

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

RESPONSES OF POSTAL SERVICE WITNESS CORBETT  
TO APWU INTERROGATORIES APWU/USPS-T2-1 - 6  
(May 7, 2010)

The United States Postal Service hereby provides the responses of witness Corbett to the following interrogatories of APWU, filed on April 23, 2010: APWU/USPS-T2-1 - 6. Each interrogatory is stated verbatim and is followed by the response.

UNITED STATES POSTAL SERVICE

By its attorney:

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May 7, 2010

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
JOSEPH CORBETT TO INTERROGATORIES OF APWU**

**APWU/USPS-T2-1** Your background shows you have worked in senior management in two large companies and have extensive experience in consulting. During this time, how often have you advised companies to cut service to become healthier and more viable? Does cutting service generally help a company become healthier?

**RESPONSE:**

While I cannot reveal advice given to companies in my previous positions, I certainly have participated in a variety of business decisions that needed to be made to strengthen the financial position of various entities. Business decisions often involve many considerations, such as service changes, that require balancing. Since the decisions involve various considerations, it is not advisable to make generalizations about those considerations (e.g., service reductions) individually. With regard to the current proposal to shift to 5-day delivery, it was only after long study and consultation that we decided that the change was necessary. I would also add in response to your final question, however, that in commercial delivery, transportation and logistics businesses, delivery frequency is often changed to match cost structures with declining revenues. For example, an airline which provides service between two cities with two flights a day, both of which have a substantial and increasing number of empty seats, might become healthier by consolidating to one flight a day between those two cities.

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**APWU/USPS-T2-2** How much revenue do you expect the Postal Service to lose if it goes to 5-day delivery. What, in your opinion, will be the primary source of those losses?

**RESPONSE:**

Please see the testimony of Gregory M. Whiteman (USPS-T-9) at pages 11-12 where he states that the estimated gross revenue reduction is \$428 million. On page 12, he describes the sources that contribute to that reduction.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
JOSEPH CORBETT TO INTERROGATORIES OF APWU**

**APWU/USPS-T2-3** If the Postal Service had not faced the payments into the Retiree Health Benefits fund as set by the PAEA, would you still consider the Postal Service in “dire financial condition”?

**RESPONSE:**

The most profound manifestation of the “dire financial condition” that I describe beginning at page 3, line 3, of my testimony is the immediate liquidity crisis that the Postal Service currently faces at the end of each fiscal year. If the Postal Service did not face the current statutory obligation to pre-fund retiree health benefits at an accelerated pace, our cash flow situation at the end of the year would clearly be improved. Nevertheless, over time, without some other structural changes to improve the business model, the other factors discussed in my testimony would likely cause the same type of liquidity crisis to arise even without those payments.

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JOSEPH CORBETT TO INTERROGATORIES OF APWU**

**APWU/USPS-T2-4** On page 3 of your testimony, lines 11-12, you state that "in fiscal year 2009, total mail volume fell by an unprecedented 26 billion pieces...the largest annual mail volume decline in postal history." How much of this loss can be attributed to the collapse of advertising by the financial services industry in the depths of a catastrophic recession?

**RESPONSE:**

The volume decline occurred in nearly all of our mail products in Mailing Services.

(Only In-County Periodicals Mail, which constitutes only 0.2 percent of the revenue, had volume growth.) The overall decrease in Mailing Services Mail was 12.7 percent. The declines were so broad based, however, that a substantial majority of the overall decline seems to have come from components other than advertising mail by the financial services industry. We believe that less than 25 percent of the overall decline resulted from decreased advertising by financial institutions to households.

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JOSEPH CORBETT TO INTERROGATORIES OF APWU**

**APWU/USPS-T2-5** On page 10 of your testimony, lines 8-10, you state “[t]hat loss of volume is permanent. When economic recovery occurs, growing use of the Internet and other digital communications will continue to suppress First-Class Mail volume growth.”

Please provide all a copy of studies or other documentation and information you relied upon in coming to this conclusion.

- a.) Do you believe that once it rebounds, the financial services industry will continue to abstain from advertising through the mail? Please provide a detailed explanation of your conclusion.
- b.) Please provide all a copy of studies or other documentation and information you relied upon in coming to this conclusion.

**RESPONSE:**

The passage of my testimony to which you refer was specifically discussing volume losses in First-Class Mail relating to businesses, nonprofits, governments, and households converting from mail to electronic methods of communications and transactions. As I see it, common sense would lead one to conclude that mailers that have embarked upon and completed a conversion process from hard-copy to electronic media are extremely unlikely to convert back to hard-copy for those items, and the resulting losses of volume are thus permanent. For example, a consumer who has set up an automatic payment plan for certain recurring expenses would seem unlikely to be inclined to change back to mailing checks for the same payments every month instead.

a) – b). The cited portion of my testimony did not specifically address the advertising market. Instead, this portion of your question would relate more closely to the subsequent passage on page 10 of my testimony, lines 19-20, where I acknowledge that we expect advertising mail to increase and stabilize as the economy improves. This portion of my testimony is certainly consistent with the conclusions reached by the Boston Consulting Group (BCG) in publicly available materials provided as part of the

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Postal Service's March 2 program setting forth the action plan for the future. Those

BCG materials can be found at:

[http://www.usps.com/strategicplanning/\\_pdf/BCG\\_Narrative.pdf](http://www.usps.com/strategicplanning/_pdf/BCG_Narrative.pdf)

[http://www.usps.com/strategicplanning/\\_pdf/BCG\\_Detailed%20presentation.pdf](http://www.usps.com/strategicplanning/_pdf/BCG_Detailed%20presentation.pdf)

[http://www.usps.com/strategicplanning/\\_pdf/BCG\\_March\\_2nd\\_presentation.pdf](http://www.usps.com/strategicplanning/_pdf/BCG_March_2nd_presentation.pdf)

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**APWU/USPS-T2-6** On page 13 of your testimony, lines 10-13, you state “[t]his is what is leading us to consider all options for bringing costs and revenues into line, including reexamination of service features such as 6-day delivery that, if modified, could reap significant cost savings.” Please identify all of the options considered by the Postal Service for bringing costs and revenue into line. For all options the Postal Service declined to implement, please provide a detailed explanation for the decision and any related documents.

**RESPONSE:**

The point of the cited passage was to highlight that no single strategy will solve for all of the multiple causes of our financial crisis. The crisis will not be solved by the service and operational changes we have presented in this docket. We will undertake all options judged to have a reasonable chance to produce positive financial and service results. While I cannot delineate every internal consideration of initiatives that may affect costs or revenue, I can confirm that the Postal Service understands the gravity of the situation, and will proceed accordingly. For information, the Appendix to “Ensuring a Viable Postal Service for America” (which I am informed was filed with the Commission on March 5, 2010, as USPS-FY09-43, in Docket No. ACR2009) presents concepts that were evaluated but are not currently being pursued.

## **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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