

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

**REQUEST OF THE UNITED STATES POSTAL SERVICE
FOR AN ADVISORY OPINION ON CHANGES IN
POSTAL SERVICES**

Docket No. N2006-1

**RESPONSE OF THE ASSOCIATION FOR POSTAL COMMERCE TO
COMMISSION NOTICE OF INQUIRY NO. 1**

The Association for Postal Commerce (“PostCom”) hereby responds to the Commission's Notice of Inquiry No. 1.

1. Can the Commission perform the role that Congress has assigned it under 39 U.S.C. § 3661 if the evidence submitted bears primarily on the goals of network realignment and the processes by which it is implemented, and the impact on service levels and costs cannot be ascertained from that evidence?

Response:

The Postal Service has requested an advisory opinion on changes in service that are expected to result from a system-wide review and realignment of the Postal Service's mail processing and transportation networks. Section 3661 requires the Postal Service to develop and promote adequate and efficient postal services, and requires the Postal Service to request an advisory opinion when it determines that there should be a change in the nature of postal services which “will generally affect service on a nationwide or substantially nationwide basis.” 39 U.S.C. § 3661(b).

For reasons which have not been fully articulated or explored to date in this proceeding, the Postal Service has not disclosed its vision (at any level of generality or detail) of what would constitute adequate and efficient postal services once its network is reconfigured to eliminate the redundancies it describes. Rather, in its testimony in this proceeding, the Postal Service

described a process by which they will make discrete changes to service, the cumulative effect of which will affect service nationwide, and have asked whether that process is consistent with law. In order to offer an advisory opinion on a change in the nature of service, the Commission (and postal customers) would need to know at least on some level what changes the Postal Service anticipates, and what effect these anticipated changes are reasonably likely to have on service provided. This involves more than a simple comparison of anticipated service standards with the current service standards that may under- or overstate the current levels of service typically provided. The anticipated changes in actual service would need to be evaluated, at least at some aggregate level, in order to render an advisory opinion under Section 3661. The testimony and other materials the Postal Service has filed to date are a deficient basis on which to evaluate these changes.

Nonetheless, PostCom maintains that the Commission should not dismiss the case. The discovery and hearing process may better enable the Commission (and the parties) to go beyond the question of process and, at some level, assess the reasonably likely outcomes of the process the Postal Service has proposed. Section 3661 is poorly designed to deal with what appears to be a large scale, interdependent and dynamic realignment of the Postal Service's network. Thus, the Commission should make absolutely clear that the requested advisory opinion is not binding, and cannot be cited as precedent in any future case examining whether the service that is provided under the redesigned network is consistent with law.

2. Is it appropriate for the Commission to examine the process of network realignment in sufficient detail to determine whether the outcome of network realignment might be predicted, at least on a general level? For example,

- a. Should the Commission examine the process in sufficient detail to determine the extent to which network realignment is likely to degrade overall service for certain classes of mail, or upgrade overall service for others?
- b. Should the Commission examine the process in sufficient detail to determine the general extent to which transportation or mail processing cost savings will result from network realignment?

Response:

The Postal Service has requested an advisory opinion that begs inquiry into these questions. Yet the testimony filed to date suggests that the outcome of network realignment, as measured by actual service that will be provided, and cost savings that will result cannot be predicted. Therefore, PostCom believes these inquiries are appropriate only to the extent that they can be addressed, and provided that addressing them does not compromise the Postal Service's authority and ability to manage its operations as required by law.

3. In order to know whether a program involving widespread facility consolidation will be consistent with the Act, does the appropriate scope of the Commission's inquiry depend on the particular approach that the Postal Service has taken to network realignment? For example,
 - a. If the Postal Service has identified a specific network configuration that it intends to use to guide its consolidation program when it begins, is it necessary or helpful for the Commission to know what that configuration is? Would this knowledge increase the Commission's ability to estimate what service and cost impacts are likely to occur?
 - b. If network realignment relies on a specific set of assumptions to measure the effect of consolidation on costs, or on service levels, is it necessary or helpful to know what that set of assumptions is?
 - c. If network realignment relies on a specific set of decision rules to determine when an estimated level of cost savings justifies an estimated degree of service degradation, is it necessary or helpful to know what those decision rules are?

Response:

As the Commission's question suggests, the Commission's inquiry begins with understanding the approach that the Postal Service is taking. However, the Commission should recognize that the Postal Service may have valid business operational reasons for keeping some aspects of the network optimization process confidential.

4. In performing its evaluation of the goals of the Postal Service's network realignment program and the processes by which those goals are implemented, what aspects of the process should the Commission consider?
 - a. With respect to the AMP process, should the Commission evaluate
 - (i) the plausibility of the assumptions used?
 - (ii) the objectivity of the decision rules?
 - (iii) the quality of the data and the accuracy of the methods by which service and cost impacts are measured?
 - (iv) the accuracy of this process in predicting the impacts of consolidations that have already been implemented?
 - b. With respect to the END model,
 - (i) Is it necessary or helpful to know how it identifies an optimal network configuration, what alternatives have been considered, and what constraints are built into the model?
 - (ii) Is it necessary or helpful to know how it simulates the impact of changes in the existing network?
 - (iii) Do the Postal Service witnesses rely sufficiently on the END analysis to obligate the Postal Service to comply with the Commission's rules of practice concerning computer analyses?¹

Response:

See the response to question 3.

5. In evaluating changes in service levels, should the Commission look only at changes in days to delivery for 3-digit Zip-Code pairs, or should it consider related changes such as cut-off times for depositing mail, and changes in delivery times, that might result?

Response:

¹ See 39 CFR § 3001.31(k)(3). That rule requires computer analyses that support record evidence to be submitted in a form sufficient to replicate and validate the computer program used. Requirements include "a general description of the program that includes the objectives of the program, the processing tasks performed, the methods and procedures employed, and a listing of the input and output data and source codes (or a showing ... as to why such codes cannot be so furnished)"

Thus far, the Postal Service has not presented sufficient information on which to evaluate changes in actual service levels for 3-digit Zip Code pairs. Were the Commission to issue an advisory opinion, Section 3661 would require the Commission to examine the nature of changes in the actual service provided by class, whether at the level of 3-digit pairs or at some aggregated level.

The Postal Service's response to this question suggests that related changes such as cut-off times for depositing mail and changes in delivery times are not likely to rise to a level of nationwide in scope.

Respectfully submitted,

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