

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

Complaint on First-Class Mail
Service Standards

Docket No. C2001-3

RESPONSES OF CHARLES GANNON
ON BEHALF OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DOUGLAS CARLSON
(DFC/USPS-GAN-4-6, 14, 16, 17, 19, 21, 29, 30)

The United States Postal Service hereby files the responses of Charles Gannon to the following interrogatories of Douglas Carlson: DFC/USPS-GAN-4-6, 14, 16, 17, 19, 21, 29 and 30, filed on October 25, 2001.

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

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

Michael T. Tidwell

RESPONSE OF UNITED STATES POSTAL SERVICE
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DFC/USPS-GAN-4.

- (a) During your work that led to the changes in First-Class Mail service standards that the Postal Service implemented in 2000 and 2001, were you specifically aware of the Postal Service's statutory obligation to provide adequate mail service? If yes, please state the approximate date on which you learned of this obligation and the method by which you learned of this obligation.
- (b) If you were specifically aware of the Postal Service's statutory obligation to provide adequate mail service, please discuss the ways in which the statutory obligation to provide adequate mail service 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.
- (c) If you were specifically aware of the Postal Service's statutory obligation to provide adequate mail service, please provide all documents that reflect your consideration of the Postal Service's statutory obligation to provide adequate mail service as you made decisions that led to the implementation in 2000 and 2001 of changes in First-Class Mail service standards from two days to three days.

RESPONSE:

- (a) Yes. I first became aware of this particular statutory obligation at or about the time of the adoption of the Postal Reorganization Act. Prior to that, it was already a part of the ethic of the Post Office Department, as far as I was concerned. As a manager in the Post Office Department at the time of reorganization, I was interested in what our mission was going to be when we converted to the United States Postal Service. Accordingly, I obtained a copy of the Postal Reorganization Act and, from a lay perspective, tried to familiarize myself with our new mission. I cannot give you a more precise date. I can assure you that only hard-copies of the

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Response to DFC/USPS-GAN-4 (continued):

text of the Postal Reorganization were available at the time. I am not completely “old school.” I now have an electronic version of the Act on my computer hard drive to which I routinely refer.

(b&c) The goals of the Postal Reorganization Act were the goals of the Service Standards Team. The decisions made by the Team reflect its effort to implement the policies of the Act. Accordingly, all documents generated in the process, such as the PowerPoint presentation in DFC-LR-1, implicitly reflect the Team’s consideration of those policies. As reflected in that document, we were not only aware of our obligation to provide adequate, but a primary goal of the 2 & 3-Day Service Standard Model was to generally improve the level of service being rendered to customers over that which had existed since the initial implementation of Phase 2 in the early 90s. Accordingly, one result of the Phase 2 finalization process is that more ZIP Codes pairs are now targeted for 2-Day delivery.

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DFC/USPS-GAN-5

- (a) During your work that led to the changes in First-Class Mail service standards that the Postal Service implemented in 2000 and 2001, were you specifically aware of the Postal Service's statutory obligation to give the highest consideration to the requirement for the most expeditious collection, transportation, and delivery of important letter mail? (This requirement appears in 39 U.S.C. § 101(e).) If yes, please state the approximate date on which you learned of this obligation and the method by which you learned of this obligation.
- (b) If you were specifically aware of the Postal Service's statutory obligation described in part (a), please discuss the ways in which this statutory obligation 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.
- (c) If you were specifically aware of the Postal Service's statutory obligation described in part (a), please provide all documents that reflect your consideration of this statutory obligation as you made decisions that led to the implementation in 2000 and 2001 of changes in First-Class Mail service standards from two days to three days.

RESPONSE:

- (a) See my response to DFC/USPS-GAN-4(a).
- (b&c) See my response to DFC/USPS-GAN-5(b&c). The 2 & 3-Day Model was designed to use our existing Operations Network consisting of Processing and & Distribution Centers, Processing & Distribution Facilities, Customer Service Facilities, Area Distribution Centers, Automated ADCs and Sectional Center Facilities. That network requires that Originating Facilities make separations for Automated Letter mail to be diverted

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RESPONSE to DFC/USPS-GAN-5 (continued):

around ADC operations and/or facilities and to go directly to our network of AADCs. Here is an example of how such Letter mail is advanced over other mail types:

Mail originates in Cedar Rapids, Iowa destined for Madison, WI, a 2-Day Service Standard. The routing in the Model, for the assignment of the standard, would show mail from Cedar Rapids P&DC flowing to ADC Milwaukee WI. The Milwaukee ADC operation would then extract the mail destined for their subordinate SCF of Madison WI. However, due to the physical location of Cedar Rapids, and the requirement for them to isolate automated letter mail, they actually have a surface trip that passes through Madison on the way to Milwaukee. Therefore, while the flats and SPRS for Madison (depending on the volume) *may* be sent on to the ADC operation for processing, the letter mail for AADC Madison travels directly from Cedar Rapids to Madison, without passing through Milwaukee. This use of the AADC network gives letter mail the “*most expeditious*” handling versus non-letter mail.

The previously submitted GOEZINTA list (USPS LR C2001-3/1, file OCA-12B-2), identifies the AADC assignment of every valid ZIP Code in the network and shows how they mesh with the rest of the 2 & 3-Day Model. The use of the identified AADC network gives letter mail the “most expeditious” handling versus non-letter mail.

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DFC/USPS-GAN-6.

- (a) During your work that led to the changes in First-Class Mail service standards that the Postal Service implemented in 2000 and 2001, were you specifically aware of the Postal Service's statutory obligation, in selecting modes of transportation, to give highest consideration to the prompt and economical delivery of all mail? (This requirement appears in 39 U.S.C. § 101(f).) If yes, please state the approximate date on which you learned of this obligation and the method by which you learned of this obligation.
- (b) If you were specifically aware of the Postal Service's statutory obligation described in part (a), please discuss the ways in which this statutory obligation 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.
- (c) If you were specifically aware of the Postal Service's statutory obligation described in part (a), please provide all documents that reflect your consideration of this statutory obligation as you made decisions that led to the implementation in 2000 and 2001 of changes in First-Class Mail service standards from two days to three days.

RESPONSE:

- (a) See my response to DFC/USPS-GAN-4(a).
- (b&c) See my response to DFC/USPS-GAN-4(b&c). As described in the PowerPoint presentation contained in DFC-LR-1, and the response to DBP/USPS-36, the 2 & 3-Day Model was designed with "Buffer Times" built into them to allow for multiple stops, dock transfers, and handling through the transportation network, while still allowing the Postal Service to meet the designated Estimated Time of Arrival/Critical Entry Time at the destination Area Distribution Center. This was done in order to use economies of scale in providing prompt and economical delivery of all mail, by allowing reasonable time for the consolidation of mail volumes.

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DFC/USPS-GAN-14.

- (a) During your work that led to the changes in First-Class Mail service standards that the Postal Service implemented in 2000 and 2001, instead of changing service standards from two days to three days, did you consider the use of dedicated air transportation as a replacement for apparently deficient service provided by commercial passenger airlines?
- (b) If you considered using dedicated air transportation to maintain two-day service standards, please discuss the outcome of these considerations and provide documents explaining this outcome.

RESPONSE:

- (a&b) At the time, the Service Standards Team was aware that dedicated air transportation cost approximately twice as much as commercial air. Accordingly, this option did not seem feasible and was not given serious consideration. While associated costs were not a focus of the 2 & 3 Day Team, the Team was not inclined to consider methods of transportation that appeared “unreasonable” or exorbitantly priced, such as helicopters or a complete network of dedicated air. It was the consensus of the Team that transportation methods that disproportionately drove up costs would have little chance of subsequent approval by senior management. This approach was deemed to be in keeping with the obligation to give highest consideration to the economical delivery of all mail while selecting modes of transportation.

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DFC/USPS-GAN-16.

During your work that led to the changes in First-Class Mail service standards that the Postal Service implemented in 2000 and 2001, did you at any time conclude that any existing transportation arrangements were not economical? If yes, please provide a list of all such arrangements, and please provide all documents supporting your response.

RESPONSE:

Please see the response to DFC/USPS-14. The assignment that was given to the 2 & 3-Day Realignment Team specifically instructed us to develop and plan the steps that might be implemented in order to provide Service Standards which allow for consistent, timely and predictable service performance. We were tasked with this assignment and advised to not develop or use potential costs as a factor in trying to develop the alternatives that might be used to modify Service Standards. For this reason, my work did not involve evaluating the economics of existing transportation arrangements.

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DFC/USPS-GAN-17.

During and after Docket No. N89-1, please explain the extent to which the Postal Service has used volume as a consideration in determining whether the First-Class Mail service standards between particular ZIP Code pairs would be two days or three days. In your response, please explain whether a high volume tended to increase or decrease the probability that a particular service standard would be two days instead of three days.

RESPONSE:

I am not specifically aware of how, or if, the Postal Service actually used volume as a consideration after Docket No. N89-1, or at any time prior to my becoming Program Manager for Service Standards in approximately 1995. Since that time, and during the development and implementation of the 2 & 3-Day Model, volume was not a controlling factor in the determination of whether a standard became 2-Days or 3-Days. See my response to DFC/USPS-GAN-4 (b&c).

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DFC/USPS-GAN-19.

Please explain in detail the reasons why the First-Class Mail service standard for mail from SCF Oakland CA to SCF San Diego CA is two days while the service standard for mail from SCF San Francisco CA to SCF San Diego CA is three days. In your response, please explain your understanding of the geographic distance between the cities of San Francisco and Oakland.

RESPONSE:

SCF is a destinating concept, so we do not send Originating mail from a SCF, but only receive it at SCFs. If I assume that the mail in question Originates at Oakland CA P&DC destined for SCF San Diego CA, the routing is projected at 11.7 hours drivetime to ADC San Diego CA, which qualifies the mail for 2-Day service. The mail from San Francisco CA to ADC San Diego CA is projected at a drivetime of 12.1 hours, which was modeled as a 3-day standard. My understanding of the distance between San Francisco and Oakland is that it is about 15 miles between the involved Postal facilities. The projected drive time between the facilities in PC Miler is 0.5 hours.

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DFC/USPS-GAN-21.

Please explain why the First-Class Mail service standard for mail from SCF Reno NV to SCF Los Angeles CA 900 is three days while the service standard for mail from SCF Reno NV to SCF Inglewood CA, SCF Long Beach CA, SCF Pasadena CA, SCF Van Nuys CA, and SCF Alhambra CA is two days.

RESPONSE:

Reno NV P&DC to ADC Los Angeles CA is projected as a 12.1 hour drivetime. SCF Inglewood, SCF Long Beach, SCF Pasadena, SCF Van Nuys, and SCF Alhambra (Industry) all fall under ADC Twin Valley CA. The drivetime from Reno NV P&DC to ADC Twin Valley projects at 11.3 hours.

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DFC/USPS-GAN-29

Are you aware of any concern expressed by any member of the Postal Service Board of Governors since 1996 about the on-time delivery performance of two-day or three-day First-Class Mail? If yes, please explain how you learned about this concern and the role that this concern played in your project or any decisions that you made during the project.

RESPONSE:

No. At least, not directly. I am aware of concerns expressed by senior postal management that served as an impetus for our work on the operational and service standard changes discussed in my Declaration. I have no idea whether those concerns echoed or coincided with any expressed by the Governors.

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DFC/USPS-GAN-30.

At any time during your review and implementation of two-day and three-day First-Class Mail service standards, did the compensation of any postal personnel depend on EXFC scores for two-day or three-day First-Class Mail? If so, please describe any information indicating that a concern for improving two-day or three-day EXFC scores may have affected the decision to change any service standard for two-day or three-day mail.

RESPONSE:

I am informed that during the review and implementation period (April 1998 – May 2001), the 2 & 3-Day EXFC scores were compensable during fiscal years 1999 and 2000, but were not compensable goals with regard to our EVA process during FY 2001. As stated previously, and indicated on the PowerPoint presentation in DFC-LR-1, it was our goal to improve 2 & 3-Day service and make it more consistent. To the best of my knowledge, having to serve more ZIP Codes within 2-Days throughout the country, which was the total net result of the Realignment Model, would not be the way to “enhance” one’s EVA compensation. EVA, or the potential impact of EVA scores on compensation, played absolutely no role in and had no influence on any aspect of the Model design or implementation.