

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

RETAIL GROUND AND PARCEL SELECT GROUND  
SERVICE STANDARD CHANGES, 2022

Docket No. N2022-1

**UNITED STATES POSTAL SERVICE'S REQUEST FOR AN ADVISORY  
OPINION ON CHANGES IN THE NATURE OF POSTAL SERVICES**  
(March 21, 2022)

In accordance with 39 U.S.C. § 3661(b), the United States Postal Service (Postal Service) respectfully requests that the Postal Regulatory Commission (Commission) issue an advisory opinion that the changes in the nature of postal services enumerated herein conform to the policies established under title 39 of the United States Code. In support of this Request, the Postal Service provides the following specific information required by section 3020.113(b)(1-7) of the Commission's Rules of Practice (39 C.F.R. § 3020.113(b)(1-7)) (Rules).

**I. DETAILED STATEMENT OF THE PRESENT NATURE OF THE  
SERVICE STANDARDS AND HOW THEY WOULD CHANGE**

On March 23, 2021, the Postal Service published a ten-year strategic plan, entitled 'Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence' (Plan). The Plan sets forth a comprehensive and balanced set of initiatives to address the Postal Service's long-standing financial, service, and operational challenges. Ultimately, the Plan is designed to achieve two fundamental goals: service excellence, defined as meeting or exceeding 95 percent on time delivery across all product categories, and financial sustainability, by enabling the

Postal Service to achieve break-even performance over the next ten years while making the necessary investments in people and infrastructure. By achieving these goals, the Plan will ensure that the American people receive prompt, reliable, and efficient universal postal services, through a postal system that is self-sustaining and capable of meeting their evolving needs.

In furtherance of the Plan's fundamental goals of service excellence and financial sustainability, the Postal Service proposes adjusting the service standards for its Retail Ground (RG) and Parcel Select Ground (PSG) competitive products within the contiguous United States to align with the service standards for First-Class Package Service (FCPS) considered by the Commission in Docket No. N2021-2, by upgrading the standards from the current two- to eight-day standard to a two- to five-day standard.

#### **A. The Products**

RG service is an economical ground shipping solution for retail (single-piece) customers for packages, thick envelopes, and tubes weighing less than 70 pounds and up to 130 inches combined length and girth that are not required to be sent as First-Class Mail. RG service is available at Post Offices and other postal retail facilities. Pricing depends on package weight, size, and the distance to be shipped.

PSG is similar to RG but targeted at commercial shippers. Like RG, PSG is limited by weight and overall size and priced by weight, size, and the distance to be shipped. Unlike RG, PSG allows for initial entry of packages into the mail flow both at Post Offices and at originating downstream processing and distribution centers.

**B. Details of the Planned Service Standard Changes**

Service standards represent the time in which customers should expect mail or packages to be delivered, and a key component of the Plan is to ensure that those standards identify meaningful expectations that the Postal Service can realistically achieve on a consistent basis, while meeting customer needs.

For end-to-end package service within the contiguous United States, both RG and PSG have a service standard ranging from 2 to 8 days. The Postal Service plans to upgrade that service standard to correspond with the 2- to 5-day service standard for First-Class Package Service (FCPS). This change would be enabled by simplifying the operational scheme for processing and transporting RG and PSG package volume within the contiguous United States by combining it with FCPS volume. The table below compares the current to the new service standards:

<b>Service Standard</b>	<b>Current Rules (Contiguous US)</b>	<b>Planned Rules (Contiguous US)</b>
2-day	If Origin and Destination Processing and Distribution Center (PDC) are the same facility, then Service Standard is 2 days.	Intra-SCF and Origin to Destination pairs where total transit time is up to 8-hrs* (~372 miles) from Origin to Destination ADC to Destination SCF.
3-day	If Origin and Destination Processing and Distribution Center (PDC) are not the same facility, then the package is routed through a Network Distribution Center (NDC) and an Auxiliary Service Facility (ASF), if needed. If Origin and Destination NDC are the same, and there is no ASF required, then Service Standard is 3 days.	Where the total transit time is greater than 8-hrs and up to 32-hrs* (~1,488 miles) from Origin PDC to Destination ADC to Destination SCF.

<b>Service Standard</b>	<b>Current Rules (Contiguous US)</b>	<b>Planned Rules (Contiguous US)</b>
4-day	If Origin and Destination NDC are the same, and there is an ASF required, then Service Standard is 4 days.	Where the total transit time is greater than 32-hrs and up to 50-hrs* (~2,325 miles) from Origin PDC to Destination ADC to Destination SCF.
5-day	If Origin and Destination NDC are not the same, determine the travel days between NDC facilities. If an ASF is not required, and the travel time between NDC facilities is 1 day or less, then the Service Standard is 5 days.	Where the total transit time is greater than 50-hrs from Origin PDC to Destination ADC to Destination SCF.
6-8 day	If Origin and Destination NDC are not the same, determine the travel days between NDC facilities within Service Standard Directory (SSD). If ASF is not required, then the Service Standard = travel time of 2 or more + 4. If ASF is required, then the Service Standard = travel time of 2 or more + 5.	N/A

The planned RG and PSG service standards are predicated on the planned change to the FCPS service standards and the concomitant improvement and optimization of the Postal Service’s package processing and surface transportation network and depends on consolidation with FCPS domestic surface volumes. If the planned FCPS standards were applied to domestic RG and PSG packages originating and destinating outside the contiguous United States, that volume would have to be carried by air to meet the planned service standard, which cannot be done cost effectively. RG and PSG packages sent to or from domestic locations outside the

contiguous United States will, therefore, continue at this time to be shipped by the current modes of transportation in accordance with the current service standards. That said, we are exploring whether this proposal could enable the Postal Service to adjust the service standards for any piece originating or destinating outside the contiguous United States that traverses the contiguous United States during some portion of the piece's journey, to potentially take advantage of the faster service to RG and PSG within the contiguous United States that would be provided based upon this proposal.

Likewise, packages containing Hazardous Materials that are restricted from air transportation would not be included in the planned service standards because some RG and PSG packages may be routed by air transport where it is more cost effective to do so, and certain hazmat or live animals may not be suitable for this mode of transport. Hazardous Materials within the contiguous United States will, therefore, continue to be transported by ground in accordance with the current 2- to 8-day service standard. Live animals shipped by RG would also be excepted from the new service standards.

## **II. THE PROPOSED EFFECTIVE DATE OF THE PLANNED CHANGE**

In accordance with Rule 112, the Postal Service would not implement the service standard changes within the scope of this Request any sooner than 90 days after the filing of this Request.

## **III. STATEMENT OF THE REASONS AND BASES FOR THE POSTAL SERVICE'S DETERMINATION THAT THE PLANNED CHANGE ACCORDS WITH AND CONFORMS TO THE POLICIES ESTABLISHED UNDER TITLE 39 OF THE UNITED STATES CODE**

The Postal Service is broadly charged with providing adequate, reliable, efficient, prompt, and economical, Nationwide postal service without undue or unreasonable

discrimination.<sup>1</sup> In that regard, the Postal Service has significant discretion to determine how best to balance and fulfill these policies.<sup>2</sup> Moreover, because RG and PSG are competitive products—*i.e.*, products subject to private competition in the marketplace—the decision to change the applicable service standard is evaluated against the Postal Service’s Board of Governors’ exercise of their reasonable business judgment.<sup>3</sup> Nor do the objectives and factors governing revision of market dominant product service standards apply to the planned RG and PSG service standard changes.<sup>4</sup>

The fundamental rationale for the planned change is to enhance service to customers sending larger packages. The opportunity to offer this enhanced service arose as a consequence of the planned change to the FCPS service standard and the concomitant improvement and optimization of the Postal Service’s package processing and surface network. By consolidating RG and PSG volume with FCPS volume, the Postal Service can offer faster service for packages that exceed the weight and size limitations of FCPS.

This will result in further improvement and rationalization of the Postal Service’s portfolio of package products. The Postal Service submits that customers would benefit from for the provision of a low-cost, medium-speed, shipping service for packages in

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<sup>1</sup> 39 U.S.C. §§ 101(a, f), 403(a-c), 3661(a). For competitive products specifically, the Postal Service must also comply with the provisions of 39 U.S.C. § 3633.

<sup>2</sup> See, e.g., Advisory Opinion on Retail Access Optimization Initiative, PRC Docket No. N2011-1 (2011), at 7-9 (“The Postal Service is afforded a significant amount of authority under the statute, and has reasonable discretion to interpret the ambiguous terms delineating its powers and obligations.”); Advisory Opinion on Elimination of Saturday Delivery, PRC Docket No. N2010-1 (2011), at 11-13 (“The Postal Service is afforded a significant amount of flexibility in determining how to” fulfill Sections 101 and 403, which “set[ ] out general postal policies[.]”).

<sup>3</sup> See Advisory Opinion on the Service Standard Changes Associated with First-Class Package Service, PRC Docket No. N2021-2 (Sept. 29, 2021), at 2, 51.

<sup>4</sup> 39 U.S.C. § 3691(b-c).

excess of one pound. The market for a faster, economical ground shipping product has seen significant recent growth and is expected to continue to grow as new shippers enter the market and business-to-customer shipments continue to increase.

Shifting RG and PSG volume to follow FCPS volume would also enable the further optimization of the Postal Service's package processing and surface transportation networks. This added volume would fill existing unused capacity, maximizing surface transportation utility and value. In addition, by eliminating the current interim processing stops, the Postal Service can reduce the overall processing burden while at the same time improving speed and reliability by reducing touch points. And, by combining multiple sorts, the change would improve volume and capacity in surface lanes.

With these adjustments, the Postal Service will continue to achieve the broader policies of title 39. With the benefits provided by these adjusted standards, the Postal Service will continue to be effective in binding the nation together and providing prompt, reliable, and efficient services, as prescribed by section 101(a). Access will continue to be effective and regular, within the meaning of sections 101(b). In addition, routing some RG and PSG packages by air transport where air carriage would be more cost effective than ground is consistent with the requirements of section 101(f) that the Postal Service shall "give highest consideration to the prompt and economical delivery of all mail."<sup>5</sup> Consistent with sections 403(a) and 3661(a), the resulting service will be provided adequately and more efficiently.

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<sup>5</sup> HR Bill 3076, presently awaiting the President's signature, amends section 101(f) to add considerations of "consistent" and "reliable" delivery of all mail to "prompt and economical."

Lastly, the planned changes would not impair compliance with the policies of section 3633 regarding the financial performance of competitive products. As competitive products, RG and PSG services would continue to cover their attributable costs, as required by section 3633(a)(2). Likewise, with respect to the other provisions of section 3633, there is no increased risk of cross-subsidization of competitive products by market dominant products, or any diminishment in the expected ability of competitive products collectively to cover an appropriate share of the Postal Service's institutional costs.

Moreover, these changes will not cause any undue or unreasonable discrimination against any users of the mail. The planned changes do not treat similarly situated users differently, rather the changes are time- and distance-based, and are not only faster, but also equitable.

#### **IV. STATEMENT AS TO THE PRE-FILING CONFERENCE**

In accordance with Rule 111, the Postal Service conducted a pre-filing conference with respect to the planned service standard changes that are the subject of this Request. The conference occurred on March 15, 2022, at 1:00pm EDST. Due to the COVID-19 pandemic, the conference occurred virtually, rather than at a physical location. The Postal Service certifies that it made a good faith effort to address concerns of interested parties about this proposal raised at the pre-filing conference, discussed in more detail in the accompanying testimonies.

#### **V. THE PREPARED DIRECT EVIDENCE**

In accordance with Rule 114, the Postal Service is filing, concurrent with this Request, all the direct evidence upon which it proposes to rely in the proceedings on the



record before the Commission to establish that the planned service standard changes accord with and conform to the policies of title 39 of the United States Code. The Postal Service's direct evidence consists of the direct testimonies of witnesses Steven E. Jarboe (USPS-T-1), Kevin P. Bray (USPS-T-2), and Dr. A. Thomas Bozzo (USPS-T-3) as well as public and non-public Library References as identified in the direct testimony.

Witness Jarboe's testimony describes the RG and PSG products, the market conditions, the need for improving service, and the customer base. Witness Jarboe also explains the anticipated impacts of the of the planned service standard changes to the subject market and to customers.

Witness Bray's testimony describes the current operational handling of RG and PSG shipments, which are routed through the NDC network; as well as the expected operational handling of RG and PSG shipments, which, in accompanying FCPS shipments, would bypass the NDC network. Witness Bray then describes the service standard changes enabled by the planned operational flow and testifies to the impacts on customers purchasing RG and/or PSG products. Finally, Witness Bray lists the RG and PSG packages that would be excepted from the planned changes and explains the circumstances under which RG and PSG shipments would deviate from the FCPS surface transportation network.

Witness Bozzo's testimony describes the methodology used to estimate the potential annual cost impact from the planned changes in PSG and RG service standards. Witness Bozzo also presents the overall estimated change in cost. To estimate cost impacts from the operational changes, Witness Bozzo compares mail

processing and transportation costs for PSG and RG based on current mailflows to estimated costs for mailflows under the planned service standards.

**VI. THE POSTAL SERVICE'S INSTITUTIONAL WITNESS**

The Postal Service identifies Sharon Owens, Vice President, Pricing and Costing, as an institutional witness who is capable of providing information relevant to the Postal Service's proposal that is not provided by other Postal Service witnesses.

**VII. CONFIRMATION OF WITNESS AVAILABILITY**

Each of the Postal Service's identified witnesses will be available for the mandatory technical conference provided for in Rule 115.

**VIII. CONCLUSION**

In accordance with 39 U.S.C. § 3661 and 39 C.F.R. §§ 3020.101 *et seq.*, based upon the testimony and materials reflected in the record of this proceeding, the Postal Service respectfully requests that the Commission issue an advisory opinion that the planned service standard changes accord with and conform to the policies in title 39 of the United States Code.

Respectfully submitted,

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