

BEFORE THE
POSTAL RATE COMMISSION
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USPS-T-45
Postal Rate Commission
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AIR TRANSPORTATION OPERATIONS

Docket No. R2006-1

DIRECT TESTIMONY OF
ANTHONY M. PAJUNAS
ON BEHALF OF
THE UNITED STATES POSTAL SERVICE

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1 **Autobiographical Sketch**

2 My name is Anthony M. Pajunas. Since June 1999 I have held the
3 position of Manger, Logistics for the Postal Service. My role is to develop strategies
4 and programs that ensure that all product service commitments can be achieved
5 through the use of the domestic transportation networks. Additionally, I define the
6 requirements and manage the transportation providers for all postal products
7 domestically.

8 From November 1997 until June 1999 I was the Manger of the Priority
9 Mail Network. In that position I implemented and managed an experimental Priority
10 Mail Network situated along the east coast of the United States. From May of 1995
11 until November of 1997 I was the Manager of Operations Networks Redesign. In that
12 role I evaluated and redesigned operations networks and support systems to meet
13 customer and competitive needs based on strategic marketing and product business
14 plans.

15 From February 1994 until May 1995 I was the Manager of Customer Mail
16 Preparation in Marketing Systems at Postal Service Headquarters. There I
17 developed and implemented strategies, and programs designed to increase
18 customer participation in the Postal Service's automation programs.

19 I joined the Postal Service in January of 1973 as a distribution clerk in
20 Dover, New Jersey. In 1978 I became the Supervisor of Window Services at Dover
21 and in 1979; I became the Supervisor of Delivery and Collection.

22 In 1981 I became the Superintendent of Postal Operations at Rahway, New Jersey.
23 My responsibilities included the management of retail services as well as collection
24 and delivery for that post office.

25 In 1983, I was promoted to the position of Director of Customer Services

1 in Hackensack, New Jersey, where I was responsible for all delivery and collection of
2 mail, vehicle operations, retail services and mail distribution in the associate offices
3 of the Hackensack Management Sectional Center which served a 3-digit SCF area in
4 northeast New Jersey.

5 In August of 1985, I was promoted to the position of Manager of Customer
6 Services in Fort Lauderdale, Florida, where my responsibilities were very similar to
7 the responsibilities I had at Hackensack, New Jersey, but over a larger scale
8 operation.

9 In March of 1988 I became an Operations Program Analyst for the
10 Eastern Region, located in Philadelphia, Pennsylvania. My duties included providing
11 assistance to postal managers on a variety of operational issues, as well as
12 assuming direct responsibility for some line operations in a management sectional
13 center.

14 In October of 1988, I was promoted to Director of Field Operations of the
15 Richmond Postal Division, in Virginia. My responsibilities included day to day
16 management of mail distribution, delivery, and retail operations for central Virginia. I
17 was also responsible for implementing programs in support of postal automation in
18 all associate offices in the Richmond Division.

19 In October of 1990, I was promoted to the position of Director of City
20 Operations for the Richmond Division. I was responsible for the management of a
21 large mail processing operation, building and equipment maintenance, vehicle
22 maintenance, retail services, and the collection and delivery of mail within the city of
23 Richmond Virginia. I was also responsible for the airport mail facility.

24 In September of 1992, following the restructuring of the Postal Service, I
25 was assigned to the position of Plant Manager of the North Metro Processing and

1 Distribution facility in Atlanta, Georgia.

2 In addition to the permanent positions previously listed I have worked in
3 the following detail assignments:

4 Officer-in-Charge, Charlottesville, VA

5 General Mail Facility Manager, Richmond VA

6 Officer-in-Charge, Alexandria, VA

7 Division Delivery Service Team Leader

8 Manager, Mail Processing, Fort Lauderdale, FL

9 I testified as an operations witness for processing and distribution
10 operations in Docket No. MC-95-1.

11 I hold a Masters Degree of Public Administration from American
12 University.

1 **I. Purpose Of Testimony**

2 The purpose of my testimony is to provide information relative to the
3 FedEx transportation agreement that witnesses Bradley (USPS-T-14) and Kelley
4 (USPS-T-15) rely upon when presenting and calculating product costs for those
5 products transported in the Postal Service's air transportation networks.

6 **II. Night Turn Operations**

7 The FedEx night turn operation was sized to carry Express Mail and the
8 minimum capacity requirements closely mirror Express Mail volumes. The Postal
9 Service routinely exceeds the night-time capacity by 10% to 15% even though a
10 small volume of Express Mail moves on commercial passenger aircraft. If necessary
11 the Postal Service could acquire more capacity from FedEx on the night turn network
12 at the existing rate.

13 **III. Day Turn Operations**

14 The FedEx day turn operation was originally sized to carry Priority and
15 First Class Mail. About 75% of the capacity was allocated for Priority and about 25%
16 of the space was allocated for First Class Mail. The day turn network has a
17 minimum capacity guarantee. This means that the Postal Service is obligated to pay
18 for a prescribed amount of cubic capacity whether it uses the capacity or not. The
19 Postal Service currently exceeds the original minimum guarantee by about 70% on a
20 daily basis and has been doing so since the beginning of the contract. The Postal
21 Service contracts for capacity above the minimums approximately every 12 to 18
22 months in the form of contract addendums. The Postal Service also exceeds the

1 increased capacity reflected in those minimums by approximately 10% to 20% on a
2 schedule period basis. The contract minimums are well below the volume of Priority
3 and First Class Mail that must fly on the FedEx network in order to meet their service
4 obligations. The Postal Service has been able to acquire capacity above the original
5 contract minimums at a reduced rate per cubic foot. There are several tiers of
6 discounted rates available that are dependant on the amount of volume tendered.
7 Because of the discount tier rate structure I am unaware of any less costly
8 alternatives that were available during 2005 that would have met our service
9 requirements for mail products that flew on the FedEx Network. Additional volume
10 can be added to the day turn network without taking other volume off. As a result of
11 the lack of the reliability and availability of much of the commercial passenger airline
12 service, the use of the FedEx day and night turn networks is required to meet Postal
13 Service product service commitments. Even if Priority Mail was eliminated as a
14 product offering the Postal Service would still have a need for a network such as the
15 FedEx Network to meet its First Class Mail service obligations.