Postal Regulatory Commission
Submitted 5/17/2021 4:27:03 PM
Filing ID: 117483
Accepted 5/17/2021

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

FIRST-CLASS MAIL AND PERIODICALS SERVICE STANDARD CHANGES, 2021	Docket No. N2021-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO QUESTIONS 1-11, 13-34 OF PRESIDING OFFICER'S INFORMATION REQUEST NO. 1
(May 17, 2021)

The United States Postal Service hereby provides its responses to the Presiding Officer's Information Request No. 1, issued on May 11, 2021. Each question is stated verbatim and followed by the response. Response to Question 12 is forthcoming, as will be addressed in a separate motion for late acceptance

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Anthony Alverno
Chief Counsel, Global Business & Service Development

Rory E. Adams
Ian Brown
Amanda Hamilton
Jacob D. Howley
Jeffrey A. Rackow

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1135
(202) 268-6706
ian.d.brown@usps.gov
May 17, 2021

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CINTRON TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 1. Please refer to USPS-T-1 at 7. Please confirm that the table at the bottom of page 7 "list[ing] the Postal Service's Percent-On-Time performance for Presort First-Class Mail from 2012 through 2020" references Presorted First-Class Mail service performance results for both letter- and flat-shaped mailpieces.

RESPONSE:

Confirmed

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CINTRON TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 2. Please refer to USPS-T-1 at 8. Please confirm that the table "list[ing] the Postal Service's Percent-On-Time performance for Periodicals from 2012 through the fourth quarter of 2020" references Periodicals mail for both end-to-end and destination entry Periodicals mail.

RESPONSE:

Confirmed

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CINTRON TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 3. Please compare and contrast the process used to develop the initial service standards for First-Class Mail products with the process used to determine the proposed service standards.

RESPONSE:

The current service standards were derived around the expanded operating window at the Processing and Distribution Centers. Service standards are based on the ability to ability to dispatch volumes from an origin and arrive at destination by the Critical Entry Time (CET). The Critical Entry Time (CET) for FCM was selected nationally to support the standardized expanded operating window, which called for processing incoming primary volumes between 0800 and 1200. The planned Clearance Time for Outgoing Secondary operations at the origin is 0030. The assumption was that 90 minutes for manual processing and dispatch would allow dispatching as early as 0200. The planned departure from origin at 0200 and arrival prior to 0800 determined the 6-hour reach for 2-day volume. All Origin and Destination pairs beyond 6-hours were assigned a 3-day service standard, since they would not be able to depart from origin and arrive at destination by the CET.

The proposed service standards were based on improving capability to transport more volumes on surface coast to coast. Similar to the logic used to determine the current service standards, drive times from origin to destination were considered along with CTs and CETs. Additional time for routing and transferring volumes via hubs or Surface Transfer Centers (STCs) was included, with the understanding volumes would need to be massed and/or picked/dropped at multiple locations for efficiency. The 3-hour reach for 2-day pairs was determined to support an initiative to hub 2-day volumes within a 3-

hour radius of 2-day pairs and reduce transportation costs. A 20-hour reach for 3-day volume supports a later dispatch from origin to facilitate pairing with package volumes and pair with dispatches from other origins. It allows up to eight hours for routing and transfer of volumes through an STC. The 41-hour reach for 4-day adds an additional three hours for additional transfers and to help mitigate service impacts from transit delays.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CINTRON TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 4. Please compare and contrast the process used to develop the initial service standards for Periodicals with the process used to determine the proposed service standards.

RESPONSE:

The proposed End-to-End service standards for Periodicals follows the same methodology for determining the current service standards. It is based on requiring at least 1-day more than the FCM service standards. Origin entered Periodicals are entered on day-0, receive a bundle, sack, or tray sort early day-1. Origin Mixed (OMX) bundles and trays separated from the sort operation early day-1 are then flowed to the day-0 Outgoing FCM sort operations. Outgoing volumes from MXD containers, bundle, sacks, trays that do not align with the FCM surface network are routed via the surface Network Distribution Center (NDC) network. Service standards for these pairs account for the one day needed at origin, and transit time between NDCs.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CINTRON TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 5. Please refer to USPS-T-1 at 11 n.8. The Postal Service states it "expect[s] to set service performance targets at 95 percent once the new service standards are in place, and . . . expect[s] to meet or exceed them consistently upon implementation . . . ."

a. Did the Postal Service prepare a study or impact analysis that confirms it will meet or exceed a service performance target of 95 percent on-time?
b. Please compare and contrast the process used to develop the initial service performance targets for First-Class Mail with the process used to determine the expected target of 95 percent on-time.
c. Please describe the steps the Postal Service will take to ensure these new targets will be met or exceeded.

RESPONSE:

a. Actual days to deliver in the current network was reviewed to determine the target of 95% on-time.

b. In prior years, legacy service performance targets were maintained unless the performance demonstrated capability of surpassing the target. Each year, the service performance for each category was compiled at the District and Area-level to determine the median performance. If the median performance surpassed the target, the target was increased by 0.01 points. If the median performance was not at target, the target remained the same. Proposed changes to the targets were presented to the ELT for approval.

c. The Postal Service will monitor service performance. The added transit time window will improve capability at origin to dispatch all volumes on designated transportation and arrive at destination prior to the CET. This will reduce extra transportation running to move volumes processed outside the operating plan window and allow the absorption of some transit delays.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CINTRON TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 6. Please refer to USPS-T-1 at 15-17 pertaining to the Postal Service's proposed changes to service standards for First-Class Mail.

a. Please describe any current distance-related criteria, in addition to drive time.
b. Please describe any planned distance-related criteria, in addition to drive time.

RESPONSE:

a. Drive time is used to determine current service standards, determined by distance divided by 46.5 mph and adjusting for time zones between origin P&DC and destination SCF. 2-day service standards are applied to pairs 6-hours or less.

b. Drive time is used to determine the proposed service standards, determined by distance divided by 46.5 mph and adjusting for time zones between origin P&DC, destination Area Distribution Center (ADC) and destination SCF. 2-day service standards are applied to pairs 3-hours or less, 3-day to pairs 20-hours or less, 4-day to pairs 41-hours or less, and 5-day for pairs greater than 41-hours.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CINTRON TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 7. Please refer to USPS-T-1 at 30. The Postal Service explains that a "reduction in air transportation will lead to an increase in the volume moved by surface transportation" and will eventually lead to a "decrease in miles traveled by surface transportation contractors."

a. Please describe and provide any studies, including scope, methodology, and results, that the Postal Service developed related to an eventual decrease in miles traveled by surface transportation contractors.
b. Please describe the steps the Postal Service will take to decrease miles traveled by surface transportation contractors.

RESPONSE:

a. The potential for significant reductions in mileage in the current surface network is based on the results of the modeling completed and described in Hagenstein's testimony USPS-T-3.

b. The Postal Service will review current surface lane utilization, identify and implement opportunities to increase utilization by eliminating direct trips with partial loads, and combining volumes to multiple destinations to make full loads for transfer via Surface Transfer Centers (STCs).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CINTRON TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 8. Please refer to USPS-T-1 at 25. The Postal Service discusses the criteria used to determine whether the Postal Service utilizes air or surface transportation. Please provide a decision tree or flow chart that details this determination process.

RESPONSE:

1) For a particular origin / destination lane under evaluation, first determine if current surface transportation is capable of supporting a service responsive routing
    a. Must have space available to move the volume and
    b. Must be able to arrive at destination prior to CET at destination, the day before the expected day of delivery per the service standard.
2) If no current transportation exists for routing, design proposed transportation that supports a service responsive routing and estimate the cost of the added transportation.
    a. Cost estimate is determined in Service Change Request (SCR) system, or by calculating cost based on comparable contracts' rate per mile, distance, and frequency.
3) If no viable surface transportation solution can be designed based on time and distance constraints, the lane will be assigned to air transportation mode.
4) If a viable surface solution is determined, the surface cost is compared to an estimated cost to transport that volume on the air network.
    a. Determine volumes between the pairs (pieces, expected weight, and cu-ft equivalent).
    b. Determine cost to transport volume on air network based on the lowest cost carrier operating in that lane with available space.

c. Select the lowest cost transportation mode

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CINTRON TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 9. Please refer to USPS-T-1 at 21. The Postal Service states that complexities exist "when the Postal Service must move both mail and packages on the same trip." Please provide a decision tree or flow chart that details this determination process. If this is not possible, please respond with a detailed example of when this process was used, how determinations were reached, and what specific metrics were used.

RESPONSE:

The complexities are based on two different products that must adhere to two different operating plans. To avoid having to create two separate under-utilized trips, the Postal Service attempts to combine products where possible. Letter and flat mail have to arrive by 1100 at destination the day before expected delivery while First-Class Packages must arrive by 2000. The origin operations do not necessarily clear at the same time, since letter and flat volume is declining and package volume is increasing, pushing the clearance time later.

- If letters and flats are capable of being routed via surface transportation, and the total volume justifies the trip, both mail and packages are typically dispatched on the same trip.
- If volume changes create the need for additional trips, alternative routings are review on existing transportation prior to adding new trips.
    - Packages have a greater transit window due to the later CET and may necessitate alternative routings to avoid adding trips. This may cause letter and flat volumes to dispatch on more direct transportation, while packages are routed via an STC on later transportation or via another site.
- If letters and flats are not capable of arriving at destination prior to CET, or requires more expensive surface transportation to arrive at destination prior to the CET vs. air transportation, the letters and flats are assigned to air.

- If the letters and flats are assigned to air and current trip is only needed to support the package routing, alternative routings are evaluated for the most cost-effective solution, which may include air.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CINTRON TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 10. What percentage of prescription fulfillment and medical supply mail will be impacted by the proposed changes in service standards?

RESPONSE:

We do not expect an impact to prescription fulfillment and medical supply mail due to this proposal, since most of those products are shipped as packages.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CINTRON TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 11. With regard to Origin Destination pairings within the mail network, please describe what methods were used to analyze the impact to those pairings with the greatest opportunities for increased efficiencies and service performance.

RESPONSE:

As described in Hagenstein's testimony (USPS-T-3), individual lanes requiring new surface transportation to support the shift from air were evaluated for cost effectiveness. We reviewed several specific origin destination pairs as case studies to compare current routings and schedules and potential benefit to the new transportation windows based on this proposal. Aside from the analysis listed above, we did not conduct a pair-by-pair analysis to identify the greatest opportunities for increased efficiencies and service performance.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 13. Projected cost savings calculated in Library Reference USPS-LR-N2021-1/4 are based on FY 2020 costs for both air and highway transportation. According to the Postal Service's Form 10-K report for FY 2020, air transportation and highway transportation expenses increased by 12.7 percent and 5.2 percent, respectively, compared to the prior year. The Postal Service expects transportation costs to decline in FY 2021 assuming a minimal usage of the higher cost chartered air carriers with the resumption of commercial air to full capacity by the middle of the FY 2021. FY 2020 transportation expenses were affected by the COVID-19 pandemic. Postal Service FY 2020 Form 10-K at 44.

a. Please provide the rationale for using FY 2020 as the base year given the known effects of the pandemic on transportation expenses.
b. Please provide the cost assumptions used to calculate the FY 2021 planned transportation costs in the FY 2021 IFP. *Id.*
c. Please provide the cost assumptions used to calculate the projected financial impact of individual transportation cost saving initiatives in the Postal Service's 10-year strategic plan.[1]

RESPONSE:

a. Using FY2020 as the base year for calculating the expected savings is appropriate for several reasons: (i) year-to-year increases of this level are not unprecedented; (ii) using the most recent transportation costs reflects the most up-to-date cost per pound and cost per cubic-foot-mile for air and surface transportation; (iii) First-Class Mail transportation costs have actually decreased since FY2019; and (iv) the share of transportation costs caused by First-Class Mail has decreased since FY2019. These reasons are explained in more detail below.

First, it is true that purchased transportation costs increased substantially from FY2019 to FY2020, but increases of this level are not unprecedented, even in recent years. From FY2018 to FY2019, air transportation costs increased by

[1] *See* United States Postal Service, Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence, March 23, 2021, at 48, available at: *https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS_Delivering-For-America.pdf*.

6.1 percent, and purchased surface transportation costs increased by 4.6 percent. From FY2017 to FY2018, air transportation costs increased by 16.6 percent, and purchased surface transportation costs increased by 5.6 percent. These increases from FY2017 to FY2018 were even larger, on a percentage basis, than those seen from FY2019 to FY2020.

Second, using the most recent available cost data ensures that the savings reflect the latest cost per pound and cost per cubic-foot-mile incurred for purchasing transportation capacity. Air and highway transportation costs are subject to inflation each year as well as additions, terminations, and modifications of the contracts involved. Using any prior year as a baseline would distort the future savings by failing to account for these annual changes.

Third, although total transportation costs did increase from FY2019 to FY2020, transportation costs attributed to First-Class Mail decreased over the same period. First-Class Mail air transportation costs decreased 12.2 percent, from $591 million to $519 million. First-Class Mail surface transportation costs decreased 3.6 percent, from $639 million to $615 million.[2] Since total transportation costs increased while First-Class Mail transportation costs decreased, it is clear that the share of transportation costs attributed to First-Class Mail also decreased from FY2019 to FY2020. To calculate the air transportation savings, the percent reduction in First-Class Mail flown that witness Hagenstein provides is applied to the share of First-Class Mail flown. In

[2] See Docket No. ACR2020, USPS-FY20-2, FY20Public Cost Segs & Comps.xlsx, tab CS14, and Docket No. ACR2019, USPS-FY19-2, FY19Public Cost Segs & Comps.xlsx, tab CS14.

FY2019, this First-Class Mail share would have been larger, which would have at least partially offset the difference in total transportation costs compared to FY2020.

It is important to clarify the prefatory remark that "[t]he Postal Service expects transportation costs to decline in FY2021 assuming a minimal usage of the higher cost chartered air carriers with the resumption of commercial air to full capacity by the middle of the FY2021." The FY2021 Integrated Financial Plan (IFP) was cited in support of this statement. However, the IFP was developed prior to the unexpected continued surge in package volume that has lasted well beyond peak season.[3] Therefore, even with commercial air at full capacity, some charters will likely be required to support this persisting high level of network package volume.

b. The FY2021 total transportation costs were developed by inflating segments of the estimated end-of-year FY2020 transportation costs according to Global Insight indices. Segments of transportation costs subject to adjustment include such items as fuel, wage components of the transportation contracts, and renewals of expiring contracts. The total calculated amount was then discounted to reflect targeted transportation cost reductions.

c. Baseline transportation cost projections in the strategic plan were developed by inflating segments of the FY2021 IFP transportation costs according to Global Insight indices over a ten-year period.

---

[3] *See* Revenue, Pieces, and Weight (RPW) Report, FY2021, Quarter 2 (May 7, 2021). First-Class Package Service volume has increased 49.9 percent compared to Quarter 2 of FY2020, and Priority Mail volume has increased 27.1 percent.

The potential cost impact from each initiative was developed independently and applied against the baseline projection. The resulting reduction in annual cost was then inflated by a 2 percent inflation factor after full implementation. Finally, each initiative was risk-adjusted to determine a range of potential cost savings.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN (REDIRECTED IN PART FROM WITNESS WHITEMAN) TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 14. Under the proposed changes, the Postal Service expects a reduction of 49.3 percent in First-Class Mail pounds flown.[4]

a. Will the available space that results from the reduction in First-Class Mail pounds flown be replaced by packages? If yes, how will that affect the cost savings calculated in Library Reference USPS-LR-N2021-1/4?

RESPONSE:

a. Outside of package growth and Priority volume that has temporarily shifted from air to surface, we are not planning on replacing First-Class letter and flats with packages on the air network. This would not impact projected savings as air lanes that were temporarily shifted to surface due to COVID were planned to be air in the model.

   There may be a shift in how we allocate to the air carriers. As volume shifts from air to surface, some additional space may become available on lower-cost carriers to accommodate packages currently being allocated to high-cost carriers due to capacity constraints. A shift to lower-cost carriers would increase savings.

[4] Library Reference USPS-LR-N2021-1/3, April 21, 2021, Excel file "3_SSD_5D_Vol_Impacts_CONUS.xlsx," tab "Air_Finance_Summary," cell C4.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 14. Under the proposed changes, the Postal Service expects a reduction of 49.3 percent in First-Class Mail pounds flown.[5]

b. Please provide air and surface costs for the affected First-Class Mail and Periodicals for prior years beginning FY 2017.

RESPONSE:

b. Air and Surface costs by product for First-Class Mail and Periodicals are shown below. Note that the costs below are for all First-Class Mail and Periodicals, as the Postal Service is unable to disaggregate costs according to volumes affected and not affected by the proposed service standard change. Note also that for FY2017, First-Class Parcels were excluded from the First-Class Mail total.

	FY2017		FY2018		FY2019		FY2020	
	Air Cost ($000s)	Surface Cost ($000s)	Air Cost ($000s)	Surface Cost ($000s)	Air Cost ($000s)	Surface Cost ($000s)	Air Cost ($000s)	Surface Cost ($000s)
First-Class Mail								
Single-Piece Letters	66,439	206,071	75,127	209,802	91,398	236,982	71,030	246,947
Single-Piece Cards	497	4,300	1,068	2,562	971	7,109	1,180	4,807
Presort Letters	277,107	220,695	289,841	214,163	374,930	244,352	329,138	215,243
Presort Cards	7,422	6,613	7,609	4,643	13,285	9,121	12,700	4,833
Flats	93,331	145,921	91,490	133,258	110,900	141,100	105,263	143,600
Total First-Class Mail	444,797	583,599	465,135	564,428	591,483	638,664	519,311	615,430
Periodicals								
In County	-	83	-	97	-	86	-	88
Outside County	16,082	154,867	14,957	168,448	18,555	172,236	13,347	148,197
Total Periodicals	16,082	154,950	14,957	168,545	18,555	172,322	13,347	148,286

Source: Docket No. ACR2020, USPS-FY20-2, FY20 Public Cost Segs and Comps.xlsx, tab CS14; Docket No. ACR2019, USPS-FY19-2, FY19 Public Cost Segs and Comps.xlsx, tab CS14; Docket No. ACR2018, USPS-FY18-2, FY18 Public Cost Segs and Comps.xlsx, tab CS14; Docket No. ACR2017, USPS-FY17-2, FY17 Public Cost Segs and Comps.xlsx, tab CS14.

[5] Library Reference USPS-LR-N2021-1/3, April 21, 2021, Excel file "3_SSD_5D_Vol_Impacts_CONUS.xlsx," tab "Air_Finance_Summary," cell C4.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS OWENS (REDIRECTED FROM WITNESS WHITEMAN) TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 15. Please provide projected air and surface costs updated with actual data through the current date for the affected First-Class Mail and Periodicals for FY 2021.

RESPONSE:

A range of projected FY 2021 air and purchased highway transportation costs, updated with actual total costs through April, for domestic First-Class Mail and Periodicals are provided below. Since the FY 2021 volume variable purchased transportation costs are not yet available, the air and surface amounts by product were estimated using a six-step process.

One, the air and surface volume variabilities from the FY 2020 purchased transportation cost model filed with the most recent Annual Compliance Report (ACR) (USPS-FY20-32, workbook CS 14) were applied to the actual and projected costs for FY 2021. This step results in air and surface volume variable costs by quarter for FY 2021.

Two, the FY 2020 air and surface distribution factors by product within domestic First-Class Mail and Periodicals were identified for Q1 and an aggregate distribution factor for Q2-Q4 FY 2020. These can also be computed from the publicly filed purchased transportation cost model filed in USPS-FY20-32.

Three, the relative weight amounts by relevant product were computed separately for Q1 and Q2 using publicly filed Revenue Pieces and Weight (RPW) reports from Q1 and Q2 FY 2021.

Four, air and surface distribution factors by relevant product by quarter were estimated by multiplying the ratio, by product, of its quarterly relative amount of RPW weight in FY 2021 by its corresponding quarterly amount in FY 2020. In formulaic form,

the distribution factor for product p, mode (air and surface) m, and period t was the following for Q1 FY 2021 and Q2-Q4 FY 2021.

Quarter 1 – FY 2021

$$DK_{pmt=Q1FY21} = DK_{pmt=Q1FY20} \times \frac{\%RPWWeight_{pt=Q1FY21}}{\%RPWWeight_{pt=Q1FY20}}$$

Quarters 2-4 – FY 2021

$$DK_{pmt=Q2-Q4FY21} = DK_{pmt=Q2-Q4FY20} \times \frac{\%RPWWeight_{pt=Q2FY21}}{\%RPWWeight_{pt=Q2FY20}}$$

An example may be helpful here. In FY 2020, the Q1 air distribution key for First-Class Single-Piece letters was 2.4 percent. According to RPW, the share of total mail weight that came from First-Class Single Piece letters fell to 1.8 percent in Q1 FY 2021 from 2.0 percent in FY 2020. Thus, the estimated distribution factor for First-Class Single-Piece letter air costs in Q1 FY 2021 was $2.4\% \times \frac{1.8\%}{2.0\%} = 2.2\%$. This method assumes that the relationship between a product's distribution factor by quarter by mode remains the same between FY 2020 and FY 2021. Moreover, it attempts to account for quarterly volume changes and for the seasonality of transportation costs because separate distribution factors are applied to Q1 and Q2-Q4 FY 2021 volume variable costs.

Five, the quarterly air and surface distribution factors by product are applied to the actual and projected quarterly air and surface costs.

Six, the air and surface costs by product are summed by class to compute separate FY 2021 costs by mode for First-Class Mail and Periodicals. The range of results are displayed in the table below.

Applying this method, air costs for First-Class Mail are projected to fall between $442 and $475 million, and First-Class Mail surface costs between $568 and $573 million. Air costs for Periodicals are projected to fall between $10 and $11 million, and Periodicals surface costs between $123 and $125 million. Note that these costs are for all First-Class Mail and Periodicals, as the Postal Service is unable to disaggregate costs according to volumes affected and not affected by the proposed service standard change.

Projected Transportation Costs by Mode for FY 2021 for First-Class Mail and Periodicals

FY 2021	Low	High	Low	High
Projected Costs	Air ($m)	Air ($m)	Surface ($m)	Surface ($m)
First-Class Mail	$ 442	$ 475	$ 568	$ 573
Periodicals	$ 10	$ 11	$ 123	$ 125

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 16. Please refer to Docket No. RM2017-3, Comments of the United States Postal Service, March 20, 2017, Appendix C at 4. Please quantify the savings realized to date from the initiative listed as b) in the recommended cost savings initiatives for the operating category Transportation / Logistics.

RESPONSES:

Savings realized from the referenced initiative are estimated at $36.1 million in FY2017. As shown in USPS-LR-N2021-1-NP6, filed under seal, and USPS-LR-N2021-1-11, escalating the annual savings through the intervening years at 2.6 percent per annum, the total savings through FY2020 is $150.2 million. The 2.6 percent inflator is a proxy based on Global Insight projections of overall Postal Service cost growth.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 17. Please provide information related to Highway Contract Route (HCR) contracting process, using an example of an Inter-Area highway contract where indicated.

a. Using an example of an Inter-Area highway contract, please explain what determines HCR contract's cost. For example, please address how the cost is determined by contracted vehicle(s) capacity, number of trips included in a contract, number of miles of each included trip, day(s) of the week included trip(s) would run, or a combination of these and/or other factors. Please also provide typical Inter-Area contract's duration.
b. Please explain whether HCR contracts include one-way trips, round trips, or both. For round trips, please explain whether trips are scheduled to carry mail on both the outbound and the inbound portions of their respective journeys.
c. Please provide the average Inter-Area contract cost per contract cost driver (as explained in question 17.a. above) in FY 2020. Please also provide the average Inter-Area contract cost per cubic-foot (ft3) and/or per piece of transported mail, depending on data availability. Please also describe trends in Inter-Area contracts costs per contract cost driver and cost per ft3 and/or piece of transported mail over the last 10 fiscal years. If these data are not available, please explain why.
d. Please explain the process the Postal Service has in place to acquire vehicles on an as-needed basis, for example, to deliver mail which was not loaded onto a scheduled trip due to delays. Using an example of an Inter-Area trip, please also explain how expense for such ad-hoc trip is determined (what the cost driver is) and whether it is reported in the regular, emergency, or exceptional Inter-Area contracts account.
e. Please refer to Library Reference USPS-LR-N2021-1/3, April 21, 2021, Excel file "3_SSD_5D_Vol_Impacts_CONUS.xlsx," tab "Finance_Summary Surface," cell D4. For the projected 6.6 percent reduction in mileage for Inter-Area trips, please explain whether this estimate represents a reduction in contracted miles for regular, emergency, and/or exceptional Inter-Area contracts.
    i. Please describe the impact of the 6.6 percent reduction in Inter-Area mileage on the Postal Service's expenses associated with existing Inter-Area regular contracts for which trips miles would be reduced.
    ii. Should any of the miles estimated to be eliminated be associated with Inter-Area exceptional contracts, please describe the impact on the Postal Service's expenses.

RESPONSE:

a. The cost driver for highway is cubic-foot-miles. The price for Inter-Area Highway Contract routes is determined through solicitation of service compliance with the USPS Supplying Principles and Practices. These contracts typically have a period of performance of 4 years.

b. HCR contracts include both one-way trips and round trips. Typically, round trips carry mail and / or Mail Transport Equipment in both directions.

c. The average cost per cubic-foot-mile for Inter-Area Regular transportation was $0.00066 for FY20. A ten-year trend of this data is not available. However, a four-year trend is provided in the chart below, based on available data.

Fiscal Year	Average Cost per Cubic-Foot-Mile
2020	$0.00066
2019	$0.00065
2018	$0.00064
2017	$0.00059

Source: Transportation Contract Support System (TCSS), extract from Quarter 4 of each FY

Neither a cost per cubic foot of Inter-Area transported mail nor a cost per piece of Inter-Area transported mail is available because no existing Postal data system reports the total volume or cubic feet of Inter-Area transported mail that would be needed to form the denominator of these calculations.

d. Exceptional service is called when needed to move volumes that failed to be loaded on planned transportation. There is a two-tier selection tool designed to solicit suppliers to provide service on an as-needed basis. There are twenty-four (24) individual companies listed within the tool, twelve (12) in Tier-1 and twelve (12) in Tier-2. The tiers are in ranking order based upon a contract rate per mile beginning with the lowest and escalating to the highest. The current range for Tier-1 is $2.70 to $3.98 per mile and Tier-2 is $4.20 to $7.49 per mile. When there is an

immediate need for an extra network trip, the request is entered into a SharePoint website, once the questionnaire is completed, a Headquarters Network Analyst begins a solicitation process to secure a supplier to operate/provide the service requested. All Tier-1 suppliers are emailed with the requirements, out of those that respond, the lowest priced per mile supplier is awarded the trip. If no Tier-1 supplier responds, after 60 minutes all Tier-2 Suppliers are emailed and the first responding supplier is awarded the trip. Data is collected regarding trip schedule, origin and destination locations and frequencies to make appropriate adjustments to the network long term. The process is similar for Network extra trips that are scheduled in advance, except the requests go to Tier-2 suppliers for award, they will be awarded in order of the lowest price per mile.

e. The estimated reduction in mileage does not specify regular, exceptional, or emergency. Implementation could impact all three categories.

i. The 6.6% reduction in inter-Area mileage is estimated reduction against a baseline model of transportation required under existing service standards. The estimated cost reductions are described in Mazzei's testimony.

ii. Reductions to exceptional service would save the Postal Service in a similar way to reductions to regular contracted service. Exceptional service is typically more costly per mile than regular contracted service.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 18. Please provide information related to expenses and/or penalties associated with poor on-time performance in the air and the surface networks.

a. Please describe costs associated with poor on-time performance, and describe how these costs, when incurred in the air network, differ from costs incurred in the surface network.
b. For each of the surface and air networks, please explain whether it is the Postal Service or the supplier of transportation services that bears expenses associated with poor on-time performance, and describe how these expenses are determined.
c. For each of the surface and the air networks, if relevant, please explain whether the Postal Service can and does assess penalties to suppliers of transportation services for poor on-time performance.

RESPONSES:

a. Some expenses associated with poor on-time performance for both air and surface are additional workhours and overtime to work late arriving mail and costs to run trips not performed, or to mitigate service failures.

b. For Surface transportation the Postal Service bears the expenses of poor service. There is no system in place to track these expenses. For air transportation, liquidated damages (reductions in payment) are applied to the carrier's payment based on a scale of incremental reductions and minutes late. Any piece receiving a delivery scan outside of the Required Delivery Time will be determined late resulting in a sliding scale reduction in payment.

c. There are currently no penalties for poor performance in Surface Transportation contracts. The USPS has specific performance requirements in all of the air contracts. There are also liquidated damages for failure to meet the performance requirements. The performance and payment systems are configured to apply the liquidated damages to the carriers' payments when performance targets are not achieved.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 19. Please refer to USPS-T-3 at 7. The Postal Service describes the modeling as an iterative process in which network efficiencies are maximized. The Postal Service further explains that the iterative process first created a model to optimize origin facility – destination facility pairs (OD Pairs) currently served by surface transportation, then introduced OD Pairs currently served by air transportation into the model, and finally analyzed cost effectiveness of the model's routing results for current air OD Pairs. Please provide information related to the model's iterations.

a. The Postal Service describes that during the model's first iteration, new service standards were introduced into the model, which resulted in increased transportation window and allowed for efficiency improvements in the modeled network of trips.
    i. Please describe what transportation efficiencies were accomplished by the model's first iteration. Specifically, provide number of routings in the "baseline network," number of routings in the network which resulted from the model's first iteration, baseline and resulting routings' mileages, as well as baseline and resulting capacity utilizations.
    ii. Please list all products currently served by surface transportation within Inter-Area, Inter-Cluster, and Inter-P&DC networks, which have similar service standards and require similar transit times as those proposed for First-Class Mail.
b. The Postal Service describes the model's second iteration as including OD Pairs currently served by air transportation.
    i. Please provide the percentage of the First-Class Mail volume diverted from the air network that was determined to be able to utilize routings from the model's first iteration and the percentage of the diverted volume determined to require new routings.
    ii. Please explain what volume, other than the diverted First-Class Mail volume, was modeled to be transported on the newly added routings.
    iii. Please provide the number of new routings determined to be required, the average routing distance in miles, total miles of all new routings, newly added capacity, and average capacity utilization for the new routings.
c. During the model's third iteration, new routings from the previous iteration were evaluated for cost effectiveness.
    i. Please explain whether capacity utilization for new routings was among the factors evaluated when determining these routings' cost effectiveness. Please provide the utilization percentage which constituted satisfactory utilization.
    ii. Please provide the number of new routings that were determined cost effective and those determined not cost effective, from the model's third iteration. Please describe how routings determined to be cost effective and routings determined not cost effective differed.
    iii. Please provide an Excel file which includes final transportation mode selected by the Postal Service, outside of the model, for each origin-destination 3-digit ZIP Code pair or each origin-destination facility pair, depending on the level at which mode selection was determined.

d. Using two examples of actual Inter-Area, Inter-Cluster, and Inter-P&DC trips, please map these trips to the most relevant OD Pairs. Please also describe similarities and differences between modeled OD Pairs and contracted trips.

RESPONSES:

a. i. The baseline model using current service standards output 4,073 routings, daily mileage of 2,139,302, and 66% trip utilization. The optimized surface routing model produced 3,566 routings, daily mileage of 1,805,069, 74% trip utilization.

ii. The additional products sharing the FCM network and included in the model are: Marketing Mail and Periodicals identified as being transported via First-Class Mail network, International volumes, and Priority.

b. i. Of the total air volumes diverted to surface routings, approximately 30% of the volume was placed on 676 of the routings defined in the first iteration.

ii. The second iteration introduced only FCM air volumes to the model to determine additional routings on the surface network.

iii. The number of new established routings to carry air volumes was 1,115 with an average mileage 1,306 and a utilization of 57%.

c. i. Utilization was not a direct constraint but given that the air cost has a direct relationship with volume, routings with more volume are more likely to be cost effective. In general, longer trips have the higher costs and require more volume to offset the cost of transporting that volume via air.

ii. The number of newly established and cost-effective routings to carry air volumes was 319 with an average mileage 453 and a utilization of 82%. In general, new routings that are longer in distance and lower in utilization were less likely to be cost effective.

iii. Please refer to the Excel spreadsheet filed under seal within USPS-LR-N2021-1-NP4.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 20. The Postal Service identifies model inputs as volumes, mappings of origin and destination 3-digit ZIP Codes to respective origin and destination processing facilities for all mail classes and shapes, transportation mode currently used for First-Class Mail, shipping containers used, transit times between origin and destination facilities, and costing inputs. Please provide information regarding model inputs.

a. Please refer to USPS-T-3 at 8. Please explain why the Postal Service used package volumes which pertained to October 2020, First-Class Mail volumes for March 2019 and scaled to March 2020, and all other volumes which pertained to March 2019. Please also explain possible implications of optimizing a network in which mail mix is not representative of mail mix pertaining to one point in time. In your explanation, please address the fact that the estimated gains in efficiencies were partly driven by products of different classes and shapes sharing vehicle space to increase capacity utilization, while identifying more efficient routings.
b. Please provide the month and the calendar year to which the Wednesday mode matrix used as an input to the model pertains. Please provide additional detail on transportation modes.
    i. Please refer to USPS-T-3 at 9. The Postal Service states that the Mode Mapping file "designates the approved mode of transportation, air or surface, between every origin and destination pair in the country" and that "the Wednesday mode matrix was used." Please clarify whether by "approved mode" in the quoted sentence, the Postal Service refers to mode approved by the Postal Service on the specific Wednesday or whether it refers to transportation mode approved based on origin and destination facilities' respective clearance time (CT) and critical entry time (CET) as well as on the distances between them.
    ii. Please explain whether First-Class Mail mode approved based on distance and on CTs and CETs can vary from the mode a mailpiece is assigned to on a given day, and describe what determines this "diversion."
    iii. Please describe how the Wednesday to which the mode matrix pertains aligns with days to which modeled volumes pertain.

RESPONSES:

a. Package volume from October 2020 was used to account for the significant increase in package volume observed after the onset of the COVID-19 pandemic. The validated March 2020 3-digit to 3-digit volume file for all products (web ODIN monthly reporting) was not available at the time of the modeling. March 2019 volume data was available, and March represents an average month of the year. The volumes were scaled to account for year over year volume changes. Letter and flat volume

continue to decline, and we determined this introduces little risk for this high-level model and analysis of the network. The model output was to be used for operational / tactical application, implications of using the March 2019 data set would include misrepresenting certain pair volumes due to shifts in mailer volumes. The estimated gains in efficiency were not driven by the other products modeled, since the other service standards remained constant. All products used to determine the requirements of the FCM and Priority network were modeled in both the baseline and service standard change scenario. The baseline model utilized the same volumes and modeling parameters and adjusted the delivery date of the shipments based on proposed service standards.

b. i. The Mode Matrix is a reference table in the USPS Distribution Table Management System (DTMS). This table defines the mode of transportation assigned to move volumes between each origin and destination pair in the country, for each product, by day of week. For non-holiday, or peak periods, the mode for each lane remains constant from week to week unless a mode change request is submitted and approved. For modeling purposes, the Wednesday DTMS Mode Matrix for the period prior to the pandemic impact was referenced.

ii. In general, mode assignments remain consistent for every day of the week. A Wednesday was referenced to stay consistent with the modeled volume days.

iii. In general, transportation modes do not vary based on days of the week (other than a small subset of exceptions). Selecting Wednesday's mode matrix was simply to align with a representative Wednesday day of the week in the model.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 21. Please refer to USPS-T-3 at 6, 10-17. The Postal Service states that it used Blue Yonder Transportation Modeler optimization software (software) to maximize modeled network's efficiencies, with the objective to minimize transportation miles, while adhering to all parameters and constraints. USPS-T-3 at 6, 10. The Postal Service also describes that the software used a set of instructions on how to perform optimization and provides service standard assignment rules used in the modeling. Id. at 11, 13. Please provide information related to the optimization process.

a. Please explain whether the instructions to the software on how to perform optimization, and included in the various strategy files that the software tested, were given weight, determined by their relative importance within the complete set of instructions, and if so, please list instructions with highest assigned weights.
b. Please explain whether the software was instructed to eliminate potential routings for which capacity utilizations were low and from which volumes could be "transferred" to available alternative routings.
c. The Postal Service describes service standard assignment rules utilized in the model. Please explain whether the modeling process started with a "baseline scenario," which was to a certain degree reflective of current Inter-SCF network inefficiencies and current routings, and to which proposed service standards were introduced during the model's first iteration.
d. The Postal Service states that the model assumed 53-foot trailers, with maximum volume modeled as 1,575 ft3. Id. at 15.
    i. Please provide capacity of a 53-foot trailer (in ft3) and explain what capacity utilization 1,575 ft^3 of mail volume in a 53-foot trailer represents.
    ii. Please explain whether the 1,575 ft3 of mail volume represented modeling input (i.e., less optimal use of truck capacity) or whether it was an instruction for the software, which represented a more optimal use of truck capacity.
    iii. Please provide truck capacity utilization for modeled Inter-Area, Inter-Cluster, and Inter-P&DC trips before and after optimization was performed.
    iv. Please provide average capacity utilization for actual Inter-Area, Inter-Cluster, and Inter-P&DC trips in FY 2020. Please also provide average APC container utilization in FY 2020.
e. The Postal Service states that the software used a vehicle speed of 46.5 miles per hour (mph) to generate transit times. *Id.*
    i. Please explain whether 46.5 mph speed was used for all modeled trips, including short distance trips (up to 139.5 miles), trips with multiple stops, and trips with portions of traveled distances in urban areas.
    ii. Please explain whether average vehicle speed, as dictated by trips' characteristics (such as urban/rural area trip, number of stops per trip, vehicle load) is considered when HCR contract amounts are determined. If vehicle speed (or travel time) is considered, please describe how it is determined/what values are used.
    iii. Please explain whether the Postal Service assumed maximum combined driving distance between origin and destination processing facilities within

the contiguous United States, above which First-Class Mail volume could not be delivered within the five-day service standard transit window and for which First-Class Mail volume was assigned to air transportation based solely on this distance.

f. Please refer to USPS-T-3 at 16-17. The Postal Service describes slack time added to transit time, and made possible due to increased transportation window, as allowing pairing of shipments at the origin and additional stops. The Postal Service also describes origin dispatch times used in the model as based on 95th percentile machine end times plus 90 minutes or 3:30, whichever was earlier. Lastly, the Postal Service states that destination CETs are product- and shape-based, specifically 8am for letters/flats and 8pm for parcels. Please provide information related to origin dispatch times, destination entry times, and how they contributed to more efficient routings for Inter-Area, Inter-Cluster, and Inter-P&DC trips.
   i. Please explain whether 95th percentile for machine end times plus additional 90 minutes were used as modeling inputs and whether the software was instructed to add any slack time at origin to allow for pairing of shipments at that stage (in particular for "all drops and one pick" trips).
   ii. Please explain why the model used the *earlier* of 3:30 or machine end time + 90 minutes, and whether this assumption could have resulted in unrealistic origin dispatch times and may have prevented pairing of shipments at origin.
   iii. For each of Inter-Area, Inter-Cluster, and Inter-P&DC categories, please provide the most common dispatch time at origin before and after network optimization was processed.
   iv. Using an example, please explain how different CETs for letter-/flat- and parcel-shaped mail, combined with added slack times, which benefit only First-Class Mail and end-to-end Periodicals volumes, allow for shared truck space for letter/flat and parcel volume, *i.e.,* for increased capacity utilization.
   v. Please provide average truck space in Inter-Area, Inter-Cluster, and Inter-P&DC network used by Priority Mail and First-Class Package Service volume in FY 2020.
   vi. The Postal Service describes that trips were modeled as non-stop or multi-stop trips, with a maximum of three stops allowed for the latter (one stop at a Surface Transfer Centers plus two extra stops). Please explain whether the baseline network assumed only non-stop trips or trips with fewer than three stops and whether some of the modeled efficiency gains stem from stops that were added during optimization process, owing to the increased transportation window. Please also explain whether additional stops would result in increased mileages for routings.

g. Please describe whether mail weight, mail capacity (ft^3), or both were used to determine costs of fuel for the routings evaluated by the software.

h. Please list modeling instructions that most contributed to the estimated reduction in mileages for Inter-Area, Inter-Cluster, and Inter-P&DC trips.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

i. Please list existing Inter-SCF inefficiencies not accounted for in the optimization process.

RESPONSE:

a. The software does not prioritize one instruction set over the other. Rather, it builds an entire solution universe based on all instruction sets and then compiles a solution that minimizes both mileage and trips.

b. The software is not instructed to eliminate any volumes or routings based on utilization. The software is required to route all volumes in the most efficient way that reduces both trips and mileage.

c. The baseline scenario was modeled with current state service standards using the same instruction set from the proposed service standards model. Both the baseline and proposed scenarios present an optimal network based on the respective business rules.

d. i. A 53' trailer is 9 feet tall and 8 feet wide and has an internal volume of 3,816 ft. The 1,575 ft3 modeled represents the current postal standard of 42 All-Purpose Containers (APCs) at 37.5 ft3 each.

ii. The capacity of 1,575 ft3 was a constraint used by the software to determine the maximum amount of volume that can go on any trip. This capacity is an estimate of usable trailer capacity utilizing USPS Mail Transport Equipment (MTE).

iii. The overall current network utilization approximately 40%. We do not track current utilization in those specific categories. The modeled utilization following the optimization was 77.4%. This includes the surface routings and any routings added to move air volumes.

iv. The overall current network utilization approximately 40%. We do not track current utilization in those specific categories.

e. i. No, the transit speed of 46.5 mph was used for modeled trips up to an including 1,000 miles. Trips over 1,000 miles were modeled using 55 mph. Certain metropolitan areas were adjusted to account for slower transit speeds.

ii. Vehicle speed is used to determine transit times between termini. The requestor of an HCR change will typically use the standard speed of 46.5 mph. If it is a modification of an existing contract with a trip in the lane, the existing travel time will be reviewed and used if the contractor performance shows on-time arrival. If there are other similar trips in the lane, other contracts may be referenced for travel time, as well. If the supplier has an issue with the transit time proposed, the lane and supporting data will be examined more closely to assess impacts due to time of day and traffic, traffic lights, local speed limits, etc.

iii. A maximum time and distance was not used to assign volume to air.

f. i. The 95th percentile machine end times plus 90 minutes was used as a modeling input for each origin facility. This method was used to establish an earliest ship time. The model was used to determine the optimal departure time within the transit window constraints. In addition, the model also uses a 30 minutes load/unload time.

ii. 03:30 was selected as a cut-off time for departing volumes from a feeder facility to an aggregate facility, not from the aggregate sites to the outbound network. Where small facilities feed larger facilities to consolidate volumes for the network, we needed to determine reasonable dispatch times. Many small facilities clear earlier than the larger facilities, and it was necessary to estimate

the volume availability for dispatch from the larger sites receiving and consolidating volumes from smaller feeder sites.

iii. The current average dispatch time from origin from February 2021 through May 14th, 2021, between 00:00 and 12:00 is 04:48am. The average modeled dispatch time from origin facilities is 06:07am. The information available is not summarized by inter-area, inter-cluster, and inter-P&DC.

iv. Currently, 3-day First-Class letter and flat volumes have an expected delivery time of 0800 day-2 and 3-day FC parcels have a CET of 2000 day-2. Parcels have an additional 12-hours of transit window available to take advantage of surface transportation where the FCM would have to fly to arrive by CET. When we expand the First-Class letter and flat mail transit window times and shift 3-day to 4 and 5-days, this provides significant opportunities for the Letters/Flats to ride along with the parcels.

v. This data is not available. However, based on the average Inter-SCF utilization (45 percent) and the percent of Inter-SCF cubic-foot-miles attributed to domestic competitive products as measured by TRACS, a reasonable estimate is that in FY20, 26.1 percent of space on Inter-SCF transportation was used by domestic competitive products. Inter-SCF contracts include Inter-Area, Inter-Cluster, and Inter-P&DC contracts.

vi. The baseline model was allowed the same amount of stops as the proposed model. The increase in transportation window in the proposed model increases the opportunity and ability to build more efficient multi-stop trips. Additional stops allowed would decrease overall mileage; however, testing determined that

anything over three stops was offering diminishing returns compared to the increase in trip complexity.

g. Mail weight and mail capacity were not used in the cost of fuel. The modeled rate per mile is based on current national rates.

h. The modeling instructions that had the most influence on the results where the multi-stop instruction set and the Hub (STC) assignment and routing instruction set. Specifically, when looking at the strategy file, the HubAssign and HubMove functions pairs with the ReOptTLLoads and OptTLLoads.

i. I am unable to identify the inter-SCF inefficiencies not accounted for in the optimization process.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 22. Please describe inefficiencies present in the Inter-Area, Inter-Cluster, and Inter-P&DC networks and identify those that could be improved without the implementation of the proposed service standards for First-Class Mail, which result in increased transportation window for First-Class Mail and end-to-end Periodicals volumes only.

RESPONSE:

Inefficiencies present throughout the network are largely driven by the service standards necessitating point-to-point routings exist between all surface lanes and trips must operate on a daily frequency regardless of volume. There are opportunities to improve utilization based on lane density and eliminating trips and adjusting frequency in under-utilized lanes with multiple trips per day.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 23. Using examples, please describe the direction and potential magnitude of the impact of the following factors, which remain to be evaluated, on the estimated reductions in Inter-Area, Inter-Cluster, and Inter-P&DC mileages.

a. Trips were modeled as one-way
b. Relationships with transportation outside the scope of the model
c. Site-specific operational nuances
d. Department of Transportation requirements

RESPONSE:

a. Trips modeled as one-way will need to be paired with return trips by the transportation planning team prior to implementation. Failing to find return trips to pair with one-way trips could escalate the rate per mile.

b. Priority Mail Express (PME), and Mail Transport Equipment (MTE) was not included in the model, and certain transportation between pairs used for PME and realigning MTE. During implementation, these other products will need to be considered and may inhibit the ability to reduce mileage in certain cases.

c. Specific operational constraints, such as yard and dock throughput constraints, processing constraints driving volume arrival profile requirements may require adjustments to the implementation planning to help sites be successful. This could force adjustments to departure times and in some cases inhibit pairings with other volumes. Given the extended transportation windows and ability to adjust dispatch times and arrival times, the impact risk is low.

d. The mile-per-hour rates used in the modeling generally allow time for DOT required breaks. Given the extended transportation windows and ability to adjust dispatch and arrival times, the impact risk is low.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 24. Please explain whether the estimated reduction in mileage is expected only in the first year the proposed service standards would be implemented (FY 2022). Please provide additional information related to cost savings and future plans for network improvements.

a. Please provide an estimate of the air and the surface network cost savings pertaining to FY 2022, the first full fiscal year with new First-Class Mail service standards in place.
b. Please describe other highway networks where optimization process is ongoing or planned, the focus of these efforts, and these networks' main cost drivers.
c. In USPS-T-1, witness Cintron states that "after extending service standards [for First-Class Mail] by one or two days within the contiguous United States, the Postal Service will establish an expanded surface network for First-Class letters and flats, capable of reaching coast to coast" and that this coast to coast First-Class Mail network would then be merged with the existing Inter-National Distribution Center (NDC) network, currently dedicated to transporting end-to-end Marketing Mail, Periodicals, and package service products. USPS-T-1 at 28-29.
   j. Please explain whether First-Class Mail volume traveling from coast to coast would arrive at destination facility within the five-day service standard maximum transit time.
   ii. Please confirm that surface network impact of this new coast to coast First-Class Mail network is not included among the materials filed in the instant docket.
   v. Please discuss how network changes considered/modeled in the instant docket are aligned with and lead to this eventual coast to coast First-Class Mail network.

RESPONSE:

a. $175M to $279M

b. Long-haul Network Optimization is evaluating lanes with multiple trips for reduction opportunities based on average trip utilization. They also review one-way trips and identify pairing opportunities to reduce trips and reduce rate per mile.

c. i. Yes, First-Class Mail traveling coast to coast would arrive at destination facility within the 5-day service standard. Departing at 0400 day-1 and arriving by 0800 day-4 and subtracting three hours for time zones traveling west to east, allows 73 hours of transit time. 73 hours traveling at 46.5

mph gives an upper limit of roughly 3,394 miles. Los Angeles to Boston is approximately 2,983 miles, leaving approximately 8 to 9 hours of time for transfers.

ii. The impact of merging the NDC network and FCM network is not included in this docket.

iii. Extending the FCM service standards to allow coast to coast reach will allow NDC network volumes to share space on this transportation and reduce overall network requirements. Instead of maintaining two parallel networks, network efficiencies could be realized by merging the two.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 25. Please explain the impact of the proposed service standard changes on Outbound First-Class Mail International and Inbound Letter Post volume, revenues, costs, and service performance. For the Inbound Letter Post, please include expected impact on bonuses/supplementary remunerations earned on the basis of on-time performance.

RESPONSE:

Please refer to the file filed under seal in USPS-LR-N2021-1-NP7.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 26. Please refer to Library Reference USPS-LR-N2021-1/3, Excel file "3_SSD_5D_Vol_Impacts_CONUS.xlsx," tab "Finance_Summary Surface."

a. Please explain whether the values included in columns B and C of the referenced tab represent mileages per day or mileages per year, for Inter-Area, Inter-Cluster, and Inter-P&DC contracts. If the values are annual mileages, please explain what factor the Postal Service used to calculate annual mileages from daily mileages and how this factor was determined.
b. For each of the Inter-Area, Inter-Cluster, and Inter-P&DC contract categories, please provide annual capacities (ft^3) and annual mileages that represented modeling inputs, those that were produced from the first iteration of the model (*i.e.,* solely due to introduction of the proposed service standards), and those which resulted from the model's second iteration (with new surface routings added to the modeled network for some of the diverted First-Class Mail volume).
c. Please explain whether any miles which were eliminated during the modeling process were associated with eliminated trips.

RESPONSE:

a. The numbers represent daily mileages. To annualize daily transportation mileage, an annual frequency of 307 days per year is applied, which is daily except Mondays and days after holidays other than Martin Luther King Jr.'s Birthday, Presidents' Day, Columbus Day and Veterans Day.

b. These categories and annual capacities are not used as a modeling input and are not produced after the first iteration, only after the second iteration and Air to Surface cost evaluation. The annualized numbers from the second iteration are as follows:

	Baseline (Current SSD Model)	**5 Day**	**Comparison Metrics (Delta to baseline)**
Finance Category	Annual Mileages	Annual Mileages	% Mileage Difference
Inter-Area	509,879,722	476,207,102	7%
Inter-Cluster	137,330,310	132,358,414	4%
Inter-P&DC	9,555,559	8,865,393	7%
Grand Total	656,765,591	617,430,909	6%

c. The model produced an overall 507 trip reduction from the baseline (3,566 from 4,073) in the first iteration. 319 trips were added after the second iteration for a total of 3,885. Overall mileage reductions are attributed to both trip elimination and trip re-structuring.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MONTEITH TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 27. Please refer to USPS-T-4, in which witness Monteith states, "End-to-end Periodicals volume has declined by 20 percent from FY 2015 to FY 2019." USPS-T-4 at 3. Please provide the sources and any underlying calculations for deriving the 20 percent figure quoted above.

RESPONSE:

The End-to-End Periodicals volume was derived from Periodicals MCS documented in Folder 14. The data shown in the attached Excel file is not explicitly presented in the ACR filings but the methodology of the MCS is described in the Preface of Folder 14 and the data were derived from this database. The underlying data is volumes and contains sensitive customer data.

- USPS-FY15-14 - Mail Characteristics Study (Public Portion) ACR 2015
- USPS-FY19-14 - Mail Characteristics Study (Public Portion) ACR 2019

End-to-End volume is computed as the sum of volume entered at Origin BMC, Origin ADC and Origin SCF.

The underlying calculations deriving the 20 percent figure are provided in USPS-LR-N2021-1-8, End-to-End Periodicals Volume.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MONTEITH TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 28. In USPS-T-4, witness Monteith states, "The lower sensitivity of Presort mail to changes in Delivery Time is an important finding. It suggests that the estimated impact to [First-Class Mail] is unlikely to be significant given that Presort Letters account for 65 percent of overall [First-Class Mail] volume and Single-Piece Letters is 28 percent." *Id.* at 15.

a. Please provide the percentage of Presort First-Class Mail subject to the proposed changes in service standards.
b. Please provide the percentage of Single-Piece First-Class Mail subject to the proposed changes in the service standards.
c. If the Postal Service is unable to provide these percentages please explain.

RESPONSE:

a. 47 percent of Presort First-Class Mail will be impacted by the changes in service standards.

b. 22 percent of Single-Piece First-Class Mail will be impacted by the changes in service standards.

c. N/A.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MONTEITH TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 29. In USPS-T-4, witness Monteith states, "To develop the projections, Thress evaluated the impact to [First-Class Mail] volume if Delivery Time increased by 18 percent as a result of the proposed service standard changes." *Id.* Please also refer to USPS-T-4 stating, "To develop the projections, Thress evaluated the impact to Periodicals if Delivery Time increased by 18 percent as a result of the proposed service standard changes and holding price and costs constant." *Id.* at 17. Lastly, please refer to Direct Testimony of Thomas E. Thress on Behalf of the United States Postal Service (USPS-T-5), April 21, 2021, in which witness Thress states, "The Postal Service estimates that the proposed changes to service standards could increase average delivery time by as much as 18 percent within the affected delivery networks." USPS-T-5 at 36.

a. Please explain why the increase in delivery time is estimated to be the same for First-Class Mail and Periodicals and provide basis for such an assumption.
b. Please confirm that the 18 percent figure referenced above refers to the change in expected Delivery Time from comparing the old and new service standards and not the change in actual Delivery Time as a result of adopting the proposed service standards.
c. If not confirmed, please explain what specifically the 18 percent refers to and how the Postal Service defines "Delivery Time."
d. Please provide the underlying calculations, for both First-Class Mail and Periodicals if there are separate calculations and including references to initial source(s), for deriving the 18 percent figure referenced above.
e. Please confirm whether it is possible to derive or the Postal Service currently possesses corresponding estimates for the increase in Delivery Time for specifically affected classes and products of First-Class Mail and end-to-end Periodicals. If not confirmed, please explain why it is impossible for the Postal Service to procure such estimates.
f. If question 29.e. is confirmed, please explain whether it would be possible to feed more granular inputs of increase in Delivery Time through witness Thress's models to estimate volume loss, and subsequently the effect on contribution, for specific products and classes in USPS-T-5. If not confirmed, please explain why it is not possible to feed in the more granular inputs into the model and estimate product and class-specific contributions.

RESPONSE:

a. We provided the 18 percent input to witness Thress to be applied to both First-Class Mail and Periodicals volumes because the end-to-end Periodicals volume impacted by the proposed service standard change traverses our network along with First-Class Mail volume and for the sake of simplicity.

b. Confirmed.

c. N/A.

d. Please see USPS-LR-N2021-1-9, 18 Percent Input.

e. It is possible to derive increases in Delivery Time for (1) Presort Letters &Cards, (2) Presort Flats, (3) Single-Piece Letters & Cards, and (4) Single-Piece Flats.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS THRESS (REDIRECTED IN PART FROM WITNESS MONTEITH) TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 29. In USPS-T-4, witness Monteith states, "To develop the projections, Thress evaluated the impact to [First-Class Mail] volume if Delivery Time increased by 18 percent as a result of the proposed service standard changes." *Id.* Please also refer to USPS-T-4 stating, "To develop the projections, Thress evaluated the impact to Periodicals if Delivery Time increased by 18 percent as a result of the proposed service standard changes and holding price and costs constant." *Id.* at 17. Lastly, please refer to Direct Testimony of Thomas E. Thress on Behalf of the United States Postal Service (USPS-T-5), April 21, 2021, in which witness Thress states, "The Postal Service estimates that the proposed changes to service standards could increase average delivery time by as much as 18 percent within the affected delivery networks." USPS-T-5 at 36.

f. If question 29.e. is confirmed, please explain whether it would be possible to feed more granular inputs of increase in Delivery Time through witness Thress's models to estimate volume loss, and subsequently the effect on contribution, for specific products and classes in USPS-T-5. If not confirmed, please explain why it is not possible to feed in the more granular inputs into the model and estimate product and class-specific contributions.

RESPONSE:

The relationship between average delivery time and mail volume which I modeled in USPS-T-5 was estimated based on total mail volume and average delivery days across all mail. The estimates presented in my testimony represent the average impact across all mail and all mailers and may not be indicative of the specific impact of any particular mailer. Mailers may also be expected to make volume decisions based on the average delivery times for all of their mail, some of which may or may not be subject to the changes being proposed in this case. Care should therefore be taken in attempting to apply these results to more granular sub-categories of mail.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MONTEITH TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 30. In USPS-T-4, witness Monteith states, "Further, all Periodicals are likely to be more sensitive to changes in Delivery Time as compared to end-to-end Periodicals due to the inclusion of more time-sensitive mail pieces, thus the forecasted impact is likely to be overestimated." USPS-T-4 at 17. Please provide all quantitative metrics used to support the claim that end-to-end Periodicals are less time-sensitive than Periodicals in general. If no quantitative metrics are available please explain the basis for this claim.

RESPONSE:

There is no data currently available that allows us to reliably identify which end-to-end Periodicals are time-sensitive (i.e., daily, weekly, and monthly). Notwithstanding, time-sensitive Periodicals are generally mailed at a higher frequency and are entered directly at the destination facility such as DDUs, DSCFs, and DADCs. This volume would not be considered "end-to-end" Periodicals and thus not impacted by the proposed changes.

Periodicals entered at origin would travel in our network with First-Class Mail ("FCM") and take on FCM service standards plus one day; on the other hand, we have some volumes that go through our NDC network, and the timeline for those can range from 6 to 9 days. Those lanes and service standards are based on where our current FCM enters the air network. As we move those pieces to surface transportation, we anticipate that this will result in improved service performance end to end for Periodicals. Further, it is estimated that 93% of Periodicals would see no change, thus we believe the forecasted impact is overstated.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MONTEITH TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 31. In USPS-T-4, witness Monteith states, "We [the Postal Service] had productive discussions regarding the initiative during which [Postmaster General's Mailers Technical Advisory Committee (MTAC)] members provided insightful feedback . . . . [Areas Inspiring Mail (AIM)] members also provided insightful feedback on the initiative. The Postal Service also has an array of established communication channels for consumers and small businesses . . . . We hosted webinars for business mailers to introduce and discuss the proposal as well as to answer any questions and receive feedback. For the general public, our employees at customer care centers are knowledgeable about the proposed service-standard changes and can answer most questions about the initiative. These employees can also receive feedback." *Id.* at 22-24. In USPS-T-4 witness Monteith also states, "Postal Service officials informally meet with groups whom raised concerns about the proposal. For example, officials met with remittance mailers, election officials, and periodical mailers to identify and address their concerns and answer questions." *Id.* at 25 n.74. Please also refer to feedback received during the pre-filing conference, which took place on April 6, 2021, and the technical conference, which took place on April 30, 2021. Please provide examples of feedback and/or "concerns" received from various stakeholders, and the Postal Service's response to these concerns, including but not limited to:

a. MTAC
b. AIM
c. election officials
d. rural and urban customers
e. seniors
f. veterans
g. contiguous and non-contiguous U.S. customers
h. middle-class customers and low-income customers
i. large and small-business customers
j. prescription mailers
k. remittance mailers
l. end-to-end Periodical mailers
m. marketing mailers
n. transactional mailers
o. Postal Service employees
p. the general public

RESPONSE:

We have ongoing discussions regarding the service standard proposal with members of the industry that represent subparts (a)-(p) in POIR No. 1, Question #31.

Specifically, Executive Leadership met with Mailers' Technical Advisory Committee ("MTAC") on March 30, 2021 and presented the 10 Year Plan, 'Delivering for America' ("the Plan" or "Delivering for America Plan"), which includes the service

standard proposal. There were over 600 attendees at the March 30th presentation. On March 31, 2021, the industry participated in a full day of focus group sessions in which industry could raise issues and concerns to Postal Service leadership. Issac Cronkite presented the Plan to Central Area Areas Inspiring Mail ("AIM") with approximately 420 attendees.

Prior to the release of the Delivering for America Plan, the Postal Service held multiple meetings with the leadership of industry associations where elements of the Plan under consideration were discussed. Industry was able to provide feedback on items under consideration such as service standards and pricing. Also prior to the release of the Plan, the Postal Service met with the leadership and membership of three key industry associations: National Postal Policy Council, National Association of Presort Mailers, and the National Newspaper Association. The proposed service standards changes were among the items discussed at these meetings, and we received feedback on those proposed changes among other items relating to the Plan.

After the release of the Delivering for America Plan, the Postal Service held meetings with the leadership and membership of 11 key industry associations to discuss the Plan. The Plan was covered at high level, including the proposed service standard changes, and each association had the opportunity to raise their concerns, if any, and ask questions. We met with the following associations: American Forest & Paper Association, Envelope Manufacturers Association, Parcel Shippers Association, Association of Magazine Media, American Catalog Mailers Association, Saturation Mailers Coalition, Major Mailers Association, Alliance of Nonprofit Mailers, Greeting

Card Association, International Mailer's Advisory Group, and the Association for Postal Commerce.

In April 2021, the Postal Service provided a briefing on the "Delivering for America" Plan to the Postal Customer Council ("PCC") leadership. It included both Postal Service and industry leadership from the 144 PCC's nationwide. Almost 200 people were in attendance. We discussed the proposed service standards changes at the briefing and received feedback on those proposed changes.

Since the Plan's release, the Postal Service did two separate briefings with election officials. We briefed the leadership of the National Association of Secretaries of State ("NASS") and the National Association of State Election Directors ("NASED"). The other briefing was with the Secretaries of State and the State Election Directors. At both briefings, the proposed service standards changes were discussed, and feedback on the proposed changes was received.

In addition, the Postal Service held virtual meetings with customers from six different regulated industries: Utilities, Insurance, Banking / Mortgage, Credit Card, Healthcare / Pharmacy, and Telecom to discuss the potential impact of the proposed service standards changes on the industries. Lastly, District Managers meet with elected officials each quarter to share postal updates and address constituents' concerns. Previous updates have included discussions of the Delivering for America Plan generally and the proposed service standard changes.

The concerns raised in the context of the proposed service standard changes centered mostly around the grant of additional pricing authority to the Postal Service. Other concerns were related to customers' investigation of whether and how the

proposed changes impact their businesses, both generally and from an operational perspective. Within that investigation, customers are trying to identify all potential issues and determine whether any of those potential issues are actionable. For example:

- Customers are assessing whether the proposed changes will impact billing cycles, and whether they will need to adjust billing cycles to account for the changes.
- Companies and consumer groups are trying to understand whether and how the proposal will impact the delivery times of remittances.
- Election officials assessing whether any geographic areas would be subjected to slower delivery times as a result of the proposed changes.
- Customers within regulated industries are evaluating whether the proposal implicates any regulatory requirements, or whether the proposal just implicates internal processes that set timelines for sending mail pieces.

As described above, many stakeholders are still trying to understand the proposal and assess the proposal's impact on their businesses. The Postal Service's response has mostly been to meet with stakeholders obtain feedback, provide additional information, and to assist stakeholders in understanding the proposal and assessing the proposal's impact on customers' businesses. For example, mailers requested that we release ZIP Code pairings so that they can analyze the impact of the service standards proposal. In response, we provided that information with witness Stephen Hagenstein's testimony. We have also shared the feedback received with postal leadership and highlighted customers' concerns in discussions relating to the proposal. We are also focused on

improving communications with business mailers regarding remittance mail, the Postal Service established a Remittance Mail MTAC User Group that will provide the structure needed to support the industry and foster collaboration and improved communications. The Postal Service is deeply committed to ongoing productive discussions with our stakeholders about our goals for the future of the organization. We will continue to listen, learn, and support the industry through these changes.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MONTEITH TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 32. In USPS-T-4, witness Monteith states "many customers have expressed general concerns about adjusting delivery times . . . ." USPS-T-4 at 25.

a. Please provide additional information on the types of customers referenced above that have expressed concerns about adjusting delivery times.
b. Please describe any trends that the Postal Service has identified, on different customer segments' responses to the proposal.
c. Please confirm whether the Postal Service conducted analyses or surveys to gauge the impact of the proposal to adjust delivery times for First-Class Mail and end-to-end Periodicals on customers' satisfaction.
    i. If confirmed, please provide the results of such analysis, including a discussion of trends for various customer segments, including but not limited to:
        1. rural and urban customers
        2. seniors
        3. veterans
        4. contiguous and non-contiguous U.S. customers
        5. middle-class and low-income customers
        6. large and small business customers
        7. prescription mailers
        8. remittance mailers
        9. end-to-end Periodical mailers
        10. marketing mailers
        11. transactional mailers
    ii. If not confirmed, please explain why the Postal Service did not conduct such an analysis or survey.

RESPONSE:

a. Types of customers that expressed concerns relating to adjusting delivery times at the prefiling conference (listed in no particular order): Business mailer associations; labor unions; consumer association and organizations; insurance companies; pharmacies; direct marketers; financial institutions; magazine publishers; printers, logistic companies; and telecommunications companies.

b. Please see Witness Monteith's response to POIR No. 1, Question #31.

c. Not confirmed. Apart from the econometric analysis conducted by witness Thress, the Postal Service has not conducted any analyses or surveys specific to the proposal at issue in above-captioned docket. However, the Postal Service regularly conducts surveys (i.e., the BHT surveys) that gauge customer satisfaction as to the Postal Service's reliability and delivery performance.

i. N/A.

ii. In assessing the proposal, the Postal Service wanted to evaluate the impact of the proposal on all mailers. The econometric analysis performed by witness Thress isolates the impact of delivery performance on all First-Class Mail volume and by Single-Piece and Presort Mail. We believe the impact identified by Thress's model is the most representative of all mailers and did not find analyses on narrower segments of mailers to be necessary. However, we have been working with customers segments to assess and understand the proposal's impact on those segments and will continue to do so. Please see Witness Monteith's response to POIR No. 1, Question #31 for a description of those outreach efforts.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MONTEITH TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 33. Please refer to USPS-T-4, Tables 2 and 3.

a. Please reconcile why Table 2 indicates 0.456 billion pieces in First-Class Mail volume loss from FY 2011 to FY 2020 and Table 3 indicates 0.490 (0.490 = 0.473 + 0.017) billion pieces in First-Class Mail loss over the same period.
b. If either of the volume loss figures needs to be updated in Table 2 or Table 3, please confirm that Table 2 and Table 3 indicate the same amount of First-Class Mail volume loss from FY 2011 to FY 2020.

RESPONSE:

a. The "-0.017" number in Table 3 should be positive, that is "0.017." The impact of average delivery days on First-Class Presort Mail from FY 2011 to FY 2020 was (very slightly) positive. *See* Direct Testimony of Thomas E. Thress on Behalf of the United States Postal Service (USPS-T-5), PRC Docket No. 2021-1 (Apr. 21, 2021), at p. 21.

b. Confirmed. The 0.456 figure in Table 2 is equal to the First-Class Single-Piece Mail value from Table 3 of 0.473 minus the (small) positive impact on First-Class Presort Mail (0.473 – 0.017 = 0.456).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MONTEITH TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Question 34. Please refer to USPS-T-4, Attachment 1 pertaining to Consumer and Commercial BHT for Q1 2021. Please also refer to USPS-T-4, in which witness Monteith states, "The top five drivers of customer satisfaction are: (1) reliability; (2) consistently delivers the mail when expected; (3) provides fast mail delivery; (4) 'keeps my mail safe;' and (5) delivers to the correct address." USPS-T-4 at 18.

a. Please provide quarterly-updated Consumer and Commercial BHT results, as well as full appendices, for the past 3 years (*i.e.*, as early as Q1'18 results). Please file the relevant materials, under seal if necessary.
b. Please discuss how the top five drivers of customer satisfaction have changed since FY 2017. Please include in your discussion how the relative importance of reliability and fast mail delivery have changed since FY 2017.
c. Please explain how the Q1'21 Key Driver Index Score in the Q1 2021 BHT of Attachment 1 is calculated.
    i. Please also confirm that the methodology for calculating this score is consistent for the past BHT results provided in the response to question 34.a.
    ii. If not confirmed, please explain any changes in the methodology for calculating the score.
d. Please explain how the survey sample in the Q1 2021 BHT of Attachment 1 is identified and contacted. In your response, please discuss whether the sample is composed of both commercial and individual mailers.
    i. Please also confirm that the methodology for identifying and contacting the survey sample is consistent for the past BHT results provided in the response to question 34.a.
    ii. If not confirmed, please explain any changes in the methodology for identifying and contacting the survey sample.
e. Please confirm that the mail discussed in Q1 2021 BHT of Attachment 1 refers solely to First-Class Mail and end-to-end Periodicals. If not confirmed, please explain the meaning of "mail" in the context of the survey and whether mail in this context would include packages.
    i. Please also confirm that the definition of "mail" is consistent for the past BHT results provided in the response to question 34.a.
    ii. If not confirmed, please explain any changes to how "mail" is referenced by survey participants.
f. Please provide a full list of the surveyed drivers of satisfaction in the Q1 2021 BHT of Attachment 1.
    i. Please also confirm that the list of surveyed drivers of satisfaction is consistent for the past BHT results provided in the response to question 34.a.
    ii. If not confirmed, please explain any changes to the lists of drivers of customer satisfaction which were surveyed.

RESPONSE:

a. Unredacted copies of the Brand Health Tracker ("BHT") survey for each quarter from FY 2017 Quarter 4 to FY 2021 Quarter 1 were filed under seal within

USPS-LR-N2021-1-NP5, "BHT Surveys." Please see USPS-LR-N2021-1-10, "BHT Surveys" for redacted copies of the aforementioned documents.

b. The chart below shows how the top five drivers of customer satisfaction rankings have changed since FY 2017. Reliability has consistently been the most predictive driver in determining customer satisfaction. But, the relative importance of "fast" delivery has changed over time. For example, "fast" delivery dropped in ranking from #2 in FY 2019 to #4 in FY 2021.

We repeated the FY 2017 Key Driver Index scores in FY 2018, thus both fiscal years have the same Key Driver Index scores.

The remainder of this response was filed under seal as USPS-LR-N2021-1-NP5.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MONTEITH TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

Top Five Drivers of Customer Satisfaction from 2017 to 2021

Q4'2017	Q1'2018*	Q1'2019	Q1'2020	Q1'2021
Is reliable (182)	Is reliable (182)	Is reliable (160)	Is reliable (165)	Is reliable (158)
Delivers mail on time (125)	Delivers mail on time (125)	Provides fast mail delivery (159)	Consistently delivers the mail when expected (137)	Consistently delivers the mail when expected (144)
Provides fast mail delivery (123)	Provides fast mail delivery (123)	Keeps my mail safe (150)	Provides fast mail delivery (134)	Keeps my mail safe (131)
Delivers mail to the correct address (112)	Delivers mail to the correct address (112)	Consistently delivers the mail when expected (133)	Keeps my mail safe (132)	Provides fast mail delivery (122)
Offers a wide range of mailing products/services (87)	Offers a wide range of mailing products/services (87)	Delivers mail on time (126)	Delivers mail to the correct address (122)	Delivers mail to the correct address (112)

Sources: USPS Consumer and Commercial Brand Health Tracker Q1'21 – Mail Services, Feb. 2021, slide 56; USPS Consumer and Commercial Brand Health Tracker Q1'19 – Mail Services (full list of attributes), slide 1; USPS Consumer and Commercial Brand Health Tracker Q1'19 – Mail Services, Feb. 2019, slide 35; USPS Consumer and Commercial Brand Health Tracker Q1'18 – Mail Services, slide 38; USPS Consumer and Commercial Brand Health Tracker Q4'17 – Mail Services, slide 37.

f. The full list of the surveyed drivers of satisfaction in the Q1 2021 BHT of

Attachment 1:

1) Is reliable
2) Consistently delivers the mail when expected
3) Keeps my mail safe
4) Provides fast mail delivery
5) Delivers mail to the correct address
6) Offers mail products and services that are relevant to my needs
7) Has friendly employees who deliver the mail
8) Represents an organization that does social good
9) Is changing and improving
10) Is innovative
11) Has friendly employees that work the counters in the post office
12) Has clean/organized office facilities
13) Has information/resources available in both English and Spanish
14) Is a trusted source for sending/receiving mail

Source: USPS Consumer and Commercial Brand Health Tracker Q1'21 – Mail Services, Feb. 2021, slide 56.