amend its service standards under 39 C.F.R. Part 121. The Postal Service
19 plans to publish a notice of its proposed revisions to Part 121 in the Federal Register
20 and to seek public comment from any interested persons. After considering public
21 comment and any advisory opinion of the Postal Regulatory Commission, the Postal
22 Service will publish any service standard changes in the Federal Register and Title 39
23 of the Code of Federal Regulations, which are available both on- and off-line.

1 **VII. CONCLUSION**

2 The proposed service changes reflect the need to enhance service reliability and
3 further reduce postal operating costs by implementing changes consistently across the
4 transportation network within the contiguous United States and between the contiguous
5 United States and its outer lying states and territories. Postal management deems the
6 implementation of the service changes described in this filing as necessary to assure
7 that the Postal Service remains a viable, financially healthy institution that can continue
8 to play a vital role in serving the changing communications and delivery needs of the
9 American people well into the 21st century.