

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

ANNUAL COMPLIANCE REVIEW, 2022

Docket No. ACR2022

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 1-3 OF CHAIRMAN'S INFORMATION REQUEST NO. 8**

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 8, issued on January 30, 2023. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

James L. Tucker.
Chief Counsel, Pricing & Product Support

Eric P. Koetting

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1137
(202) 277-6333
eric.p.koetting@usps.gov
February 6, 2023

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 8**

1. Please refer to the press release issued January 27, 2022, in which the Postal Service states that “the average time to deliver a mailpiece across the postal network remained stable at 2.7 days between the period Jan. 1 and Jan 21.”¹
 - a. Please confirm that, when the Postal Service discusses an “[a]verage [d]elivery [t]ime” as it does in this and other FY 2022 press releases, it is referring to a volume-weighted composite for all mail and parcels (in measurement) delivered during the specified period. If not confirmed, please explain how the number is calculated.
 - b. Please provide data for average days to delivery for Market Dominant products, by week in FY 2021 and FY 2022, on a nationwide basis, disaggregated in the manner that the Postal Service uses for its quarterly service performance reports: Presort First Class (overnight, 2-day, 3-day, 4-day, 5-day), Single Piece First-Class (2-day, 3-day, 4-day, 5-day), USPS Marketing Mail, Package Services, Periodicals, etc. For each category, please include total volume, the volume in measurement used to calculate the averages, and the average days to delivery.

RESPONSE:

- a. Confirmed.
- b. Please see the Excel file associated with this response electronically attached to this response set.

¹ “Average Delivery Time Across Postal Service Network Stable at 2.7 days,” January 27, 2022, available at <https://about.usps.com/newsroom/national-releases/2022/0127-average-delivery-time-across-postal-service-network-stable-at-2-7-days.htm>.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 8**

2. Please refer to Docket No. N2021-1, Direct Testimony of Thomas E. Thress on Behalf of the United States Postal Service (USPS-T-5), April 21, 2021, and Library Reference USPS-LR-N2021-1/5, April 21, 2021. Please refer to the charts in tabs "Vols-1sp," "Vols-1ws," and "Vols-2c," and the underlying data in tab "Data." Please provide charts updating these three charts and a table updating the data on the "Data" spreadsheet, with volumes and average delivery times for Single-Piece First-Class, Workshare First-Class, and Periodicals, for the period Q1 2021 through Q4 2022.

RESPONSE:

An Excel file associated with this response, providing the three updated charts and a table updating the specified data elements, is electronically attached to this set of responses.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 8**

3. Please refer to Docket No. N2021-1 regarding changes in the mode of transportation for First-Class Mail.
- a. Please provide the percentage of First-Class Mail volume using air transportation at the beginning of FY 2022 and the end of FY 2022.
 - b. Please provide the percentage of First-Class origin-destination pairs using air transportation at the beginning of FY 2022 and the end of FY 2022.
 - c. Please provide an estimate for the cost savings that were achieved during FY 2022 by the shift from air transportation to ground transportation and an explanation for how the cost savings were calculated.
 - d. If the estimate for cost savings is less than the projection of \$196 million made in Docket No. N2021-1, please explain the factors that prevented the Postal Service from achieving this projection.²

RESPONSE:

- a. The percentage of First-Class Mail volume using air transportation was 24 percent in October of 2021, and was 12 percent in September of 2022.
- b. Of total First-Class Mail origin-destination pairs, 54 percent were using air transportation at the beginning of FY 2022, and 38 percent were using air transportation at the end of FY 2022.
- c. Obviously, it is not possible to control for all of the other potential factors that could have affected observed costs between FY 2021 and FY 2022 and isolate the effects of one factor such as the effort to shift modes. Too many variables are in play to purport to even approximate a complete analysis. Nonetheless, the following thought exercise may shed some light on the question.

² See Direct Testimony of Curtis Whiteman on Behalf of the United States Postal Service (USPS-T-2), April 21, 2021, at 11.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 8**

Based on the methodology described next, one estimate of realized cost savings achieved during FY 2022 by the volume shift from air to surface is \$76 million. This savings estimate was computed in four steps using a similar methodology to the one presented in Docket No. N2021-1-LR4. One, the total First-Class Mail (FCM) pounds flown, on FedEx Day, UPS, and Commercial Air carriers was computed, by quarter and aggregated, for both FY 2021 and FY 2022. The percent reduction in total FCM Letters and Flats pounds flown by quarter is presented below:

Time Period	Percent Change in FCM Pounds Flown
Quarter 1	-9%
Quarter 2	-15%
Quarter 3	-28%
Quarter 4	-42%
Fiscal Year	-23%

Two, the FedEx Day weights, from step one, were converted to cubic feet because that is the cost driver for that air transportation mode. Three, the reduction in the relevant cost driver by carrier was multiplied by each carrier's FY 2022 average rate charged per pound or cubic foot to compute the estimated cost savings per carrier. Four, the savings from step 3 were summed to obtain the estimated realized savings of \$76 million from shifting a portion of FCM from air to surface.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 8**

- d. A variety of factors contributed to the difference between the figure presented in part c. above and those presented in USPS-LR-N2021-1-4. One of these factors was changes in the relative shares of volume variable costs by air cost pool. FedEx Day volume variable costs in FY 2022 were 61 percent of air costs, down from 72 percent in FY 2020. The shift in air costs from FedEx Day to other carriers in conjunction with the volume shift from air to surface explains the modest 5 percent increase in volume variable air costs between FY 2022 and FY 2020 despite a difficult inflationary environment that included higher jet fuel prices. Therefore, as other circumstances moderated the air cost increases, there were slightly less savings to be gained by switching from air to surface than there might have been otherwise. However, more importantly, as is evident from the table presented in response to part c, the reduction in FCM pounds flown was phased in over the course of the year. Had the capacity reductions experienced during Quarter 4 been applicable for the entire year, the illustrative estimated cost reduction would have been \$154 million. Furthermore, this figure may be understated because it assumes that the rate charged per pound or cubic foot would have stayed the same if this additional FCM had remained on air transportation. In reality, the air carriers may charge a higher rate per pound or cubic foot when more capacity is required.

The savings from shifting volume from air to surface is expected to increase in FY 2023 as the Postal Service continues to shift FCM volume,

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 8**

carefully and smartly, from air transportation to less expensive surface transportation to reduce transportation costs and meet service standards.