

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

Complaint on First-Class Mail
Service Standards

Docket No. C2001-3

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DOUGLAS CARLSON
REDIRECTED FROM CHARLES GANNON
(DFC/USPS-GAN- 3, 7-13, 20, 22, 23, 25-28, and 31)

The United States Postal Service hereby files the responses of Charles Gannon to the following interrogatories of Douglas Carlson: DFC/USPS-GAN-3, 7-13, 15, 18, 20, 22-28, and 31, filed on October 25, 2001. These interrogatories have been redirected from Mr. Gannon to the Postal Service for response.

Each interrogatory is stated verbatim and is followed by the response.

Responses to DFC/USPS-GAN-15, 18 and 24 are forthcoming.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

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November 20, 2001

CERTIFICATE OF SERVICE

I hereby certify that, in accordance with section 12 of the Rules of Practice, I have this day served the foregoing document upon all parties of record in this proceeding.

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November 20, 2001

RESPONSE OF THE UNITED STATES POSTAL SERVICE
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DFC/USPS-GAN-3.

- (a) Please discuss the ways in which the needs of customers affected any of the decisions that you made that led to the implementation in 2000 and 2001 of changes in First-Class Mail service standards from two days to three days.
- (b) If you considered the needs of customers, please provide all documents that reflect your consideration of the needs of customers.
- (c) If you considered the needs of customers, please specifically identify and describe all data and other indicators that reflect the needs of customers or that serve as proxies for measuring the needs of customers.

RESPONSE:

- (a) It is the view of the Postal Service that the needs of postal customers are served by reliable, consistent, timely and predictable mail service. As previously discussed in response to DFC/USPS-CMG-1, the EXFC scores for 2 & 3-Day mail since the changes implemented in the initial portion of Phase 2 in the early 90s, did not result in the type of incremental improvements that were recognized by the changes that were made to Overnight mail as a result of Phase 1. It was the goal of providing more consistent service that motivated the decisions made in implementing both Phase 1 and Phase 2 of the realignment plan, however belated the completion of Phase 2.
- (b) The finalization of Phase 2 was driven by the same objectives as motivated Phase 1, the determination to improve consistency in First-Class Mail delivery, as described in the Docket No. N89-1 record, particularly the testimony of witness Lazerowitz (USPS-T-1). See also, DFC-LR-1, the pages in the PowerPoint presentation captioned "Requirements" and "Assessment Made by Team."

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RESPONSE to DFC/USPS-GAN-3 (continued):

- (c) Aside from the information described above, the Postal Service did not rely on any other indicators of customer need in finalizing Phase 2.

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DFC/USPS-GAN-7

Do you believe that the Postal Service is meeting the needs of customers in every instance in which it changed a First-Class Mail service standard from two days to three days in 2000 and 2001? If yes, please explain the basis on which you make this assertion and provide all supporting documentation.

RESPONSE:

In changing service standards, the Postal Service has made a reasonable effort to meet the needs of customers, as indicated in response to DFC/USPS-GAN-3. The Postal Service would never claim to have satisfied the needs of all of its customers all of the time. Every day, the Postal Service must make operational and policy decisions that some customers will see as beneficial and some will see as unsatisfactory. Customer perspectives are largely influenced by the direct impact that a particular operational or policy change has on them personally, irrespective of the impact on others or the overall impact of the change on the postal system as a whole. The mailing public is as diverse a customer base as there is. Some customers are more sensitive to changes in postal service than others. The Postal Service does not expect that every customer will be satisfied with the service standard changes at issue in this proceeding.

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DFC/USPS-GAN-8.

Is surface transportation always more expeditious than air transportation? If yes, please explain.

RESPONSE:

No.

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DFC/USPS-GAN-9.

Is air transportation sometimes more expeditious than surface transportation? If not, please explain.

RESPONSE:

Yes.

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DFC/USPS-GAN-10.

For some of the three-digit ZIP Code pairs for which the Postal Service changed the First-Class Mail service standard from two days to three days in 2000 and 2001, please confirm that the Postal Service shifted the mail from air transportation to surface transportation. If you do not confirm, please explain.

RESPONSE:

Confirmed.

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DFC/USPS-GAN-11

For some of the three-digit ZIP Code pairs for which the Postal Service changed the First-Class Mail service standard from two days to three days in 2000 and 2001, please confirm that the use of air transportation would make two-day delivery possible if the Postal Service elected to use air transportation and otherwise desired to restore a two-day service standard. If you do not confirm, please explain.

RESPONSE:

Confirmed, it one assumes away (a) the general decline in commercial air service experienced by the Postal Service that affected its ability to make 2-day commitments in the first place, (b) the current contraction of the commercial airline industry on which the Postal Service would depend (fewer airlines, fewer flights), and (c) the nature and duration of any post-September 11th emergency restrictions that might affect the utilization of that commercial air service.

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DFC/USPS-GAN-12.

Please refer to paragraph 15 of the Declaration of Charles M. Gannon. Please describe the extent to which the quality of commercial air transportation service was creating problems for the transportation and delivery of two-day First-Class Mail between cities in the western states.

RESPONSE:

During the period of time that the 2 & 3-Day Realignment Model was being proffered by Messrs. Rapp, Harris, Gannon and other members of the 2&3 Day Team to senior management in each postal administrative Area (including the managers responsible for western states), the quality of commercial air transportation was the primary factor cited by Area transportation management which resulted in a negative impact on their ability to provide consistent and timely 2-Day service.

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DFC/USPS-GAN-13

When shortcomings in commercial air transportation service delay two-day First-Class Mail, please state the number of days that these shortcomings typically cause this mail to be delayed. Please provide all documents that support your response.

RESPONSE:

The Postal Service has no system for empirically measuring the duration of delays to 2-Day mail that are specifically caused by air transportation.

An August 2001 Office of the Inspector General audit report regarding delayed mail in a major airport is been filed as USPS LR C2001-3/8. It is accompanied by a videotape. The situation which is the subject of this audit report is not necessarily representative of the Postal Service's experience with commercial air transportation service (with the airline in question or the commercial passenger airline industry as a whole) during the implementation of the service standard changes at issues in this proceeding. However, it represents an experience that, to many postal transportation managers, was all too common during that period and, judging by the timing of the audit report, is not sufficiently "historical" to suggest that vigilance be relaxed.

When combined with the indicators of commercial air transportation service quality reported in USPS LR C2001-3/2, the audit report illustrates why transportation managers can be inclined to prefer relying on surface transportation in some cases, even when air commercial air service might appear to be available to meet applicable service standards.

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DFC/USPS-GAN-20.

Please list all instances in which the Postal Service retained the use of air transportation to transport two-day First-Class Mail in lieu of changing the service standard to three days and shifting the mail to surface transportation. For each instance, please explain the reasons why air transportation and a two-day delivery standard were retained, and please provide documents explaining the process by which you or the Postal Service arrived at this decision.

RESPONSE:

The availability of air transportation did not influence any determination to retain 2-day service standards for particular origin-destination pairs in developing the model. Two-day service standards between origin-destination pairs were established (or, in most instances, simply maintained) because the origin and destination were within reasonable reach of available surface transportation. Putting aside the aftermath of September 11th and recent responses to terrorism, before and after the service standard changes were implemented, the determination to use air (as opposed to surface transportation) for 2-day mail, usually reflects a determination that, because of the relatively low volume involved, available air transportation would be less costly than surface transportation.

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DFC/USPS-GAN-22.

Please provide a list of all ADC's and the three-digit ZIP Codes that they serve.

RESPONSE:

Please see the GOEZINTA list, USPS LR C200I-3/I, file OCA-12B-2. This file identifies the assignment of every valid ZIP Code in the network to a respective ADC .

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DFC/USPS-GAN-23.

Please discuss the extent to which the Postal Service considers the service provided by dedicated air transportation to be insufficient to provide an acceptable level of two-day First-Class Mail service.

RESPONSE:

In theory, neither commercial air service nor dedicated air transportation is insufficient to provide an acceptable level of two-day First-Class Mail service. In practice, commercial air service has had its shortcomings. And it should not be forgotten that the perceived shortcomings in a previous national dedicated national air service contract led the Postal Service in the direction contracting with Fed Ex. Just to cover all bases, it also should be noted that surface transportation is not perfect either, except also in theory. The challenge is to try to determine what mix of modes can get the job done in a constantly changing transportation service environment.

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DFC/USPS-GAN-25.

For any situation in which problems with transportation provided by commercial passenger airlines existed, are you aware of actual improvements in delivery service, including EXFC scores, that occurred after the Postal Service switched to a method of transportation that the Postal Service considers more reliable than the transportation provided by commercial passenger airlines? If yes, please provide specific information on each situation. This interrogatory concerns only situations in which the service standard was the same before and after the transportation changes.

RESPONSE:

See the response to DFC/USPS-24(b).

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DFC/USPS-GAN-26.

Please provide all facts and information indicating that a three-day service standard for mail between adjacent SCF's does or does not meet the needs of postal customers.

RESPONSE:

Please see the responses to DFC/USPS-GAN-3 and 7.

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DFC/USPS-GAN-27.

Please explain the extent to which the Postal Service's new contract with FedEx to transport First-Class Mail affected your decisions to shift mail from air transportation to surface transportation with an accompanying change in the service standard from two days to three days.

RESPONSE:

The current FedEx transportation contract was not implemented until the end of August, 2001, several months after the final Phase 2 changes were implemented on May 19, 2001. The contract played no part in any decisions regarding the 2 & 3-Day Model. Whether it was going to be successfully negotiated and implemented could not be known at the time that the Service Standards team was conducting its work.

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DFC/USPS-GAN-28.

Please explain whether the Postal Service's new contract with FedEx to transport First-Class Mail might or would provide air transportation with sufficient consistency to allow the Postal Service, if it so desired, to restore two-day service standards between some cities and achieve two-day delivery at or above a minimum desired level of consistency.

RESPONSE:

Please see the response to DFC/USPS-CMG-1.

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DFC/USPS-GAN-31.

- (a) Are commercial passenger airlines currently transporting First-Class flats? If not, please describe the transportation arrangements for First-Class flats that, after September 11, 2001, are not being transported on commercial passenger airlines.
- (b) Are commercial passenger airlines currently transporting First-Class SPR's? If not, please describe the transportation arrangements for First-Class SPR's that, after September 11, 2001, are not being transported on commercial passenger airlines.

RESPONSE:

- (a&b) Any current emergency commercial air transportation arrangements have no bearing on the question of whether the service standard changes at issue in this proceeding were implemented in a manner consistent with 3661 or whether those changes result in the provision of service consistent with the policies of the Act, within the meaning of 3662. The service standard changes at issue in this proceeding also do not distinguish among First-Class Mail pieces on the basis of shape. The occurrence, recurrence or duration of any such emergency measures cannot presently be predicted.