

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

SIX-DAY TO FIVE-DAY STREET DELIVERY
AND RELATED SERVICE CHANGES, 2010

Docket No. N2010-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CARLSON INTERROGATORIES DFC/USPS-T2-1 – 3,
REDIRECTED FROM WITNESS CORBETT
(April 15, 2010)

The United States Postal Service hereby provides its responses to the following interrogatories of Douglas Carlson, filed on April 1, 2010: DFC/USPS-T2-1 – 3, redirected from witness Corbett. Each interrogatory is stated verbatim and is followed by the response.

UNITED STATES POSTAL SERVICE

By its attorney:

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April 15, 2010

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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WITNESS CORBETT**

DFC/USPS-T2-1. Please refer to your testimony at page 16. Please provide a detailed breakdown of the \$110 million in implementation costs.

RESPONSE:

As indicated on page 22 of the Report “*United States Postal Service: Ensuring a Viable Postal Service for America – How Five-Day Delivery is Part of the Solution* (March 2010),” filed in this proceeding as USPS-LR-N2010-1/1:

Implementation costs identified to date are \$110 million. The bulk of this is \$91 million for potential liability related to unemployment compensation if non-career city carrier transitional employees, rural carrier associates, and temporary rural carrier employees are released from employment.

While these are the implementation costs identified to date, other implementation costs may arise due to the transition to reduce staffing (relocation costs), or for contract terminations.

The potential liability related to unemployment compensation of \$91 million is split as follows (in millions):

City Carrier Transitional Employees	\$37.1
Temporary Rural Carriers	\$ 2.2
Rural Carrier Associates	\$52.0

The balance of the \$110 million consists of (in millions):

Rural Carrier Route Adjustments	\$4.6
Post Office Clerk Training Costs	\$1.5
Customer Communications	\$4.3
Information Systems Changes	\$8.6

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DFC/USPS-T2-2. Please identify the implementation costs specifically associated with the elimination of collection and processing of outgoing mail on Saturdays.

RESPONSE:

A review of the implementation costs described in the Postal Service's response to DFC/USPS-T2-1 finds that it is unlikely that any of these costs are specifically associated with the elimination of collection and outgoing sorting on Saturdays.

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DFC/USPS-T2-3. Of the costs that the Postal Service expects to save if it implements the proposal pending before the Commission in this docket, please calculate the approximate percentage that would not be saved if the Postal Service decided to maintain collection and processing of outgoing mail on Saturdays at the current service level (excluding the incidental collection of mail that carriers perform at homes and offices while delivering mail).

RESPONSE:

As emphasized in the testimony of Prof. Bradley (USPS-T-6 at pages 1-8), the foundation for a solid estimate of cost savings that would result from a service change is a detailed analysis of the operational changes that the service change would require. The Postal Service has invested the substantial time and resources necessary to conduct and present such detailed operational analysis to support the cost savings estimates associated with the specific service changes upon which it is seeking an advisory opinion. Conversely, the Postal Service has not conducted the detailed operational analyses that would be necessary to provide a commensurate estimate for any alternative service change scenarios, including the one posed in this question. Fundamentally, therefore, the Postal Service cannot provide any cost estimate responsive to this question which is quantitatively or qualitatively comparable to the cost estimates submitted by the Postal Service's witnesses.

Nonetheless, in order to at least suggest some framework for positing a ballpark range over which a realistic estimate might be found, the Postal Service offers the following comments. Referring to Table 6 on page 18 of the testimony of Dr. Colvin (USPS-T-7), one sees that the total gross savings estimated for the service changes submitted by the Postal Service are \$3.3 billion. Of that total,

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Transportation and Plant Processing savings come in at almost exactly \$500 million. If the Postal Service continued to collect and process outgoing mail on Saturdays, it seems plausible to suspect that most if not all of those savings would be lost. Conversely, of the \$2.75 billion in City and Rural Carrier savings, most of those would not be lost. Of course, there would be additional carrier costs (and related indirect costs) to run collection routes on Saturday. Those costs could conceivably run in the range from scores of millions to in excess of one hundred million dollars. If, for example, we very roughly assume \$100 million in additional carrier costs, plus the potential \$500 million lost savings from Transportation and Plant Processing, we could be looking at a \$600 million reduction in the original savings estimate of \$3.3 billion. Obviously, other examples of these types of assumptions could push the overall numbers higher or lower. Broadly speaking, though, these figures would suggest that, compared with the 5-day environment envisioned by the Postal Service's filing, a 5-day environment in which Saturday collections and outgoing processing were retained would offer savings of an amount perhaps somewhere between 75 percent and 85 percent of the savings estimates summarized in Table 6 of USPS-T-7. Again, however, these figures are necessarily speculative, given the lack of a detailed operational analysis comparable to that conducted to support the Postal Service's filing.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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