

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

EVOLUTIONARY NETWORK DEVELOPMENT
SERVICE CHANGES, 2006

Docket No. N2006-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO ASSOCIATION OF PRIORITY MAIL USERS INTERROGATORIES
(APMU/USPS-T1-3 AND 4)
(June 12, 2006)

The United States Postal Service hereby submits its responses to the following interrogatories of the Association of Priority Mail Users, filed on March 31, 2006: APMU/USPS-T1-3 and 4. The interrogatories have been redirected from witness Shah to the Postal Service for institutional response.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**RESPONSE OF UNITED STATES POSTAL SERVICE TO
TO INTERROGATORY OF APMU
REDIRECTED FROM WITNESS SHAH**

APMU/USPS-T1-3

- a. Please describe all existing Priority Mail service guarantees, if any, and state whether and how the network realignment discussed in your testimony will change any existing Priority Mail service guarantees.
- b. Please describe all existing Priority Mail service objectives, if any, and state whether and how the network realignment discussed in your testimony will change any existing Priority Mail service objectives.
- c. Please describe all existing Priority Mail service commitments, if any, and state whether and how the network realignment discussed in your testimony will change any existing Priority Mail service commitments.

RESPONSE

- (a) There are no Priority Mail service guarantees.
- (b) It is the Postal Service's objective to delivery all Priority Mail within the applicable service standard.
- (c) Priority Mail service *standards* range from overnight to 3 days. In the absence of *guarantees*, there are no service *commitments*. Express Mail has guarantees and service commitments. Other mail classes, like Priority Mail, do not. These other mail classes have service *standards*. For a better understanding of these distinctions, please refer to PRC Op. C98-1. Putting aside the impossibility of breaking every employee of every old habit, postal policy is to avoid the use of the term *commitment* in reference to mail classes that do not have a *guarantee*.

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APMU/USPS-T1-4. Please refer to the following quotation from page 74 of the Postal Service's 2005 Comprehensive Statement on Postal Operations:
Through 2005, Priority Mail has been measured by the Priority-End-to-End (PETE) system. However, in 2006 Priority Mail measurement will transition from PETE to the Delivery Confirmation Priority Mail–Retail (DCPM-R), a scanning system similar to that described above for Express Mail. PETE will be modified and used as an external validation system, similar to the system used for Express Mail. The changes will reduce costs, improve operational consistency, and increase sample size. PETE reported results primarily for flat-shaped Priority Mail. DCPM-R will expand coverage to other Priority Mail shapes.

- a. Please explain how the Priority End-to-End (PETE) performance measurement system operated through 2005. As part of your explanation, please indicate whether (i) the time of deposit at collection boxes was keyed to precede posted pick-up times, and (ii) the time of deposit at Post Office windows was keyed to any particular cut-off time, or was simply made prior to closing.
- b. Please explain how the PETE performance measurement system will be changed in 2006. As part of your explanation, please indicate whether Priority Mail with delivery confirmation that is deposited in collection boxes will be scanned at the time of pick-up or after the mail is collected and returned to the originating post office.
- c. Please suppose that the consolidation of outgoing processing under network redesign results in moving back the cut-off times for next day and 2-day delivery being in affected locales (e.g., from 5:00 p.m. to 3:30 p.m). Further, after the consolidation has been implemented, please assume that someone enters a piece of Priority Mail with delivery confirmation at the post office after 3:30 p.m. on, say, a Monday. Under the performance measurement system in effect in 2006, will that piece be recorded as Monday mail or as Tuesday mail, and how will the mailing customer know that the piece will not receive overnight or 2-day delivery as it previously did? Please explain.
- d. Does the Postal Service plan to have any performance measurement system for Priority Mail that does not utilize delivery confirmation and that is deposited in collection boxes? Please explain how the Postal Service plans to measure performance for all such Priority Mail.
- e. Please explain what an "external validation system" is and how PETE will be used in this role.
- f. Please explain how these changes will "reduce costs, improve operational consistency, and increase sample size." In particular, please explain what costs will be reduced, and why changing the method of sampling for performance measurement purposes is expected to improve operational efficiency. That is, what changes and improvements in operations are expected as a result of transitioning from PETE to DCPM-R?
- g. Please explain the DCPM-R system and how it will be used to measure service for overnight, 2-day and 3-day mail.

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APMU/USPS-T1-4 (continued):

- h. Please explain how and when the Postal Service will report DCPM-R results, as well as the extent to which statistics from DCPM-R will constitute a representative sample of performance for all Priority Mail.
- i. If it is known that Priority Mail performance is measured only for Priority Mail with delivery confirmation, will Priority Mail with delivery confirmation receive preferential handling over Priority Mail without delivery confirmation? Please describe how the Postal Service plans to prevent service degradation for that segment of Priority Mail for which performance is not tracked or measured.
- j. Please explain how the Priority Mail performance measurement system that will be in effect from 2006 can be used to ascertain whether changes in the postal network under the network realignment program have either improved or downgraded the actual service received by Priority Mail. In particular, does the Postal Service contemplate reporting separately performance data for locales that have experienced changes in service or service standards as a result of network realignment? If not, please explain how the Priority Mail performance measurement system that will be in effect from 2006 can be used to assure that network realignment in fact is producing the "promised" or "expected" results, at least with regards to Priority Mail. If the Priority Mail performance measurement system is not a means of tracking and providing accountability for network changes that are implemented, please explain how the Postal Service does plan to provide after-the-fact accountability to Priority Mail patrons in affected locales.

RESPONSE:

- (a) PETE was an end-to-end service performance measurement system; it measured identified Priority Mail performance from the time mail enters the mailstream until it is delivered to a household, small business or post office box. PETE measured service performance from a customer's perspective and produced accurate independent, externally generated results. Test Mail was inducted into the mailstream in collection boxes, over the counter in retail units, and in small businesses six days a week Monday through Saturday. The induction window began at 5am and ended 30 minutes prior to one the following situations: the last pick up time posted on the collection box,

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RESPONSE to APMU/USPS-T1-4 (continued)

the last dispatch posted in the retail lobby, or the earliest time the carrier picks up the outgoing mail. PETE was designed to provide quarterly estimates of destinating Priority Mail service performance for the 80 Performance Clusters, encompassing 302 3-digit ZIP codes from their overnight and two day service areas. These networks represented about 70% of the nation's destinating, identified Priority Mail volume. PETE was an end-to-end service performance measurement system; it measured identified Priority Mail performance from the time mail enters the mailstream until it is delivered to a household, small business or post office box. PETE measured service performance from a customer's perspective and produced accurate independent, externally generated results.

- (b) See the response to subpart (d).
- (c) We do not expect the consolidation of outgoing processing to result in changes, particularly of the magnitude you suggest. However, if the situation you describe did occur in 2006 as you suggest, we would expect that the hypothetical local acceptance personnel would verbally inform the hypothetical customer of the expected delivery day. Nonetheless, the hypothetical piece would be recorded as Monday mail.
- (d) The Priority Mail Validation System (PMVS) will be used to measuring Priority Mail pieces without Delivery Confirmation. There will be two components to PMVS: Delivery Confirmation Priority Mail–Retail (DCPM-R) and Priority Mail

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RESPONSE to APMU/USPS-T1-4 (continued):

Comparison (PMC). DCPM-R Validation compares the delivery results of test mail to the stop-the-clock scan according to PTS. All pieces have delivery confirmation and are inducted over the counter (inside post offices). A match rate will be generated based on how often the PTS stop the clock scan matches the reporter's receipt date.

Priority Mail Comparison will measure on-time delivery performance for non-Delivery Confirmation Priority Mail, so that the Postal Service will be able to compare pieces with and without Delivery Confirmation. This component will have over-the-counter and collection box inductions. End-to-end scores will be generated for both the Priority Mail Comparison and DCPM-R, so that a comparison can be made between the two components.

- (e) An external validation system is service performance system operated by an entity other than the Postal Service, such as EXFC is and PETE was.
- (f) Using Priority Mail with Delivery Confirmation accepted at retail (DCPM-R) allows for the reduction in costs of hiring an independent agency to conduct sampling to measure service performance. DCPM-R involves more mail pieces than the PETE sample. Data on piece failures as provided by our Product Tracking System (PTS) allows for identifying opportunities for improvement and standardization of processes.

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RESPONSE to APMU/USPS-T1-4 (continued):

- (g) DCPM-R uses acceptance and delivery information from retail Priority Mail pieces for which Delivery Confirmation was purchased, in order to generate data from which it can be determined to what degree those pieces were delivered within applicable Priority Mail service standards.
- (h) DCPM-R will generate data for reporting on a quarterly basis. DCPM-R volume represents over 4 percent of total Priority Mail volume, which is significantly higher than the previous sampling volume through PETE.
- (i) The Postal Service has no policy of giving preferential treatment to Priority Mail pieces with Delivery Confirmation and is aware of no evidence that such treatment takes place. The Postal Service will continue to make clear to all processing and delivery personnel what they already know -- that the presence or absence of a Delivery Confirmation label has no bearing on the level of service that any mail piece is due.
- (j) Disaggregated 3-digit-specific Priority Mail service performance data derived from the Product Tracking System/DCPM-R and time-in-transit data derived from the Origin-Destination Information System can be used to assess whether changes have occurred in the level of Priority Mail service, but do not identify potential causes for those changes. Analysis of such data is an ongoing activity in the Postal Service. Such analysis is helpful in focusing attention on potential locations of mail processing or transportation bottlenecks that may be adversely affecting service and for examining the impact of operational

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RESPONSE to APMU/USPS-T1-4 (continued):

changes implemented for the purpose of addressing a problem. Such diagnosis and responsive action can be expected to continue. The Postal Service has no plans for producing different sets of Priority Mail service performance or time-in-transit reports, based on whether particular 3-digit ZIP Code areas were the subject of an AMP consolidation or other operational changes.