

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

OPPOSITION OF THE UNITED STATES POSTAL SERVICE TO POPKIN
MOTION TO COMPEL A FURTHER RESPONSE TO DBP/USPS-21
(May 18, 2010)

On April 13, 2010, David Popkin submitted the following interrogatory to the

United States Postal Service:

DBP/USPS-21

[a] Please confirm, or explain if you are unable to confirm, that the Postal Service is proposing to eliminate outgoing mail processing [except for Express Mail] on Saturday which includes the collection of mail from delivery customer locations, blue collection boxes, and post offices; the local preparation of the mail; transportation to the plant, and mail processing at the plant.

[b] Please advise any other activities that are related to the elimination of outgoing mail processing on Saturday.

[c] What is the total annual savings for this entire function?

[d] Provide a breakdown of the separate functions that combine to the total provided in response to subpart [c].

[e] What is the total annual cost for providing all of the above related functions for the processing of outgoing Express Mail on Saturday?

[f] Provide a breakdown of the separate functions that combine to the total provided in response to subpart [e].

[g] What would the added annual cost be to make a normal Saturday collection from blue collection boxes?

[h] What would the added annual cost be to make a Saturday collection from the blue collection boxes located in front of postal facilities?

[i] What would the added annual cost be to make a Saturday collection from the blue collection boxes located in front of main office only postal facilities?

[j] What would the added annual cost be to make a Saturday collection from the lobby drops located in postal facilities?

[k] What would the added annual cost be for local preparation of the mail acquired by each of the scenarios noted in each of the subparts [g] through [j] as well as mail received over the local retail window?

[l] What would the added annual cost be for the transportation to the plant of the mail acquired by each of the scenarios noted in each of the subparts [g] through [j] as

well as mail received over the local retail window?

[m] What would the added annual cost be for the operation of the plant to process the mail acquired by each of the scenarios noted in each of the subparts [g] through [j] as well as mail received over the local retail window?

[n] What would the added annual cost be for any added costs that are necessary on Sunday or Monday due to the failure to complete certain actions on Saturday, for example, presently some offices will make an early morning collection on the Tuesday following a Monday holiday? Please enumerate what these added costs would be caused by and the individual costs.

[o] Please provide, in detail, how each of the cost figures above was calculated.

The Postal Service responded to this interrogatory on April 28, 2010, with the following response:

RESPONSE to DBP/USPS-21

a. The Postal Service has proposed eliminating Saturday delivery and outgoing sorting on Saturdays, as described by witnesses Pulcrano, USPS-T-1, Granholm, USPS-T-3, Neri, USPS-T-4 and Grossmann, USPS-T-5. The operational analysis supporting the cost savings contemplated general operational changes including those on the supplied list. Within its comprehensive proposal, however, the Postal Service had no need to identify each particular operational change as relating exclusively to a particular aspect of the overall set of service changes, as the Postal Service's proposal is supported by a comprehensive set of estimated cost savings.

b. For a discussion of the anticipated changes in mail processing operations, please see the testimony of witness Neri, USPS-T-4. For a discussion of the anticipated changes in delivery operations, please see the testimony of witness Granholm, USPS-T-3, and for a discussion anticipated changes in transportation, please see the testimony of witness Grossmann, USPS-T-5.

c. The "entire function" described in the question includes some mail processing, some transportation and some delivery activities. As explained in the response to DFC/USPS-T2-3 (redirected from witness Corbett to the Postal Service), the Postal Service has not conducted the alternative detailed operational analyses that would be necessary to provide an estimate for any alternative service change scenarios, including the one posed in this question.

d. Please see the answer to part (c) above.

e. Please see the answer to part (c) above

f. Please see the answer to part (c) above

g.-m. The Postal Service has not studied these alternatives and does not have the requested cost estimates. See the Postal Service's response to DFC/USPS-T2-3 (redirected from witness Corbett).

n. The Postal Service does not anticipate any systemic failures to complete actions on Saturdays in a five-day environment, hence it anticipates that except in isolated and unpredictable instances, there will be no such costs added to Monday or Tuesday. This is not to say that there will be no additional costs occurring on Monday as a result of the movement to five-day delivery. One example was noted by witness Granholm, USPS-T-3 at 17-18, suggesting that additional Monday collections may be needed. As indicated in USPS-LR-N2010-1/3, page 6 “241,625 city carrier work hours were added back to cover the time that may be necessary to perform limited collections during a weekend or early collections on Mondays, or Tuesday after a holiday.” Given the city carrier wage for FY 2009 for full-time city carriers of \$41.74 (see Colvin, USPS-T-7, Attachment 1) and also \$106.70 of service wide benefits per \$1000 of salary and benefits (see Colvin, USPS-T-7 at 8) this is an additional cost of \$11.161 million. The second “added cost” is identified by witness Neri, USPS-T-4 at 17, where he says “The processing of mail for delivery on the day after a holiday, especially when the holiday falls on a Friday, Saturday or Monday, will require additional workhours.” The specific hours are 110,404 clerk and mail handler and 10,404 supervisor hours. Applying the calculations provided by witness Colvin, USPS-T-7 at 14, Table 4, the annual cost is \$5.427 million.

o. See response to part (n).

Unsatisfied with this response, Mr. Popkin filed a motion to compel on May 11, 2010, requesting that the Postal Service be forced to provide extensive and detailed additional information on cost savings for the myriad of alternative operational permutations his question hypothesized. Mr. Popkin boldly asserts that this information “surely exists,” but if it does not exist, he asks that such information be developed. Motion at 5. The information does not exist and, moreover, even if it did, it would not be relevant to the evaluation of the Postal Service’s proposal in this proceeding. The motion to compel should be denied.

Initially, it bears noting that Mr. Popkin’s motion, filed on May 11th, borrows very liberally from a similar motion filed by Mr. Carlson the previous day (May 10th) relating to DFC/USPS-T4-14. Specifically, of the six paragraphs of discussion in Mr. Popkin’s

motion, five of them are largely or entirely reproduced from Mr. Carlson's motion. Therefore, the instant response to Mr. Popkin's motion will, as appropriate, similarly track the Postal Service's opposition to Mr. Carlson's motion, filed yesterday.

Based on their respective motions to compel, Mr. Carlson and Mr. Popkin both appear to be preparing to take the position that, even if the Postal Service were to terminate basic street delivery service on Saturday, the Postal Service should (contrary to its own proposal) nonetheless maintain some level of collection service and outgoing mail processing. To support that position, Mr. Carlson very early in this proceeding filed an interrogatory (DFC/USPS-T2-3) seeking cost information regarding such an alternative service change proposal. In an answer to DFC/USPS-T2-3 filed on April 15, the Postal Service explained that the extensive operational analysis that would be necessary to provide a firm estimate in response to DFC/USPS-T2-3 had not been necessary to support the service change proposal upon which the Postal Service is seeking an advisory opinion, and thus no such cost estimate is available. In an attempt to be responsive, however, the Postal Service also provided a ballpark estimate that 75 to 85 percent of the savings associated with the Postal Service's proposal might still be saved if an alternative approach continuing Saturday collections and outgoing processing were contemplated instead. As indicated above, the response to DBP/USPS-21 filed on April 28th referred to the Postal Service's earlier response to DFC/USPS-T2-3.

At its root, DBP/USPS-21 seems intended to cover the same topic as DFC/USPS-T2-3, although it postulates a number of more specific alternatives to the

elimination of Saturday collections (e.g., collections from all blue collection boxes, from just those located in front of postal facilities, from just those located in front of main offices, from lobby drops in postal facilities, etc.). Moreover, for each collection scenario, Mr. Popkin seeks separate information for the effects on collection costs, on transportation costs, and on mail processing costs. Mr. Popkin (Motion at 4) claims that “individual data for each of the scenarios is needed so that the best alternative can be proposed based on its cost vs. level of service.”

But, as the Postal Service has already explained, the first step in estimating costs for alternative operational scenarios is to develop the operational analysis necessary to understand the required changes in operations associated with the alternative. The Postal Service had its hands full in conducting that operational analysis for its own proposal, and has not undertaken analysis of any of the myriad of alternatives hypothesized by Mr. Popkin. His unsupported statement that information regarding responsive costs estimates “surely exists” is, at best, wishful thinking on his part.

Echoing Mr. Carlson, Mr. Popkin argues that the burden and expense that would be incurred by the Postal Service to produce such information would be justified by its relevance to the evaluation of alternative service change proposals of his design. Motion at 5. He further argues, also in concert with Mr. Carlson, without providing any evidence or citation, that it was Congress’s intent that the advisory opinion process allow for private parties to use discovery to develop their own alternative plan to the plan presented by the Postal Service. Motion at 4. The Postal Service disagrees.

The present request for an advisory opinion was filed pursuant to 39 U.S.C.

§ 3661. This section provides an avenue for *the Postal Service* to request an advisory opinion from the Commission when Postal Service management “determines that there should be a change in the nature of postal service which will generally affect service on a nationwide or substantially nationwide basis.” Section 3661 requires that the Postal Service submit its service change proposal within a reasonable amount of time prior to the effective date of the proposal, in order for the Commission to exercise its authority to provide an opportunity for a hearing on that proposal. Nowhere in the legislative history of section 3661 is there any evidence that Congress intended for this provision to provide a forum for other parties to request advisory opinions from the Commission on alternative plans for nationwide service changes. The participation of other parties in any hearings under section 3661 is to broaden the perspectives available to the Commission for the purpose of offering its non-binding opinion regarding whether the specific service changes the *Postal Service* intends to implement conform to the policies of title 39, United States Code. Section 3661 is not intended to create a forum for the adversarial development of alternative, competing, or conflicting service change plans by different parties, or for a subsequent recommendation by the Commission regarding which alternatives it would implement if it were authorized to manage the Postal Service. In this regard, section 3661 stands in stark contrast to former section 3622(a), which, in response to a Postal Service request, authorized the Commission to recommend a mix of rates to satisfy the Postal Service’s revenue requirement, and permitted the Postal Service to accompany that request with “suggestions for rate adjustments as it deemed suitable.”

Accordingly, it would run counter to the intent of the statute for the Commission to permit discovery in a section 3661 proceeding that imposes an unnecessary burden on the Postal Service for the purpose of permitting parties to imagine and submit alternative service changes for review. Otherwise, there would be no limit to the scope of discovery in a section 3661 proceeding.

The Postal Service endeavors to provide intervenors in the present docket with information relevant to the service changes it plans to implement, in order to permit a fair examination of whether those changes would satisfy applicable statutory criteria. The record in this docket bears ample evidence that the Postal Service has refrained from objecting to every request for information irrelevant to its request. Indeed, as Mr. Popkin notes twice in his motion, the Postal Service has already given a ballpark estimate of the magnitude of the reduction in cost savings it has estimated for its proposal if that proposal were modified to allow Saturday collections and outgoing mail processing. To the extent Mr. Popkin (and Mr. Carlson) believe that it is useful to have a cost estimate to support their policy arguments in favor of an alternative nationwide change in service, a ballpark estimate has already been provided. In its response to DBP/USPS-21, the Postal Service explicitly cited to that estimate. Simply stated, attempting to refine that estimate by compelling a further response to Mr. Popkin's expansive set of permutation would add nothing useful to that discussion, even if one assumes (contrary to reality) that discussion of service changes other than those upon which the Postal Service is seeking an advisory opinion were relevant. Moreover, it would require a coordinated series of substantial efforts by postal operational experts,

and then postal costing experts, precisely at the time when those very same experts are working diligently to respond to discovery requests that are suitably directed at the Postal Service's own proposal.

The answer to DPB/USPS-21 on April 28th was fully responsive to the question, and entirely appropriate under the circumstances of this proceeding. No basis currently exists for a more specific estimate of cost savings associated with the various scenarios Mr. Popkin has hypothesized, and, equally importantly, no showing has been made that more specific estimates would allow a more useful discussion of the salient issues in this proceeding. The 75 percent to 85 percent estimate already provided is sufficient. Accordingly, the motion to compel a further response to DBP/USPS-21 should be denied.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing and Product Support

Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992; Fax -5402
May 18, 2010

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.

Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992; Fax -5402
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