

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Complaint on First-Class Mail
Service Standards

Docket No. C2001-3

NOTICE OF THE UNITED STATES POSTAL SERVICE
REGARDING THE FILING OF
DECLARATIONS TO ACCOMPANY DECEMBER 10, 2001, REPLY


On December 10, 2001, the United States Postal Service filed its reply to the answer of Complainant in opposition to the motion for application of protective conditions to the response to DFC/USPS-9. In that reply, the Postal Service indicated that pertinent Declarations of several postal officials would be filed no later than today. Two are attached. The third will be filed tomorrow.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux
Chief Counsel
Ratemaking



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December 12, 2001

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

Complaint on First-Class Mail
Service Standards

Docket No. C2001-3

Declaration of Francia G. Smith

I, Francia G. Smith, declare:

1. I am Vice President and Consumer Advocate for the United States Postal Service. I have held this position since February 1999. The Office of the Consumer Advocate is responsible for First-Class Mail service performance measurement, which is conducted for the Postal Service by PricewaterhouseCoopers (PwC) through the External First-Class (EXFC) Mail measurement system. EXFC measures service performance from a customer perspective and produces accurate, independent, externally generated results.
2. For more than a decade, the Postal Service has contracted with PwC to operate the EXFC system for the purpose of providing postal management with a basis for evaluating the degree to which First-Class Mail meets its published service standards. Currently, the Postal Service spends \$17.6 million annually for the total operation of the EXFC system.
3. EXFC is designed to provide quarterly estimates of First-Class Mail service performance for 85 Performance Clusters from their overnight, two-day, and three-day service standard areas. This network represents approximately 80 percent of the nation's destinating First-Class Mail stamped and metered volume. These data are routinely published by the Postal Service during the public Board of Governors meetings. Statistically valid National EXFC by service standard data, which are derived from weighted area level volumes, are also routinely published and disseminated internally each postal quarter. The system also generates data that reflects days-to-deliver by service standard at the National, Area and Performance Cluster levels. On request, the Postal Service discloses this information at the National and Area levels. However, disaggregated Performance Cluster specific days-to-delivery data, which are weighted to create Area level results, are not published. Performance Cluster specific days-to-deliver data are disseminated internally.


4. In addition to the published data, these internal data assist postal management in identifying opportunities for service performance improvement. The data provide a basis for estimating the degree to which mail with a particular originating or destinating characteristic is meeting published service standards. The data are used by postal managers to assess where in the mail processing and transportation networks attention should be focused to improve service in order to better meet expectations based on those service standards. For the 85 Performance Clusters from which data are collected, EXFC data also provide a detailed understanding of the competitive marketplace, particularly which particular postal markets, on the basis of service quality, are either more or less susceptible to diversion by private competitors.
5. The Postal Service strictly controls access to and dissemination of EXFC Performance Cluster days-to-deliver results. These data are not included in the public release of the quarterly EXFC Performance Cluster destinating results, but they are included in quarterly reports disseminated internally. As new quarterly EXFC Performance Cluster days-to-deliver data are generated, the Postal Service does not publish results from previous quarters or years.
6. The Postal Service has taken measures to protect these data from public disclosure. Authorized users access disaggregated EXFC Performance Cluster days-to-deliver data electronically through internal reporting systems. In addition, PwC has agreed not to publicly disclose any data generated by the EXFC system, and, as a requirement, has every employee sign a non-disclosure statement.
7. The Postal Service does not disseminate or publicize EXFC Performance Cluster days-to-deliver data for several reasons. The data are considered proprietary, because they could potentially be used by a competitor to damage the competitive position of the Postal Service. Public disclosure of the data would place the Postal Service at an unfair disadvantage since competitors do not disclose or publish similar data. Selective reporting of data could cause harm to the Postal Service's commercial interests, its brand equity and its revenues. Disclosure would allow a competitor to gain invaluable data about the marketplace and product performance. For instance, point-specific days-to-deliver data could be used by a postal competitor to identify the very specific strengths and weaknesses within the Postal Service's share of the market for carriage and transmission of matter that can be sent as First-Class Mail. Access to these data would allow them to target their marketing and other resources to areas of vulnerability, or avoid competition where the Postal Service is perceived strongest.

8. I am aware of no private delivery service or other First-Class Mail competitors that release disaggregated, market-specific days-to-deliver service performance data. The Postal Service does not even publicize favorable Performance Cluster-specific days-to-deliver data out of concern that it might be misreported by the press or misused by our competitors. This postal policy has been consistently applied since the inauguration of the EXFC system over a decade ago.

9. For as long as the EXFC system has been in operation, my office has released portions of the quarterly EXFC reports to the United States Congress, the General Accounting Office (GAO), and the United States Postal Service Office of the Inspector General (OIG). As appropriate, except for national data or disaggregated performance cluster destinating results, these data are labeled as "restricted information." To the best of my knowledge, Congress, the GAO and the OIG have not publicly disclosed any restricted EXFC data.

I declare under penalty of perjury that the foregoing statement is true to the best of my knowledge, information and belief.

December 12, 2001



Francia G. Smith

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

Complaint on First-Class Mail
Service Standards

Docket No. C2001-3

Declaration of Richard L. Prescott

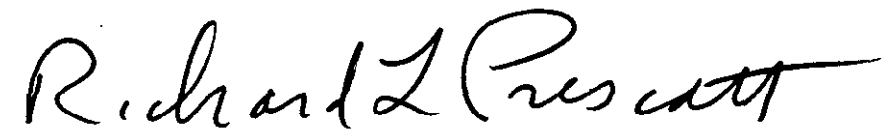
I, Richard L. Prescott, declare:

1. Since February, 1997, I have been employed as Manager; Revenue, Volume and Performance Measurement; Finance Department, United States Postal Service headquarters.
2. As a routine operations function, the Revenue, Volume and Performance Measurement group maintains and supports the Origin-Destination Information System (ODIS), a nation-wide statistical sampling system through which the Postal Service measures the volume and time-in-transit of First-Class Mail originating and destinating between 3-digit ZIP Code areas of the postal system.
3. ODIS generates statistically reliable quarterly volume and time-in-transit (or days-to-deliver) estimates for First-Class Mail flowing among the 849,106 3-digit ZIP Code origin-destination pairs. National and Area level aggregate ODIS time-in-transit data are routinely published and filed with the Commission. Disaggregated ODIS data, including that which reflects volume, time-in-transit, or days-to-deliver for specific 3-digit ZIP Code origin pairs are not published. Disaggregated data are maintained in the ODIS computer files and disseminated to or accessed by postal management.
4. Disaggregated (point-to-point or point-specific) ODIS data are used by Postal Service management to estimate the volume of mail and the quality of delivery service between points in the mail stream, to monitor service problems, and to take corrective action. The disaggregated data are used by postal managers to assess where in the mail processing and transportation networks attention should be focused to improve service in order to better meet expectations based on published service standards. Disaggregated ODIS data also are used by local postal managers to forecast volumes, to plan mail transportation and processing operations, and to design and develop processing equipment and facilities. Point-to-point data also are used by the Postal Service in negotiating equitable contracts with private companies which transport mail matter.

5. The Postal Service strictly controls internal access to and dissemination of point-specific or point-to-point ODIS volume, time-in-transit, and days-to-deliver scores. To my knowledge, this has been postal policy for the three decades in which the ODIS system has been in operation. These disaggregated data are not included in the published quarterly ODIS reports reflecting National and Area level data. As new quarterly ODIS point-to-point and point-specific data are generated, the Postal Service does not publish results from previous quarters or years. After five years, data are purged from the system.
6. The Postal Service has take measures to protect these data from public disclosure. Authorized internal users access disaggregated data electronically through internal reporting systems, which clearly identify the data system as restricted.
7. For as long as the ODIS system has been in operation, my office has released portions of the quarterly ODIS reports to the United Sates Congress and the General Accounting Office (GAO). In response to specific Congressional and GAO requests, we have also provided disaggregated point-to-point or point-specific data. As appropriate, except for National or Area aggregate data, these data are labeled as "restricted information" and the commercial sensitivity of the data and Postal Service disclosure policy have been explained. To the best of my knowledge, Congress and the GAO have not publicly disclosed any restricted ODIS data.

I declare under penalty of perjury that the foregoing statement is true to the best of my knowledge, information and belief.

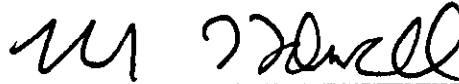
December 12, 2001



Richard L. Prescott

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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