

ORDER NO. 436

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;  
Tony L. Hammond, Vice Chairman;  
Mark Acton;  
Dan G. Blair; and  
Nanci E. Langley

Six-Day to Five-Day Street Delivery  
and Related Service Changes

Docket No. N2010-1

NOTICE AND ORDER CONCERNING  
A POSTAL SERVICE REQUEST FOR AN ADVISORY OPINION  
ON CHANGES IN THE NATURE OF POSTAL SERVICES

(Issued April 1, 2010)

On March 30, 2010, the United States Postal Service (Postal Service) filed a request with the Postal Regulatory Commission (Commission) for the Commission to issue an advisory opinion under 39 U.S.C. 3661(c) for the elimination of Saturday delivery.<sup>1</sup>

The Postal Service proposes to eliminate Saturday delivery nationally, except for delivery of Express Mail and delivery to those post office boxes currently providing Saturday delivery. The change will not take place before October 1, 2010. Request at 1, 10. The Postal Service also proposes to eliminate Saturday initial processing of all mail but Express Mail and qualifying destination entry bulk mail. *Id.* at 1.

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<sup>1</sup> Request of the United States Postal Service for an Advisory Opinion on Changes in the Nature of Postal Services, March 30, 2010 (Request).

The Postal Service bases the Request on its deteriorating financial condition, precipitated by drastic volume decline. *Id.* at 3-4. If the Postal Service is authorized to make its proposed changes, it asserts that its financial condition would be improved by a net of \$3.1 billion annually. *Id.* at 4. The Postal Service summarizes all of its statutory service and financial obligations, and the need for operational flexibility to reduce delivery days to respond to the changing needs of the postal customer. *Id.* at 9-11.

The Postal Service's Request is accompanied by 11 pieces of testimony and 12 library references.<sup>2</sup> The Postal Service states that the service changes in the Request, and the basis thereof, are examined in detail in the Direct Testimony of Samuel Pulcrano on Behalf of the United States Postal Service, March 30, 2010 (USPS-T-1). That testimony indicates that collecting mail from blue street collection boxes will also be eliminated on Saturday, except to collect overflow on an as needed basis. USPS-T-1 at 4, 14. The Postal Service states it has taken stakeholder views into account in planning the Saturday elimination. *Id.* at 5-6. The Postal Service also indicates that it may, on an as needed basis, resume the delivery of packages/parcels during the pre-Christmas rush on Saturdays in December. *Id.* at 13. The Postal Service emphasizes that the proposed changes do not affect retail operations, some bulk mail processing, and service standards (except for adding a non-delivery day). *Id.* at 15-16.

The Postal Service sets forth the financial context of the Request in the Direct Testimony of Joseph Corbett on Behalf of the United States Postal Service, March 30, 2010 (USPS-T-2). The Postal Service outlines its financial obligations in the face of declining volume and concludes that the current service model is unsustainable. USPS-T-2 at 2-4. The Postal Service also describes the significant cost cutting measures it has implemented in the last few years. *Id.* at 7-9. The Postal Service concludes that the negative trends in volume and revenue, coupled with a volume

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<sup>2</sup> Two of the library references are provided under seal.

dependant network, result in a Postal Service network that is unsustainable. *Id.* at 17-18.

The Postal Service outlines operational issues associated with the elimination of Saturday delivery in the Direct Testimony of Dean J. Granholm on Behalf of the United States Postal Service, March 30, 2010 (USPS-T-3). The Postal Service asserts it can reduce expenditure for carriers and clerks and increase efficiency on other delivery days. USPS-T-3 at 4-5. The Postal Service indicates that perhaps the biggest change for retail customers is that mail accepted on Saturday will not be processed until Monday. *Id.* at 7-8. The Postal Service states that although it will probably have to change rural routes to adjust to the workload, it intends to adhere to all of its negotiated labor agreement requirements. *Id.* at 9-10. It also indicates that field managers may have to develop plans to effectively deal with Monday holiday overflow. *Id.* at 18.

The Postal Service describes the changes to mail processing in the Direct Testimony of Frank Neri on Behalf of the United States Postal Service, March 30, 2010 (USPS-T-4). The Postal Service describes, generally, how outgoing and destinating mail is processed at a facility. USPS-T-4 at 2-3. It identifies the elimination of all Saturday outgoing mail processing activities, with the exception of Express Mail operations, as the most significant mail processing change. *Id.* at 8. The Postal Service states that mail in transit between processing facilities will still continue to be processed. *Id.* at 10. The Postal Service also forecasts mail processing operations that may be reduced to cut costs, and operations that may increase costs on other days as a result of heavier volume. *Id.* at 17-18.

The Postal Service examines the effect of a reduction in delivery days on the transportation of mail in the Direct Testimony of Luke T. Grossmann on Behalf of the United States Postal Service, March 30, 2010 (USPS-T-5). The Postal Service states that it will realign transportation networks to support a five-day delivery mail processing and operating environment. USPS-T-5 at 5. The Postal Service estimates cost reduction through a decreased need for surface transportation in a five-day environment. *Id.* at 6-12.

The Postal Service presents the methodology that it used to calculate cost savings realized from moving to a five-day delivery model in the Direct Testimony of Michael D. Bradley on Behalf of the United States Postal Service, March 30, 2010 (USPS-T-6). The Postal Service provides an overview of previous estimates employed by the Commission and the Postal Service to calculate savings from a five-day delivery environment. USPS-T-6 at 2-3. The Postal Service also states that it discards the volume variability analysis, which generally has formed a basis for cost estimates, because the change to five-day delivery is an operational change, not a volume change. *Id.* at 3. The Postal Service examines and quantifies the direct and indirect costs identified in previous witness testimonies, and cost savings resulting from moving to a five-day environment. *Id.* at 7-53.

The Postal Service estimates the annualized cost savings, expressed in 2009 dollars, in the Direct Testimony of Jeff Colvin on Behalf of the United States Postal Service, March 30, 2010 (USPS-T-7). This testimony builds on the methods described in USPS-T-6 by applying them to the Postal Service's costs. USPS-T-7 at 2-3. It develops the calculated net annual savings (after reduction of contribution from loss of volume) and reports the figure as \$3.103 billion. *Id.*, Attachment 3. The Postal Service states that the estimate may be affected by future increases in hourly labor costs, input unit costs, delivery points, and reduced mail volumes. *Id.* at 17.

The Postal Service provides an overview of the market research activities it conducted to gauge consumer and business impact from a reduction in delivery in the Direct Testimony of Rebecca Elmore-Yalch on Behalf of United States Postal Service, March 30, 2010 (USPS-T-8). The Postal Service describes the qualitative methods it used to garner consumer and business opinion in the form of focus groups and interviews. USPS-T-8 at 4-11. The Postal Service also describes the quantitative research it employed utilizing surveys. *Id.* at 12-29. The Postal Service attempts to quantify the affect on use of postal products of moving from a six-day to a five-day environment. *Id.* at 30.

The Postal Service provides an assessment of the reactions of customers and commercial organizations to the proposed five-day change and estimated volume and revenue impact in the Direct Testimony of Gregory M. Whiteman on Behalf of United States Postal Service, March 30, 2010 (USPS-T-9). The Postal Service states that most consumers and small commercial organizations thought that elimination of Saturday delivery would have little impact on their consumer or commercial requirements. USPS-T-9 at 1. The Postal Service also indicates that most respondents thought they would adapt and the adaptation would not be difficult. *Id.* Quantitatively, the Postal Service estimates the reduction of volume of 0.7 percent, producing a loss of \$428 million in revenue. *Id.* at 2.

The Postal Service describes the changes to “start-the-clock” and “stop-the-clock” events used for service performance measurements that would change as a result of five-day delivery in the Direct Testimony of Thomas G. Day on Behalf of the United States Postal Service, March 30, 2010 (USPS-T-10). The Postal Service explains that elimination of outbound mail processing on Saturday affects when the “clock starts to run” for service performance standards. USPS-T-10 at 3. Likewise, the elimination of Saturday delivery delays the “stop-the-clock” event for those mailpieces currently being delivered on Saturday. *Id.* The testimony presents various “start-the-clock” examples for different products the Postal Service offers, and suggests that each may require realignment as a result of moving to a five-day environment. *Id.* at 6-9.

The Postal Service describes how it will inform and prepare customers for the implementation of five-day delivery and related service changes in the Direct Testimony of Stephen M. Kearney on Behalf of the United States Postal Service, March 30, 2010 (USPS-T-11). The Postal Service recognizes that the ability of customers to adjust will depend on the Postal Service’s actions taken to clearly and effectively inform them. USPS-T-11 at 1. The Postal Service states that it will use multiple channels to reach stakeholders and garner feedback, including Customer Advisory Councils, the National Postal Forum, print and broadcast news media, a dedicated micro-website, and customer outreach. *Id.* at 2-7.

The Request, according to the Postal Service, contains changes that will affect every stakeholder of the Postal Service. See *id.* at 1, 7.

The Request and all supporting public materials are on file in the Commission's docket room for inspection during regular business hours, and are available on the Commission's website at [www.prc.gov](http://www.prc.gov).

*Further procedures.* Section 3661(c) of title 39 requires that the Commission afford an opportunity for formal, on-the-record hearing of the Postal Service's Request under the terms specified in sections 556 and 557 of title 5 of the United States Code before issuing its advisory opinion. All interested persons are hereby notified that notices of intervention in this proceeding shall be due on or before April 26, 2010. See 39 CFR 3001.20 and 3001.20a. It is the Commission's intent to hold hearings for the receipt of evidence in this proceeding.

At this time, the Commission cannot anticipate the duration, or even the exact form, proceedings on this matter will take. Participants who wish to offer their views on these issues may do so in their interventions. Due to the nature of this initiative, the Commission also will hold public hearings outside of Washington, D.C. Dates and locations of these public hearings will be announced subsequently. The Commission urges participants to carefully consider, prior to the prehearing conference, the justification for any proposed discovery period.

The Commission will hold a prehearing conference in this docket on April 27, 2010 at which these questions will be discussed.

*Public Representative.* Section 3661(c) of title 39 requires the participation of an "officer of the Commission who shall be required to represent the interests of the general public." Patricia A. Gallagher, Kenneth Moeller, and Larry Fenster are designated to serve as Public Representatives to represent the interests of the general public in this proceeding. The foregoing Public Representatives shall direct the activities of Commission personnel assigned to assist them and, at an appropriate time, shall provide the names of these employees for the record. Neither the Public

Representatives nor the assigned personnel shall participate in or advise as to any Commission decision in this proceeding, other than in their designated capacity.

*It is Ordered:*

1. The Commission establishes Docket No. N2010-1 to consider the Postal Service Request referred to in the body of this Order.
2. The Commission will sit *en banc* in this proceeding.
3. Notices of intervention are due no later than April 26, 2010.
4. A prehearing conference is scheduled for April 27, 2010, at 10:00 a.m., in the Commission's hearing room.
5. Pursuant to 39 U.S.C. 505 and 3661(c), the Commission appoints Patricia A. Gallagher, Kenneth Moeller, and Larry Fenster to represent the interests of the general public in this proceeding.
6. The Secretary shall arrange for publication of this Notice in the *Federal Register*.

By the Commission.

Shoshana M. Grove  
Secretary