

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

EVOLUTIONARY NETWORK DEVELOPMENT
SERVICE CHANGES, 2006

Docket No. N2006-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO OCA INTERROGATORIES OCA/USPS-T2-7-16
(April 7, 2006)

The United States Postal Service hereby submits the response of witness Williams to the following interrogatories of the Office of the Consumer Advocate, filed on March 21, 2006: OCA/USPS-T2-7-16.

The interrogatories are stated verbatim and followed by the responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
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OCA/USPS-T2-7. Please turn to your testimony, at page 3, lines 13 through 18. You indicate that a local AMP study could be initiated on the basis that “service and/or efficiency could be improved....” In the case of AMP studies completed during and after 2002, please indicate on a case-by-case basis the number of instances associated with AMP studies where there was a determination that:

- a. Only service (but not efficiency) could be improved;
- b. Efficiency (but not service) could be improved;
- c. Service and efficiency could both be improved.

RESPONSE

A goal of virtually every AMP decision is to improve efficiency to some degree. In 13 of the 17 AMPs referenced either in USPS Library References N2006-1/5 and N2006-1/6 or in response to DBP/USPS-18, there were no service standard downgrades associated with the decisions. In 4 cases, there was a mix of upgrades and downgrades.

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OCA/USPS-T2-8. Please turn to your testimony at page 5, lines 19 through 21. You indicate that “consultations between the P&DC or District sponsoring the AMP study and the Area Office may lead to modification to the original proposal.” In the case of each AMP study completed during and after 2002, and where only service (but not efficiency) could be improved,

- a. How often have there been modifications to the original proposal?
- b. What were the reasons, factors, or circumstances causing modifications?
- c. Please provide on a case-by-case basis the number and types of modifications made to the original proposal.

RESPONSE

- a. The Postal Service does not track the number of times some element of a particular study is modified during the iterative review process from conception to final decision.
- b. AMP studies could be modified for numerous reasons, including typographical errors, incorrect data, omissions, incomplete documentation, etc.
- c. AMP feasibility study proposal documents are scrutinized by many different individuals from different functional departments, and at different levels of the organization. The AMP study documents are modified throughout the process until final decisions are made.

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OCA/USPS-T2-9. Please turn to your testimony at page 6, lines 2 through 5. You state: "A critical element of Headquarters review is an evaluation of potential service standard upgrades and/or downgrades if the operational changes implied by an AMP proposal were implemented." For those AMP studies completed during and after 2002, please provide the following:

- a. On a case-by-case basis, please indicate by mail class the number of service upgrades and the number of service downgrades to 3-digit ZIP Code pairs.
- b. On a case-by-case basis, please provide the number of modifications to anticipated service upgrades and downgrades to 3-digit ZIP Code pairs resulting from "consultations between the Area Office and Headquarters" as mentioned on page 6 at line 6.

RESPONSE

- a. For the 10 AMPs approved in October 2005, there were 39 overnight 3-digit pair First-Class Mail service upgrades. For the six AMPs approved in 2004, there were 10 3-digit pair upgrades and 16 3-digit pair downgrades.
- b. The Postal Service does not track proposed modifications or modifications made to an AMP proposal during the feasibility study process. See the response to OCA/USPS-T2-8.

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OCA/USPS-T2-10. In the case of AMP studies completed during and since 2002, please provide, on a case-by-case basis, the number of months required for the implementation of the proposed changes resulting from the AMP studies.

RESPONSE

Until recently, the Postal Service did not track the time taken to complete implementation of an AMP decision. Generally, from time of AMP approval to completion, implementation takes from two to six months.

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OCA/USPS-T2-11. Your testimony at page 11, lines 1 through 2, states that, “[T]he Postal Service will not know particular outcomes until each AMP Post Implementation Review (PIR) is completed.” For those AMP PIRS that only service (but not efficiency) could be improved:

- a. Do you yet have any follow-on data for any of the PIRs?
- b. Other than the AMP studies mentioned in this filing, how many AMP studies have been conducted during the past 10 years?
- c. For the studies identified in (b), how many implementation reviews have taken place? In your response, please include sample copies of those PIRs and explain how the information gathered has impacted proposed consolidations.

RESPONSE

- a. Not yet.
- b. Since 1995, the Postal Service has implemented 28 AMPs.
- c. Until recently, the monitoring of the completion of PIRS was not rigorous. There are several in progress.

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OCA/USPS-T2-12. Your testimony at page 10, lines 3 through 14, provides the impacts from the ten AMP packages on a cumulative basis. You then indicate in lines 14 to 17 that “The Postal Service does not regard these 10 AMP proposals or their results to be typical or representative of AMP proposals or results that are expected to be reviewed and implemented when the process is rolled out nationwide.” Please describe what you expect the typical or representative results of AMP proposals will be when the process is rolled out nationwide.

RESPONSE

Each AMP is unique with varying degree of impact on those criteria listed in OCA/USPS-T2-4. My comment was meant to indicate that there can be a mixture of both service upgrades and downgrades in an AMP, not just upgrades, as in the 10 AMPs approved in October 2005. The Marina AMP in USPS Library Reference N2006-1/6 is an example where both upgrades and downgrades can occur. It is different from the other 10, in terms of the magnitude of the estimated cost impact and because it involved the consolidation of originating and destinating operations.

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OCA/USPS-T2-13. For the 10 AMP studies described in Library Reference N2006-1/5, the savings listed appear to reflect savings for the first year.

- a. Are other types of savings, such as the reduction of excess capacity or increased use of advanced automation, expected in later years, and if so, what are these types of savings?
- b. What would the timeline for the various types of savings be?
- c. How long would it take for all planned savings to be realized?
- d. How would the existing AMP follow-up procedures be modified to reflect the savings achieved in later years?

RESPONSE

- a. There are first year savings and annual recurring savings. Both are listed on Worksheet #2, the Executive Summary for each AMP decision.
- b. First year saving are expected in the first full year following complete implementation. Annual recurring saving are for each year after that.
- c. The savings are annual.
- d. The Postal Service has not studied how that could be done.

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OCA/USPS-T2-14. Your testimony at page 11, lines 14 through 15, identifies one of several general Postal Service principles underlying network changes as “Consideration of locally-developed alternative network realignment proposals and changes in the application of service standards....”

- a. How many locally developed alternative realignment proposals are considered besides END and AMP proposals?
- b. What causes the locally developed alternatives to be developed in lieu of, or independently of, END and AMP proposals?
- c. What is the current implementation status of the locally developed alternatives for each of the 10 AMP proposals? Please provide this information on a case-by-case basis.

RESPONSE

- a. The phrase there refers to the AMP proposals that emerge from the iterative process during which alternative scenarios may be considered before a particular AMP proposal is decided upon. They are locally developed in the sense that local knowledge beyond the information in the END simulation model comes into play in determining whether to consider one potential local AMP proposal over another.
- b. Outside of the context of END, there can be minor, local mail processing and transportation adjustments that have no material bearing on the larger project of determining mail processing plant facility roles in the future network configuration.
- c. Once a particular AMP objective is decided upon and becomes the subject of an AMP study, any model alternatives that may have been considered are shelved. In each of the 10 cases referenced in the question, the 10 studies validated the consolidation proposals. Those, and only those, plans are being implemented in each case.

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OCA/USPS-T2-15. At page 11 of your testimony, you indicate that preliminary determinations by local and district management revealed there was considerable opportunity for originating AMP studies system wide.

- a. Were the determinations made independent of the END modeling process?
- b. Assuming that your answer is “yes,” please explain the relationship of the decision to examine AMP studies with the decision-making process to implement use of the END model.

RESPONSE

- a. Yes.
- b. There is a preliminary determination by local and district management that indicates there may be an opportunity to improve efficiency and/or service. the execution of the AMP feasibility study provides the data with which to objectively evaluate the feasibility of that opportunity. Before proceeding with these 10, the Postal Service made sure that goals sought by each of these locally developed AMP proposals were not incompatible with the potential network configuration being developed through the END optimization model and the roles that the affected facilities might have in that future network.

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OCA/USPS-T2-16. Your testimony at page 2, lines 3 through 6, indicates that the Postal Service has modified its mail processing and distribution network based on factors such as technological advancements.

- a. Are the effects of deploying advanced automation, such as the FSS machines, included in developing planned savings for AMP studies?
- b. Are such effects included in the END modeling process?

RESPONSE

- a. No.
- b. Please see the response of witness Shah to OCA/USPS-T1-19(b).