

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

Complaint on First-Class Mail
Service Standards

Docket No. C2001-3

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS GANNON
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(April 6, 2004)

The United States Postal Service hereby provides the responses of witness Gannon to the following interrogatories of the Office of the Consumer Advocate, dated March 19, 2004: OCA/USPS-T1-1 through 6(a) and 7(b&c). Responses to OCA/USPS-T1- 6(b), 7(a) and 8 are forthcoming. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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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.

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OCA/USPS-T1-1. Please refer to your testimony at page 5 and explain why you believe that the EXFC data which serves as a basis for USPS Library reference C2001-3/14 would seem, at a minimum, to discourage the claim that mail with a 3-day service standard is being deferred to prevent delivery before the third day.

RESPONSE:

Mr. Carlson's testimony appears to suggest that, since the implementation of the First-Class Mail service standard changes, the Postal Service also has implemented either a general policy or adopted a general practice of delaying the transportation of mail (formerly subject to a 2-day standard and now subject to a 3-day standard) solely because of the service standard downgrades. The picture painted is one in which mail with a 3-day standard (that could potentially be processed, transported, and delivered in two days) is held back from available surface transportation solely because a 2-day standard no longer applies to it, making the new 3-day standard self-fulfilling in terms of actual delivery.

I am informed that the External First-Class Mail (EXFC) system is not designed to produce statistically valid estimates of service performance between specific origin-destination pairs. Nevertheless, the Postal Service was obligated to produce such O/D-pair-specific EXFC data in response to discovery. Those data were filed in USPS Library Reference C2001-3/12 and serve as the foundation for the data also produced in USPS Library Reference C2001-3/14. If one were to put aside, for a moment, the fact that EXFC is not designed to produce

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RESPONSE to OCA/USPS-T1-1 (continued)

Statistically valid time-in-transit estimates for specific O/D pairs, the data in USPS-LR-C2001-3/12 and C2001-3/14 would tend to suggest that, for numerous O/D pairs, a substantial percentage of 3-day mail is being delivered within 2 days. Even taking into consideration their limitations, these disaggregated O/D pair data would seem to discourage any claim that the Postal Service is holding mail back from early transportation opportunities solely because it no longer has a 2-day standard or preventing it from being delivered earlier than the date implied by the new standard.

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OCA/USPS-T1-2. Please confirm that your testimony at page 6 says that the four "pseudo-ADCs" located in California were all originally designed to have the same sort schemes as each other on their mail processing equipment in order to "dynamically" manage mail volumes on a daily basis to balance the workloads by shifting it among the four plants. If you do not confirm, please explain.

RESPONSE:

That cannot be confirmed. See the top of page 7, where I testify:

At the time of the establishment of the ADCs in question, the plan was for each of the processing facilities under a designated "pseudo-ADC" to have the same ADC sort schemes available on their mail processing equipment.

This should not be interpreted as implying that all four of the "pseudo-ADCs" have the same scheme, but that each facility under each individual "pseudo-ADC" would have access to the same ADC schemes. For example, one of the "pseudo-ADCs" is ADC Sequoia CA. ADC Sequoia processes the mail for 4 subordinate SCFs: Oxnard CA, Santa Barbara CA, Bakersfield CA and Mojave CA.

I am informed that the original concept was that all four of these SCFs would have access to the same ADC processing scheme and ADC mail could be routed to any of the four to serve as the ADC, depending on the daily workload and available resources. However, I subsequently learned that, usually, all the volumes for ADC Sequoia and ADC Twin Valley are worked in the Los Angeles plant, and volumes for ADC Peninsula and ADC Sierra are worked in the San Francisco plant. To further clarify, the four pseudo-ADCs -- Peninsula, Sequoia, Sierra and Twin Valley each have separate schemes and responsibilities for different ZIP Code ranges.

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OCA/USPS-T1-3. Please refer to your testimony at page 8 where you indicate that "Hindsight now informs us that the mail in question is not normally "dynamically" managed, as originally planned in the design of these "pseudo-ADCs."

- a. Please explain what you mean by "normally."
- b. Is any mail volume among those four "pseudo-ADCs" currently "dynamically" managed?
- c. If the answer is yes to (b) above, how often is the mail volume "dynamically" managed and what is the volume of mail that is "dynamically" managed in each of the "pseudo ADCs" as compared to the original plan?

RESPONSE:

- (a) I emphasized "normally" because there may have been some occasions that the pseudo-ADCs were handled as originally designed, but it has been my understanding that they are not routinely managed in that fashion. I did not want to speak in absolutes when this situation could have occurred in the past or could still occur in the future.
- (b) To the best of my knowledge, volumes are not currently being managed in the same fashion that was described to me as the *intent* when the pseudo-ADCs were created, as further explained in response to OCA/USPS-T1-2.
- (c) N/A

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OCA/USPS-T1-4. Your testimony states that in hindsight you might have designated Los Angeles and San Francisco as the sole physical plants for calculating Drive-Time Mileage for all four of the "pseudo-ADCs" and that in the future you would probably consider this option as more representative of reality.

- a. At the time you designed the service standards Model, was it apparent through hindsight that the mail in question was not normally being "dynamically" managed?
- b. Please explain why, given hindsight, you would not now treat each ADC as a regular ADC and designate each plant as having its own Drive-Time Mileage rather than lumping them together into Los Angeles and San Francisco locations?
- c. Would it not be even more representative of reality to treat them as regular ADCs for purposes of the drive time Model than designating Los Angeles and San Francisco as the sole ADC locations?

RESPONSE:

- (a) No.
- (b) Please see the response to OCA/USPS-T1-2. The mail in question is actually worked in the Los Angeles and San Francisco locations, so I now believe that using those actual locations would have produced a more realistic Model.
- (c) No. By using the actual processing locations, I believe that the results would have been "more representative of reality."

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OCA/USPS-T1-5. Please refer to your testimony on pages 7-8 where you state that if you had designated Los Angeles and San Francisco, California as the cities from which to establish service standards, rather than using a representative facility for the four "pseudo-ADCs" as a "host" facility from which to designate service standards, then California would have ended-up with fewer 2-day origin-destination pairs than it did in the actual final Model.

- a. Please indicate whether, if you now designated each of the "pseudo- ADCs" on the basis of the way current volumes are managed (apparently with little or no "dynamic" management), rather than selecting a representative facility for the Model, would there be more 2-day origin-destination pairs than there are in the current Model?
- b. If you answer part a affirmatively, in view of the fact that hindsight shows there is not normally "dynamic" management of the mail through those four "pseudo-facilities, does the Postal Service have any plans to re-designate these ADCs and so increase the number of 2-day origin-destination pairs in the Model? If not, why not?

RESPONSE:

- (a) This question cannot be answered as worded, because Los Angeles and San Francisco would not be "representative" facilities, since they are the facilities where the mail is actually worked.
- (b) If you still desire some type of response to this question, please rephrase it, taking into account the responses provided to OCA/USPS-T1-2, OCA/USPS-T1-3, and OCA/USPS-T1-4.

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OCA/USPS-T1-6. Please refer to your testimony at page 9 where you state the team preparing the National 2 & 3-Day Model "was aware that the Postal Service was phasing out regional contracts for dedicated air service that was being used primarily to fly mail between points in the West and Southwest."

- a. If these regional contracts had not been phased out, would there have been more 2-day origin-destination pairs in those regions than were in the final model?
- b. Why were those dedicated air service contracts being phased out?

RESPONSE:

- (a) It is impossible for me to say with certainty what the outcome would have been, if we had approached the task under different circumstances than those we faced. Your question raises one possibility. On the other hand, we still might have ended up with an outcome not significantly different than the Model which was subsequently implemented.
- (b) **[RESPONSE FORTHCOMING]**

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OCA/USPS-T1-7. Your testimony on pages 9-12 discusses problems with the reliability of commercial airlines. You do not specifically indicate that similar problems existed with dedicated air contracts.

- a. What data did you have regarding the reliability of deliveries for mail transported under dedicated air contracts?
- b. What cost data did you rely upon to take the cost differences of dedicated air and surface transportation into account to determine, as you say you did on page 10, lines 17-22 of your testimony, that you would need to "make adjustments to service standards" based upon "economical" transportation alternatives?
- c. Did the team ever develop a maximum unit cost or other cost that would be permissible to justify using dedicated air contracts for a 2-day service standard between origin-destination pairs rather than using surface transportation for a 3-day service standard?

RESPONSE:

- (a) **[RESPONSE FORTHCOMING]**
- (b) Please see the response to DFC/USPS-GAN-14 (a&b). We did not use any specific cost data since, as previously stated, our mission was not to "cut costs." However, we were generally aware of the overall costing hierarchy that dedicated air was the most expensive, commercial air was next, and surface transportation was, generally speaking, the least expensive mode of transportation. The intent of that section of my testimony was to emphasize that our objective was not to explore new, more costly, methods of transportation, such as purchasing a National fleet of helicopters, but to design a Service Standard methodology that would work within the framework of our existing transportation options (which included some dedicated air).
- (c) No.