

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
WITNESS GROSSMANN TO GREETING CARD ASSOCIATION
INTERROGATORIES GCA/USPS-T5-1-5
(June 10, 2010)

The United States Postal Service hereby provides its responses to the above-listed interrogatories of the Greeting Card Association dated May 28, 2010. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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June 10, 2010

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GCA/USPS-T5-1. Please define the term “cluster” as used at page 4, line 23, to page 5, line 3, and on pages 9-10, of your prefiled testimony.

RESPONSE:

“Cluster” has historically been used to classify certain types of contracts. For the purposes of my testimony, it is interchangeable with a Postal District.

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GCA/USPS-T5-2. Please refer to page 6, lines 1-11 of your prefiled testimony.

- a. With respect to Postal Service air transportation contractors who are also carriers on their own account (e.g., FedEx), please explain your understanding as to whether, and to what extent, these carriers process volumes of their own on Saturday and/or Sunday, for subsequent transportation on their own aircraft. Please provide any documents you consulted or relied on in arriving at this understanding.
- b. Please explain your understanding of any effects on the capacity available to the Postal Service on Tuesdays on aircraft of the carriers referred to in (a), as a result of the five-day delivery service change. Please provide any documents you consulted or relied on in arriving at this understanding.
- c. Did the estimation process described at page 6, lines 1-11, take account of any changes in mail mix, as among classes transported by air, caused by the five-day delivery service change? If your answer is not an unqualified “no,” please explain fully how such changes were taken into account.

RESPONSE:

- a. The Postal Service does not have operational knowledge of whether and how FedEx processes its own volume and transports that volume on its own aircraft on Saturdays and Sundays. The Postal Service purchases capacity with various carriers to transport Postal Service volume. Whether and to what extent the air carriers process their own volumes or utilize their cargo capacity for non-postal volume is not germane to the Postal Service’s needs.
- b. See USPS-LR-N2010-1/NP1 - Materials Relating to Air Transportation Portion of the Testimony of Witness Bradley (USPS-T-6) [Non-Public Version].
- c. No.

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GCA/USPS-T5-3. Please refer to the discussion of Vehicle Service Drivers in your prefiled testimony, beginning at page 7, line 15.

- a. Does the Vehicle Service Driver craft include any (i) part time regular, (ii) flexible, or (iii) Transitional employees?
- b. If your answer to (a) is not an unqualified “no,” please explain fully (i) whether and to what extent the elimination of Saturday delivery would lead to replacement of employees falling into one category (part time regular, flexible, etc.) by employees falling into a different category, and (ii) the effect of any such replacement on the personnel costs of Vehicle Service following the elimination of Saturday delivery.
- c. If you are required to provide answers to (b), please also provide all documents you consulted or relied on in arriving at your answers.

RESPONSE:

- a. The Vehicle Service Driver (VSD) craft currently includes a limited number of part-time regular employees (currently less than 0.1 percent of all VSD drivers) and a limited number of part-time flexible (currently approximately 9.12 percent of all VSD drivers). There currently are no transitional employees within the VSD craft.
- b. It is unknown at this time whether and to what extent employees falling into any of the categories above will be replaced by employees falling into another category. The Postal Service will continue to assign employees subject to applicable collective bargaining agreements.
- c. Not applicable.

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GCA/USPS-T5-4.

- (a) Please state your understanding as to whether contracts for highway, air, or box route transportation have to be renegotiated if Saturday delivery is eliminated.

- (b) If your answer to (a) is not an unqualified "no," please (i) specify which types of contracts would be so affected, and (ii) describe the likely reasons for and results of such renegotiations.

RESPONSE:

- a. Some contracts may have to be renegotiated if the Postal Service's plan is implemented.

- b. (i) See Response to Chairman's Information Request No. 4, question 8, filed on June 2, 2010. A surface transportation contract may need to be modified if it is associated with one or more trips that are to be eliminated on Saturday. This could entail cancelling contracts exclusively associated with trips that are to be eliminated and modification of other contracts to eliminate the affected trips. With respect to air transportation, the Postal Service may need to renegotiate contracts due to the elimination of outgoing processing on Saturday and the resulting lack of need for air transportation on Sunday.
(ii) For purposes of this inquiry, the reason for any given contract change would be a change in the Postal Service's transportation needs relative to those when the contracts were originally executed. The result of renegotiation is expected to be similar to that of any other renegotiation of a Postal Service transportation contract: the provider will continue to fulfill the

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Postal Service's changed requirements, or else the Postal Service will obtain the required service from another contractor. In this regard, the proposal at issue in this proceeding would entail simply a larger-scale version of the Postal Service's existing processes for continual reassessment of its transportation needs and adjustment of contracts based on changing consumer behavior, volume declines, and mailing pattern changes.

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GCA/USPS-T5-5.

- (a) Please describe fully the process(es) by which you arrived at the following estimates presented in your prefiled testimony:
- (i) Inter-area Highway transportation (elimination of 20 percent on Saturdays and 80 percent on Sundays; page 9, lines 10-15);
 - (ii) Inter-Cluster and Inter-P&DC Highway transportation (elimination of 30 percent on Saturdays and 80 percent on Sundays; page 9, lines 21-23);
 - (iii) Inter-BMC Highway transportation (no change; page 10, lines 10-13);
 - (iv) Intra-BMC Highway transportation (elimination of 40 percent on Saturdays and 50 percent on Sundays; page 10, lines 20-23);
 - (v) Intra-CSD Highway transportation (elimination of 100 percent of box route delivery on Saturdays, and of 60 percent of combination route transportation on Saturdays and 80 percent on Sundays; page 11, as corrected, lines 8-15); and
 - (vi) Intra-P&DC Highway transportation (elimination of 60 percent on Saturdays and 80 percent on Sundays; page 12, as corrected, lines 3-6).
- b. Please provide all documents you consulted or relied on in arriving at the estimates specified in (a).

RESPONSE:

- a. My general methodology is explained in my testimony (USPS-T-5 at 7, lines 1-7): “To estimate the reduction in overall capacity needs, I reviewed the amount of each type of surface transportation by time of day. I then identified the number of trips of each type and time of day that are linked to Saturday collection and/or delivery. I also considered mitigating factors, such as continued transportation needs for certain types of mail that will continue to be processed on Saturday. From this review, I was able to determine the approximate percent reductions resulting from the proposed mail processing and delivery network.” It should be added that the estimates offered in my testimony are rounded to the nearest ten percent (with no variance exceeding 2.5 percentage points) in the interest of simplicity and in recognition of such

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estimates' inherent roughness.

- (i) Saturday – Aggregated all Saturday trips from FY 2009 by time of day.

Based on my operational knowledge of the network, I decided all trips running prior to 6:00 p.m. would still be required due to maintenance of Friday's outgoing network. That proportion was 81.87 percent.

Therefore, the trips after 6:00 p.m. were 18.13 percent, which I rounded to 20 percent.

Sunday – Aggregated all Sunday trips from FY 2009 by time of day.

Based on my operational knowledge of the network, I decided that all trips running between 11:00 a.m. and 6:00 p.m. would still be required to maintain incoming volumes from the network through Surface Transportation Centers (STCs) from the prior week for delivery on Monday. This amounted to 17.94 percent of the total Sunday transportation. Therefore, the trips that could be removed were 82.06 percent of the total, which I rounded to 80 percent.

- (ii) Saturday – Aggregated all Saturday trips from FY 2009 by time of day.

Based on my operational knowledge of the network, I determined that all trips running up until 6:00 p.m. would be required to maintain outgoing network volumes. This amounted to 71.11 percent of Inter-Cluster routes and 68.84 percent of Inter-P&DC routes. Therefore, 28.89 percent of Inter-Cluster routes and 31.16 percent of Inter-P&DC routes could be removed, both of which I rounded to 30 percent.

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Sunday - Aggregated all Sunday trips from FY 2009 by time of day.

Based on my operational knowledge of the network, I determined that all trips running from 11:00 a.m. to 8:00 p.m. would be required to maintain incoming volumes from the network through consolidation points from the prior week for delivery on Monday. This amounted to 19.35 percent for Inter-Cluster routes and 21.43 percent for Inter-P&DC routes. Therefore, 80.65 percent of Inter-Cluster routes and 78.57 percent of Inter-P&DC routes could be removed, both of which I rounded to 80 percent.

(iii) The Network Distribution Center (NDC; formerly Bulk Mail Center or BMC) network is different than the plant network due to the different product types and service standards involved. The NDC network handles mail volumes that may have been inducted into the system 1-4 days prior to the Inter-BMC transportation stage. Due to the need for expedition to support service commitments, I assumed there would be no reduction in Saturday and Sunday Inter-BMC highway transportation.

(iv) Saturday – Aggregated all Saturday trips from FY 2009 by time of day. Based on my operational knowledge of the network, I determined that all trips running prior to 6:00 p.m. would still be required due to maintenance of Friday's outgoing network and to move mail from plants to associated NDCs for onward transportation. This amounted

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to 58.93 percent of current Intra-BMC highway transportation. The total removed would thus be 41.07 percent, which I rounded to 40 percent.

Sunday – Aggregated all Sunday trips from FY 2009 by time of day.

Based on my operational knowledge of the network, I determined that all trips beginning at 4:00 p.m. would still be required to move mail to the local plants for delivery on Monday. This amounted to 49.34 percent of current Intra-BMC highway transportation. The total removed would thus be 50.66 percent, which I rounded to 50 percent.

- (v) Intra-CSD highway transportation includes two types of routes: box routes and combination routes. Box route delivery is for contracted delivery of mail to addresses along a designated route. The proposed change in delivery standards means the Postal Service will not be delivering to street addresses: hence, 100 percent of box-route delivery would be eliminated. Combination route transportation covers routes with box delivery as well as transportation plants and associated Post Offices.

The result for the box delivery portion of combination routes would be the same as that for purely box routes – 100-percent elimination of Saturday transportation needs – and the result for the plant/Post Office portion would be the same as for Intra-P&DC Highway transportation. Thus, the estimate for combination routes

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was based on the estimate for Intra-P&DC transportation discussed below, since they are used for similar functions. It is possible that, due to the elimination of box delivery from Intra-CSD Highway transportation routes on Saturdays, these routes could be subject to a somewhat greater degree of consolidation with each other or with existing Intra-P&DC routes than could existing Intra-P&DC routes. If anything, the proportion of Intra-CSD combination routes that could be eliminated, and the attendant savings in transportation costs, might eventually be slightly higher than my estimate. However, it is unclear whether and to what degree this might prove to be the case in practice. Therefore, I decided to rely on the proportion for Intra-P&DC routes as the closest quantifiable proxy.

- (vi) Saturday – Aggregated all Saturday trips from FY 2009 by time of day. Based on my operational knowledge of the network and the Postal Service’s proposal for the level of Saturday service at Post Offices, I assumed trips between 2:00 p.m. and 4:00 p.m. would be maintained to transport mail for Post Office Box delivery and to transport Express Mail between Post Offices and plants. I further assumed that trips between 4:00 p.m. and 6:30 p.m. would be maintained to transport Express Mail collected at Post Offices to the plants. All together, this amounted to 39.1 percent of current Intra-P&DC transportation on Saturdays. Therefore, 60.9 percent of current Saturday Intra-P&DC

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transportation could be eliminated under the Postal Service's proposal, and I rounded this figure to 60 percent.

Sunday - Aggregated all Sunday trips from FY 2009 by time of day.

Based on my operational knowledge of the network, I determined that trips running from 8:00 p.m. to 12:00 midnight would be required to transport available mail volumes to Post Offices for delivery on Monday. This amounted to 17.60 percent of current Intra-P&DC transportation on Sundays. Therefore, 82.4 percent of current Sunday Intra-P&DC transportation could be eliminated under the Postal Service's proposal, and I rounded this figure to 80 percent.

- b. The responsive documents consist of two Microsoft Excel-formatted worksheets entitled "SumLeaveTimeSat.xls" and "SumSunFreq.xls." Copies of these documents are being filed electronically as attachments to this response.