

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 WITNESS ROBERT
CINTRON TO MAILERS HUB'S REVISED INTERROGATORIES
(MH/USPS-T1-1-14, 16, 18)
(June 1, 2021)**

The United States Postal Service hereby provides its responses to Mailers Hub's Interrogatories MH/USPS-T1-1-14, 16, and 18 to United States Postal Service Witness Cintron, issued on May 20, 2021. Interrogatory MH/USPS-T1-15 and MH/USPS-T1-17(a) have been redirected to Witness Monteith. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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MH/USPS-T1-1. [POR #1] Please refer to your testimony in section I(A).

a. Please identify specific occasions, other than the pre-filing conference, when the Postal Service "conferred with industry representatives" specifically regarding the proposed service standard changes, as opposed to service issues generally.

b. Please identify the specific presentations to the Mailer Technical Advisory Committee that were specifically about the proposed service standard changes, as opposed to service issues generally.

RESPONSE:

a. The pre-filing conference was the introduction of the proposal to the industry and public at large. The Postal Service also conferred with industry representatives prior to the pre-filing conference. For instance, after the release of the 10 Year "Delivering For America" plan and prior to the pre-filing conference, the Postal Service discussed the proposed service standard changes at MTAC with over 600 people in attendance.

b. The Mailer Technical Advisory Committee is another forum to discuss the proposed service standard changes with the mailing industry. The Postal Service did not create specific presentations about the proposed service standard changes as the subject was reviewed in the pre-filing conference and the specific details of the proposal filed publicly with the PRC.

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MH/USPS-T1-2. [POR #2] Please refer to your testimony in section I(A).

a. Please confirm that the phrase "as we plan to implement services standards" indicates that the Postal Service intends to implement the proposed service standards notwithstanding the Advisory Opinion that will be issued by the Postal Regulatory Commission at the conclusion of this Docket.

RESPONSE: The Postal Service is seeking an Advisory Opinion from the Postal Regulatory Commission because it intends to implement the proposed service standards. The Postal Service will carefully consider the Advisory Opinion that is issued by the Commission. The Postal Service cannot determine how or whether its plans may change in response to the Commission's Advisory Opinion until after the Commission has issued it.

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MH/USPS-T1-3. [POR #3] Please refer to your testimony in section I(A)(1), *Discussion of Current Inability to Meet Existing Service Standards*.

a. Please confirm that service performance targets and scores shown for First-Class Mail are aggregated, i.e., they are composite averages of all First-Class Mail regardless of category or preparation, and the average of performance of all reporting units (e.g., areas and districts). If that cannot be confirmed please explain why.

b. Please confirm that, within the aggregated (composite) scores, some reporting units and/or processing facilities have shown relative consistency in achieving (or failing to achieve) the current service standards. If that cannot be confirmed, please explain why.

c. Please explain what analyses or studies the Postal Service made over the 2012-2020 period to identify underperforming facilities, deficient processes, management or staffing issues, and other factors contributing to the failure to achieve service performance under the current service standards, and what corrective measures were taken. If no analyses or studies were made, or no corrective actions were taken, please explain why not.

d. Please explain whether and how the management, staffing, processing, transportation, or other factors now impairing achievement of the current standards will be amended, other than by adding time, to enable achievement of the proposed service standards.

e. Please explain whether the Postal Service has evaluated only replacing the current three to-five day standard with separate standards for three, four, and five-day service, without other changes to two-day service or the processing and transportation networks. If that evaluation has been conducted, please provide the results or, if no evaluation was made, please explain why not.

RESPONSE:

a. Confirmed.

b. Confirmed.

c. The Postal Service conducted analyses to identify both under-performing and high-performing Areas, Districts, and Sites. From Headquarters, the top-10 high and low performing Districts were identified and distributed to the Area and Field leadership on a weekly basis. Area/Field leadership would create action plans to address performance issues. Service teams were sent to high-impact sites that did not correct or show progress. Responsible managers in under-performing sites are reassigned when not able to correct issues.

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d. Staffing issues will correct as the pandemic is addressed. Large hiring efforts were made to help fill gaps in staffing. Annex space and package sorting equipment was approved to expand processing capacity. Management training is resuming as the pandemic concerns are waning.

e. The Postal Service evaluated a scenario that maintained current 2-day service standards while extending 3-day to 3-to-5-day service standards. The results of this model scenario increased annual mileage by 36M miles and reduced estimated annual savings by approximately \$80M versus the current proposal.

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MH/USPS-T1-4. [POR #4] Please refer to your testimony in section I(A)(2), *Potential Improvements in Service Capability and Improved Achievement of Service Standards*.

a. Please explain why the Postal Service's regulations do not account for transit time and whether this omission was deliberate. If not, please explain why "the Postal Service's regulations pertaining to the current three-day service standard for First-Class Mail" were adopted with this shortcoming.

b. Please confirm that "the Postal Service's regulations" for overnight and two-day service do account for transit time. If not confirmed, please explain why not.

c. Please explain whether the Postal Service has evaluated only revising the current three to-five day standard to account for transit time, and/or replacing it with separate standards for three, four, and five-day service, that do account for transit time, without other changes to two-day service or the processing and transportation networks. If that evaluation has been conducted, please provide the results or, if no evaluation was made, please explain why not.

RESPONSE:

a. Although the Postal Service's 3-day business rules do not explicitly account for transit time, they do account for transit time in that all contiguous U.S. origins and destinations can be reached within that time by air transportation, although the challenges of attempting to do so leads to a lack of service reliability and the operational complexities discussed in my testimony.

b. Confirmed. Overnight service standards do not account for transit time between processing facilities as overnight service standards are only applicable intra-SCF.

Two-day service standards were developed accounting for 6-hours of surface transit time from Origin to Destination SCF. Moreover, whether explicit or implicit, all service standards must necessarily account for transit time.

c. The Postal Service evaluated a scenario that maintained current 2-day service standards while extending 3-day to 3-to-5-day service standards based on surface transit time. The results of this model increased annual mileage by 36M miles and reduced estimated annual savings by approximately \$80M.

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MH/USPS-T1-5. [POR #5] Please refer to your testimony in section I(A)(2), *Potential Improvements in Service Capability and Improved Achievement of Service Standards*.

- a. Please confirm that the "42 percent" figure represents the average for all vehicles ("5-ton" trucks, and all sizes of trailer) used for surface transportation, over all trip lengths, and movements by both HCR and PVS service. If not confirmed, please explain or clarify.
- b. Please explain whether the "42 percent" figure refers to cubic capacity, maximum weight, or vehicle floor space.
- c. Please detail the percent vehicle capacity utilization planned by the Postal Service and, if that utilization is less than 75 percent, why that lower utilization was planned.
- d. Please explain the process used by the Postal Service to determine the vehicle to be used on a surface routing (e.g., "5-ton" vs 40-foot trailer vs 53-foot trailer).

RESPONSE:

- a. Not confirmed. The 42 percent cited in the testimony refers to overall network, or plant-to-plant HCR transportation.
- b. The 42 percent refers to vehicle floor space.
- c. The Postal Service does not limit utilization in the planned network. Utilization is constrained by the available transit windows between pairs driven by the requirement to meet the current service standards.
- d. 48 to 53-foot trailers are typically planned for the 2 and 3-day plant-to-plant network. 48-foot trailers are used where 53-foot trailers are restricted, such to/from Processing and Distributions Centers in New York City. Some low-volume 2-day pairs use other equipment if more cost effective. In those cases, container volume data from Surface Visibility (SV) would be used to determine the minimum capacity needed and the corresponding truck or trailer size.

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MH/USPS-T1-6. [POR #8] Please refer to the footnote to your testimony on page 11.

- a. Please explain the difference between "service standards" and "service performance targets."
- b. Please confirm that the Postal Service must seek an Advisory Opinion from the Postal Regulatory Commission if changing nationally-applicable "service standards" for First-Class Mail but can unilaterally adjust "service performance goals" for any mail.

RESPONSE:

a. Service standards define the expected days to deliver a product from an origin to a destination. Service performance targets are goals set to drive processing and delivery performance against the delivery expectation set by the standard.

b. The Postal Service understands its obligation to file a request for an advisory opinion when it seeks to change service standards for First-Class Mail on a nationwide or substantially nationwide basis. The Postal Service provides notice of service performance target changes through its Annual Report.

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MH/USPS-T1-7. [POR #9] Please refer to the footnote to your testimony on page 11.

- a. Please explain the use of “expect to” rather than “will.”
- b. Please explain the steps being taken by the Postal Service in preparation for “implementation of our proposed service standard changes,” other than adding transit time and adjusting modes of transportation, so that the 95 percent service performance target can be attained at “all times of the year.”
- c. Please explain the steps the Postal Service will take if it is unable to achieve or maintain achievement of the “95 percent” performance goal it expects to set “upon implementation of our proposed service standard changes during all times of the year.”

RESPONSE:

- a. The phrasing does not have substantive import—it simply reflects the fact that the targets for subsequent years have not yet been set by the Board. As noted, these service standard changes will enable the Postal Service to achieve a 95% target.
- b. In order to continue providing reliable service, the Postal Service has addressed capacity issues by acquiring additional space in 46 locations to accommodate package growth. The Postal Service also purchased 138 additional package sorting machines this year and added over 14,000 permanent positions to our workforce. This will allow facilitate the timely handling of additional package volume in the processing and delivery network. The increased space and fluidity for packages will free-up needed space for drop shipments.

Similar to what was successfully accomplished prior to the pandemic, the Postal Service continues daily review and analysis of service failures. The analysis allows for prompt resolution of root causes of our process failures including efficiency and opportunity to maximize our machine utilization.

The Postal Service is also addressing bottlenecks in the logistics networks by

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contracting additional Surface Transportation Centers to increase capacity to distribute mail throughout the surface networks. Daily mitigation of the air network's capacity shortfall continues and the third-party canine (3PK9) air package screening project expands capacity and alleviates bottlenecks by moving Priority Mail packages through the commercial air network.

c. The Postal Service will design transportation that supports the achievement of the 95% performance goal. Lane analysis will reveal any constraints caused by multi-stops, transfers, or overall distance. Adjustments will be made to routes or modes to ensure volumes arrive at destination in time to support a viable volume arrival profile.

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MH/USPS-T1-8. [POR #11] Please refer to the statement in your testimony on page 18, lines 16 through 18, that “the Postal Service is incapable of meeting its service performance targets, and hence providing reliable and consistent service, under the current standards.”

a. Please confirm that, as shown in the data provided quarterly to the Postal Regulatory Commission, some facilities (or districts or areas) of the Postal Service have been able to meet current service performance targets.

b. Please explain the steps taken by the Postal Service to determine why some facilities (or districts or areas) have been able to meet current service performance targets; the information developed; the actions taken to apply those findings to enable other facilities (or districts or areas) to meet service performance targets; and the results of those actions. If no steps were taken for either purpose please explain why.

RESPONSE:

a. Confirmed.

b. The Postal Service conducted analysis to identify both under-performing and high-performing Areas, Districts, and Sites. From Headquarters, the top-10 high and low performing Districts were identified and distributed to the Area and Field leadership on a weekly basis. Area/Field leadership would create action plans to address performance issues. Service teams were sent to high-impact sites that did not correct or show progress. Peer mentoring was regularly used to assign high-performing site managers to assist low-performing sites. Responsible managers in under-performing sites are reassigned when not able to correct issues.

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MH/USPS-T1-9. [POR #12] Please refer to the statement in your testimony on page 18, lines 16 through 18, that “the Postal Service is incapable of meeting its service performance targets, and hence providing reliable and consistent service, under the current standards.”

a. Please explain the causes, other than transit time and the use of air transportation, that contribute to the Postal Service’s failure to meet service performance targets, and how the proposed changes to service standards will ameliorate those causes so as to enable achievement of the revised standards.

b. Please explain the steps taken by the Postal Service to determine why it “is incapable of meeting its service performance targets”; the information developed; the corrective actions taken to improve its capability to meet service performance targets; and the results of those actions. If no steps were taken for either purpose please explain why.

c. Please explain the Postal Service’s criteria for “meeting” targets, and for judging service to be “reliable” and “consistent,” and the derivation of those criteria.

RESPONSE:

a. There are various factors influencing service performance with respect to the Postal Service’s current service standards, including: machine capability and capacity, network issues, staffing issues, and employee error. Although volume of First-Class Mail is declining, volume can still be a contributing factor at times, in particular if a large mailing is entered that overwhelms the current capacity of an operation. The significant increase in package volume has contributed to the challenges in mail processing that impact First-Class Mail service performance. Resources are shifted to heaviest volumes to attempt to clear volumes in accordance with the operating plan. When the operating plans are not able to be achieved, dispatches are held, or volumes are missed. When dispatches are held at origin, the volume on the trip is put at risk to make transfers and / or meet the destination sites’ critical entry times. Adding time to the transportation window will better enable sites to dispatch all volumes on designated dispatches of value. The added time will add buffers to transfer windows to better absorb transportation delays.

b. Please see responses to MH/USPS-T1-3(c) and MH/USPS-T1-8(b).

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c. Meeting a service performance target is achieving the service performance target. Reliable and consistent refer to the ability to meet the service performance targets for a service standard. When a site, district, division, area, region, or at a national level, is able to meet the service performance target, the service standard is being fulfilled and the customer's expectations met at the targeted level. In the case where the Postal Service sets 95% on-time targets, it would mean meeting the customer's expectations 95% of the time.

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MH/USPS-T1-10. [POR #14] Please refer to the statement in your testimony on page 18, lines 23 through 25, that "Achieving this standard requires the Postal Service to employ substantial point-to-point two-day transportation for, at times, very low volume."

- a. Please explain the Postal Service's normal processes for evaluating transportation utilization and how those are applied to situations of "very low volume."
- b. Please explain the Postal Service's action to minimize the occurrence of trips with "very low volume" and whether those actions were effective. If not, please explain any further actions that were taken, and their results; if none were taken, please explain why not.
- c. Please explain why the capacity of contracted surface transportation vehicles cannot be adjusted to provide the flexibility to better align with volume.

RESPONSE:

- a. The Postal Service evaluates transportation utilization using dashboards and reports that summarize floor utilization by leg of transportation. Multi-trip lanes with low average utilization are evaluated for opportunities to consolidate volumes and eliminate trips. Single trip lanes are evaluated to identify opportunities to be combined with other trips.
- b. The Postal Service is employing a team of analysts to actively perform the analysis described in the response to part-a, above. The Surface Optimization effort has identified over \$75 million in savings in the past three Postal quarters.
- c. The type of the vehicles under contract could be adjusted to improve utilization of those vehicles, *i.e.*, by adjusting the number of lower-volume vs. higher-volume vehicles under contract, however, that would not reduce mileage, trips, or yard and dock activity and yield little to no benefit. The proposal is designed to minimize trips and mileage by building full tractor trailer loads – to move more volume on fewer trips.

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MH/USPS-T1-11. [POR #15] Please refer to your testimony in section III(A), *Proposed Transportation Network Changes and Benefit*.

a. Please explain the Postal Service's criteria for determining the efficiency of transportation, particularly as each mode correlates to the level of service performance it enables.

b. Please confirm that the primary objective of the proposed service standard changes is to reduce Postal Service costs by maximizing the volume of mail that can be moved by surface transportation. and not to maintain or improve on the current levels of achievement of the current service standards for First-Class Mail.. If not confirmed, please explain why.

RESPONSE:

a. Transportation efficiency is currently based on utilization of the network, with a goal of achieving 65% utilization. Part of the goal to improve utilization is also to reduce / control costs, reduce trips, and reduce yard and dock activity.

b. Not confirmed. There are two goals of the proposed service standard change: to improve service performance capability and to improve cost effectiveness of the network.

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MH/USPS-T1-12. [POR #16] Please refer to your testimony in section III(A), *Proposed Transportation Network Changes and Benefit*.

a. Please explain the vehicle capacity (vehicle types and sizes) and their flexibility (i.e., option to select based on volume) that is assumed in evaluating the "efficiency" of proposed surface transportation.

b. Please confirm that your examples of "efficiency-increasing measures" noted on lines 16 through 19 imply multiple stops along a lane of surface transportation. If confirmed, please explain that statement as it compares to the transportation that is illustrated on page 11 labeled "Only 5 Steps for Future Middle Mile." If not confirmed, please explain why not.

RESPONSE:

a. The 'flexibility' in the network referred to in the testimony is associated with the ability to route the same volumes on fewer trips by combining routes to Surface Transfer Centers (STCs) or taking advantage of multi-stops. This flexibility in routing will improve trip utilization, reduce trips, reduce yard and dock activity, and allow additional volumes to be routed via surface instead of air transportation. The Postal Service has flexibility in determining the equipment required for contracts supporting the movement of mail volumes between origin and destination pairs.

b. Partially confirmed. Efficiency-increasing measures include adding multi-stop routings, increasing the use of Surface Transfer Centers, and shifting volumes from more expensive air routings to less expensive surface routings. The illustration on page 11 of my testimony is an example comparing the typical handling of an air lane to a lane serviced by an STC and is not inclusive of all transportation routing possibilities.

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MH/USPS-T1-13. [POR #18] Please refer to the statement in your testimony on page 28, lines 11 through 13, that “Early dispatches, which are frequently necessary to achieve current service standards, risk departing from origin points without all committed volumes, leading to operational plan failures and missed service standard targets.”

a. Please explain why and how, in the stated scenario, approved operating plans would not align transportation and achievement of service standards or, conversely, how operating plans would be approved if they include the necessity for early dispatches, perhaps “without all committed volumes.”

b. Please explain how correction of such misalignments cannot be achieved without changing service standards.

RESPONSE:

a. National operating plans were established, standardized, and implemented with the operating window change of 2012. In many cases, processing centers had to implement special handling procedures to help ensure timely dispatching of volumes to early 2-day partners. As package volumes have increased and clearance times pushed later, both 2 and 3-day pairs, where letters, flats, and packages share transportation, either need to wait for volumes to clear, or depart without all the committed volumes. Air transportation is typically more expensive, limited in capacity, and has not been a viable alternative.

b. Expanding air transportation could alleviate some of the misalignments if capacity was available at an increased operating cost. However, the air network has not proven effective and continues to struggle to meet the Post Service's operating plans and desired service performance levels, particularly since the onset of the pandemic. Extending the service standards increases the routing flexibility to implement more cost-effective surface transportation, alleviate the capacity issues currently observed in the air network, decrease costs, and meet customer expectations set by the proposed service standards.

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MH/USPS-T1-14. [POR #20] Please refer to your testimony on page 30, lines 15 through 17.

a. Please explain what currently inhibits the Postal Service from having “more flexibility to route mail more efficiently, and to maximize the use of space on each trip.”

RESPONSE:

a. The current service standards constrain routings by limiting the transportation window and dictating departure times from origin to arrive at destination by critical entry time. If the pair is at the outer boundary of the 2-day reach, direct trips may be required regardless of volume between the pairs. As stated in the testimony, adding time to the transit window allows for multi-stop routings, and routings via Surface Transfer Centers to improve utilization, reduce surface trips, and reduce yard and dock activity. The added transit window also extends the surface reach to allow surface routing of volume, where air capacity is limited, or where determined surface transportation is less costly.

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MH/USPS-T1-16. [POR #23] Please refer to the statement in your testimony on page 31, lines 16 and 17, that "business customers' destination-entry presort mail will remain unaffected by the proposed service standard changes."

- a. Please confirm that there are no destination entry rates for First-Class Mail.
- b. If confirmed, please clarify the statement that "destination-entry presort mail will remain unaffected by the proposed service standard changes," particularly to define what the term "unaffected" means in your use of it in this statement.
- c. Please explain how Presorted First-Class Mail will "remain unaffected" if the origin/destination pair represented by the facility where the mail is deposited and the facility serving the destination of the mail will be moved from a two-day service standard to a three- day service standard "by the proposed service standard changes."

RESPONSE:

- a. Confirmed.

- b. Commercial pre-sort First-Class Mail volumes, properly prepared, and entered at the SCF prior to CET will still be eligible for overnight service. No destination entry Periodicals or Marketing Mail will be impacted by the proposed service standard change.

- c. Overnight pre-sorted First-Class Mail will remain unaffected by the proposed service standard change. Network First-Class Mail, pre-sort or single-piece, will be affected by the proposed service standard change.

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MH/USPS-T1-18. [POR #27] Please refer to your testimony in section V, *The Postal Service's Proposed Network Operations Changes Are Consistent With The Policies And Requirements Of Title 39, United States Code.*

- a. Please explain the bases for the Postal Service's conclusion that service standards should be aligned "with actual performance" rather than aligning operational performance to enable achievement of established service standards.

RESPONSE:

The actual service performance demonstrates capability under the current network design. It is possible changes could be made to improve capability of achieving current service standards, however, it would likely come with increased investment and operating costs. Investments in new technology could improve sort accuracy and speed of sortation equipment. Adding labor and equipment could reduce the mail processing operating windows at a cost of decreased productivity and added maintenance and overhead. Added transportation to dedicate trips to moving specific product types, or adding direct transportation for problematic lanes, could improve service performance with the cost of added transportation and other associated impacts of increasing vehicle traffic in the facility yards and roads. Increasing operational costs, however, is contrary to the organization's direction to reduce costs and improve operational efficiency, thereby helping to ensure the viability of the Postal Service in the future.