

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001**

Postal Rate and Fee Changes, 2005

Docket No. R2005-1

**DOUGLAS F. CARLSON
MOTION TO COMPEL THE UNITED STATES POSTAL SERVICE
TO RESPOND TO INTERROGATORY DFC/USPS-67**

June 27, 2005

On June 1, 2005, I filed interrogatory DFC/USPS-67. This interrogatory reads:

- a. For a typical, average, or otherwise representative Monday, please provide the percentage of accepted Express Mail volume that is guaranteed for delivery on the next day, the second day, and the "second delivery day."
- b. For a typical, average, or otherwise representative Tuesday, please provide the percentage of accepted Express Mail volume that is guaranteed for delivery on the next day, the second day, and the "second delivery day."
- c. For a typical, average, or otherwise representative Wednesday, please provide the percentage of accepted Express Mail volume that is guaranteed for delivery on the next day, the second day, and the "second delivery day."
- d. For a typical, average, or otherwise representative Thursday, please provide the percentage of accepted Express Mail volume that is guaranteed for delivery on the next day, the second day, and the "second delivery day."
- e. For a typical, average, or otherwise representative Friday, please provide the percentage of accepted Express Mail volume that is guaranteed for delivery on the next day, the second day, and the "second delivery day."
- f. For a typical, average, or otherwise representative Saturday, please provide the percentage of accepted Express Mail volume that is

guaranteed for delivery on the next day, the second day, and the “second delivery day.”

- g. For a typical, average, or otherwise representative Sunday, please provide the percentage of accepted Express Mail volume that is guaranteed for delivery on the next day, the second day, and the “second delivery day.”

On June 13, 2005, the Postal Service filed an objection, claiming that this interrogatory “lacks any fundamental relevance to this proceeding.”¹ I move to compel the Postal Service to respond to DFC/USPS-67.

The Postal Reorganization Act requires the Commission to consider the value of service when recommending a rate for a postal service. The speed of Express Mail delivery is the central component of the value of this service. If, for example, Express Mail provided delivery in three days rather than one day, one would expect the value of the service to plummet, and demand would virtually evaporate. While demand and value of service are not identical concepts, changes in demand are directly related to changes in the value of the service. That is, all else equal, if the value of a service declines, one would expect to see demand decline. Similarly, if demand declines, the value of the service probably has declined, too, either in absolute terms or relative to substitute products. Demand may be one of the better proxies for measuring value of service. The Postal Service’s own witness admits that the speed of delivery of Express Mail is relevant to the demand for Express Mail service. DFC/USPS-T7-5. Therefore, by the Postal Service’s own admission, the speed of delivery of Express Mail affects the value of the service.

¹ Objection of the United States Postal Service to Interrogatory of Douglas F. Carlson (DFC/USPS-67) (“Objection”), filed June 13, 2005.

In Docket No. R2001-1, all Express Mail was guaranteed for delivery in one or two days. Since Docket No. R2001-1, the Postal Service has stopped delivering Express Mail to a majority of ZIP Codes on Sundays and holidays. Express Mail sent to these locations now is guaranteed for delivery in two to four days, thanks to the Postal Service's invention of a new level of Express Mail service called "Second Delivery Day" — a new service level that does not appear in the DMCS. Other changes in the Express Mail transportation network since Docket No. R2001-1 may have increased or decreased the speed of delivery of Express Mail sent on weekdays. Only by coincidence would the value of Express Mail service today be unchanged from the value of service in Docket No. R2001-1.

The Postal Service has already provided the percentage of overall Express Mail volume that is guaranteed for delivery in one day, two days, three days, and four days. DFC/USPS-77. Fully 11 percent of Express Mail volume is guaranteed for delivery in three or four days. *Id.* One fundamental question remains: How does Express Mail service on Mondays, Tuesdays, and Wednesdays differ from the Express Mail service that the Postal Service provides on Thursdays,² Fridays, Saturdays, and Sundays?³ Since most of the three-day and four-day shipments are accepted toward the end of the week, a

² The Postal Service may start guaranteeing Express Mail shipments on the "Second Delivery Day" as early as Thursday afternoon if a customer presents an item after an acceptance deadline, and the item is destined to a city to which overnight service is not available and in which no Sunday delivery is available.

³ The number of destinations for which overnight Express Mail service is available for shipments accepted on Saturdays and Sundays has shrunken dramatically since Docket No. R2001-1 since most Express Mail is now carried on the FedEx "night-turn" network, and this network operates only five days a week. Therefore, the Express Mail overnight network for

substantial proportion of Express Mail shipments accepted at the end of the week necessarily must be guaranteed for delivery in three or four days if three-day and four-day deliveries represent 11 percent of total volume across all days. These daily fluctuations in service levels affect the value of Express Mail service. If customers learn from past experience that Express Mail may be guaranteed for delivery in one to four days, for reasons that they may consider unpredictable or unclear, they may trust Express Mail service less than they did when Express Mail was never guaranteed for delivery in more than two days. For example, if customers realize that half of Express Mail sent on Fridays will be guaranteed for delivery in three days and 90 percent of Express Mail sent on Saturdays will be guaranteed for delivery in two days, they may view Express Mail as having a lower value of service than if, on every day of the week, they could count on 90 percent of Express Mail volume being guaranteed for delivery in one day.⁴ Consistency in the level of service that customers can expect affects the value of service, particularly since customers may have no remaining alternatives by the time they show up at the post office to send their Express Mail item. Therefore, data revealing fluctuations in the level of Express Mail service throughout the week are relevant to the value of Express Mail service.

DFC/USPS-67 inquires into the fluctuation in the level of Express Mail service by exploring, for each acceptance day, the percentage of Express Mail that is guaranteed for delivery on the next day, the second day, and the “second

shipments sent on Saturdays and Sundays looks very different from the overnight network on weekdays.

⁴ The percentage of Express Mail volume that is guaranteed for delivery in each number of days is a sufficient proxy for an individual customer’s chance of receiving a particular service level for his shipment.

delivery day.” DFC/USPS-67 is reasonably calculated to lead to the discovery of admissible evidence on the consistency and variability in the level of Express Mail service provided on each day of the week.⁵ Therefore, I move to compel the Postal Service to respond to DFC/USPS-67.

Respectfully submitted,

Dated: June 27, 2005

DOUGLAS F. CARLSON

⁵ I do not expect the percentages to fluctuate significantly between Monday, Tuesday, and Wednesday, but asking for percentages for each day of the week seemed to be the best way to obtain the data on daily fluctuations in service guarantees since each of the other four days of the week probably has a unique service profile. I also saw no reason to presuppose that the percentages on Monday, Tuesday, and Wednesday would not differ for some unexpected reason.