

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

Complaint on First-Class Mail
Service Standards

Docket No. C2001-3

RESPONSES OF THE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DOUGLAS CARLSON
(DFC/USPS-GAN-32, 33, 37, 38, 39 40(b,c), 43 44, 45, 47 THROUGH 51)

The United States Postal Service hereby files the responses of Charles Gannon to the following interrogatories of Douglas Carlson: DFC/USPS-GAN-32, 33, 37, 38, 39 40(b,c), 43, 44, 45, 47 through 51, filed on November 30, 2001.

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

Responses of Mr. Gannon to DFC/USPS-GAN-34-36 have been filed today.

Responses to DFC/USPS-GAN-40(a), 41, 42 and 46 are forthcoming.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

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December 12, 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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DFC/USPS-GAN-32. Please refer to your response to DFC/USPS-CMG-1.

- a. Please describe the “current emergency measures in mail processing and transportation implemented in response to the events of September 11, 2001, and the subsequent use of the mail to commit acts of biological terrorism” that “are likely to result in at least a temporary dip in EXFC scores[.]”
- b. Please explain the extent to which the measures described in part (a) are limited to certain parts of the country.
- c. Please identify all the periods (e.g., postal quarters) for which EXFC scores have been computed that you believe were affected by the events described in your response to DFC/USPS-CMG-1.
- d. Do EXFC score data confirm your expectation of a “temporary dip in EXFC scores”? Please explain.

RESPONSE:

- (a) In the wake of September 11th, in response to contraction of the commercial airline industry and restrictions on air carriage of mail matter, the Postal Service has had to utilize a different mix of transportation modes than could have been anticipated on September 10th. Putting aside the usual December holiday mailing rush and any arrangements that are being made to accommodate it, there is less reliance on air transportation for First-Class Mail than before. In addition, various mail processing and delivery facilities have been closed (most for relatively brief periods) at least temporarily in response to concerns about anthrax contamination. Until a point is reached when the Postal Service is conducting operations in a manner unaffected by extraordinary security

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RESPONSE to DFC/USPS-GAN-32 (continued):

measures and unanticipated limitations in the availability of commercial air transportation (or otherwise devises means of compensating for these phenomena), the Postal Service will not consider that things are “normal,” or pre-September 11th.

- (b) Even if measures can be considered geographically limited (such as the closing of the Brentwood facility in Washington, DC), the impact of such measures has a reach that is reflected in the degree to which mail that ordinarily flows through the area is geographically diverse in origin and destination. Overnight mail in areas not directly affected by anthrax-related disruptions have probably been least affected. The same could be said of mail that would not fly under any circumstances.

- (c) If one could isolate the impact of the aftermath of the events of September 11th from all concurrent influences on EXFC scores, one would expect to see an adverse effect on EXFC scores in any period of measurement that included September 11th and any subsequent period during which one could also isolate and measure whether responsive corrective measures or the holiday rush or other phenomena were having any impact.

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RESPONSE to DFC/USPS–GAN-32 (continued)

- (d) On the assumption that the factors described above in subpart (a) have tended to adversely affect the delivery of some mail, all else equal, one would expect EXFC scores for measurement periods including and subsequent to September 11th to be lower than they would be if pre-September 11th conditions still prevailed.

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DFC/USPS-GAN-33. Please refer to your response to DFC/USPS-CMG-1, where you stated that “the Postal Service decided to initiate a review to determine whether the new FedEx arrangement might create any significant opportunities to shift 2-day and 3-day First-Class Mail from surface to air transportation.” Please explain whether this shift would have caused any service standards to change. If so, might these changes have deviated from the current model that focuses on the projected drive time?

RESPONSE:

Before September 11th, the possibilities described in the question were contemplated as potential outcomes. It was never determined whether those possibilities were feasible, since the review has not been conducted and has been indefinitely postponed. Moreover, the landscape has changed since September 11th.

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DFC/USPS-GAN-37. Please refer to your response to DFC/USPS-GAN-4(b) & (c). Please confirm that another result of the “Phase 2 finalization process” is a net decline in the volume of First-Class Mail targeted for two-day delivery and a net increase in the volume of First-Class Mail targeted for three-day delivery. If you do not confirm, please explain.

RESPONSE:

While the Postal Service now targets more ZIP Codes pairs and more Delivery Points across the nation for 2-Day delivery as a result of the FY-00/01 Service Standard changes, it can be confirmed that the resulting sheer volume totals shifted as described.

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DFC/USPS-GAN-38. Please refer to your response to DFC/USPS-GAN-5.

- (a) Please confirm that the service standard for First-Class letters, flats, and SPR's from Cedar Rapids, Iowa, to Madison, Wisconsin, is two days. If you do not confirm, please explain.
- (b) Please confirm that the transportation arrangement that you provided in your example in response to DFC/USPS-GAN-5 existed prior to the changes in service standards that the Postal Service implemented in 2000 and 2001. If you do not confirm, please explain.
- (c) Please confirm that the changes in service standards that the Postal Service implemented in 2000 and 2001 did not prompt a change in the transportation of mail between Cedar Rapids and Madison.
- (d) Do you consider First-Class flats to be important letter mail for the purposes of 39 U.S.C. § 101(e)? Please explain your answer.
- (e) Please confirm that, under current Postal Service policy or practice, the First-Class Mail service standard for every ZIP Code pair must be the same for letters, flats, and SPR's. If you do not confirm, please explain.

RESPONSE:

- (a-c) Confirmed.
- (d,e) Undoubtedly, some First-Class Mail flats consist of letters considered important by either the sender or the recipient. In terms of service standards, the Postal Service regards all First-Class Mail letters as equally important, notwithstanding the physical differences between letter-shaped and flat-shaped pieces that result in different processing. Accordingly, First-Class Mail service standards do not distinguish between letters, flats or SPRs. The question of whether First Class Mail flats consist of "important letter mail" within the meaning of 39 U.S.C. 101(e) calls for a legal conclusion, not a factual response.

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DFC/USPS-GAN-39. Please refer to your response to DFC/USPS-GAN-14.

- (a) Please confirm that, prior to the changes in service standards that the Postal Service implemented in 2000 and 2001,
 - (1) the First-Class Mail service standards between some ZIP Code pairs were changed from two days to three days.
 - (2) some of the mail affected by these changes was shifted from air transportation to surface transportation, and
 - (3) the air transportation that the Postal Service formerly used to transport this mail was deemed inadequate or otherwise undesirable. If you do not confirm, please explain.
- (b) For mail fitting the description in part (a), please confirm that senior management of the Postal Service was not presented with the option of using dedicated air transportation to maintain two-day delivery for some or all of this mail. If you do not confirm, please explain and provide documents related to the presentation of this option to senior management.
- (c) Please identify, as a percentage of transportation costs for First-Class Mail, the increase in total transportation costs for First-Class Mail that would have resulted if the Postal Service had used dedicated air transportation to maintain two-day delivery for some or all of the First-Class Mail whose service standard was changed to three days in 2000 and 2001.
- (d) Please identify the person at the highest level of management who approved the decision not to use dedicated air transportation to maintain two-day delivery of First-Class Mail in lieu of changing some service standards to three days.

RESPONSE:

- (a) Assuming the question refers to the period after Docket No. N89-1 and relates to changes outside the scope of those at issue in this proceeding, confirmed.

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RESPONSE to DFC/USPS-GAN-39 (continued):

- (b) As implied by the response to DFC/USPS-GAN-24, senior management was well aware of the availability of dedicated air transportation or there would not have been such a network to the 16 cities identified therein. However, as previously stated in response to DFC/USPS-GAN-14 (a&b), the 2 & 3-Day Team did not propose that specific option to senior management.
- (c) No analysis has been performed for the purpose of determining what dedicated air service could be contracted for some or all of the shifted origin-destination pairs service or what such service might cost or how that cost might compare to some other figure. See the response to DFC/USPS-33.
- (d) As explained earlier in response to DFC/USPS-14(a&b), the Service Standards Team did not present a “dedicated air: yes or no?” recommendation to senior management. Please also see paragraphs 13,14 and 24 of the July 30, 2001, Gannon Declaration.

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DFC/USPS-GAN-40. Please refer to your response to DFC/USPS-GAN-19.

- (a) Please explain the transportation arrangements for First-Class Mail destined to ADC San Diego CA from North Bay CA P&DC, San Francisco CA P&DC, Oakland CA P&DC, San Jose CA P&DC, and Salinas P&DF. This interrogatory specifically seeks, but is not limited to, information that will determine whether mail from some of these facilities travels on the same truck or trucks.
- (b) Please refer to USPS-LR-C2001-3/1, file OCA-12B-2. The entry for ADC Sierra CA shows a 5-digit ADC location of 95101, or San Jose CA. Does this entry mean that the San Jose P&DC processes First-Class Mail labeled to ADC Sierra CA? If not, please explain. If yes, was ADC Sierra CA mail previously processed at the San Francisco P&DC?
- (c) Please refer to USPS-LR-C2001-3/1, file OCA-12B-2. Does the entry for 5-digit ADC location indicate the location of the P&DC that processes incoming First-Class Mail labeled to that ADC?

RESPONSE:

- (a) Response forthcoming.
- (b) The State of California has the only four pseudo, or virtual, ADCs in the overall destinating network: ADC Sierra CA, ADC Peninsula CA, ADC Sequoia CA and ADC Twin Valley CA. These are pseudo-ADCs because they are actually “schemes” to which Origins sort their mail, rather than actual physical plants. The Pacific Area then decides which of the assigned subordinate SCFs, based on local conditions, they want to handle the mail at the ADC operation. As these were the only four in the country, the Pacific Area was allowed to designate which of the facilities would be listed as the “physical location” of the ADC for the purposes of projecting the drive times in PC Miler. In the

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Response to DFC/USPS-GAN-40(continued):

case of for ADC Sierra, the Pacific Area elected to choose SCF San Jose CA as the host location of the ADC.

- (c) The “entry for 5-digit ADC location” indicates the ZIP Code designated for the purposes of determining the ADC location when using PC Miler, and, in the vast majority of cases, is also the location of the facility which “processes incoming First-Class Mail labeled to that ADC”. However, it should be noted that, in addition to the four pseudo-ADCs mentioned in (b), above, local conditions may, at anytime, require the diversion of ADC mail to another facility for processing. Example: The Washington DC ADC at the Brentwood facility has been closed indefinitely. Mail normally labeled to ADC Washington DC has been routed to, and processed at, other nearby P&DCs.

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DFC/USPS-GAN-43. Please discuss the ways in which the needs of customers for two-day First-Class Mail delivery affected any of your decisions on whether to change First-Class Mail service standards from two days to three days in 2000 and 2001.

RESPONSE:

Please see the earlier response to DFC/USPS-GAN-3(a-c).

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DFC/USPS-GAN-44.

Please refer to the response to DFC /USPS-GAN-12. Please discuss the substance of the reactions of Pacific Area and Western Area personnel, as the reactions relate to the level of service provided to customers, when you informed them of the extent to which service standards in their areas would be changed from two days to three days.

RESPONSE:

Like the rest of the Areas in the country, they supported the move from air transportation to surface transportation for 2-Day mail because of the declining reliability of airline performance. Western Area senior managers had been voicing ongoing concerns for years regarding the unreasonableness of service goals for which consistent, timely and responsive transportation was not available between many of their facilities. As with other Areas managers, they also expressed concern about whether the standardization of the National Clearance Times (perhaps being set too early) and that going as far as a 12 hour drive time might be "too far". Some voiced concerns regarding the potential loss of 2-Day pairs in their Areas, but recognized that retaining Service Standards which were not realistically attainable on a consistent basis, due in part to air transportation deficiencies, was also an unmanageable situation which diminished customer satisfaction.

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DFC/USPS-GAN-45. Please explain the meaning of “GOEZINTA.”

RESPONSE:

It is a long-standing, informal, nickname for a “goes into” list, e.g., “the Originating mail collected in Farmville VA, ZIP Code 239, goes into the Lynchburg VA 245 P&DF for processing” or “Destinating Incoming mail for ZIP Code 239 goes into ADC Richmond VA 230 for processing.” The “Final Network Structure” worksheet in USPS-LR-OCA-12B-2, is an assignment matrix which shows where every ZIP Code goes into for the various levels of processing identified in the 2 & 3-Day Model, and is referred to as “the GOEZINTA List”.

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DFC/USPS-GAN-47. Please refer to the response to DBP/USPS-73(a). Might trucks destined to a particular ADC carry First-Class Mail labeled to an AADC that is different from the ADC but that is located within the service area of the ADC? If your answer is yes, is this situation common?

RESPONSE:

Yes, trucks going into an Area Distribution Center might carry mail labeled to an Automated ADC that is different from the ADC. Not only could it be for an AADC within the service area of the ADC, but, depending on the geography and the line-of-travel of the trip, it could also be for an AADC that falls under the auspices of a different, nearby, ADC. Either or both situations do occur. However, since such routing decisions are local, a complete survey of local transportation arrangements would have to be undertaken in order to determine whether it was a “common” arrangement.

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DFC/USPS-GAN-48. Please refer to the response to DBP/USPS-72. Please confirm that the “2 & 3-Day Model” determines service standards using projected drive times from an originating facility to a destination ADC regardless of the method of transportation actually used to transport the mail. If you do not confirm, please explain.

RESPONSE:

Confirmed.

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DFC/USPS-GAN-49. Please refer to the response to DBP/USPS-80(b). Please identify the 12 HASP facilities.

RESPONSE:

A list of the 12 HASP facilities was already provided in our response to DBP/USPS-4.

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DFC/USPS-GAN-50. Please refer to the response to DBP/USPS-59. Which of the following statements do you believe better reflects the process by which most customers form their expectation of the length of time required for delivery of First-Class Mail between a particular ZIP Code pair? Please explain your answer.

Statement 1: Customers form their expectations of the length of time required for delivery of First-Class Mail based on their knowledge of the applicable service standard between a particular ZIP Code pair.

Statement 2: Customers form their expectations of the length of time required for delivery of First-Class Mail based on their prior experiences with delivery times for First-Class Mail between a particular ZIP Code pair.

RESPONSE:

The answer would seem to depend on the customer; his, her, or its sending and receiving origin-destination patterns; whether that mailer dealt directly with the Postal Service, and the degree to which that mailer was motivated to pay attention to such matters. First-Class Mail business customers generally tend to pay more attention to service standards than do residential customers. The larger the business and the more dependent it is upon the mails for the receipt of income, the greater interest it may have in the detailed information about actual service performance. Residential customers generally are less intensely interested in obtaining detailed knowledge about service standards or empirically monitoring their experiences. Business customers are greatly outnumbered by the residential customers, but generate and receives vastly much more mail on a per capita basis. Each statement could apply to some mailers in either group.

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DFC/USPS-GAN-51. Is it possible that First-Class Mail service standards for some ZIP Code pairs were changed from two days to three days in 2000 or 2001 even though (1) the mail continues to travel by air, before and after the changes, and (2) the air transportation was and is sufficiently reliable to meet a two-day service standard? If not, please explain.

RESPONSE:

In a system as vast and complex as the one operated by the United States Postal Service, it would not be prudent to summarily exclude that possibility.