

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

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

Docket No. N2010-1

**INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO
TO USPS WITNESS SAMUEL PULCRANO
(APWU/USPS-T1-2-9)
(June 9, 2010)**

Pursuant to Rules 25 through 28 of the Rules of Practice, American Postal Workers Union, AFL-CIO directs the following interrogatories to United States Postal Service witness Samuel Pulcrano (USPS-T-1). If the witness is unable to respond to any interrogatory, APWU requests that a response be provided by an appropriate person capable of providing an answer.

Instructions and Definitions applicable to these Interrogatories are contained in the Interrogatories of the American Postal Workers Union, AFL-CIO to the United States Postal Service witness Joseph Corbett (APWU/USPS-T2-1-6), filed on April 23, 2010, and are hereby incorporated by reference.

Respectfully submitted,

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Jennifer L. Wood
Counsel for American Postal Workers Union, AFL-CIO

APWU/USPS-T1-2 USPS Library Reference N2010-1/1 states at the end of its Executive Summary “the Postal Service expects a smooth transition. It is developing detailed plans for every area of postal operations.”

- a). Are you in charge of developing these detailed plans?
- b). If not, who will be in charge of those activities?
- c). Are those plans already being drawn up? If so, when do you expect them to be completed?

APWU/USPS-T1-3 USPS Library Reference N2010-1/1 states on page 3 “No one anticipates renewed demand for hard-copy correspondence and remittances—particularly First-Class Mail—in the future.”

- a). Does this mean that the Postal Service has no expectation of mail volume recovering at all from the FY2009 levels?
- b). If so, has the Postal Service made any operational plans for an increase in mail volume from FY2009 levels?
- c). Has there ever been an instance in the history of the Postal Service when mail volume growth has not improved immediately following a recession?

APWU/USPS-T1-4 USPS Library Reference N2010-1/1 states on page 5 “Postal management is preparing for necessary operational and administrative changes, including adjustments or renegotiation of some mail transportation and other contracts.”

- a). Please describe the types of adjustments and renegotiation of mail transportation contracts that are anticipated.
- b). Are renegotiations in progress or is the Postal Service just preparing for renegotiations should Congress pass a FY2011 appropriations bill without a requirement to continue six-day delivery?

APWU/USPS-T1-5 USPS Library Reference N2010-1/1 states on page 9 that remittance mail will be available 7 days a week because incoming mail will continue to be processed and transported over the weekend.

- a). Will this be possible only because there will be segregation of P.O. Box mail on Fridays?
- b). Please confirm that remittance pieces mailed on Saturday will not be processed on Saturday and therefore, will take at least one day longer for delivery as compared with current six-day delivery processing. If not confirmed, please explain how such mail will be processed on Saturday.
- c). Besides b) above are there any other changes anticipated regarding the mail arrival profile of remittance mail?

- d). Has the Postal Service collected any information on what percentage of bill payers mail their remittances on Saturday?

APWU/USPS-T1-6 In Appendix A of USPS Library Reference N2010-1/1 there is a list of “public reaction” to 5-day delivery. Please detail the plans the Postal Service is making in the following areas:

- a). How will household deliveries be handled during the few weeks before Christmas? Would plans for any Saturday delivery during December include only packages or also letter mail?
- b). Periodicals mailers indicated major potential problems with the plan:
- i. One publisher stated that everyone would want “that Thursday truck.” If there is more demand for Thursday resources than the Postal Service can accommodate, how will that be resolved? How will customers receiving Thursday service be selected?
 - ii. Several customers indicated that they would need to change their editorial calendars and print schedules and that there would be difficulties in fitting all the printing into the new schedule. Has the Postal Service done any analysis on what impact its change to five day delivery will have on the production schedules for other industries? If so, which industries has it evaluated and what are its findings?
 - iii. It seems like a squeeze on resources will most impact small periodicals. Has the Postal Service made any evaluation of the impact on small periodicals mailers?
- c). A mailer of prescription drugs indicated a one to two day extension in its deliveries of prescriptions. What plans is the Postal Service making to lessen the impact in this area?
- d). It was noted that financial institutions are dealing with new legislation that requires them to extend their billing period prior to the due date. This is already reducing their flexibility. What plans is the Postal Service making to lessen the impact in this area?
- e). Several comments indicated that the impact to their business would be mitigated if the Postal Service could make prompt delivery on Fridays. Has the Postal Service evaluated what the likely impact on demand for Friday delivery will be? What types of capacity constraints has it identified? What plans has it made to meet increased demand for Friday service?

APWU/USPS-T1-7 Throughout USPS Library Reference N2010-1/1 reference is made to “Post Offices;” for example, the Executive Summary states “no Post Office will be

closed as a result of the change to five-day deliver.” Please define “Post Office” as used in this Library Reference.

APWU/USPS-T1-8 Does the Postal Service expect Express Mail volume to continue to decline in future years in a 5-day delivery environment as evidenced by the projected volume change of -4.43% for FY2009 show in Exhibit 3 of USPS Library Reference N2010-1/1? If so, does the Postal Service have any plans to mitigate this volume reduction?

APWU/USPS-T1-9 In the attached article, *Postmaster General Potter Leads a Cry for Retrenchment*, published in the Washington Post on May 10, 2010, Postmaster General Potter is quoted as stating “The value of going to four days -- removing a second day -- is even greater” [than going to 5-day delivery]. Has the Postal Service studied or does it intend to study the effects of eliminating a second day of delivery and going to four days of delivery?

Postmaster General John Potter leads a cry for retrenchment

By Ed O'Keefe
Washington Post Staff Writer
Monday, May 10, 2010; A15

NASHVILLE -- The man who wants to end Saturday mail delivery is pressed for time. The way Postmaster General John E. Potter sees it, he has less than six months to convince Congress and the nation of the urgent need to retool the U.S. Postal Service for the 21st century.

By fall, the Postal Service won't have enough money to make payroll, Potter predicts. But big customers, regulators, lawmakers and organized labor still have to be won over.

Which might help explain Potter's stark assessment. He wants Congress to roll back a law requiring the Postal Service to prepay retiree health benefits. But he also wants the flexibility to change the business model -- by dropping Saturday deliveries, replacing post offices with outposts in suburban supermarkets and cutting hundreds of thousands of jobs through attrition.

"We're losing money, we're running out of cash," Potter said in an interview. "Ideally, what you'd like to do in the Postal Service is have access to about \$5 [billion] to \$6 billion in cash . . . and that's basically two payrolls. That's not a lot of breathing room."

The Postal Service said Thursday that it lost \$1.9 billion in the six months that ended March 31. Mail volume also dropped 6.3 percent compared with the same period a year earlier. It's set to deliver about 11 billion fewer pieces of mail and lose about \$7 billion by the end of its fiscal year in September. In the next decade, Potter estimates, the agency will lose hundreds of billions of dollars if Congress doesn't act and postal workers don't retire fast enough. [A recent Washington Post poll](#) found that nearly as many Americans trust e-mail to send messages reliably as they do the Postal Service, meaning inboxes might soon overtake mailboxes as the nation's preferred delivery point.

The "PMG" (as he's known at the L'Enfant Plaza headquarters) has spent most of his nine-year tenure adapting the Postal Service to a faster-paced world. At times, it's clear his patience is running short.

The next big thing

A few weeks before the recent flooding in Nashville, the Postal Service's largest customers flocked to Gaylord Opryland Resort for the National Postal Forum, the USPS's version of an annual shareholders' meeting. At 54 years old, Potter oversees a quasi-government agency enshrined in the Constitution but required by law to act like a business. The Postal Service employs about 594,000 people, operates roughly 36,000 postal facilities and owns more than 220,000 vehicles, making Potter the nation's second

largest civilian employer, its largest retail manager and owner of the world's largest vehicle fleet. He is paid \$276,840 a year before deferred compensation and his pension, serves at the pleasure of the Postal Board of Governors, and routinely consults with the Postal Regulatory Commission.

Burly and 6-foot-4, Potter spent his time in Nashville glad-handing workers, pitching Postal Service goods and delivering bad news. In an Opryland ballroom with 45 executives, Potter reminded them that mail volume bounced back after the Sept. 11 terrorist attacks and the anthrax scare in 2001.

"Given the behavior that's going on in the marketplace," Potter told the executives, "we don't expect that to happen this time."

Several told Potter that cutting Saturday service could make their weekend deliveries impossible. "If we all get the bunker mentality, we're going to be dealing with this problem for the next decade," Potter told them, insisting that a six-day delivery cannot be sustained.

Moments later, he was down the hall urging postal workers to look out for the next big thing for the mail service.

"It wasn't somebody in engineering who thought of Netflix," he said. "It was somebody that thought they could take a DVD and put it in the mail. Amazon.com wasn't a thought of someone in the Postal Service."

The next day, Potter and his team touted new ads for Wal-Mart's mail-order pharmacy that feature the Postal Service. Disney will air ads soon for the new "Toy Story 3" movie that incorporate the Postal Service. And Hallmark plans to sell greeting cards that include envelopes with prepaid postage. All are deals designed to boost business and remind Americans that the Postal Service still matters.

'Very tough year'

Potter knows he's asking Congress to tackle "a very difficult issue in a very tough year," and he conceded that lawmakers will probably adopt small changes over time instead of the massive overhaul he wants all at once.

[Sen. Thomas R. Carper](#) (D-Del.) said Congress needs to give Potter flexibility. In the Post poll in March, 71 percent of Americans said they support cutting Saturday deliveries. Carper mentioned those numbers during a recent Senate Democratic Caucus luncheon. "I think that some just need to be better informed," he said.

But others are unconvinced.

[Sen. Susan Collins](#) (R-Maine) worries that Potter hasn't done enough.

"It seems that every three years the Postal Service comes to us asking for financial relief in return for future profitability. We seem to give the relief and don't seem to get the profitability," she said.

Potter expects that unions will make concessions during negotiations this year, but William Burrus, president of the American Postal Workers Union, warned otherwise.

"I'm not going to make any concessions," Burrus said. "He's trying to deny services to the American public through the service reductions. All of this is designed to accelerate significant savings and become a delivery arm of major mailers."

Another skeptic is the Postal Regulatory Commission's chairman, Ruth Y. Goldway. Her panel doesn't plan to issue its nonbinding opinion until at least October, complicating Potter's preferred timeline. Goldway is not shy about voicing her fears that Potter is chipping away at the Postal Service's unique place in American society.

"His plan to move post offices into Wal-Mart is not my idea of an adequate replacement," she said. "He hasn't put a penny into modernizing, renovating or creating new and attractive post offices."

The PMG is unmoved by his critics.

"Everything that we have in the plan I'm convinced has to happen over the course of time to get the Postal Service on firm financial footing and to keep us there," he said.

As for Goldway's concerns: "If somebody wants us to operate like a museum, then fork over the money and we'll be happy to do so."

Promoted from within

Born in the Bronx, Potter attended Cardinal Spellman High School (a year behind Supreme Court Justice Sonia Sotomayor, whom he never knew) and received an economics degree from Fordham University. He followed his father into the Postal Service, assuming that the work would lead him elsewhere.

He went from a part-time graveyard shift in Westchester County, N.Y., to the regional office in Manhattan, where his father, Richard, worked and where Potter met his wife, Maureen. Potter later moved to Washington, where he became postmaster general in June 2001. He had been on the job for four months when the anthrax attacks crisis struck and killed five people, including two D.C. postal workers, thrusting him onto the national stage.

The 71st successor to Benjamin Franklin, Potter is the longest-serving postal boss since the 1820s and only the sixth postal worker promoted from within. He rarely socializes in Washington, preferring to head to his Potomac home after a 10-hour workday. He has a son in college and a daughter who is a high school senior. He'd rather be remembered as

the postmaster who saved the mail service than the one who watch it challenged by e-mail.

If things go his way, Saturday deliveries would end next spring, he told customers in Nashville.

"The value of going to four days -- removing a second day -- is even greater," he said. Although no such plans exist, Potter said that Tuesdays are the second-slowest day of the week.