

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

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
TO AMERICAN POSTAL WORKERS UNION INTERROGATORIES  
APWU/USPS-T1-2, T1-3 AND T1-5 THROUGH T1-9

The United States Postal Service hereby provides the responses of witness Samuel Pulcrano to the above-listed interrogatories of the American Postal Workers Union dated June 9, 2010. Each interrogatory is stated verbatim and followed by the response. APWU interrogatory T1-4 has been redirected to witness Grossmann for response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
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**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?

**RESPONSE**

- a) Yes. I am responsible for coordinating the development of detailed implementation plans. I will be receiving input from the respective functional Vice Presidents who have responsibility for various aspects of implementation.
- b) N/A
- c) All plans are contingent upon developments, the timing of which I am unable to predict. Completion of all plans would be expected at least 30 days before the 2011 implementation date.

## **RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO TO INTERROGATORIES OF AMERICAN POSTAL WORKERS UNION**

**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?

### **RESPONSE**

- a) See the USPS response to NALC/USPS-T1-3. I am informed by witnesses Whiteman and Corbett that while overall mail volume mail is expected to recover from FY 2009 levels, it is not expected to recover to anywhere near FY 2007 levels.
- b) I am informed by witness Neri that the Postal Service will have sufficient operating capacity to handle increases in volume that could reasonably be expected to occur.
- c) See the response to subpart (a) above. All of the annual reports of the United States Postal Service published since postal reorganization are publicly available in the USPS Headquarters Library and contain annual mail volumes. One could compare those data to periods of time one associated with economic recessions in the past four decades to determine whether mail volume improved immediately after a period one associated with an economic recession.

## **RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO TO INTERROGATORIES OF AMERICAN POSTAL WORKERS UNION**

**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?

### **RESPONSE**

- a) No. I am informed that because in addition to sorting originating and destinating mail addressed to Post Office Boxes on Friday evenings, destinating mail will continue to be transported and processed over the weekend. This will result in remittance mail being available for pickup on Saturday and Sunday, as is the case today, for Post Office Box holders who also have paid for Caller Service.
- b) Confirmed for all single-piece First-Class Mail, including remittances.
- c) Yes. Processing will generally start earlier on Sunday than it does currently. As a result, remittance mail will be available for pickup earlier on Sunday than it is currently, where the recipient has paid for Caller Service.

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d) Yes. I am informed by witness Whiteman that market research shows that, in general, consumers pay their bills in the following profile:

- 1/3 pay when they receive the bill (these pay throughout the month);
- 1/3 pay when they get paid (these pay once a week or once every two weeks), generally on Fridays; and
- 1/3 pay based on the due date of the bill (these pay throughout the month).

Those that pay their payments when they get paid, generally mail their payments Friday, Saturday or Monday.

I am further informed that the Postal Service typically cancels remittance payments each day of the week as follows:

<b>Saturday</b>	<b>Sunday</b>	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>	<b>Total</b>
<b>12%</b>	<b>0%</b>	<b>21%</b>	<b>19%</b>	<b>16%</b>	<b>16%</b>	<b>16%</b>	<b>100%</b>

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**RESPONSE to APWU/USPS-T1-5 (continued)**

A remittance recipient or processor which currently picks up its mail at a Post Office under DMM, 508.7.0, Firm Holdout, as a local firm holdout Monday – Saturday would also experience a change in service under five-day delivery operations. Such mail addressed to a street address and would be available for pickup Monday – Friday under five-day delivery operations.

Similarly, remittance mailers who use street addresses would experience elimination of delivery on Saturday. This includes mailers having a National Firm Holdout Post Office Box under DMM 5.2.7 Exemption, who are allowed to use a street address. The Postal Service is encouraging such mailers to convert to using their P.O. Box address so they can continue to receive delivery Monday – Saturday.

## **RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO TO INTERROGATORIES OF AMERICAN POSTAL WORKERS UNION**

**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?

### **RESPONSE**

- a) Deliveries to street addresses of households and businesses would be made Monday through Friday every week of the year, except of course when there is a holiday.

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**RESPONSE to APWU/USPS-T1-6 (continued)**

The Postal Service's objective is to timely deliver all parcels (many of which are presumed to be holiday gifts) before Christmas, regardless of class of mail. Delivery of parcels on the two or three Saturdays before Christmas Day will be made if volume warrants and depending on what day of the week Christmas Day falls. For example, if Christmas Day falls on a Monday and volume warrants, the Postal Service will deliver parcels on the two or three Saturdays before Christmas. This will be a local operating decision, just as it is today when parcels are delivered on a Sunday before Christmas. The Postal Service does not intend to deliver letters or flats on the two or three Saturdays before Christmas.

- b)
  - i) The Postal Service does not share this concern because it has adequate capacity to handle the processing of mail that is scheduled to be delivered on Thursday and every other day of the week. I am informed by witness Grossmann that if additional transportation is needed to ensure timely delivery of mail, it will be obtained and utilized.
  - ii) The Postal Service has not conducted any analysis of changes in the production schedules of publishers or any other industries. Consultations with publishers lead us to conclude that some would have to make changes in their calendars and schedules.

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**RESPONSE to APWU/USPS-T1-6 (continued)**

iii) The Postal Service does not consider that it will be “squeezed” because of five-day delivery. I am informed by witness Neri that there is expected to be more than adequate capacity in the postal system to continue to timely deliver all classes of mail, including Periodicals Mail if five-day street delivery and the other processing changes are implemented. The Postal Service has no data regarding any potential squeeze on the resources of small Periodicals publishers.

The Postal Service has accommodated the needs of mailers of Periodicals and other mailers by planning to accept bulk mail on weekends and starting the clock for destination-entered mail on the day it is drop-shipped. This includes Saturday and Sunday. I am informed that such destinating mail will continue to be processed and delivered as it is currently. I am further informed that the Postal Service will offer an optional local turnaround makeup to assure a start-the-clock of Saturday for mail that originates and destinate in the service area of a Sectional Center Facility.

- c) The Postal Service is working with shippers of medicines to ensure that medicines will be timely delivered Monday through Friday to street addresses. See witness Whiteman’s response to APWU/USPS-T9-7.

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**RESPONSE to APWU/USPS-T1-6 (continued)**

- d) The Postal Service is taking a number of steps to ensure the timely delivery of bills and statements sent by remittance processors, including financial institutions. The Postal Service will continue to operate Detached Mail Units to accept mail at mailers' facilities up to seven days a week. The current start-the-clock rules for such mail are governed by a Customer/Supplier Agreement. I am informed that these agreements will remain in place if five-day delivery is implemented.

Almost all of the bills and statements that have delivery time constraints mentioned in this interrogatory are mailed as presorted First-Class Mail. I am informed that this bulk mail will continue to be accepted on Saturday and Sunday. The start-the-clock event for this mail would be Monday. Many remittance mailers have indicated that these steps will satisfy their need to ensure timely delivery of their bills and statements.

The Postal Service is confident that it will have adequate capacity to timely process and deliver future volume of mail scheduled to be delivered on Friday. Under the direction of witness Neri, the Postal Service is conducting analyses of Processing & Distribution Center capacity to determine whether it may be necessary to move processing equipment to some P&DCs and anticipates that there will be very few such PD&Cs.

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**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.

**RESPONSE**

In that context, "Post Office" was used as shorthand for Post Offices, stations and branches.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
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**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?

**RESPONSE**

The projected change in volume for Express Mail and all other products in Exhibit 3 of USPS Library Reference N2010-1/1 is the result of market research asking mailers what would be the effect of implementing five-day delivery operations on the volume of mail they will send. It is not the forecast of future volumes absent implementation of five-day delivery operations.

I am informed that the Postal Service does not expect Express Mail volume to decline in the next few years.

## RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO TO INTERROGATORIES OF AMERICAN POSTAL WORKERS UNION

### 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.

## **RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO TO INTERROGATORIES OF AMERICAN POSTAL WORKERS UNION**

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 quasigovernment 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'**

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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."

## **RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO TO INTERROGATORIES OF AMERICAN POSTAL WORKERS UNION**

### **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 watched it challenged by email.

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.

### **RESPONSE**

No study has been conducted with regard to eliminating any day of delivery other than the one day proposed in this Docket. Although the Postal Service currently has no plans to do so, it would be imprudent for me to declare now that the Postal Service would never undertake to analyze the impact of eliminating another delivery day.