

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268B0001

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

Docket No. N2010-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1-6, 8-11 OF CHAIRMAN'S INFORMATION REQUEST NO. 4
(June 2, 2010)

The United States Postal Service hereby provides its responses to Questions 1-6, 8-11 of Chairman's Information Request No. 4, dated May 20, 2010. Answers were sought no later than today. Each question is stated verbatim and is followed by the response. The response to question 7 will be filed when available.

The responses are sponsored by witnesses in this docket as follows:

Questions 1 – 6 -- Granholm (USPS-T-3)
Question 8 – Grossmann (USPT-T-5)
Questions 9 – Whiteman (USPS-T-9)
Question 10 – Bradley (USPT-T-6)
Question 11 – Kearney (USPS-T-11)

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**RESPONSE OF POSTAL SERVICE WITNESS GRANHOLM
TO CHAIRMAN'S INFORMATION REQUEST NO. 4**

Question 1

The Postal Service, referring to city and rural carriers, states that “[i]ncreased mail volume on Fridays, Mondays, and Tuesdays are expected to lead to increased productivity on those days, and possibly, increased work hours in the form of overtime....” USPS-T-3 at 5.

- (a) Please provide a table showing FY2009 total city carrier productive hours distributed by straight time hours, overtime hours, and all other productive hours, and by day of the week for each of these categories.
- (b) Please provide a table showing FY2009 total rural carrier productive hours distributed by straight time hours, overtime hours and all other productive hours, and by day of the week for each of these categories.

RESPONSE:

- a. The following table presents the total city carrier productive hours for FY2009 for straight time, overtime, and other.

City Carrier Hours

(Millions)

Straight Time	Overtime	Other	Total
357.1	34.9	2.9	394.9

The only source available for identifying hours by type by day of week is the DOIS system. The distribution of hours by type and day of week from DOIS is presented below. Note that the total hours are from DOIS are slightly below the total presented above because there are a small number of routes omitted from DOIS.

FY2009 City Carrier Hours By Day Of Week (Millions)

	Overtime	Straight Time	Other Time
Monday	6.59	54.83	0.16
Tuesday	5.37	59.41	0.20

**RESPONSE OF POSTAL SERVICE WITNESS GRANHOLM
TO CHAIRMAN'S INFORMATION REQUEST NO. 4**

Wednesday	5.30	61.41	0.22
Thursday	4.51	56.59	0.21
Friday	7.56	56.98	0.23
Saturday	4.85	55.58	0.19

b. The following table presents the total rural carrier productive hours for FY2009 for straight time, overtime, and other.

Rural Carrier Hours

(Millions)

Straight Time	Overtime	Other	Total
178.8	2.3	0.1	181.2

Rural hours are not available by day of week. Rural carriers' hours are recorded weekly, since they are under an evaluated system of pay.

**RESPONSE OF POSTAL SERVICE WITNESS GRANHOLM
TO CHAIRMAN'S INFORMATION REQUEST NO. 4**

Question 2

To create a more complete analysis of the savings resulting from the move from six-day to five-day delivery, please address the following subparts relating to carrier operations.

(a) Please explain all sources for data shown in the file Library_Ref_Route_Structures.xlsx included in USPS_LR_N2010-1/4, and provide formulas for all hard-coded values. Please trace all calculations to data entries indicated in the RURAL ROUTE EVALUATION WORKSHEET, titled Exhibit 531.3 and included in USPS_LR_N2010-1/4, as appropriate.

(b) The Postal Service estimates that as a result of a move from six-day to five-day delivery, average daily rural carrier hours on "K" routes increase from 8.56 to 9.26 hours. The Postal Service notes that "some 'K' routes will need territorial cuts to bring them down to as close to 8 hours daily as possible." USPS-T-3 at 12. Please provide an estimate of the number of "K" routes that would be modified to bring average hours to as close to 8 hours per day per route as possible.

(c) The RURAL ROUTE EVALUATION WORKSHEET shows allowance factors for Office Time and Route Time. For each entry, please indicate if the allowance factor is fixed or variable. If fixed, please state if the factor is fixed per route, but varies according to the number of routes, or if the factor is fixed with respect to the delivery unit.

RESPONSE:

[a] The attached pdf file (ChIR.4.Q.2.Attach) provides all calculations to data entries indicated in the RURAL ROUTE EVALUATION WORKSHEET (Exhibit 531.3).

[b] The Postal Service estimates that approximately 12,080 "K" routes would need to be modified to bring their daily average work hours to as close to 8 hours as possible.

[c] The majority of the allowance factors are fixed calculations based on the National standards and do not change based on route, number of routes or with respect to the delivery unit.

The variable allowances are the following:

**RESPONSE OF POSTAL SERVICE WITNESS GRANHOLM
TO CHAIRMAN'S INFORMATION REQUEST NO. 4**

Line 16 – “Load Vehicle” – varies based on actual average weekly time per route.

Line 17 – “Other Suitable Allowance” – varies based on other services rendered on a daily or weekly basis that are not accounted for under the normal work functions.

“Withdrawing Mail” – Credited depending on whether this operation is performed by the entire rural delivery unit.

**RESPONSE OF POSTAL SERVICE WITNESS GRANHOLM
TO CHAIRMAN'S INFORMATION REQUEST NO. 4**

Question 3

With respect to rural delivery, witness Granholm states "lower costs for delivery will be realized, but the reduction is not expected to be proportional to the work hour reductions, due to the current utilization of Leave Replacement (RCA) employees at a lower wage rate on many 6th days." USPS-T-3 at 5. He also states that for city routes "[t]he Carrier Technician is assigned to five routes and carries each of those routes in a specific sequence each week on the regular carrier's day off." *Id.* at 12. Does the Postal Service also expect that the reduction in costs for city carriers will be proportionally less than the city carrier workhour reduction because carrier technicians will comprise a lower percentage of the workforce when shifting to five-day delivery? If not, please explain.

RESPONSE:

The Postal Service does not expect that the reduction in costs for city carriers will be proportionally less than the city carrier workhour reduction. The lower workhour cost for Rural Carrier Associates (RCAs) is the main reason for such an expectation in the Rural craft. In the City craft, the base salary for carrier technicians is higher than that of regular carriers. As the process for rebidding full-time City carrier assignments plays out, the Postal Service expects the reduction in costs, by hour, to be at about the average for Full-Time Regular (FTR) carriers.

**RESPONSE OF POSTAL SERVICE WITNESS GRANHOLM
TO CHAIRMAN'S INFORMATION REQUEST NO. 4**

Question 4

Please explain how the added weekday workload could affect the current workload factor values including any adjustment to the total number of routes required under new delivery schedules.

RESPONSE:

By contract, City carrier assignments are evaluated so that the average weekly workday is as near to eight hours as possible. The amount of work on an average day is a function of the mail that a carrier must manually prepare for delivery during office time and the amount of time it takes the carrier to complete street deliveries. Assuming continuing trends in delivered volume, continuing increases in the amount of letter and flat volumes that are finalized on automation (and therefore require no in-office time to prepare), and continuing increases in the percentages of more efficient types of delivery points (curbline, cluster-box units, and centralization), the Postal Service does not expect the number of routes after the changeover from 6-day to 5-day delivery to exceed the number of routes that existed at the end of March 2010 when it filed the request for an Advisory Opinion in this case.

**RESPONSE OF POSTAL SERVICE WITNESS GRANHOLM
TO CHAIRMAN'S INFORMATION REQUEST NO. 4**

Question 5

Witness Granholm states that surges in parcel volume during the holiday season might require the re-establishment of Saturday delivery of parcels during that time of the year to meet service expectations. USPS-T-3 at 17. Has the Postal Service conducted a separate analysis of the cost effect from re-instituting parcel-only Saturday service and the related circumstances that would trigger this decision? Please explain and provide a copy of each such analysis.

RESPONSE:

In the event that that a surge in parcels would exceed capacity at a local level, managers would have the option to deliver parcels on a Saturday during the holiday season in order to meet customers' service expectations. However, the Postal Service does not expect parcel volumes to exceed its normal weekly delivery capacity during the holiday season in a 5-day delivery environment. Therefore, no analysis of a national re-establishment of Saturday delivery of parcels was conducted.

**RESPONSE OF POSTAL SERVICE WITNESS GRANHOLM
TO CHAIRMAN'S INFORMATION REQUEST NO. 4**

Question 6

Please refer to file Analysis_of_Tuesdays_after_Monday_Holidays.xlsx, tab Tuesday Analysis, filed as part of USPS_LR_N2010-1/3. Please explain how an absorption rate derived from productivities that reflect added volumes only on certain days after holidays can reflect the productivities that would follow permanent changes in weekly volumes.

RESPONSE:

Tuesdays after Monday holidays are: (1) days in which volume from a previous day (the Monday holiday) is shifted to that day; and (2) days with larger volume than the "typical" Tuesday.

An issue in eliminating Saturday delivery is the shifting of mail from Saturday to Monday. Mondays in a five-day environment are similar to Tuesdays after Monday holidays, as: (1) volume from a previous day is shifted to that day; and (2) they are days with larger volume than the "typical" Monday (that is Mondays in a six-day environment).

Thus, Tuesdays after Monday holidays are a natural experiment for anticipating what will happen on Mondays in a six-day environment. The productivities observed on those Tuesdays identify the potential productivity gains that will occur in a five-day environment because they reflect the productivity gains that arise from increasing the amount of mail delivered per day. They provide concrete evidence -- and actual experience -- demonstrating that the potential delivery cost savings from five-day delivery can be achieved.

**RESPONSE OF POSTAL SERVICE WITNESS GROSSMANN
TO CHAIRMAN'S INFORMATION REQUEST NO. 4**

Question 8

Witness Neri indicates that some street-addressed mail will be dispatched to delivery units early on Saturdays to utilize existing transportation capabilities. USPS-T-4 at 9. Without regard to whether five-day delivery is adopted, does the Postal Service intend to reduce its existing transportation capacities over time to remove the excess capacity created by recent volume declines? If so, please explain how those planned reductions in capacity will interact with these plans. If not, please explain.

RESPONSE:

The Postal Service continually evaluates its transportation capacities over time to identify opportunity to reduce excess capacity and eliminate costs. Based on the recent volume declines, the Postal Service has reduced an unprecedented amount of transportation throughout the network. This reduction is not always commensurate with the decline in volumes, however. For any route, reductions may eventually reach the point where only one truck unit is used, but service needs may constrain the Postal Service's ability to consolidate that final trip with another route's transportation. Therefore, the Postal Service is not always able eliminate a given leg of transportation, notwithstanding low volume. As an alternative to consolidation of truck routes, the Postal Service may evaluate whether there is air transportation that both meets service needs and is cheaper than surface transportation in order to substitute air routes for underutilized truck routes. If not, the Postal Service will maintain surface transportation, even though it may run at less than desired utilization levels.

Future reductions in capacity may affect the savings potential associated with the proposed change in delivery frequency. The savings estimates

**RESPONSE OF POSTAL SERVICE WITNESS GROSSMANN
TO CHAIRMAN'S INFORMATION REQUEST NO. 4**

presented in this proceeding are based on FY2009 information. It is possible that, for some routes where reduction potential informed the Postal Service's estimates in this proceeding, the Postal Service may independently decide to reduce transportation due to volume declines, regardless of the pendency or outcome of this proceeding. Where that is the case, the Postal Service would realize the resulting savings, but those savings would no longer be attributable to the instant proposal.

An inverse effect is also possible on some routes. For example, ongoing volume declines on some routes conceivably could in the future result in those routes' candidacy for elimination on Monday and Tuesday. If the Postal Service's 5-day proposal is implemented after some of the currently existing transportation capacity on Monday and Tuesday were eliminated, one might expect the resulting shift in volume from Saturday and Sunday to Monday and Tuesday to possibly cause some additional trips to absorb the additional volume. However, the very fact that volume is declining suggests that a smaller amount of volume would be transferred from Saturday to Monday and Tuesday, which increases the likelihood that it could be absorbed without adding trips on Monday and Tuesday in this hypothetical future network.

**RESPONSE OF POSTAL SERVICE WITNESS WHITEMAN
TO CHAIRMAN'S INFORMATION REQUEST NO. 4**

Question 9

Please refer to USPS-LR-N2010-1/NP2, file "Vol_Rev_Contrib_Change_5-Day_Delivery.xls," tab "Nat'l, Premier & Preferred."

- (a) Please provide the source and show the derivation of the Periodicals Regular and Nonprofit volume figures for National, Premier, and Preferred Accounts in cells E69, F69, and G69; and E70, F70, and G70, respectively.
- (b) Cells G15, G16, L15, and L16 contain the percent changes in the volume of First-Class letters for National and Premier Accounts that are anticipated after five-day delivery as a proxy for the percent change in the volume of First-Class flats. Cells Q15 and Q16, however, do not contain a percent change in the volume of First-Class flats for Preferred Accounts. Please explain why the volume of First-Class flats for Preferred Accounts is not expected to change as a result of five-day delivery.
- (c) Please provide the source of the revenue figures for National, Premier, and Preferred Accounts in cells D100, D101, and D102.
- (d) [Under Seal]

RESPONSE:

- (a) The Periodicals Regular and Nonprofits volume figures for National, Premier and Preferred Account volume figures in cells E69, F69 and cells E69, F69, and G69; and E70, F70, and G70, respectively were derived as follows.

The market research conducted by ORC reported the change in volume for regular and nonprofit Periodicals. The process used to determine the volume change by product was to multiply the percentage change in volume reported by ORC in the quantitative market research to the Revenue, Piece and Weight Summary report for FY 2009.

**RESPONSE OF POSTAL SERVICE WITNESS WHITEMAN
TO CHAIRMAN'S INFORMATION REQUEST NO. 4**

However, the Revenue, Piece and Weight (RPW) summary report shows only the revenue, piece and weight of In-County, Outside County, Periodicals Mail Fees and Total Periodicals. It does not show that information for Regular and Nonprofit Periodicals. In order to determine the change in volume for Periodicals, the volume of regular and nonprofit Periodicals had to be determined. This was done by going to the FY 2009 RPW extract reports and calculating the percentage of non-profit Periodicals. This percentage was then multiplied by the total Periodicals to determine the volume of nonprofit Periodicals. The remainder was the Regular volume. Cells 95 -98 of the FY 2009 RPW Extract file, summary category RPW data tab was the source.

As with the other calculations for National, Premier and Preferred account volumes, the percentage of periodical volume by account segment was derived from CBCIS.

- (b) Inadvertently the change in volume of -1.0% for single Piece First-Class Mail and -0.5% for Presort First-Class Mail for Preferred accounts was not applied to Single Piece and Presort First-Class Mail flats. The change in volume should have included the decrease of 218,696 pieces of single piece Flats and 435,537 of presort Flats for Preferred accounts. Based on this omission,

**RESPONSE OF POSTAL SERVICE WITNESS WHITEMAN
TO CHAIRMAN'S INFORMATION REQUEST NO. 4**

USPS-LR-N2010-1/NP2, file "Vol_Rev_Contrib_Change_5-
Day_Delivery.xls will be corrected.

(c) The revenues figures for each of the account types in cells D100,
D101, and D102 were obtained from BCI, CBCIS. See USPS-T-9,
Appendix B pages 2-3.

(d) The response to part d. is filed under seal as Library Reference
USPS-LR-N2010-1/NP4.

**RESPONSE OF POSTAL SERVICE WITNESS BRADLEY
TO CHAIRMAN'S INFORMATION REQUEST NO. 4**

Question 10

Witness Bradley describes how the different components that comprise the ACR piggyback costs may be summarized in nine groups. Please list each of the specific piggyback cost components included in each of the nine areas described, with component numbers and descriptions. See USPS-T-6 at 47-50.

RESPONSE:

I am informed by the Postal Service that it collects the different "piggyback" components into the nine groupings as follows. I present the groupings separately for rural and city carriers and provide the component numbers and descriptions as the Postal Service provided them to me.

Supervision			
Component	City Carriers Description	Component	Rural Carriers Description
13	Supv City Delivery Office		
14	Supv City Delivery Activities	674	Supervision of Rural Delivery Activities
17	Supv City Delivery Street Other		
18	Supv City Delivery Network Travel		
32	General Supervision of Collection & Delivery		
676	Quality Control/Revenue Protection		
678	Joint Supervision Clerks & Carriers		
30	Higher Level Supervisors	30	Higher Level Supervisors

**RESPONSE OF POSTAL SERVICE WITNESS BRADLEY
TO CHAIRMAN'S INFORMATION REQUEST NO. 4**

Administrative Labor

City Carriers		Rural Carriers	
Component	Description	Component	Description
422	General Office & Clerical	422	General Office & Clerical
423	Quality Control		
528	Employee & Labor Relations	528	Employee & Labor Relations
483	Supervision of Admin. and Support Activities	483	Supervision of Admin. and Support Activities
477	Time & Attendance	477	Time & Attendance

Facility-Related Costs

City Carriers		Rural Carriers	
Component	Description	Component	Description
74	Custodial Personnel	74	Custodial Personnel
79	Plant & Building Equipment Maintenance	79	Plant & Building Equipment Maintenance
194	USPS Security Force	194	USPS Security Force
81	Contract Cleaners	81	Contract Cleaners
165	Rents	165	Rents
166	Fuel	166	Fuel
167	Utilities	167	Utilities
176	Custodial and Building	176	Custodial and Building
236	Depreciation - Building	236	Depreciation - Building
237	Depreciation - Leasehold	237	Depreciation - Leasehold
587	Interest Land / Building Veh & Equip	587	Interest Land / Building Veh & Equip

Vehicle Maintenance Labor

City Carriers		Rural Carriers	
Component	Description	Component	Description
83	MVS Personnel City Delivery Activity	548	MVS Personnel - Rural Delivery
86	MVS Personnel City Delivery Network Travel		
543	MVS Personnel City Delivery Special Purpose Routes		

**RESPONSE OF POSTAL SERVICE WITNESS BRADLEY
TO CHAIRMAN'S INFORMATION REQUEST NO. 4**

Vehicle Maintenance Parts & Supplies

City Carriers		Rural Carriers	
Component	Description	Component	Description
92	MVS Sup & Mat City Delivery Activity	556	MVS Sup & Mat Rural Delivery
95	MVS Sup & Mat City Delivery Network Travel		
549	MVS Sup & Mat City Delivery Special Purpose Routes		
100	MVS Vehicle Hire City Delivery Office		
101	MVS Vehicle Hire City Delivery Activity		
104	MVS Vehicle Hire City Delivery Network Travel		

Vehicle Depreciation

City Carriers		Rural Carriers	
Component	Description	Component	Description
222	Veh Depr. City Delivery Delivery Activities	582	Vehicle Depreciation - Rural Delivery
225	Veh Depr. City Delivery Network Travel		

Other Equipment Depreciation

City Carriers		Rural Carriers	
Component	Description	Component	Description
232	Equipment Depreciation	232	Equipment Depreciation

**RESPONSE OF POSTAL SERVICE WITNESS BRADLEY
TO CHAIRMAN'S INFORMATION REQUEST NO. 4**

Miscellaneous Costs

City Carriers		Rural Carriers	
Component	Description	Component	Description
177	Miscellaneous Postal Supplies & Services	177	Miscellaneous Postal Supplies & Services
75	Operating Equipment Maintenance	75	Operating Equipment Maintenance
184	Equipment	184	Equipment
127	Carfare City Delivery Office		
128	Carfare City Delivery Activity		
131	Carfare City Delivery Network Travel		
136	Driveout City Delivery Office		
137	Driveout City Delivery Activity		
140	Driveout City Delivery Network Travel		

Service Wide Costs

City Carriers		Rural Carriers	
Component	Description	Component	Description
292	Repriced Annual Leave	292	Repriced Annual Leave
487	Holiday Leave	487	Holiday Leave
71	Annuitant Life Insurance	71	Annuitant Life Insurance
531	Workers Comp Current Year	531	Workers Comp Current Year
202	Annuitant Health Benefits - Earned (Current))	202	Annuitant Health Benefits - Earned (Current))
453	Unemployment Compensation	453	Unemployment Compensation

**RESPONSE OF POSTAL SERVICE WITNESS KEARNEY
TO CHAIRMAN'S INFORMATION REQUEST NO. 4**

Question 11

Witness Kearney states that the Postal Service plans to announce the change via two mailings to every delivery address. USPS-T-11 at 6. Please provide a cost estimate for these mailings.

RESPONSE:

It is my understanding that a current estimate of the cost of one mailing is approximately \$11.5 million. This projection includes an estimated \$3.5 million cost to produce the mailing. Assuming that the cost of delivery will be similar to the cost of delivery for High Density and Saturation Letters, it will cost approximately \$8 million to deliver the mailing.

It is possible that one of the mailings I refer to in my testimony will be a regular periodic mailing issued by the Postal Service to communicate new announcements pertaining to the Postal Service generally. If this regular mailing includes information on the five-day service change, the full cost of that mailing would not be incurred solely because of the implementation of the five-day plan.