

# OFFICIAL TRANSCRIPT OF PROCEEDINGS BEFORE THE POSTAL REGULATORY COMMISSION

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In the Matter of: )  
 )  
SIX-DAY TO FIVE-DAY STREET ) Docket No.: N2010-1  
DELIVERY AND RELATED SERVICE )  
CHANGES 2010 )

VOLUME II

Pages: 42 through 541  
Place: Washington, D.C.  
Date: July 14, 2010

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## POSTAL REGULATORY COMMISSION

In the Matter of: )  
 )  
 SIX-DAY TO FIVE-DAY STREET ) Docket No.: N2010-1  
 DELIVERY AND RELATED SERVICE )  
 CHANGES 2010 )

Main Hearing Room  
 Postal Regulatory Commission  
 901 New York Avenue, N.W.  
 Washington, D.C.

Volume II  
 Wednesday, July 14, 2010

The above-entitled matter came on for a  
 hearing, pursuant to notice, at 9:34 a.m.

## BEFORE:

HON. RUTH Y. GOLDWAY, Chairman  
 HON. TONY HAMMOND, Vice Chairman  
 HON. DAN G. BLAIR, Commissioner  
 HON. NANCI E. LANGLEY, Commissioner  
 HON MARK ACTON, Commissioner

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## C O N T E N T S

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P R O C E E D I N G S

(9:34 a.m.)

CHAIRMAN GOLDWAY: Good morning, ladies and gentlemen. This hearing will come to order on July 14, 2010.

Today is the first hearing for the Commission to receive the Postal Service's evidence in support of its plan to move from six- to five-day delivery and other related service changes in Docket No. N2010-1. For the record, I am Ruth Goldway, Chairman of the Postal Regulatory Commission. Joining me on the dais this morning are Vice Chairman Hammond, Commissioners Acton, Blair and Langley.

The Commission has been very busy with this case over the last few months, and the parties and the Commission have propounded extensive discovery on the Postal Service and its witnesses. The Commission finds itself fully engaged, as undoubtedly are the parties, with reviewing the policy implications, savings estimates and implications of the Postal Service's proposal.

The Commission has now successfully completed all of its field hearings to gather information from many main street areas outside the Beltway. Over the past two months members of the

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1 Commission received testimony from mailers, employees,  
2 and interested parties of the public in Las Vegas,  
3 Nevada; Sacramento, California; Dallas, Texas;  
4 Memphis, Tennessee; Chicago, Illinois; Rapid City,  
5 South Dakota; and Buffalo, New York.

6 Our witness who was unavailable at the Rapid  
7 City, South Dakota, hearing has used the online filing  
8 system and filed a statement in this case. I would  
9 like to take this opportunity to thank Dan O'Brien,  
10 Postal Director of First Data, for his statement. All  
11 of those hearings were transcribed and are or shortly  
12 will be available on the Commission's website for  
13 review. Intervenors who wish to offer rebuttal to any  
14 of the testimony presented in those transcripts may do  
15 so during the rebuttal portion of this docket.

16 We have a very busy day ahead of us with  
17 three Postal Service witnesses scheduled to appear.  
18 Before we begin, I would like to give my colleagues an  
19 opportunity to offer some opening remarks, and I will  
20 begin with Vice Chairman Hammond.

21 VICE CHAIRMAN HAMMOND: Thank you, Madam  
22 Chairman. I also want to welcome everyone here today  
23 as we begin this phase of our important hearings on  
24 the specifics of the Postal Service's proposal.

25 During the extensive hearings we have held

1 across the country, we have learned a great deal about  
2 how the mailing public would be affected by such a  
3 change from six to five, and how the U.S. Postal  
4 Service can continue to be just that, a service when  
5 faced with billions of dollars of yearly budget  
6 deficits. So like most, I continue to keep an open  
7 mind on this issue, have made no decisions on the  
8 plan, and I look forward to hearing more as we  
9 continue our consideration, so thank you.

10 CHAIRMAN GOLDWAY: Thank you. Commissioner  
11 Acton.

12 COMMISSIONER ACTON: Thank you, Madam  
13 Chairman. I have nothing to add except to ask the  
14 witnesses to please speak loudly and clearly for the  
15 benefit of our listeners. Thank you.

16 CHAIRMAN GOLDWAY: And Commissioner Blair.

17 COMMISSIONER BLAIR: Good morning, everyone.  
18 I appreciate you being here this morning. I see all  
19 the usual suspects in the audience today. I have a  
20 lengthier statement I would just like to put in the  
21 record but I know that we are pressed for time, and so  
22 I would just say I'm looking forward to hearing and  
23 flushing out the issues that we have had before us.  
24 We have had seven good field hearing and I look  
25 forward to the D.C. hearings as well. Thank you.

1           CHAIRMAN GOLDWAY: And Commissioner Langley.

2           COMMISSIONER LANGLEY: Thank you, Madam  
3 Chairman, I, too, have a statement that I would like  
4 to submit for the record, but I do want to thank  
5 everyone for being here, and for continuing your  
6 interest in what we are doing in this context. Thank  
7 you.

8           CHAIRMAN GOLDWAY: I would simply like to  
9 reiterate that all of us in our experience of going  
10 across the country and meeting with people who are  
11 interested in the proposal of the Postal Service felt  
12 honored to be part of a system that is so valuable to  
13 the American society, and everyone who participated in  
14 those hearings demonstrated a respect for and an  
15 appreciation of the Postal Service and its role in  
16 America, and in particular the representatives who  
17 spoke who actually worked for the Postal Service  
18 either a managers or as employee in labor ranks of one  
19 sort or another. I think it was inspirational for us  
20 to feel that we were part of that organizational  
21 effort, and we took the comments that were made by all  
22 of these people very seriously to heart, and we will  
23 try our best to balance all the points of views that  
24 have been brought forward to us.

25           So with that I want to remind everyone that

1 this hearing is being web broadcast, and to reduce  
2 potential confusion, I would ask the counsel to wait  
3 to be recognized before speaking and to please  
4 identify yourself when making comments.

5 There are three witnesses scheduled to  
6 appear today: Sam Pulcrano, Dean Granholm and Stephen  
7 Kearney, and I have one brief procedural issue to go  
8 over.

9 If parties wish to designate any Postal  
10 Service institutional responses to written discovery,  
11 they can do so up until July 19, 2010, three days  
12 before the final day of hearings, consistent with  
13 Commission Rules and Practice.

14 On the final day of hearings, July 22, 2010,  
15 all of the designated institutional responses'  
16 designations shall be offered for receipt into  
17 evidence. Postal Service counsel will review those  
18 answers to assure that they continue to be accurate.

19 Does any participant have a procedural  
20 matter to discuss before we begin?

21 MR. TIDWELL: Madam Chairman, Michael  
22 Tidwell for the Postal Service.

23 The Postal Service wants to apologize for  
24 any confusion relating to the filing of Witness  
25 Pulcrano's response to the USPS-T-1-9, which I think

1 we resolved finally last night and early this morning,  
2 and we think we have resolved an issue regarding  
3 Witness Pulcrano's responses to PR-USPS-T3-415  
4 responses which were designated by APWU, and we have  
5 no objection to APWU's designations.

6 CHAIRMAN GOLDWAY: Thank you. I think that  
7 is satisfactory and I am glad those matters are  
8 resolved.

9 I should remind the reporter, the court  
10 reporter here, to transcribe Commissioner Blair's and  
11 Langley's statement at this point in the record before  
12 we actually begin, we will put them in now.

13 (The documents referred to  
14 were marked for  
15 identification and were  
16 received in evidence.)

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Statement of the Honorable Dan G. Blair  
Commissioner  
Postal Regulatory Commission  
July 14, 2010

Good morning. I appreciate the chance to hear from our witnesses today. After seven field hearings, the Commission has developed a thoughtful record whereby we compiled views from the public, Postal Service field representatives, and affected mailers and stakeholders. I expect the formal proceedings over the next few weeks will further flesh out further issues associated with stopping Saturday delivery.

We have a number of issues to resolve as we deliberate this case. I want to learn more about the potential costs savings and how they are quantified. I am concerned about potential "warehousing" of mail on weekends and holidays and how the Service will address these concerns. Mailers also raised concerns that cessation of a day of delivery is in effect a rate increase and that it could pierce the inflation-based price cap for rate increases.

During the field hearings, we heard from impacted mailers, particularly community newspapers, about how devastating to their business operations a cessation of Saturday delivery might be. The Service needs to address why they settled on ceasing delivery on Saturday, as opposed to other days of the week, and whether. We heard from area vice presidents and local postal officials that they were not involved with the development of the proposal. I want to hear from the Postal Service witnesses how they have addressed operational concerns that are likely to arise given the national scope of such an endeavor as reducing days of delivery. The Service's proposal has proven complex and contentious. The question remains whether this is indeed the right time to cut delivery, or will it further the downward spiral in demand for postal services.

I look forward to this round of hearings to shed light on the Service's proposal and help inform the commission as we deliberate this proposal.

Statement of Commissioner Nanci E. Langley

July 14, 2010

Thank you, Chairman Goldway.

As has been stated, the Postal Service is obligated to seek an opinion from the Commission before moving forward on a nationwide change in service. We are limited to the evidence presented in this open docket, and today opens another essential chapter in this process. Our opinion will serve to inform members of Congress, who ultimately will decide if the U.S. Postal Service can reduce a day of delivery.

Like all users of the mail, I am mindful of the Postal Service's dire financial condition – which it cites as its reason for seeking this change. I also understand that the Service has certain statutory financial obligations that are unaffordable and put it at risk of running out of money.

But I am equally mindful that the changes and ramifications of its proposal to eliminate Saturday delivery and processing could also put the Postal Service in jeopardy of losing a key competitive advantage – offering service six days a week. Based on the Commission's hearings – many anticipated and unintended consequences of such a move have been raised.

There are those who question whether cutting essentially 17 percent of delivery service for a 5 percent savings in the Postal Service's budget is a good trade off.

The history of the United States and its Postal Service is intertwined. The first Article of the US Constitution (I, Section 8, Clause 7) empowers Congress "To establish Post Offices and post Roads". The US postal system is a cornerstone of the nation's economy, which has long depended on a vibrant postal service that fosters America's entrepreneurial spirit while linking family and friends across thousands of miles.

And even though we communicate in ways unthought-of by our Founding Fathers, hard copy mail continues to bind the nation by providing universal and affordable service.

The US Postal Service is especially important in broadening accessibility to the nation's senior citizens, individuals with limited mobility, residents of geographically remote areas, and the 93 million of Americans without broadband access.

Just as the senior citizen or homebound individual relies on the timely delivery of a prescription medicine – product – or a card from a friend – there are untold number of businesses that rely on six-day a week delivery.

Thank you Madame Chairman.

1                   CHAIRMAN GOLDWAY: Okay, with that, Mr.  
2 Tidwell, will you identify the first witness so I can  
3 swear them in.

4                   MR. TIDWELL: Madam Chairman, our first  
5 witness is Samuel Pulcrano.

6                   CHAIRMAN GOLDWAY: Mr. Pulcrano, would you  
7 please stand.

8                   Whereupon,

9   SAMUEL PULCRANO

10                   having been duly sworn, was called as a  
11 witness and was examined and testified as follows:

12                   CHAIRMAN GOLDWAY: Thank you.

13   DIRECT EXAMINATION

14                   BY MR. TIDWELL:

15                   Q     Mr. Pulcrano, on the table before you are  
16 two copies of a document that is entitled The Direct  
17 Testimony of Samuel Pulcrano on Behalf of the United  
18 States Postal Service designated for purpose of this  
19 proceeding USPS-T-1. Was that document prepared by  
20 you or under your supervision?

21                   A     Yes, it was.

22                   Q     If you would provide the content of that  
23 document as your oral testimony today, would it be the  
24 same as reflected in that document?

25                   A     Yes, it would.

1 Q Are there any errata you would like to bring  
2 to the attention of the parties?

3 A Yes, there are three typo corrections that  
4 we would like to --

5 Q On the testimony, just one. If you turn to  
6 page 4, line 15, in the first words of the sentence  
7 there "describe" should be deleted.

8 Q And is that the only change?

9 A I this document, yes.

10 MR. TIDWELL: Madam Chairman, with that  
11 change the Postal Service would move into evidence the  
12 direct testimony of Witness Pulcrano.

13 CHAIRMAN GOLDWAY: Is there any objection?

14 (No response.)

15 CHAIRMAN GOLDWAY: Hearing none I will  
16 direct counsel to provide the reporter with two copies  
17 of the corrected testimony of Samuel Pulcrano. That  
18 testimony is received into evidence.

19 However, as is our practice, it will not be  
20 transcribed.

21 (The document referred to was  
22 marked for identification as  
23 Exhibit No. USPS-T-1, and was  
24 received in evidence.)

25 CHAIRMAN GOLDWAY: Mr. Pulcrano, have you

1 had the opportunity to examine the packet of  
2 designated written cross-examination and responses to  
3 the Chairman's information requests that were made  
4 available to you in the hearing room?

5 THE WITNESS: Yes, I have.

6 CHAIRMAN GOLDWAY: If the questions  
7 contained in that packet were posed to you orally  
8 today would your answers be the same as those you  
9 previously provided in writing?

10 THE WITNESS: Yes, they would.

11 CHAIRMAN GOLDWAY: Are there any corrections  
12 or additions that you would like to make to those  
13 answers?

14 THE WITNESS: Yes, there are. There are two  
15 corrections. If you will go to DFC -- this in the  
16 interrogatory of Mr. Douglas Carlson, DFC-USPS-T1-1,  
17 page 1, line 5, and the first two words in that  
18 sentence, it currently says "less inefficient", we  
19 want to change that to "less efficient".

20 CHAIRMAN GOLDWAY: Okay.

21 THE WITNESS: And then on page 2 of that  
22 same document, line 1, in the middle of the sentence  
23 we want to delete the first "not", N-O-T.

24 And then if I may direct your attention to  
25 Public Representative document, PR-USPS-T3-4. Give

1 you a moment to get to that, and it's in the next to  
2 the last line, and between the words "expect savings  
3 to approach," between "to approach" we would like to  
4 insert the words "begin to". And then after  
5 "approach" delete "or achieves".

6 CHAIRMAN GOLDWAY: Are those --

7 THE WITNESS: Those are the end of the  
8 corrections that I have.

9 CHAIRMAN GOLDWAY: Is there any additional  
10 written cross-examination for Witness Pulcrano?

11 Counsel, would you please provide two copies  
12 of the corrected designated written cross-examination  
13 and responses to the Chairman's information request  
14 for Witness Pulcrano to the reporter. That material  
15 is received into evidence and it is to be transcribed  
16 into the record.

17 (The document referred to was  
18 marked for identification as  
19 Exhibit No. USPS-T-1, and was  
20 received in evidence.)

21 //

22 //

23 //

24 //

25 //

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Six-Day to Five-Day Street Delivery and  
Related Service Changes, 2010

Docket No. N2010-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION  
OF UNITED STATES POSTAL SERVICE  
WITNESS SAMUEL PULCRANO  
(USPS-T-1)

<u>Party</u>	<u>Interrogatories</u>
American Postal Workers Union, AFL-CIO	APWU/USPS-T1-1-3, 5-9  DFC/USPS-T1-1, 3, 6, 9, 11 NALC/USPS-T1-1 PR/USPS-T1-4-5, 8, 14, 16, 18, 20, 22-24 PRC/USPS-T1-CHIR No.2 - Q2, CHIR No.5 - Q3
National Newspaper Association	APWU/USPS-T1-6 NNA/USPS-T1-1-7, 8b, 8c, 8d, 9-11
Postal Regulatory Commission	APWU/USPS-T1-1-2 DFC/USPS-T1-1-3, 6, 8 NNA/USPS-T1-1-7, 8b, 8c, 8d, 9-11 PR/USPS-T1-8, 14, 22, 24 PRC/USPS-T1-CHIR No.2 - Q2, CHIR No.5 - Q3
Public Representative	APWU/USPS-T1-2-3, 5-9 DFC/USPS-T1-11 NALC/USPS-T1-1 NNA/USPS-T1-8b, 8c, 8d, 10 PR/USPS-T1-7, 9, 11, 15-18, 23

Respectfully submitted,



Shoshana M. Grove  
Secretary

INTERROGATORY RESPONSES OF  
 UNITED STATES POSTAL SERVICE  
 WITNESS SAMUEL PULCRANO (T-1)  
 DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory

Designating Parties

APWU/USPS-T1-1	APWU, PRC
APWU/USPS-T1-2	APWU, PR, PRC
APWU/USPS-T1-3	APWU, PR
APWU/USPS-T1-5	APWU, PR
APWU/USPS-T1-6	APWU, NNA, PR
APWU/USPS-T1-7	APWU, PR
APWU/USPS-T1-8	APWU, PR
APWU/USPS-T1-9	APWU, PR
DFC/USPS-T1-1	APWU, PRC
DFC/USPS-T1-2	PRC
DFC/USPS-T1-3	APWU, PRC
DFC/USPS-T1-6	APWU, PRC
DFC/USPS-T1-8	PRC
DFC/USPS-T1-9	APWU
DFC/USPS-T1-11	APWU, PR
NALC/USPS-T1-1	APWU, PR
NNA/USPS-T1-1	NNA, PRC
NNA/USPS-T1-2	NNA, PRC
NNA/USPS-T1-3	NNA, PRC
NNA/USPS-T1-4	NNA, PRC
NNA/USPS-T1-5	NNA, PRC
NNA/USPS-T1-6	NNA, PRC
NNA/USPS-T1-7	NNA, PRC
NNA/USPS-T1-8b	NNA, PR, PRC
NNA/USPS-T1-8c	NNA, PR, PRC
NNA/USPS-T1-8d	NNA, PR, PRC
NNA/USPS-T1-9	NNA, PRC
NNA/USPS-T1-10	NNA, PR, PRC
NNA/USPS-T1-11	NNA, PRC
PR/USPS-T1-4	APWU
PR/USPS-T1-5	APWU

Interrogatory

PR/USPS-T1-7  
PR/USPS-T1-8  
PR/USPS-T1-9  
PR/USPS-T1-11  
PR/USPS-T1-14  
PR/USPS-T1-15  
PR/USPS-T1-16  
PR/USPS-T1-17  
PR/USPS-T1-18  
PR/USPS-T1-20  
PR/USPS-T1-22  
PR/USPS-T1-23  
PR/USPS-T1-24  
PRC/USPS-T1-CHIR No.2 - Q2  
PRC/USPS-T1-CHIR No.5 - Q3

Designating Parties

PR  
APWU, PRC  
PR  
PR  
APWU, PRC  
PR  
APWU, PR  
PR  
APWU, PR  
APWU  
APWU, PRC  
APWU, PR  
APWU, PRC  
APWU, PRC  
APWU, PRC

**N2010-1**

**United States Postal Service**

**Samuel Pulcrano  
(USPS-T-1)**

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

**APWU/USPS-T1-1** On page 5 of your testimony, lines 2-5, you state:  
In March of 2009, senior postal management asked me to organize a cross functional team (hereinafter, the "Five-Day Team") to more closely examine the feasibility of changing the delivery model from six-day to five-day, with a focus on Saturday as the delivery day that might be eliminated.

- a.) How was it determined that the "Five-Day Team" focus on the elimination of Saturday at the outset?
- b.) Were any other days examined for possible elimination other than Saturday?

**RESPONSE**

(a-b) When they gave me my charter, postal managers senior to me were aware of relevant fundamental considerations that would favor Saturday as the second non-delivery day. Those considerations were affirmed by the work of the Five-Day Team. See USPS-T-1 at pages 9-10. Any determination to focus on Saturday as the second non-delivery day would be made with full awareness that there are five alternative candidates (Monday through Friday) for the second non-delivery day. Consideration of alternatives was not foreclosed. However, the work of the Five-Day Team did not identify a compelling basis for seriously analyzing an alternative to Saturday or for recommending to senior management that the focus shift to such an alternative.

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

**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.

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

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>
12%	0%	21%	19%	16%	16%	16%	100%

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

**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**

Revised: June 30, 2010

**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.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
TO INTERROGATORIES OF AMERICAN POSTAL WORKERS UNION  
Revised: June 30, 2010**

**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.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
TO INTERROGATORIES OF AMERICAN POSTAL WORKERS UNION  
Revised: June 30, 2010**

**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.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
TO INTERROGATORIES OF AMERICAN POSTAL WORKERS UNION  
Revised: June 30, 2010**

**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.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
TO INTERROGATORIES OF AMERICAN POSTAL WORKERS UNION  
Revised: June 30, 2010  
RESPONSE to APWU/USPS-T1-6 (continued)**

- e) Yes. The 5-Day Team is satisfied that, on a national level, there will be sufficient mail processing capacity and time to process mail to meet scheduled Friday delivery dates. Local operating plans will be reviewed and adjusted, if necessary to ensure that mail scheduled for delivery on Friday is timely delivered. I am informed that if adjustments are needed, they would be executed on a site-by-site basis, using a variety of strategies, including bringing employees in earlier, using overtime, pivoting routes and delivering parcels separately. I am further informed that if the review of local operating plans leads to a determination that a Processing & Distribution Center needs additional mail processing equipment, we will move excess equipment to that site.

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

**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  
TO INTERROGATORIES OF AMERICAN POSTAL WORKERS UNION**

**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'**

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

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 watch 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.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
TO INTERROGATORY OF DOUGLAS CARLSON**

**DFC/USPS-T1-1.** Please explain why the Postal Service did not decide to maintain collections and processing of outgoing mail on Saturdays.

**RESPONSE**

The selection of Saturday as the day on which to eliminate the delivery of mail to street addresses and the collection of mail from blue collection boxes provided operational efficiencies that would not have been available if we had chosen one of the regular business days of Monday through Friday. It would be less inefficient for the Postal Service and its customers for us to select a weekday as the new non-delivery day and to create two different start-stop operations over a six-day period. Saturday had the additional advantage that it is the lightest volume day of the week, a day in which over 30 percent of American business are already closed and the day that the American public and many companies indicated in independent surveys that they could make changes to adapt their mail routines. (See USPS-T-9 at pages 4 (lines 25-29) and 5 (lines 1-14). Choosing Saturday also created the opportunity of having two consecutive non-delivery weekend days.

We carefully considered what operations we should and should not conduct on Saturday. The initial operating concept included virtually no mail processing on the weekend, either originating or destinating. As a result, as a part of that concept, we concluded there would be little gained by collecting mail from blue collection boxes on Saturday since such mail would not be cancelled or otherwise processed until Monday. If we collected but did not cancel or otherwise process mail collected from boxes on Saturday, we would incur the

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
TO INTERROGATORY OF DOUGLAS CARLSON**

**RESPONSE to DFC/USPS-T1-1 (continued)**

collection cost on Saturdays but then not otherwise not provide any beneficial processing until Monday.

We talked to business and residential customers about the initial operating concept in a number of ways. We talked to individual mailers, mailer associations, including MTAC, and consumers through Customer Advisory Councils (CAC) about the initial concept. We asked respondents to the market research conducted by Opinion Research Corporation (ORC) on behalf of the Postal Service their reaction to the initial operating concept. See USPS-T-8 and USPS-T-9.

Based on the input of mailers, mailer's associations and consumers we identified common mailer concerns with our initial plan. See USPS Library Reference N2010-1/1 at pages 9-11, 27-30. We carefully considered each concern and revised the operating plan to meet customers' needs and concerns, where it was seemed appropriate to do so. For instance, based on this input, we decided to continue to process destinating mail over weekends, but not to process or collect origination mail, except for local origination and destinating mail.

This decision was based on two factors. First, we would incur the cost of collecting and processing originating mail. The personnel who collect mail from blue collection boxes are generally letter carriers. Under the five-day delivery

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
TO INTERROGATORY OF DOUGLAS CARLSON**

**RESPONSE to DFC/USPS-T1-1 (continued)**

operations plan, letter carriers will not be working on Saturday. As a result, there would be no employees on the street to perform this function.

Second, our market research shows that customers (businesses and consumers) generally were not that concerned with elimination of collections and processing of mail on Saturday. As witness Whiteman explains in his testimony, USPS-T-9, they generally expressed willingness to adjust their mailing behavior in order to ensure the financial stability of the Postal Service. We did not receive any significant indication from our research or outreach efforts with customers that the costs associated with the collection and processing of outgoing mail would be offset by a retention of volume. Thus, it was reasonable to conclude that the increased costs of collecting and processing mail on Saturday were not necessary to meet most customers' needs or retain volume.

Alternatively, we considered collecting and processing mail deposited at Post Office and collected from the blue collection boxes in or adjacent to Post Offices. However, this would have meant that we would be processing and transporting only a portion of the collection mail that currently originates on Saturday. It was deemed to be relatively costly and operationally inefficient to transport and process only this portion of Saturday mail volume.

After significant deliberation, it became apparent that Saturday outgoing mail could be efficiently transported and processed during our normal Monday operations and Saturday outgoing operations could also be eliminated. Our market

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
TO INTERROGATORY OF DOUGLAS CARLSON**

**RESPONSE to DFC/USPS-T1-1 (continued)**

research and outreach programs indicate that customers generally will adjust their behavior accordingly and a portion of their current Saturday mail will more likely be deposited for collection on a Friday or Monday. We believe that the elimination of outgoing Saturday processing for all mail (except Express Mail) deposited on Saturday -- whether in a collection box, over a retail counter, or at a Business Mail Entry Unit -- is fair.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
TO INTERROGATORY OF DOUGLAS CARLSON**

**DFC/USPS-T1-2.** Please confirm that the Postal Service does not permit individual customers to participate in MTAC activities. If you do not confirm, please explain.

**RESPONSE**

I am informed that membership in MTAC is generally comprised of mailer associations and other associations/organizations related to the mailing industry.

The member associations/organizations of MTAC, collectively are intended to reflect the mailing industry in terms of classes and categories of mail used, major industries that depend on mail service, and organizations with significant or unique mailing needs.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
TO INTERROGATORY OF DOUGLAS CARLSON**

**DFC/USPS-T1-3.** Please provide the approximate date on which the Postal Service began the process that led to the proposal in this docket and the approximate date on which the Postal Service stopped considering continuing to collect and process outgoing mail on Saturdays as part of a reduction in service on Saturdays.

**RESPONSE**

The process began in March 2009. The concept of eliminating Saturday collection and outgoing processing became part of the operating concept not long thereafter. The operating concept was not finalized until February 2010, at which time it could be said that any consideration of preserving Saturday collection and processing of outgoing mail ceased.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
TO INTERROGATORY OF DOUGLAS CARLSON**

**DFC/USPS-T1-6.** Please refer to your response to DFC/USPS-T1-1. Do you believe that most employees who collect mail from collection boxes are letter carriers who also are delivering mail to street addresses on the same days as they are collecting mail from collection boxes?

**RESPONSE**

I am informed that over three-quarters of all collection points are picked up by carriers during their normal delivery rounds.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
TO INTERROGATORY OF DOUGLAS CARLSON**

**DFC/USPS-T1-8.** Did the Postal Service consider using dedicated collection routes, perhaps spanning multiples cities or post offices, to collect outgoing mail on Saturdays?

**RESPONSE**

See my response to DFC/USPS-T1-5. It is assumed that the question relates to the process through which the operating concept presented to the Commission for review in this docket was developed. My recollection is that the concept of dedicated Saturday collection routes was considered by members of the cross-functional Five Day Team, but not pursued or developed in the absence of any concurrent plan to continue processing of outgoing collection mail at plants on Saturdays.

**RESPONSE OF UNITED STATES POSTAL SERVICE PULCRANO  
TO INTERROGATORY OF PUBLIC REPRESENTATIVE**

Revised: July 14, 2010

**DFC/USPS-T1-9.** Please refer to your response to DFC/USPS-T1-1. Please provide further explanation and all available analyses supporting your conclusion that it would be "relatively costly and operationally inefficient to transport and process" only mail from collection boxes at or near post offices on Saturdays.

**RESPONSE**

The initial operating concept of the Five-Day Delivery Team included no Saturday collection and processing of regular single-piece mail deposited in collection boxes at or near Post Offices. In anticipation of the possibility of requests from senders and recipients for the Saturday collection and processing of such mail, the Five-Day Team estimated what the annual cost would be adding back the Saturday collection, transportation and processing of mail from collection boxes at or near Post Offices. The Team indicated that Saturday collection, transportation and processing of such mail would have to be operated as it is now. In addition, Saturday transportation between plants and Post Offices would have to be continued. I was informed that the annual cost to preserve such Saturday operations would be roughly \$600 million. See USPS-T-7, and the responses to interrogatories DFC/USPS-T6-1, DFC/USPS-T2-3 and DBP/USPS-T-2-1. Instead, if mail deposited in the subject collection boxes on Saturdays is collected, transported and processed along with Monday collection mail, efficiencies could be achieved by virtue of the combined Saturday/Monday mail volume being collected, transported and processed together on Monday.

**RESPONSE OF UNITED STATES POSTAL SERVICE PULCRANO  
TO INTERROGATORY OF PUBLIC REPRESENTATIVE**

**Revised: July 14, 2010**

**RESPONSE to DFC/USPS-T1-9 (continued)**

When we were informed that the Postal Service's qualitative market research ultimately showed (a) that consumers and small businesses had no significant issues with the elimination of Saturday collection, transportation and processing of single-piece collection mail and (b) generally indicated that they would adapt, it was decided not to amend the operating plan to add back in Saturday pickup, transportation and processing of collection mail on Saturday.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
TO INTERROGATORY OF DOUGLAS CARLSON**

**DFC/USPS-T1-11.** Why do you believe that eliminating collection and processing of outgoing mail on Saturdays would be fair to customers who need this service?

**RESPONSE**

I understand that some customers may prefer collection and outgoing processing of mail on Saturdays and even have a strong preference for that option, but I am not certain that such "preference" translates into a "need" in every instance, or that such customers could not adjust some of their mailing practices with little or no burden. The Postal Service does not consider it inherently unfair that mail entered during specified time frames is subject to certain processing and delivery expectations, while mail entered during other time frames is subject to different processing and delivery expectations.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
TO INTERROGATORIES OF  
NATIONAL ASSOCIATION OF LETTER CARRIERS**

**NALC/USPS-T1-1.** You state at page 13, line 2 of your testimony that USPS "still transports trillions of dollars worth of remittances through the mail annually." Provide your estimate of the amount of dollars worth of remittances that are sent by mail annually and any projections you have regarding how that amount may change over the next ten years. Provide any data upon which your projection is based.

**RESPONSE**

I am informed that the Remittance Mail Task Force (RMAC) provided the Postal Service with an estimate of remittances mailed to their members in 2006. RMAC reported to the Postal Service that 15 companies, representing 58 processing sites, processed 8.5 billion payment and statement transactions per year, and deposits that were worth \$3.8 trillion. I am also informed that remittance industry estimates the value of retail (consumer) remittance payments at an average of about \$500 each and an average of about \$5,000 for wholesale (business) remittance payments. Multiplying the average retail payment of \$500 by the 9 billion payments in the mail results in an estimated \$4.5 trillion in retail payments being transmitted in the mail. There are also wholesale payments. As a result, I used "trillions of dollars worth of remittances" in my testimony.

The FY 2008 USPS Household Diary Study shows the volume of retail remittance payments from consumers has been steadily declining. The number of bills paid by mail fell 2.5 percent from 2006 to 2008. In 2008, bill payments were about 9.7 billion, down from 9.949 billion in 2006. (FY 2008, HDS, page 29, Table 4.1 -- filed electronically at the PRC on July 29, 2009.

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NATIONAL ASSOCIATION OF LETTER CARRIERS**

**RESPONSE to NALC/USPS-T1-1 (continued)**

I make no projections regarding the volume or monetary value of future remittance mail over the next decade. However, projections may be found in the materials provided to the Postal Service and referenced in the response of witness Corbett to APWU/USPS-T2-5.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNES PULCRANO  
TO INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION**

**NNA/USPS T1-1**

Please describe the inefficiencies and associated costs for Postal Service operations if start-stop were to occur on a Tuesday or Wednesday, rather than a Saturday.

**RESPONSE**

As I explained at page 10 of USPS-T-1, "...the selection of any other day would be create two start-and-stop mail processing and delivery cycles per week, which would be operationally inefficient for the Postal Service and its customers." The stop-and-start of operations would be inefficient for the Postal Service for several reasons.

Having the two non-delivery days be consecutive allows for mail processing to schedule operations more efficiently by waiting until a greater percentage of volume is available prior to the start of mail processing. In contrast, having the non-delivery days be non-consecutive eliminates this advantage. Operations would need to remain running at somewhat decreased levels and with sporadic arrival profiles in order to ensure that volumes were processed to meet service requirements in the "start-stop-start-stop-start" environment that a routine mid-week cessation of operations would create.

There are also capacity concerns related to choosing a different day of the week. While the movement of originating volumes from Saturday to Monday will produce new weekday peaks (about 28 percent of weekly originating distribution), the capacity on Monday to handle this is greater than any other day

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
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**RESPONSE to NNA/USPS-T1-1 (continued)**

of the week because there is virtually no destinating volume received for processing on that day. Selection of a different day in the middle of the week (say Tuesday) would result in an even greater peak on Wednesday (about 35 percent of weekly originating distribution) without the corresponding lack of destinating volumes. Originating volumes from Monday processing would still be arriving on Wednesday for delivery on Thursday.

As explained by witness Grossmann (USPS-T-5), the elimination of Saturday delivery and the associated elimination of originating collection and distribution on Saturday allow the Postal Service to reduce transportation costs. We can take advantage of the additional day for use in routing and transporting mail via surface transportation as opposed to using air transportation while still achieving the required service performance. Elimination of any other day of the week for delivery and originating distribution, would not support this cost reduction. Air transportation would still be required to meet the service standards.

Specific cost studies were not performed related to using any other day of the week except for Saturday.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNES PULCRANO  
TO INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION**

**NNA/USPS T1-2**

Did the Postal Service investigate dropping a delivery day other than Saturday during your management of the Five-Day team that you described and, if so, at what point during your investigation did you determine that Saturday was the Postal Service's choice?

**RESPONSE**

No. See the response to APWU/USPS-T1-1. We made the judgment that the impact on businesses, especially remittance operations and small businesses, would be significantly less if we eliminated Saturday delivery to street addresses and collections and processing, than a day during the normal work week. This was confirmed in the stakeholder outreach that my team conducted with major mailers and mailer associations. It was further confirmed in the market research conducted by Opinion Research Corporation on behalf of the Postal Service. See the testimony of Rebecca Elmore-Yalch, USPS-T-8, at 7-8; and Gregory Whiteman, USPS-T-9, at 3-5 and 7-9. The research and information provided to me showed that businesses generally are open Monday through Friday. Many businesses do not do anything with the mail that is delivered on Saturday. Approximately 25 percent of businesses have requested that mail not be delivered on Saturday. They generally indicated that eliminating a day of delivery other than Saturday would be disruptive to their business operations. Remittance mailers generally indicated that elimination of any day other than Saturday would be very harmful to their business and potentially harmful to their sector of the economy, as it would disrupt the flow of funds during the business week. Most consumers surveyed indicated that eliminating Saturday delivery would be the least disruptive day to them.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNES PULCRANO  
TO INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION**

**NNA/USPS T1-3**

Do you believe the Postal Service workforce overall prefers dropping Saturdays to dropping any other day if 5 day mail service were implemented?

**RESPONSE**

The Postal Service has not polled its over 600,000 employees to determine their individual preferences. Based upon my experience working for the Postal Service since 1975, I would say that, all other things equal, most Postal Service employees would prefer to work five consecutive days and be off two consecutive weekend days.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNES PULCRANO  
TO INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION**

**NNA/USPS T1-4**

Did the Five-Day Team consider asking mail recipients to choose the best day for nondelivery from within the range of weekdays and weekend days when it crafted questions for the various market surveys or did it always assume that tests would be conducted only for elimination of Saturdays?

**RESPONSE**

See my response to NNA/USPS-T1-2. In addition, during the qualitative market research, customers discussed what day of the week that they could best accept elimination of delivery and collections and processing. Almost all customers receiving mail said that Saturday would be the best day of the week for them to eliminate deliveries to street addresses.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNES PULCRANO  
TO INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION**

**NNA/USPS T1-5**

If a complement of businesses had demonstrated a preference for dropping Mondays or Tuesdays instead of Saturdays, would the Postal Service have instead tested a weekday elimination in its marketing surveys and operational models?

**RESPONSE**

In the qualitative market research conducted by witness Elmore-Yalch of ORC, customers discussed other days of the week that delivery could be eliminated. Almost all said that eliminating Saturday delivery would be best day for them.

It is impossible to know with any degree of certainty whether, in hindsight, such a “demonstrated . . . preference” by a “complement of businesses”, by itself, would have led to decision to test operational models for or customer response to the elimination of delivery on Monday or Tuesday, for example, in lieu of Saturday.

It is possible that a particular “complement of businesses” could generate such a small volume of mail on Saturdays that its preference/need for Saturday outgoing processing and delivery would, on balance, not outweigh other compelling reasons for generally eliminating such operations on Saturdays.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
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**NNA/USPS T1-6**

After Saturdays, please confirm that Tuesday is the lightest mail volume day and state how volumes differ, both in numbers and in mailmix, between the two days. If you do not confirm, please describe the next lightest volume day.

**RESPONSE**

See the response of witness Granholm to NALC/USPS-T3-9.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNES PULCRANO  
TO INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION**

**NNA/USPS T1-7**

Please confirm that Postmaster General John E Potter testified this year before the House Subcommittee on the Federal Workforce, Postal Service and the District of Columbia that the Postal Service had no business solution to offer newspaper publishers who need Saturday mail delivery and state whether you agree with that statement.

**RESPONSE**

The written testimony submitted to the Subcommittee by the Postmaster General on March 29, 2010 succinctly references the service changes under review in this docket: except for Express Mail, the Postal Service generally would not deliver mail (including newspapers and other matter generated by newspaper publishers and others) to street addresses on Saturdays in the 5-day delivery environment. If the Postmaster General further testified at that hearing that no exception to the general elimination of Saturday mail delivery would be granted to newspaper publishers who use the mails, such testimony also would be consistent with the service changes described in the request in this docket.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNES PULCRANO  
TO INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION**

**NNA/USPS T1-8**

If you agree with the statement attributed to the Postmaster General in T1-7, please describe how the Five-Day Team addressed the following:

- a. Whether the so-called ECSI values in 39 USC 3622(c)(11) would be served by non-delivery of newspapers;
- b. Whether the appearance of Periodicals mail as "under water" in the sense of not covering incremental costs affected the Team's approach to the business needs of newspaper publishers;
- c. Whether the Team believed at the time of deliberation that most publishers affected by Saturday delivery elimination would be capable of moving Saturday issues to another delivery day;
- d. Whether the Team considered potential advertising competition from privately delivered newspapers if USPS relinquished the "iconic" 6 day delivery, and if so, how that consideration factored into its decision.

**RESPONSE**

Interrogatory NNA/USPS-T1-7 reflects a characterization of a statement attributed to the Postmaster General that would be consistent with the service changes under review in this docket.

- a. [Redirected to the USPS for an institutional response]
- b. Such factors were not examined for the purpose of determining whether any particular class or product or type of mail should be accorded exceptional status and continue to be delivered to street addresses on Saturdays in the 5-day environment. Nor were such factors considered for the purpose of examining whether any mail should be accorded less service than otherwise might be implied by a five-day street delivery environment.
- c. The Team harbored no such belief. The Team was told during the stakeholder input process by Periodicals mailers that some would be able to adjust and some would not be able to adjust. Those that could not

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNES PULCRANO  
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**RESPONSE to NNA/USPS-T1-8 (continued)**

adjust said that they would use alternative delivery methods. This confirmed our expectation of the reaction of Periodicals mailers.

- d. To varying degrees in different locations, non-postal access to newspapers has been a long-standing component of the newspaper distribution chain, whether through news stands, retail stores, vending machines, or via alternative channels for delivery to street addresses. The Team was aware that hard-copy mail senders, including publishers with a strong preference for Saturday delivery, might examine the availability and pros and cons of alternative Saturday delivery options. The Team considered the change in volume from all products due to implementation of five-day delivery in the quantitative market research conducted by witness Elmore-Yalch of ORC (USPS-T-8, at 12 - 31). See the testimony of witness Whiteman, USPS-T-9, at 10 - 16. We were not concerned with who would receive volume diverted from the Postal Service, but with how much volume might be diverted.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNES PULCRANO  
TO INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION**

**NNA/USPS T1-9**

Do you consider the Postal Service with its present mail mix to be an advertising medium?

**RESPONSE**

The Postal Service has always served as an advertising medium, to the extent that advertising has been a component of its various classes and products.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
TO INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION**

**NNA/USPS T1-10**

Did the Team assign any of its analysts or market researchers to examine whether rural America would be disparately impacted by the elimination of Saturday mail; if not, why not; and if so, please state whether any measurements or tests of rural business customers' reactions were taken. If you respond in the affirmative, please provide the results of any measurements or tests.

**RESPONSE**

The qualitative market research conducted by witness Elmore-Yalch of ORC (USPS-T-8, at 4 - 5) included focus groups composed of individuals living in rural areas. See also the testimony of witness Whiteman, USPS-T-9, at 3 - 7. Since the research was qualitative, no measurements or tests could be made.

My understanding is that respondents in the focus groups from rural areas had the same reactions to the five-day delivery concept as those from suburban and city-downtown areas. Most respondents want to ensure the financial viability of the Postal Service and would be willing to accept elimination of Saturday delivery. This included the reaction of those living in rural areas.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
TO INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION**

**NNA/USPS T1-11**

Did the Team believe that the Postal Service would hear from business mailers that more extensive cost-cutting should be considered in lieu of service cuts? If your response is in the affirmative, please explain whether that is why the survey materials provided by witness Elmore-Yalch offered only 5 day delivery and a 10 percent rate increase in a dichotomy of choices. If not, please explain why respondents to surveys and participants in interviews were not offered an opportunity to select greater cost-management in lieu of the other options.

**RESPONSE**

As explained by witness Corbett (USPS-T-2), the Postal Service has engaged in extensive cost-cutting in recent years, to great effect. These cost-cutting measures have affected all aspects of our operations and administration. We are proposing to eliminate Saturday delivery to street addresses and collections and processing as a way to further reduce costs by over \$3.1 billion per year. These operational and service changes are being proposed to contribute to the financial stability and viability of the Postal Service. The concepts of “more extensive cost cutting” and “cost cutting that involves a reduction of service on some level” are not mutually exclusive. Other than five-day delivery operations proposed in this docket, the Postal Service is not aware of any one operational change that could come close to reducing annual costs on the order of \$3 billion.

The mail sending and receiving community is comprised of hundreds of millions of households and businesses. They would be expected to react to the Postal Service’s five-day plan in a wide variety of ways, including the one described in the question. The Postal Service did not design its market research in anticipation of the reaction described in the question. Postal management is charged with the responsibility of determining the extent to which cost-cutting will

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNES PULCRANO  
TO INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION**

**RESPONSE to NNA/USPS-T1-11 (continued)**

be of such a nature as to affect a change in service. The objective of the market research was not to solicit a variety of cost-containment ideas from customers, but to determine reactions to five day-delivery operations as a cost-containment operating concept developed by postal management after considerable internal analysis and consultation with customers.

The Team did not anticipate that customers (businesses or consumers) would ask for more extensive cost-cutting measures than eliminating Saturday delivery, collections and processing. The research conducted by witness Elmore-Yalch (USPS-T-8, at 7 - 11) on behalf of the Postal Service confirmed that expectation. Also see the testimony of witness Whiteman, USPS-T-9, at 3 -10.

See the response of witness Whiteman to NNA/USPS T-9-3 for an explanation of why respondents to the market research were asked about five-day delivery and a significant or 10 percent increase in prices.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
TO INTERROGATORY OF THE PUBLIC REPRESENTATIVE**

**PR/USPS-T3-4**

In USPS-LR-N2010-1/1 at 19, it is stated that full-up savings refers to "the annual savings and associated volume reductions after the transition period needed to reduce staffing and adapt contracts, plants and equipment to eliminate Saturday delivery." Can you provide an estimate, in terms of months, for how long the Postal Service expects the entire transition period to last?

**RESPONSE**

The length of the transition will be contingent upon the results of the collective bargaining that will be necessary to develop certain changes in working conditions, the length of time necessary to implement those changes, and the proximity of those changes to the implementation of the five-day plan. Another factor will be the timing of the 5-day change in relation to existing transportation contracts and contractual changes that may need to be negotiated and implemented. Assuming implementation of the five-day plan some time during calendar year 2011 (six months after an implementation date is announced), it seems clear that a year's worth of full-up savings will not be realized in FY 2011. It would be more realistic to expect savings to approach ~~or achieve~~ "full-up" levels in FY 2012.

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO  
TO INTERROGATORY OF THE PUBLIC REPRESENTATIVE**

**PR/USPS-T3-5**

At USPS-T-1 at 3, you state: "... Saturday delivery may be viewed as a competitive advantage that the Postal Service should be loath to relinquish." Has the Postal Service estimated the dollar value of the competitive advantage associated with street delivery on Saturday?

**RESPONSE:**

I am not aware of any such estimate.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORY OF THE PUBLIC REPRESENTATIVE  
REDIRECTED FROM WITNESS PULCRANO**

**PR/USPS-T1-7**

Please identify with specificity when and under what circumstances the Postal Service asked Congress "earlier this year" [prior to the focus group sessions referred to in witness Elmore-Yalch's testimony] to approve a reduction in service to five days a week and provide any related documents, including draft or proposed legislation or other supporting material.

**RESPONSE**

The Postal Service has routinely responded to the annual inclusion of appropriations legislation language requiring 1983 service levels by requesting that such language be removed, since the removal of such language would permit the Postal Service to exercise its authority to change the current six-day delivery model. Page 5 of the document attached to the institutional response to NALC/USPS-T1-2 contains a Postal Service request (March 2009) made prior to witness Elmore-Yalch's focus group sessions.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORY OF THE PUBLIC REPRESENTATIVE  
REDIRECTED FROM WITNESS PULCRANO**

**PR/USPS-T1-8**

If not provided in response to other interrogatories in this set, please clarify for the record the precise type or scope of legislative change the Postal Service is asking for from Congress in connection with the anticipated delivery frequency change, per the statement in the focus group moderators' materials referred to in witness Elmore-Yalch's testimony, including whether the Postal Service is seeking several alternatives to the existing provision. For example, is the Postal Service asking Congress to reword the existing legislative restriction to strictly conform to a five-day "no Saturday" street delivery model (in keeping with the caption of the instant docket), is it seeking complete elimination of the existing legislation provision, or is it seeking some other formulation of the existing legislative provision?

**RESPONSE**

See the response to PR/USPS-T1-7. The Postal Service prefers that Congress not enact legislation in any form (such as annually recurring appropriations bill riders requiring 1983 service levels) that limit the exercise of its broad authority to determine how to fulfill its service mandate inherent in title 39, United States Code. The Postal Service recognizes that the legislative process is complex and dynamic. Therefore, the Postal Service is flexible about how Congress may ultimately exercise such restraint or otherwise refrain from prohibiting implementation of its plan to eliminate Saturday street delivery. Whenever it is invited to do so during the current legislative process, the Postal Service will offer its views to Congress regarding any specific legislative formulation – in whatever form it may take -- relevant to its five-day delivery plan.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORY OF THE PUBLIC REPRESENTATIVE  
REDIRECTED FROM WITNESS PULCRANO**

**PR/USPS-T1-9**

At USPS-T1 at 5 through 8, you generally note that the Postal Service has considered "stakeholder concerns." Stakeholders are broadly categorized as senders and receivers, so policy makers are not included. If not addressed in a response to other interrogatories in this set of interrogatories, please describe in detail how the Postal Service has addressed or is addressing Congressional concerns about the proposal, including those expressed at recent Congressional hearings, and any plans it has for informing the Congress about post-implementation impact, if the proposal is implemented largely as proposed.

**RESPONSE**

In response to the national legislature's exercise of its responsibilities, the Postal Service responds on an ongoing basis to formal and informal inquiries about postal matters, including the five-day plan, from individual members of Congress, House and Senate committees and subcommittees, and Congressional staff.

The Postal Service intends to fulfill any future obligations for five-day post-implementation reporting to Congress which that body may impose in the exercise of its oversight responsibilities.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORY OF THE PUBLIC REPRESENTATIVE  
REDIRECTED FROM WITNESS PULCRANO**

**PR/USPS-T1-11**

If not addressed in response to PR/USPS-T1-10, please describe the status of any implementation plans, regulations or guidance that have been developed in conjunction with the Department of Homeland Security and/or other agencies with respect to the Executive Order referenced in PR/USPS-T1-10.

**RESPONSE**

The Federal partners expect to deliver the Postal Model as described above on or before its due date of June 28, 2010, along with supporting annexes addressing security escort by Federal officers in supplement to local and State law enforcement; a strategic-level security planning template for interested jurisdictions to complete; and a breakdown of the tactical planning process to be undertaken once jurisdictions are fully engaged in the pre-event planning process.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO TO  
INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

**PR/USPS-T1-14**

Under the Postal Service's plan, please describe in detail the typical processing that a properly addressed and stamped piece of First-Class Mail will undergo after being presented by a customer at a window counter at a post office that is open on Saturday. For purposes of your response, please assume that the customer does not request a hand-applied postmark or cancellation or purchase any ancillary services. Further assume that the subject piece is properly addressed and carries the correct amount of postage.

**RESPONSE**

A properly addressed and stamped piece of First-Class Mail presented at a retail post office counter on a Saturday would be placed in an appropriate mail transport container (tray or sack) when it was received at the retail Post Office. It would be transported to a Plant and Distribution Center (PD&C) on Monday. On Monday evening, it would be processed at the PD&C. This includes facing and cancelling and an outgoing sortation. If Monday were a holiday, it would be transported to the PD&C on Tuesday and processed on Tuesday evening.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO TO  
INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

**PR/USPS-T1-15**

Under the Postal Service's plan, will a customer's request for a hand-applied postmark or cancellation cause there to be any difference in processing, relative to that accorded the type of piece described in PR/USPS-T1-14, other than application of the postmark or cancellation?

**RESPONSE**

No.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO TO  
INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

**PR/USPS-T1-16**

If not addressed in the responses to PR/USPS-T1-14 and PR/USPS-T1-15, please describe where Single-Piece First-Class Mail typically will be physically lodged from the time of presentation by a customer at a post office window counter from Saturday until Monday (or Tuesday, if Monday is a federal holiday). For purposes of your response, please assume that the subject mail is properly addressed and carries the correct amount of postage and indicate whether the presence or absence of a hand-applied postmark or cancellation makes any difference.

**RESPONSE**

Generally, mail accepted at a retail Post Office on Saturday would remain in the Post Office until Monday or Tuesday, if Monday was a holiday. On the next delivery day (Monday or Tuesday, if Monday were holiday) it would be transported to the appropriate Processing & Distribution Center for processing. The presence or absence of a hand-applied postmark or cancellation will make no difference.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO TO  
INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

**PR/USPS-T1-17**

Please address the type of security that will be provided for Single-Piece First-Class Mail presented at a post office window counter on a Saturday, including whether the type and level of security is expected to differ relative to current practice for similar mail in similar situations, such as over three-day weekends in the existing operating environment.

**RESPONSE**

The security of mail accepted at a Post Office on Saturday would be similar to current practice for mail that is accepted after its critical acceptance time. Generally, the mail will be secured in a locked Post Office over the weekend until Monday (or Tuesday, if Monday is a holiday).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO TO  
INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

**PR/USPS-T1-18**

You state, in connection with the Optional Saturday processing plan discussed at USPS-T-1 at 15-16, that "initiation of processing" for local outgoing and incoming Sectional Center Facility mail entered on Saturday will be available for those who meet three stated requirements. Please describe in detail the steps or activities included in your reference to "initiation of processing." For purposes of your response, if more than one possibility exists, please provide several representative examples.

**RESPONSE**

Pages 15 -16 of my testimony (USPS-T-1) refer to the "initiation of processing" or the beginning of processing for local outgoing and incoming mail. Such mail will be sorted with other destinating mail. The sortation of letters, flats and parcels by class or subclass mail will be made for such mail as it is today for destinating mail. There will be a primary and, if needed, secondary sort of the mail.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO TO  
INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

**PR/USPS-T1-20**

Has the Postal Service developed an estimate or formed an expectation about the level of participation in the bulk mail Optional Saturday processing plan in terms of number of bulk mail permit holders, by class of mail, and/or related volume, either in terms of a "back of the envelope" calculation or a more formal estimate?

**RESPONSE**

No.

This option was developed in the course of stakeholder outreach. I am informed that many business mailers and non-profit organizations (churches, synagogues, fraternal organizations) have bulk mail that originates and destines with the service area of a Sectional Center Facility. The 5-Day Team decided that offering such an option would be beneficial to such mailers.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO TO  
INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

**PR/USPS-T1-22**

Under the Postal Service's plan, assuming similar types of commercial bulk mailings are involved, please state whether (and how) local outgoing and incoming Sectional Center Facility processing of commercial bulk mailings entered on Fridays by or before the Critical Entry Time is expected to differ from the "initiation of processing" for qualifying commercial bulk mailings entered under the proposed Optional Saturday processing plan.

**RESPONSE**

It has been decided that the local turnaround mail optional mail makeup will be offered on Saturday. The Postal Service is considering making this local turnaround optional mail makeup available the other days of the week because, if this optional mail makeup were available on other days, there would be no difference in how such mail is made up by mailers any day of the week.

If the optional mail makeup only applied to mail accepted on Saturday, it would mean that such mail accepted on Friday before the Critical Entry Time would be delivered to street addresses on Monday, just as the mail accepted on Saturday would be. Hence, they would be treated the same in terms of expected day of delivery.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO TO  
INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

**Revised: July 6, 2010**

**PR/USPS-T1-23**

Please provide the number of National Firm Holdout accounts for the most recently available fiscal year.

**RESPONSE**

In June 2010, there were 210,640 national firm holdouts, which are firms for whom we separate their mail on the first pass of processing. This separation allows the Postal Service to hold out such mail for customer pickup without further processing. Of these:

- 777 are national firm holdouts for remittance mail; and
- 222 are national firm holdouts for courtesy reply FIM remittance mail.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PULCRANO TO  
INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

**PR/USPS-T1-24**

If the Postal Service's plan is approved essentially as proposed, does the Postal Service expect the number of National Firm Holdout accounts to increase solely because of the adoption/implementation of the plan?

**RESPONSE**

The Postal Service does not expect the number of National Firm Holdouts to increase solely because of the implementation of five-day delivery. We assume that the number of Post Office Box and Caller Service customers could increase solely due to implementation of five-day delivery.

**RESPONSE OF POSTAL SERVICE WITNESS PULCRANO  
TO CHAIRMAN'S INFORMATION REQUEST NO. 2**

2. If the Postal Service's plan for 5-day delivery to street addresses is adopted, and mail continues to be delivered to P.O. Boxes 6 days a week, does the Postal Service plan to expand the number of P.O. Boxes at locations with an insufficient number of boxes to meet customer demand? Please discuss.

**RESPONSE:**

It is my understanding that, as part of the ongoing management of PO Boxes, the Postal Service attempts to match availability with demand. Should demand for boxes increase after implementation of five-day delivery, we will attempt to deploy more boxes as needed. I am informed that the number of boxes at Post Offices where the supply is insufficient will be increased to meet customer demand by taking such actions as the following: 1) reconfiguring box sections where box sizes that are in lower demand are swapped out for others; 2) adding boxes where space permits; and 3) adding free standing units.

**RESPONSE OF POSTAL SERVICE WITNESS PULCRANO  
TO CHAIRMAN'S INFORMATION REQUEST NO. 5**

**Question 3**

In a five-day delivery and outgoing processing environment, does the Postal Service plan to make special accommodations for vote by mail in those states (such as Louisiana) that hold Saturday elections? If so, how will the Postal Service accommodate those states? Has the Postal Service gathered information on how many states and localities hold Saturday elections?

**RESPONSE:**

The Postal Service is working with election officials throughout the United States to ensure that ballots are timely delivered. One of the actions we have taken is to encourage these officials to rent a Post Office Box and use a Post Office Box address, so that delivery can be made to the P.O. Box on Saturday, as well as on every other delivery day. This is particularly important in those States that require receipt of a ballot by COB of Election Day. Should any jurisdiction count ballots postmarked on Election Day (whether Tuesday or Saturday), continuation of the practice of postmarking mail upon request at the retail window also will preserve the value of ballots mailed on Election Day.

The Postal Service is also working with election officials so that they use a P.O. Box and a FIM (Facing Identification Mark) on ballots, thus allowing the ballots to be separated on the first pass processing. This separation enables ballots to be handled like remittances, making them available for pickup after they are processed. This, too, assures timely delivery of ballots.

Election officials have informed the Postal Service that they will work with the Postal Service to inform voters to mail their ballots in sufficient time to assure their vote is counted. This is something that many election officials have said they will do.

**RESPONSE OF POSTAL SERVICE WITNESS PULCRANO  
TO CHAIRMAN'S INFORMATION REQUEST NO. 5**

In the qualitative market research focus groups conducted by ORC on behalf of the Postal Service in Seattle, there was a discussion by customers about the need to timely mail ballots to ensure timely receipt by election officials. Customers said it was their responsibility to mail their ballots well in advance of election so that they would be timely received. Based on these discussions, we are confident we are taking the necessary steps to ensure the timely delivery of ballots, even when an election is held on a Saturday.

We understand that the State of Louisiana, New Castle County, DE and Harris County, TX hold non-Federal elections on Saturday. We note that Massachusetts held a special election for the U.S. Senate on Saturday, January 19, 2010. We further understand that other jurisdictions may hold Saturday elections for non-Federal elections or primaries.

1           CHAIRMAN GOLDWAY: I believe this brings us  
2 to oral cross-examination. Four parties have  
3 requested oral cross-examination. They are the  
4 American Postal Workers Union, AFL-CIO; the National  
5 Association of Letter Carriers, AFL-CIO; the National  
6 Newspapers Association; and the Public Representative.

7           Is there any other party that wishes to  
8 cross-examine Witness Pulcrano?

9           (No response.)

10          CHAIRMAN GOLDWAY: If not, Mr. Anderson,  
11 will you identify yourself and please begin?

12          MR. ANDERSON: Thank you, Madam Chairman. I  
13 am Darryl Anderson, counsel for the American Postal  
14 Workers Union.

15                 Good morning, Madam Chairman and  
16 Commissioners, thank you very much for this  
17 opportunity to provide additional testimony to this  
18 witness and others this morning.

19                         CROSS-EXAMINATION

20                 BY MR. ANDERSON:

21                 Q     Good morning, Mr. Pulcrano. Good morning  
22 again I should say.

23                 A     Good morning.

24                 Q     In looking at your direct testimony I would  
25 just like to clarify the scope of your

1 responsibilities. You're the Vice President for  
2 Sustainability, and I gather that you are either in  
3 charge of or coordinate the overall effort that  
4 addresses this question of days of delivery, is that  
5 right?

6 A Correct.

7 Q I need to ask in terms of sustainability  
8 whether the scope of your responsibilities included  
9 other efforts that the Postal Service had made with  
10 regard to what I think could be regarded as  
11 sustainability efforts such as consolidations of  
12 stations and branches. Is that within the scope of  
13 your responsibilities?

14 A No, I was not the lead for that particular  
15 project.

16 Q And likewise as the mail processing  
17 consolidation effort that was know as ANSES that was  
18 presented to this Commission, that also I gather was  
19 not within the scope of what you examined?

20 A No, another one of my peers who had that.

21 Q Okay, but was that examined as part of the  
22 overall question of five-day delivery versus six-day  
23 delivery?

24 A Oh, certainly there was collaboration and  
25 coordination across the functions to ensure that we

1 weren't looking at potentially double savings or any  
2 misrepresentation of our own work. So clearly in that  
3 point, yes, it was collaboration.

4 Q I think I understand then that you were  
5 looking at the issue of five-day delivery and its  
6 effect on the sustainability of the Postal Service  
7 separately from those other efforts that I've  
8 mentioned?

9 A Yes, I'm the VP who was given the lead for  
10 this particular project.

11 Q And I guess the same would be true then with  
12 regard to the retirement funding issues that are so  
13 current in today's public discussion?

14 A Correct. Someone else has that.

15 Q And likewise the decision on whether to file  
16 an agency rate case was not within the scope of your  
17 responsibilities either?

18 A Correct.

19 Q Your testimony touches on the fact that  
20 there has been a decline in Express Mail volume. Do  
21 you know or did you examine the question of whether  
22 that decline was due to the fee -- as I understand it  
23 there is now a fee required for Sunday delivery for  
24 Express Mail, do you know?

25 A Yes. There is a surcharge.

1           Q     And do you know whether that was a factor in  
2     the decline of the Express Mail?

3           A     I'm not the -- you would need a subject  
4     matter expert for that. You would need to speak to  
5     our marketing folks on that.

6           Q     You testified that you're not anticipating  
7     any further declines in Express Mail volume. The one  
8     reason I asked about whether you examined the Express  
9     Mail volume decline was it seems to me as if there is  
10    going to be an interaction between Express Mail volume  
11    and the cessation of Saturday delivery because people  
12    who need Saturday delivery will have the option of  
13    purchasing Express Mail.

14           So when you predicted that there would be no  
15    further decline in Express Mail volume, did you make  
16    an estimate of how many people would be required to  
17    use Express Mail for Saturday delivery?

18           A     That would be difficult for us to determine,  
19    but the assumption is that there is the potential for  
20    increasing the use of Express Mail which, of course,  
21    would be beneficial to the bottom line.

22           Q     In making a decision about how -- in  
23    selecting Saturday as the day that it wouldn't  
24    deliver, I know the folks have studied very hard the  
25    question of how many people would be affected by that.

1 I'm wondering whether you abstracted deliveries to  
2 business addresses from that question and looked  
3 simply at residential deliveries or deliveries to  
4 individuals as opposed to businesses?

5 Do you understand what I'm driving at here?

6 A No, I really don't.

7 Q What I want to know is if -- I would infer  
8 because it's consistent, I think, with your testimony  
9 that many businesses don't receive deliveries in  
10 Saturday because they are not open.

11 A Correct, about 30 percent are closed; about  
12 25 percent ask that we don't deliver their mail.

13 Q Individuals, however, routinely do receive  
14 Saturday deliveries?

15 A Yes.

16 Q And on every other day, but if you took  
17 those business deliveries not only away from Saturdays  
18 because they are closed, but also took them away from  
19 Monday through Friday, and just look at the individual  
20 deliveries, I wonder whether you looked at that  
21 picture to see what percentage of individuals receives  
22 deliveries on Monday through Friday as opposed to  
23 Saturday.

24 A I'm assuming by individuals you are speaking  
25 of consumers or people like us.

1 Q Like you and me, yes.

2 A All right. Well, on average, of the 150  
3 million deliveries that we make each and every day the  
4 split is roughly about 80 percent are business and  
5 about 20 percent are to our consuming public.

6 Q So that for the relevant impact on  
7 individuals would be roughly the same or greater by  
8 eliminating Saturday delivery than it would be to  
9 eliminate some other day. That's what I'm --

10 A Well, actually based upon our conversations  
11 with the mailing industry and with consumers in our  
12 outreach and in our market research, the vast majority  
13 indicated that they could live without Saturday  
14 delivery, and that they would adjust and adapt their  
15 behaviors.

16 Q I understand that being able to live with  
17 something is not necessarily the same as desiring  
18 delivery of something, but we don't need to argue  
19 about that.

20 In terms of the market research, I'm  
21 assuming that if we were to ask you detailed questions  
22 about the validity of that market research, that you  
23 would defer to another witness who was more  
24 responsible for that?

25 A I could speak at a high level, Darryl, but

1 yes, any specifics about how it was constructed or any  
2 of the details and the actual analysis of it, I would  
3 defer to the experts who handled that.

4 Q Well, I can only speak at a 10,000-foot  
5 level myself, but I mean, the criticism I heard was  
6 that people were offered an alternative, would you  
7 like to see postal rates go way up or the Postal  
8 Service go out of business as opposed to giving up  
9 Saturday delivery, and that seemed to us to be a hard  
10 choice if you understand my point.

11 A I understand, but I think when you speak to  
12 the experts you will find that they actually discussed  
13 an array of alternatives. It wasn't just simply price  
14 increase. It was subjects such as closing post  
15 offices and other, so it wasn't just isolated to one  
16 single alternative.

17 Q I'm concerned about the necessity of  
18 individuals having to rely on a post office box to  
19 obtain Saturday deliveries, and I wonder whether you  
20 can tell us what the percentage of post office boxes  
21 are for commercial or business purposes now as opposed  
22 to individuals.

23 A I don't have that information off the top of  
24 my head, but we could certainly provide it.

25 Q Do you recall what you --

1                   CHAIRMAN GOLDWAY: Are you asking for that  
2 information?

3                   MR. ANDERSON: Yes. Thank you, Madam  
4 Chairman. We intended to ask for it.

5                   BY MR. ANDERSON:

6                   Q     So would you please provide that for us for  
7 the record?

8                   A     Certainly.

9                   Q     Thank you, Mr. Pulcrano.

10                   Did your task force consider -- for someone  
11 who, for example, needs Saturday delivery of a  
12 medication, did you consider the relative cost of a  
13 post office box rental versus Express Mail delivery,  
14 is that one of --

15                   A     Oh, absolutely.

16                   Q     And how was that --

17                   A     We spent a considerable amount of time  
18 discussing that because of the sensitivity of that  
19 issue. I will suggest that it's greatly exaggerated.  
20 If you look at medication provisions in today's  
21 environment, many of them are provided on a regular  
22 cycle. Many consumers receive them on 90-day updates.  
23 MEDCO themselves recently testified at a Senate  
24 hearing that in an emergency situation they don't even  
25 use us as the provider to mail that particular

1 situation.

2 In fact, there was a recent Bloomberg  
3 article that indicated that MEDCO, for example, mails  
4 about 103 million prescriptions a year, and by their  
5 calculation in today's environment if there is no  
6 change in behavior that might affect about 300,000  
7 prescriptions. That's about three-tenths of 1 percent.  
8 So it's not as significant an issue as you think it  
9 is.

10 And the Pharmaceutical Association just came  
11 out in the past few days and also said the issue is  
12 greatly exaggerated; that there is pharmacies in every  
13 community, and I am very sensitive that there are  
14 people who are incapacitated and folks who may not be  
15 able to get out of their homes to go get a  
16 prescription. But there are available means to get a  
17 prescription in an emergency manner, including using  
18 Express Mail.

19 Q Well, there are two sides to that issue that  
20 concerns us, speaking for the American Postal Workers  
21 Union, the issue both in terms of viability of the  
22 Postal Service and service to the public. One is the  
23 one that you've touched on, which is can people obtain  
24 medication.

25 My understanding is MEDCO's position, and of

1 other mail order pharmaceutical companies is that they  
2 strongly oppose this change because they think it will  
3 adversely affect their business and the public's. Is  
4 that a fair statement?

5 A No, I don't believe it is. Our strategic  
6 management accounts personnel are working with various  
7 pharmaceutical companies as well as others like MEDCO  
8 and others that mail pharmaceuticals, they will  
9 continue to work with them. We believe the solution  
10 is that it's a matter of working with them to  
11 coordinate when they enter the product into our  
12 mailstream, and by doing that we should be able to  
13 provide, you know, deliver on a Monday or a Friday  
14 environment.

15 Q My understanding is that MEDCO and perhaps  
16 other -- MEDCO, I think, is the largest mailer  
17 company.

18 A They're the largest company.

19 Q The witness confirmed that MEDCO is the  
20 largest.

21 A To my knowledge, yes.

22 Q I think that's right. That they expressed  
23 the concern that they have to find alternative  
24 delivery vehicles to maintain their business at its  
25 present level and in providing the same level of

1 service they may have to find alternative delivery  
2 vehicles. Is that your understanding?

3 A No. As I said, our people are working with  
4 them. We have asked as part of the five-day effort  
5 the accounts people to work with various members of  
6 the mailing industry, whether it be election officials  
7 or those that mail pharmaceuticals, to work with them  
8 on a one-to-one basis to arrive at a solution.

9 Once again in many instances that solution,  
10 and this is pretty much across the mailing industry,  
11 is you have to make some adjustments to when you  
12 enter it into the mailstream in order to ensure  
13 delivery in a five-day environment, Monday through  
14 Friday.

15 Q We will let MEDCO speak for themselves.

16 A Okay.

17 Q Again, turning back to Express Mail, I know  
18 or at least what I understand from your testimony is  
19 the Postal Service will continue to collect Express  
20 Mail and that if you plan to use people who are  
21 delivering Express Mail on the weekends to make --  
22 also do collections from the Express Mail drop box, is  
23 that correct?

24 A That will depend on the local circumstances  
25 who would be used. I would not be in a position to

1 say exactly facility by facility which particular  
2 person would be making the collection or the delivery.  
3 As you know, the delivery of Express Mail can be  
4 accomplished by any individual craft in our  
5 organization.

6 Q Well, I'm concerned about the collection of  
7 the Express Mail on Saturdays. In particular, it's my  
8 understanding now that given the Postal Service is  
9 making deliveries on Saturdays and collecting from  
10 other boxes on Saturdays, that that's part of the  
11 routine operation of Saturday delivery and collection,  
12 isn't that correct?

13 A Correct.

14 Q And so that now there will have to some  
15 special effort made, and I assume that will have cost  
16 consequences, and I wonder whether the Postal Service  
17 has quantified those.

18 A I don't know if they were quantified, but we  
19 left work hours in our calculations to cover those  
20 types of contingencies, but clearly we have made a  
21 commitment that we will pick up dedicated Express  
22 Mailboxes on the weekends and continue to collect,  
23 bring that mail back to the plant, process and deliver  
24 it just as we do today.

25 Q Would you agree with me that Express Mail is

1 a highly competitive product?

2 A Certainly, that's why we continue to  
3 maintain our current service.

4 Q But if you haven't evaluated the cost  
5 impacts of that restructuring, then I would infer, and  
6 I think you will confirm for me, have not examined the  
7 impact of this change on the competitiveness of the  
8 Express Mail.

9 A I beg to differ with you, Darryl. As I  
10 said, when we made that calculation, our subject  
11 matter operations experts left work hours in that they  
12 thought were adequate to cover the necessary work  
13 hours to collect and process that mail.

14 Q And you're telling me the re-costed those?

15 A I don't know what you mean by re-costed.

16 Q When you say they left in the work hours,  
17 did they also attribute those work hours, or  
18 hypothetically assume the revised cost of collecting  
19 Express Mail and figured that into what the overall  
20 cost and pricing structure consequences of this  
21 change, if any, would be.

22 A Well, it's calculated into the savings  
23 that -- it was excluded from the savings that we are  
24 saying we can capture in the 3.1 billion, and it would  
25 be best to talk to the finance experts who have all

1 that numbers broken out and can get into specific  
2 details.

3 Q I take that as you're not sure of the answer  
4 to my question as far as the flip side, the cost. I  
5 know you took it out of the savings side, but you're  
6 not sure what they do with it on the cost side  
7 particularly related to Express Mail.

8 A No, I would not be able to answer that  
9 question.

10 Q I was a little confused about delivery  
11 standards to what starting the clock means for some of  
12 the business mail that's originating on weekends, and  
13 I apologize if it's something I just did not  
14 understand. It's probably clear in the interrogatory  
15 responses, but I don't understand it so I hope you  
16 will help me out.

17 It seems to me that if businesses drop off  
18 originating mail on Saturdays, the clock doesn't start  
19 until Monday, is that right?

20 A It depends. Are you referring to some  
21 specific interrogatory?

22 Q Look at your direct testimony and let's start  
23 there, I think in page 16, and look at lines 18 to 21,  
24 and starting at page -- and starting at line 14 of  
25 that page there is a discussion of originating

1 outgoing bulk mail tendered at business mail entry  
2 unit on Saturday --

3 A Uh-huh.

4 Q -- will have a start the clock day on  
5 Monday.

6 A Uh-huh.

7 Q What bothered me about that, and I'm not  
8 trying to argue with your quibble, I just want to make  
9 sure I understand it, I mean, it seems to me that if  
10 they have got a -- if under the present circumstances,  
11 because we have -- we are open and we're doing  
12 deliveries and collections on Saturdays, the start  
13 clock day would be Saturday as I understand it.  
14 Wouldn't that be correct, is that right?

15 A In a five-day environment we would not be  
16 collecting mail from collection boxes or delivering to  
17 street addresses in a five-day environment.

18 Q No, but today in the six-day environment the  
19 start the clock day would be Saturday, wouldn't that  
20 be correct, for that mail that's dropped off on  
21 Saturday?

22 A It depends on the type of mail and where  
23 it's being dropped. In most instances it would be  
24 yes.

25 Q Okay. But then if you were to change to a

1 five-day delivery, the start the clock day would be  
2 Monday.

3 A Yes.

4 Q Now what's bothering me is the sentence on  
5 lines 19 through 21 there that the originating and  
6 destinating entry service standards are not being  
7 changed. It seems to me inaccurate to say that you're  
8 not changing service standards if the start the clock  
9 day is Saturday on a six-day cycle, and the same mail  
10 dropped on a Saturday on a five-day cycle the start  
11 the clock day would be Monday. To me, that's a change  
12 in service standards.

13 A And we've explained this many times, and I  
14 understand the potential confusion.

15 Basically what we are saying here is that  
16 we're not changing our service standards. Once the  
17 clock starts we will give the same service standards  
18 that we give in today's current environment.

19 Now in regards to the originating and  
20 destinating mail, in our original five-day concept  
21 that we provided back in March of '09, we originally  
22 were not going to accept mail at all on Saturdays.  
23 That was the original concept. But based on the  
24 extensive outreach that we did with the mailing  
25 community and with our public they asked that we

1 continue to accept mail, so we put all those  
2 provisions back in for mailers and consumers to still  
3 be able to drop mail off just as they do today, and  
4 just at the same location as they do today.

5 So whether they are a bulk mailer, first  
6 class mailer or mailer of the public, they can still  
7 access our services and get the mail into the system.

8 CHAIRMAN GOLDWAY: But mail won't be  
9 processed. It will just sit there until Monday?

10 THE WITNESS: It depends, Chairman Goldway.  
11 We made a provision for those instances with what we  
12 call local turnaround mail which is mail that both  
13 originates and destinate in that same area; that is,  
14 the mailer segregates that mail out, then we would  
15 start the clock and deliver it on Monday, and that was  
16 something that the mailing industry was very  
17 appreciative that we implemented.

18 CHAIRMAN GOLDWAY: Okay, but only that mail  
19 that's in the local --

20 THE WITNESS: Right.

21 CHAIRMAN GOLDWAY: But the rest of the mail  
22 sits.

23 THE WITNESS: Originating mail will wait and  
24 be processed on Monday.

25 CHAIRMAN GOLDWAY: And destinating mail?

1 THE WITNESS: Destinating mail we'll  
2 continue to process it through the weekend just as we  
3 do today, and if you look at the vast majority of the  
4 mail it is drop/shipped at the local destination in  
5 today's environment.

6 CHAIRMAN GOLDWAY: So mail drop could be at  
7 the DBU?

8 THE WITNESS: Uh-huh. If they break out the  
9 local turnaround mail, we continue to process it. If  
10 it's originating mail, then it will be processed --

11 CHAIRMAN GOLDWAY: Any mail dropped at a DBU  
12 is going to be processed on Saturday?

13 THE WITNESS: It would depend, but most of  
14 that would be destinating mail, yes.

15 MR. TIDWELL: Madam Chairman.

16 CHAIRMAN GOLDWAY: Sorry to go on, but this  
17 is a question we are all concerned about.

18 MR. TIDWELL: Just for the record, I would  
19 remind the parties that a lot of this detail is the  
20 core of what Mr. Day's testimony, USPS-T-10.

21 CHAIRMAN GOLDWAY: Okay.

22 THE WITNESS: Yes, I'm trying to keep this  
23 at a high level, but if you want to get into details  
24 of all those measurement systems, Mr. Day would  
25 certainly be the person.

1                   MR. ANDERSON: Thank you for that reference.  
2                   We will certainly take that up with him. I think I  
3                   have just one other topic to raise with you, Mr.  
4                   Pulcrano.

5                   BY MR. ANDERSON:

6                   Q       Did the Postal Service consider the  
7                   possibility of relaxing the mailbox monopoly for  
8                   Saturdays?

9                   A       No, we don't think there is any impact on  
10                  that on a five-day environment.

11                  Q       Well, it would be a way of, I guess,  
12                  preserving service for people who need that service on  
13                  a Saturday. I was just wonder if you folks considered  
14                  that.

15                  A       To the best of my recollection, that would  
16                  require a change by Congress, and I believe currently  
17                  it would be even a criminal offense to access the  
18                  mailbox. You can't really access the mailbox without  
19                  postage. So that would require some congressional  
20                  change to do that.

21                  Q       In your discussion with Postal Service  
22                  customers, have people asked the Postal Service to  
23                  consider supporting that kind of change?

24                  A       There have been some who have mentioned  
25                  supporting that. I think there is some research, and

1 Greg Whiteman may be the witness to best address that.  
2 I believe there has been some research to show that  
3 most of the consuming public would not want a stranger  
4 accessing their mailbox.

5 Q Thank you for that. I just wanted to come  
6 back to -- I know we have deferred to Mr. Day the  
7 details of the impact on service standards on mail  
8 that's dropped off on Saturday, but I do want to just  
9 touch on one other point I'm sure you will have an  
10 answer for.

11 The discussion we were having was about  
12 business mailers, and I just want to confirm for the  
13 record while you are testifying that not only for  
14 individuals who drop off their mail on Saturdays, even  
15 if that destined mail, that's not going to be  
16 processed on that Saturday?

17 A That's correct. There are some post offices,  
18 it's not a requirement, it's not a regulation, that  
19 they can have a separate slot in the post office for  
20 local mail. In some instances that mail may go back  
21 to the plant but it's a facility-by-facility decision.

22 Q But that mail won't be processed on  
23 Saturday, it will have to wait until Monday?

24 A Yes. If they don't have a local hold-out  
25 and they don't hold it in that post office and sort

1 it, yes.

2 Q So by and large.

3 A By and large.

4 Q By and large, although businesses who are  
5 dropping off destinating mail at the DBU may be  
6 processed that day, individuals who may drop off their  
7 mail on a Saturday will not have it processed?

8 A That's correct. And if you want to delve  
9 into that, Witness Granholm has much more expertise on  
10 how that works in the field.

11 MR. ANDERSON: Thank you very much. That's  
12 all I have for Witness Pulcrano. Thank you.

13 CHAIRMAN GOLDWAY: And our next Intervenor  
14 is the National Association of Letter Carriers.

15 MR. DECHIARA: Good morning, Madam Chairman,  
16 Peter D. Dechiara from the law firm of Cohen, Weiss,  
17 and Simon, LLC. We represent the National Association  
18 of Letter Carriers, the AFLCIO. Good morning to you  
19 and to the other Commissioners.

20 CROSS-EXAMINATION (Continuing)

21 BY MR. DECHIARA:

22 Q Mr. Pulcrano, let me begin by referring you  
23 to page three of your direct testimony, and in  
24 particular, beginning with the second half of line 10,  
25 you say, "The Postal Service recognizes that six day a

1 week delivery to most households and businesses is  
2 regarded by many a atonic feature of the National  
3 Postal System." What did you mean by the term,  
4 "atonic future of the National Postal System."

5 A Well, the mere fact that for a number of  
6 decades the American public has enjoyed six day  
7 delivery.

8 Q And, in fact, back to the 19th Century; is  
9 that correct?

10 A Sure.

11 Q And do you agree with that characterization  
12 that six day delivery is an atonic future of the  
13 National Postal System?

14 A Well, it's in my statement.

15 Q Well, you say that many regard it, and I am  
16 asking you if you agree with that characterization?

17 A Yes. It is in my statement, but in today's  
18 business environment, clearly we need to make some  
19 changes to our infrastructure in order to stay viable,  
20 and it is clearly in the market research and outreach  
21 as I had mentioned earlier in my testimony, many  
22 members of the mailing and public are willing to make  
23 that change if it means maintaining the long term  
24 viability of the Postal Service, and that is really  
25 what they are looking for.

1           Q     The next sentence in your statement,  
2     beginning on line 12 on page three says, "In some  
3     circumstances, Saturday delivery may be viewed as a  
4     competitive advantage that the Postal Service should  
5     be loathe to relinquish."

6           A     Yes.

7           Q     In what circumstances can Saturday delivery  
8     be viewed as a competitive advantage?

9           A     Primarily, I would say where we see that is  
10    in the package industry. Our competitors generally  
11    don't deliver on Saturday, and we still provide that  
12    delivery. So, yes, there are those that feel that is  
13    a competitive advantage.

14                   And once again, working with the mailing  
15    industry, we can adjust entry into the mail stream so  
16    that it would be delivered on a Monday through Friday  
17    environment.

18           Q     Okay. Here the Defendant says that Saturday  
19    delivery may be viewed as a competitive advantage. Do  
20    you see it as a competitive advantage in the  
21    circumstance that you just mentioned?

22           A     Articulating how others had expressed it to  
23    us that they felt that it was a competitive advantage.

24           Q     Right, but my question is do you view it as  
25    a competitive advantage?

1           A     In some instances, I would say yes, we have  
2     some advantage in that regard since our competitors  
3     don't deliver on Saturday.

4           Q     And who is it an advantage over?

5           A     Our competitors, such as UPS and FedEx.

6           Q     Let me direct you to -- and still on page  
7     three -- the sentence that begins at the end of line  
8     seven. It says, "The Postal Service is fortunate to  
9     employ delivery personnel, too, like their  
10    counterparts at the retail window, provide customer  
11    service in a manner that makes them excellent  
12    ambassadors in promoting the Agency's." Do you see  
13    that?

14          A     I'm sorry, where are you?

15          Q     Beginning at the very end of line seven, on  
16    page three.

17          A     Oh, okay. I'm sorry.

18          Q     Do you see that sentence?

19          A     Yes.

20          Q     Isn't it true that in many of the Postal  
21    Service's residential customers work during the week,  
22    Monday through Friday?

23          A     Yes.

24          Q     And therefore that their only opportunity to  
25    see the letter carriers who deliver their mail is

1 Saturday?

2 A That may be true in instances, yes.

3 Q Well, isn't that true in many instances?

4 A I wouldn't be able to say with any  
5 certainty, but I would say, yes, probably in most  
6 instances.

7 Q So by eliminating Saturday delivery, those  
8 residential customers who work during the week would  
9 lose that opportunity to see their letter carrier; is  
10 that correct?

11 A Yes, we understand that.

12 Q Okay. And so by eliminating Saturday  
13 delivery the Postal Service would lose the opportunity  
14 to have those customers who counter what you describe  
15 as in your sense as actual ambassadors in promoting  
16 the Agency's image; is that correct?

17 A Yes. There is no argument about that.

18 Q Is your answer yes?

19 A Yes, there is no argument about the pride of  
20 our employees in their interaction with the public.

21 Q And that interaction would be substantially  
22 diminished for those residential customers who work  
23 during the week if Saturday delivery were eliminated,  
24 correct?

25 A Correct.

1           Q     You say, and still on page three -- and the  
2     next sentence begins on line five, "There are some  
3     mail senders who seek delivery of messages or  
4     publications on a particular day of the week." Do you  
5     see that sentence?

6           A     Yes.

7           Q     Is it true that some mail senders seek  
8     delivery of messages or publications on Saturday?

9           A     Yes.

10          Q     And can you tell us what types of mail  
11     senders those are?

12          A     The Saturday -- the small Saturday  
13     newspapers, ergo publications, as well as the package  
14     industry, favor that we would maintain Saturday.

15          Q     When you say package industry, what do you  
16     mean by that?

17          A     Well, companies that mail packages of  
18     product, and standard packages, and they would prefer  
19     that we stay on Saturday.

20          Q     Would that include companies that sell  
21     products on-line?

22          A     Oh, absolutely.

23          Q     And do you have an understanding of why they  
24     prefer Saturday delivery?

25          A     It is just another day that they would lose,

1 and they have some inclination that because many folks  
2 are at home on Saturday, that that is a favorable day  
3 to deliver, but it is also the lightest day of the  
4 week for us as we look at mail volume.

5 Q Okay. And if someone works during the week  
6 and they are not home on Saturday to get a package,  
7 under this proposal to get the package on Saturday,  
8 they would have to go down to the Post Office; is that  
9 right?

10 A No. No, they would get street delivery  
11 Monday through Friday. So, once again, we would be  
12 working with those mailers to enter their product in  
13 the mail stream so that we would be delivering it  
14 Monday through Friday.

15 Now, in those instances where they may not  
16 have been home during the week and they get a notice,  
17 and I've forgotten the number of it, then they could  
18 go down to the Post Office on Saturday and pick up the  
19 package if it was too large to leave, or had some  
20 signature requirement.

21 Q So a person might have to go down to the  
22 Post Office and wait in line, and pick up the package?

23 A They have to do that in today's environment,  
24 too.

25 Q What about local retailers who might seek to

1 generate business to those customers who like to shop  
2 or go out to dinner, or go out on Saturdays? Are  
3 those also shippers who might like to have their mail  
4 arrive on Saturday?

5 A I don't recall a lot of conversations in  
6 that regard.

7 Q Let me direct you to page six of your  
8 testimony. On line 18, you have a sentence that says,  
9 "The proposed changes are intended to apply to all  
10 customers, whether they reside in prosperous  
11 residential areas or public housing, or urban versus  
12 rural areas." Do you see that sentence?

13 A Yes.

14 Q Is the point of that sentence that all those  
15 people would be affected equally because they would  
16 all lose Saturday delivery?

17 A Yes, and just as we do today, you have to  
18 draw lines and make decisions in your service, and  
19 even today there is areas that get delivery three days  
20 a week, and if you drop your mail in a box after a  
21 cutoff time on Saturday, it is not processed until  
22 Monday.

23 And even in the five day environment, if it  
24 is remodeled, you have to draw lines as to the service  
25 that you are going to provide, or the access that you

1 are going to provide. So, the understanding is that  
2 you try to do that as best as you can, and we believe  
3 that we were very responsive to the feedback that we  
4 got by changing our five day plan.

5 Q Do you have any understanding about who has  
6 greater access to broadband internet, residents of  
7 prosperous residential areas, or residents of public  
8 housing projects?

9 A No, I don't.

10 Q Do you have any knowledge about who has more  
11 access to broadband internet, residents of urban areas  
12 or residents of rural areas?

13 A Well, I would clearly say that probably  
14 those in urban areas would have more access. In fact,  
15 I believe the President is looking at a 10 year plan  
16 to expand that access.

17 Q Do you have any knowledge of what percentage  
18 of the American public currently has access to  
19 broadband internet access?

20 A I would be speaking off the top of my head,  
21 and I am not an expert, but I think it is probably in  
22 the 70 percent range, and that is just based, you  
23 know, on my readings of newspapers, et cetera.

24 MR. DECHIARA: Madam Chairman, I have some -  
25 - actually three documents that I would move as a

1 cross-examination exhibit, but I don't want to put  
2 them in for the record. I am not familiar with what  
3 the procedure is. I could just mark them now as  
4 cross-examination exhibits and retrieve them.

5 CHAIRMAN GOLDWAY: I think that would be  
6 satisfactory.

7 MR. DECHIARA: Just to make this easier, I  
8 have them in packets. There are three documents, and  
9 I will just distribute them all at once. I would like  
10 to mark now as Cross-Examination Exhibit 1 a two-page  
11 document, which is an excerpt from a document by a  
12 Boston consulting group, with a projection of U.S.  
13 mail volumes in 2020. It is dated December 18th,  
14 2009. And there is just one page from this excerpt,  
15 and it is page 207.

16 (The document referred to as  
17 Cross-Examination Exhibit No.  
18 1 was marked for  
19 identification.)

20 BY MR. DECHIARA:

21 Q Do you see that document, Mr. Pulcrano?

22 A Yes.

23 Q Are you familiar with this document?

24 A No, I have never seen it before.

25 Q Okay. I have no questions on this document.

1       Isn't it true that the end of Saturday delivery would  
2       impose certain costs on certain postal customers?

3             A       Yes, some customers like us, and this was  
4       part of our outreach, because we asked very directly  
5       across the mailing industry, by category of mailer,  
6       and class of mailer, what would they need as a lead  
7       time to implement five day if in the event we were  
8       able to achieve the ability to do so.

9             And pretty much most of them indicated that  
10       they would need at least 3 to 5 months to make the  
11       necessary changes in their operation, which is very  
12       consistent with the need that we would have.

13            And one of the primary points that everyone  
14       made, which is also one of our primary issues, is any  
15       changes that we would have to make to our IT systems  
16       and recordkeeping systems.

17            Q       And is it your understanding that customers  
18       would also to make similar changes to their IT systems  
19       and recordkeeping systems?

20            A       If you mean general people, and members of  
21       the public such as us, no, but depending on the size  
22       of the business mailer, yes. You know, some of these  
23       small and medium customers, might have to make some  
24       changes to their mailing list, or how they do things,  
25       but primarily it is with the larger mailers that had

1 huge systems that they had to make changes to, just  
2 like us.

3 Q And I am speaking about the business  
4 mailers. Is it your understanding that business  
5 mailers might have to make changes in their operations  
6 to adjust to a five day environment?

7 A Oh, yes.

8 Q And would that include staffing changes?

9 A Well, it depends on the industry. So, for  
10 example, talking to the periodical or the magazine  
11 industry, in some instances, they may have to make  
12 changes to the dates that they print their product, or  
13 their transportation.

14 In our standard mail industry, they may have  
15 to make some changes to the date that they entered the  
16 mail into the stream. So that would also maybe make a  
17 change in printing. So, yes, that is a common  
18 expectation.

19 Q In formulating this proposal to end Saturday  
20 delivery did the Postal Service undertake any efforts  
21 to assess the magnitude of the costs that the  
22 elimination of five day delivery would impose on  
23 postal customers?

24 A No, we didn't, and actually in all those  
25 conversations no one even proffered a potential cost

1 to us, nor did anyone ever make it an issue.

2 MR. DECHIARA: I would like to refer to the  
3 second document in the packet that I just handed out,  
4 and I will mark it as Cross-Examination Exhibit 2. It  
5 is a document on PBS Fairmar stationary, and it is  
6 entitled, "Statement of PBS Fairmar Corporation."

7 (The document referred to as  
8 Cross-Examination Exhibit No.  
9 2, was marked for  
10 identification.)

11 BY MR. DECHIARA:

12 Q And I would represent that this was a  
13 statement that was entered on to the docket in this  
14 case. Have you seen this document?

15 A No, I haven't. This is the first time.

16 Q Let me refer you to the last page, and it is  
17 page six of this document, and I am going to read the  
18 first full sentence on page six.

19 It says, "Based on our initial estimate,  
20 eliminating Saturday delivery will require us to shift  
21 to private carriers that are typically more expensive.  
22 We estimate that our costs to cover Saturday delivery  
23 would be up to \$50 million annually." Do you have any  
24 grounds to dispute the accuracy of that statement?

25 A Yes. I think if they work with our account

1       reps, they will find that they can still ship their  
2       product in a timely manner and in a far better  
3       environment. We admit that some people haven't quite  
4       come to terms with that just because you go to a five,  
5       it doesn't mean that the whole world collapses for  
6       them. It is simply making some adjustments.

7               Q       Well, let me continue then and read the next  
8       paragraph. It says, "In addition to the hard costs of  
9       utilizing other carriers, eliminating Saturday  
10       delivery would add additional burdens to our  
11       resources. For example, our staff would have to  
12       determine the physical address of the patients who  
13       previously utilized post office boxes for Saturday  
14       delivery, and make other process related changes."

15                        "We also face millions of dollars of  
16       additional costs in customer care to address increased  
17       patient call volume due to delays in prescription  
18       delivery. In addition, if patients become less  
19       adherent to their prescribed therapy due to absent  
20       delivery, health plans are likely to experience growth  
21       in expenditures to control complications from poor  
22       medication adherence." Do you have any grounds to  
23       dispute that statement?

24               A       Yes, I think I did earlier in my testimony,  
25       that it really just requires an adjustment. Many of

1 these prescriptions are mailed on a regular basis, and  
2 even in today's environment clearly you have the  
3 individual who doesn't pay attention to the phone  
4 calls from the pharmacy that your 90 day prescription  
5 is updated, or to the e-mails that they send out,  
6 depending on which service you prescribe to.

7 But the fact remains that in a five day  
8 environment, we still can deliver Monday through  
9 Friday in a timely manner, and that just because  
10 Saturday is missing is really not the end all or be  
11 all. It is simply a matter of adjusting when you  
12 enter the product into the mail stream to ensure  
13 delivery in five days.

14 Q As a person who headed up the Postal  
15 Service's efforts in regard to five day delivery did  
16 you review the market research that was performed by  
17 ORC on behalf of the Postal Service?

18 A Yes, I was briefed at a high level what  
19 those results were, because those results were looked  
20 at very carefully as we finalized what our proposal  
21 would be, and what changes we were going to make to  
22 our proposal, and they were influential.

23 Q In your high level review did you become  
24 aware that that market research was conducted in the  
25 year 2009?

1           A     Yes.

2           Q     Is it fair to say that the year 2009 was not  
3 a typical year from a macroeconomic perspective?

4           A     Well, certainly we were in the height of the  
5 recession, yes.

6           Q     In fact, we were in the worst economic  
7 downturn since the great depression were we not?

8           A     Yes, I just said that we were in the height  
9 of the recession.

10          Q     And in fact in 2009 there was the sharpest  
11 drop in mail volume in the history of the Postal  
12 Service; is that correct?

13          A     Yes.

14          Q     The Postal Service did market research  
15 regarding five day delivery on previous occasions  
16 before 2009; is that correct?

17          A     Yes, we did.

18          Q     And did you review any of that research?

19          A     Yes, we did.

20          Q     Did you personally review that research?

21          A     No, I was briefed on what that research was,  
22 yes.

23          Q     And you are aware that ORC conducted market  
24 research in 2001?

25          A     Yes, I remember there was research in '01,

1 but I don't even remember who did it.

2 MR. DECHIARA: Okay. Let me now refer you  
3 to the third document in the packet of materials that  
4 I distributed. I would ask that this be marked as  
5 Cross-Examination Exhibit Number 3.

6 (The document referred to as  
7 Cross-Examination Exhibit No.  
8 3 was marked for  
9 identification.)

10 BY MR. DECHIARA:

11 Q It is entitled, "United States Postal  
12 Service Notice of Filing Library References, USPS-LL-  
13 N2010-1/16, and USPS-LL-N2010-1/NP5, dated June 15th,  
14 2010." Do you see that document?

15 A Yes, I do.

16 Q On that first page, going down about two-  
17 thirds of the way on that page, it says, "The  
18 interrogatory responses indicate that previous  
19 research involving five day delivery was conducted in  
20 the 1980s, 1995, and 2001."

21 A Yes.

22 Q Do you have any knowledge about why the  
23 Postal Service was conducting research about going  
24 five day delivery on those prior occasions?

25 A No, I really don't, other than I know the

1 fact that that is something that has been discussed  
2 and contemplated over the years based on the  
3 information that I received when I took over this  
4 project.

5 Q Well, is it the Postal Service's contention  
6 that if it needs to eliminate Saturday delivery  
7 because of the financial distress that it is currently  
8 in?

9 A It is one of the key points obviously, but  
10 the real point is that the marketplace has changed,  
11 the volume has declined, and there is little or no  
12 expectation there is going to be any extensive  
13 recovery of the volume, and customers' attitudes about  
14 how the mail is changing.

15 We have had 10 years of electronic diversion  
16 in First-Class Mail, and based on the BCG information,  
17 we are looking at an additional 10 years. First-  
18 Class, for example, is going to drop from around a  
19 hundred-billion pieces in 2006 to roughly 50 to 52  
20 billion pieces in 2020, and that is a significantly  
21 drop, and a significant impact on the organization's  
22 bottom line.

23 Q Was the Postal Service under similar  
24 financial stress in 1995 when it conducted this  
25 research?

1           A     I wouldn't be able to testify to that. You  
2 need to speak to those subject matter experts who did  
3 that research and recall it.

4           Q     What about the mail volume drop in 1995?  
5 Was there a similar mail volume drop?

6           A     I cannot speak to that.

7           Q     What about in the 1980s? Can you speak to  
8 that?

9           A     No. I was a relatively new employee. In  
10 fact, I didn't get promoted to my first management job  
11 until 1980.

12          Q     Isn't it true that getting rid of Saturday  
13 delivery is just something that the Postal Service has  
14 wanted to do for a long time?

15          A     I would say it is something based on  
16 information that I received when I took over the  
17 project, and the folks that were still around had  
18 given me any information, was it was something that  
19 had been discussed over the years, but at no time was  
20 it ever seriously brought forward.

21                    At no time did we go to Congress and ask for  
22 such a change, as was done by the PMG this past year,  
23 and at no time did we ever bring it forward to the  
24 PRC.

25          Q     Can you turn to page two of this document.

1 There is a paragraph that refers to a document,  
2 headed, "Section 3, Marketplace." And then it goes on  
3 to say, "This document is one section from a report  
4 that was prepared in 2001 by the Postal Service Five  
5 Day Delivery Team." Did you review this Section 3  
6 Marketplace document?

7 A No, I am not even aware of it. I don't  
8 recall it at all.

9 Q Okay. Well, if you turn the page, let me  
10 represent that what you will find in that packet of  
11 materials that I distributed is in fact the Section 3  
12 Marketplace document.

13 A Okay.

14 Q Do you see that?

15 A Yes.

16 Q And I will represent to you that the  
17 redactions in this document were made by the Postal  
18 Service. We entered this document on to the docket in  
19 this proceeding. Let me ask you to turn to page 58,  
20 and let me quote from the second paragraph on page 58  
21 of this document.

22 It say, "That in the five days of delivery  
23 of ORC surveys of business mailers and the public,  
24 there was a similar level of satisfactory at the  
25 excellent" -- and that is in quotes -- "level with

1 overall performance. However, given the number of  
2 businesses in particular which considered moving  
3 Postal business to alternatives, curtailment of  
4 delivery service would most likely erode customer."

5 Do you agree with the conclusion that is in  
6 this document that curtailment of delivery service  
7 would most likely erode customer loyalty?

8 A With all due respect, sir, I have never seen  
9 this before, and so I don't know without reading the  
10 rest of the document or reading the facts. I would  
11 suggest that you might want to wait and speak to  
12 Witness Whiteman, who probably would remember this  
13 document and know what the history of it was.

14 Q Well, separate and apart from this document,  
15 I am asking you do you agree with the general  
16 proposition based on your knowledge and your position  
17 as heading up the team that seeking to end Saturday  
18 delivery, do you agree with the proposition that  
19 curtailment of delivery service would most likely  
20 erode customer loyalty?

21 A Not necessarily based on the most recent  
22 research. Certainly there will be some impact as our  
23 current research indicated from ORC that was done in  
24 '09, but not to the extent that this seems to  
25 intimate.

1           Q     Okay. The next paragraph says, "The  
2           comments below are indicative of many of the comments  
3           that we have heard." And then what follows is about a  
4           half-a-dozen of what appear to be comments that were  
5           made by the Respondent.

6                     For example, the first one is cuts in  
7           service will force us to go to alternate delivery, and  
8           then skipping down to the last two, the second to the  
9           last one says one day of delivery elimination would be  
10          devastating to our business, and then finally the last  
11          indicative comment says, "This is part of our core  
12          franchise. Don't cut into it. Leverage your assets  
13          and capacity."

14                    Now, you say that you are not familiar with  
15          this document, and obviously this is in your  
16          statement, but let me just ask you if you can, but do  
17          you have any understanding of what that last statement  
18          means?

19           A     Oh, I understand what the statement means.

20           Q     I'm sorry?

21           A     I understand what the statement means.

22           Q     Can you explain what it means? What is your  
23          understanding of what this statement means?

24           A     This is a different point in time, sir, and  
25          based on our current research, we didn't get these

1 types of statements. But I understand that based on  
2 whatever this research was, and now it was researched,  
3 and whatever the questions may have been, that the  
4 responses that they are concerned that by going to  
5 five days at this point in time would have been, or  
6 they would have felt, would have been an impact on  
7 what our core franchise was.

8 Q And finally let me ask you to turn the page  
9 to page 60, and again I am just going to read a  
10 sentence from this report that was produced and  
11 responded to by the Postal Service, and ask you to  
12 respond to the question.

13 The sentence that I will quote is on the top  
14 of page 60, and it says, "Meeting customer needs and  
15 requirements is the best answer to retaining our  
16 position against competitive alternatives."  
17 Is it your view that cutting Saturday delivery is a  
18 means of meeting customer needs and requirements?

19 A It is our view that we did the most  
20 extensive outreach in the history of the Postal  
21 Service, and that statement came from the mailing  
22 industry, as well as members of the public, that never  
23 before had they seen us come out and ask questions and  
24 ask for input for the way that we did.

25 And based on that input, we made substantive

1 changes to the five day plan, and put many things back  
2 in based on that input from our mailers and our  
3 consumers, and that in many instances after we did  
4 that from almost across the board, we got statements  
5 that we are really pleased, and in some instances that  
6 we are surprised that you even listened to us, but  
7 more importantly that you actually made a change.

8 So we felt that we were exceptionally  
9 responsive in every aspect and to the point where we  
10 could accommodate our customers both in the mailing  
11 industry and the general public.

12 MR. DECHIARA: I have no further questions.

13 CHAIRMAN GOLDWAY: Thank you. If you  
14 wouldn't mind, I would just like to clarify. I  
15 believe that there extensive Congressional hearings in  
16 1977 about the issue of going from six to five day.  
17 We have reams of documents from those nationwide  
18 hearings.

19 I guess that was before the Congress  
20 actually put specific legislation in to require a six  
21 to five day, but there must have been some  
22 announcement from the Postal Service that it was  
23 planning to eliminate six to five days, and for  
24 Congress to have made that kind of remarkable  
25 legislation.

1           THE WITNESS: Now that you remind me of  
2 that, there was -- I don't remember all the  
3 circumstances, but I believe the PMG had made some  
4 statements to do that, and ultimately I believe that  
5 is probably what resulted in the 1983 language, and so  
6 I apologize for that oversight.

7           CHAIRMAN GOLDWAY: Thank you. I just wanted  
8 to clarify that. All right. Well, if you are through  
9 with your cross-examination, then we will have our  
10 next participant on our list, the National Newspaper  
11 Association. Ms. Rush.

12                           CROSS-EXAMINATION

13                   BY MS. RUSH:

14           Q     Good morning, Madam Chairman, and  
15 Commissioners, and Mr. Pulcrano. I am Tonya Rush with  
16 National Newspaper Association. Good morning.

17           A     Good morning, Tonya.

18           Q     Fortunately, I believe that counsel for APWU  
19 and NALC have already asked some of the questions that  
20 I wanted to ask, and so maybe I can accelerate and  
21 just cover some of the things that you didn't hit on  
22 yet.

23                   On the question of the choice of days, when  
24 you came into the management of the five day team, on  
25 a scale of 1 to 10, how certain were you at the

1 formation of this team that Saturday would be the day?

2 A I would say about 99.9 percent.

3 Q Why was that?

4 A Based on other prior research, and  
5 conversations with our industry and customers. We  
6 already had an indication that they needed and wanted  
7 to have access to the Post Office on Saturdays, and so  
8 that's why we wanted to keep the Post Offices open,  
9 but also, we also knew that 30 percent of American  
10 businesses are closed on Saturday.

11 And from prior research, we knew that there  
12 is a difference in behavior, both in the mailing  
13 industry, and in the public's behavior Monday through  
14 Friday, versus a Saturday. And in the mailing  
15 industry, they tell us that Monday through Friday, we  
16 move and we process the mail, but even whether it is a  
17 large, small, or medium business, in most instances  
18 Saturday mail, they don't even really deal with it.

19 I agree that because the person who handles  
20 the mail, or handles their account receipts, doesn't  
21 work on Saturday, and so it flows into Monday. And  
22 the average public person, there is research that has  
23 been around for a number of years that shows that they  
24 have a fairly standard routine Monday through Friday.

25 And I do this myself, and when I walk into

1 the house, the first thing I do is go to the mailbox,  
2 and pick up the mailbox, and bring it into the house.  
3 I quickly sort it, that which I am going to pay  
4 attention to, and I recycle the mail that I am not  
5 going to keep, and then I act upon it at my  
6 convenience.

7 But on Saturdays, I may not even look at my  
8 mailbox. I may not even take the mail out of the box,  
9 and I am speaking on behalf of the research from the  
10 public. So it is not as important and it is not the  
11 same routine, because on Saturdays, I have got other  
12 things that I have to do -- take the kids to a soccer  
13 game, go shopping, do all my errands, et cetera.

14 Q A busy man.

15 A I am speaking on behalf of what the public  
16 told us, which is very similar to my life.

17 Q If you look on page 10 of your testimony,  
18 you have laid out many of the elements that you have  
19 just mentioned, and one of them is the potential  
20 disruption of starts and stops if there was a  
21 different day chosen than Monday.

22 And I understand that you are not the  
23 operational witness, but as the head of the team, what  
24 do you understand the costs of those starts and stops  
25 to be?

1           A     I don't recall if we ever calculated out the  
2     costs, but what we did look at was that there would be  
3     significant disruption during a Monday through Friday  
4     to our business and our customers because of the  
5     behaviors that I just spoke to.

6                     During Monday through Friday is the normal  
7     business week, and businesses very clearly told us  
8     that we can't afford any disruption. Whether you are  
9     a small business or a large business, you want to make  
10    sure that you are getting your receipts, and you can  
11    get them deposited, and this is important to their  
12    financial vitality, and as I said the average consumer  
13    has a routine.

14           Q     I was thinking more in terms with local  
15    services start and stop costs. There have been  
16    several references in testimony to the fact that there  
17    is a cost to stopping the operation, and shutting  
18    everything down, and starting up again. But just  
19    generally from a high level can you tell us what those  
20    are?

21           A     Well, interruption and disruption. To try  
22    to shut down a plant operation in the middle of the  
23    week, and then start it back up is very difficult.  
24    The volume that would accumulate, and potential delays  
25    in service standards, it really as we looked at it, it

1 really didn't make much sense.

2 That's why as you look more towards the  
3 weekend, it made more sense, because Sunday was  
4 already a non-delivery day, and Saturday is a  
5 different day in the life of businesses, and our  
6 consumers.

7 So it made more sense to have those two  
8 consecutive days based on all the input and research,  
9 and they seemed to support the day that they  
10 preferred.

11 Q I understand the consumer preference, and  
12 possibly the business mailer preference, but I am just  
13 trying to find out what it would really cost the  
14 Postal Service to shut down and start up again. Any  
15 idea about that?

16 A I can't tell you.

17 Q Did the team do an analysis of that?

18 A No, generally what we did is that once we  
19 arrived at what the operational concept was, then that  
20 is what we costed out what the potential savings were.  
21 We didn't spend a lot of time looking at alternatives,  
22 and costing them out.

23 Q But Monday would be an adjacent day to a  
24 non-deliver day would it not?

25 A Yes, but Mondays are a significant heavy day

1 and a busy day for business, American business.

2 Q And for the Postal Service?

3 A As well. It is one of our heavier days of  
4 the year.

5 Q And you say a 99 percent presumption. That  
6 is a pretty heavy presumption when your team went into  
7 the analysis of this. What would it have taken do you  
8 think to shake the team off of that 99 percent? Is  
9 there anything that you could have come across that  
10 would have made you think otherwise?

11 A No.

12 Q Were your minds closed to the possibility of  
13 another day?

14 A It was not closed, but when we looked at  
15 mail volumes, and mail flows, and processes,  
16 transportation, and all the things that occurred  
17 during a Monday through Friday, it still clearly led  
18 to that 99 percent.

19 It is not that we didn't discuss other days.  
20 We certainly did. But, no, we pretty much felt that  
21 Saturday was the day.

22 Q When you talk about the elements that you  
23 discussed on page 10, which you mentioned several  
24 times, some businesses are closed, and consumer habits  
25 are different, the start and stop elements, and

1 quantified, and then countervailing concerns.

2           There is obviously some businesses that want  
3 Saturday mail, and some consumers that want Saturday  
4 mail. You mentioned here in testimony here that there  
5 are some consumers that receive medicines on some  
6 Saturdays. So you have a weighting.

7           A     Yes.

8           Q     Of all the weightings, what element do you  
9 think weighed the heaviest in coming to the  
10 presumption at least?

11          A     Of what?

12          Q     Of deciding that Saturday was the non-  
13 delivery day.

14          A     I think it was a combination of elements as  
15 I mentioned throughout my testimony. It is the  
16 lightest day of the year, and generally the less work  
17 hours on a given delivery day. What we knew already  
18 from market research and what consumers and businesses  
19 had said about keeping Post Offices open on Saturdays,  
20 the fact that 30 percent of the businesses were  
21 closed.

22                I mean, it was all those factors that played  
23 into that decision that Saturday seemed to be the day.

24          Q     Counsel led you through a significant  
25 discussion of the meaning of iconic.

1           A     Yes.

2           Q     Is tradition a synonym for that?  Is that  
3 another for iconic?

4           A     I guess so.

5           Q     That you have always had mail delivery on  
6 Saturdays.  Do you think that it is traditional for  
7 the American public to assume from discussions in the  
8 media and the Postal Service, that if any delivery day  
9 goes away that it would be Saturday?  Is that also  
10 traditional?  Is that an expectation?

11          A     I think that is the day that very clearly  
12 everyone indicated that they could live with and could  
13 adjust to.  It had the least impact on their  
14 businesses or their personal lives.

15          Q     Do you have any understanding that the  
16 people or the businesses, the business mailers that  
17 you talked to, what end of the conversation, assuming  
18 there was a heavy presumption in favor of Saturdays?

19          A     Yes, we believe that most of the mailing  
20 industry expected it to be Saturday.

21          Q     So would it be fair to say that the  
22 conversation that occurred prior to the startup of  
23 your team, as well as the conversation during your  
24 deliberations, just started with an assumption that  
25 Saturday would be the non-delivery day of choice, and

1 you began there, and you ended there?

2 A Yes.

3 Q You have made reference here, and also in  
4 conversation with counsel here, that the needs of the  
5 small newspapers?

6 A Yes.

7 Q And I know that you were aware that there  
8 are a number of them who were very unhappy with this  
9 decision. You have heard from some of them have you  
10 not?

11 A I have heard from you.

12 Q You have heard from me. Have you heard from  
13 anyone else besides me?

14 A Yes, your attorney and some others.

15 Q What do you categorize as small?

16 A Localized, small volume, newspapers.

17 Q What would be a small volume? Give me a  
18 page cutoff?

19 A I don't know, because I am not familiar with  
20 what those volumes are, but they are not hundreds-of-  
21 millions of pieces. They are a couple of hundred  
22 pieces in a local community.

23 Q At what point in your team's analysis did  
24 you reach the conclusion that there would be a number  
25 of these mailers that were unhappy with this decision?

1 Did you walk into the study with that understanding,  
2 or is that something that you discovered along the  
3 way?

4 A Oh, no, we knew. We had already predicted  
5 by mail category, by mail customer, by class of mail,  
6 who would probably have some reaction to Saturday not  
7 being the day.

8 Q And is it your understanding that within  
9 that group there are only publishers, or do you  
10 believe that there may also be some mail recipients?

11 A Oh, the research indicates that there is  
12 some who would still prefer Saturday, but also  
13 understood that there were other alternatives, and  
14 that they could live with that, as opposed to some of  
15 the other things.

16 Q Some what, some publishers or some  
17 recipients?

18 A Recipients.

19 MS. RUSH: Recipients? Okay.

20 COMMISSIONER BLAIR: If I could interrupt  
21 you for a moment.

22 MS. RUSH: Of course, Commissioner Blair.

23 COMMISSIONER BLAIR: Mr. Pulcrano, when you  
24 say alternative, are you talking about days of the  
25 week, or alternatives to cutting one day of the week,

1 sir?

2 THE WITNESS: No, I'm sorry, sir. No, when  
3 we were doing the research, other alternatives were  
4 discussed, like closing post offices, a 10 percent  
5 rate increase. There were a variety of other  
6 alternatives is what I was referring to.

7 CHAIRMAN GOLDWAY: But not other days of the  
8 week?

9 THE WITNESS: Right. Now, the researchers  
10 can speak to that, but I think there were some  
11 conversations about other days of the week, but I  
12 would not be able to give you any specificity.

13 COMMISSIONER BLAIR: But when you say the  
14 alternatives to cutting a day of deliver, weren't you  
15 trying to close small post offices already? Aren't  
16 you trying to raise rates above and beyond inflation  
17 already? Aren't you already trying to implement those  
18 other alternatives as well?

19 THE WITNESS: Yes, and if you look at our  
20 March 2 plan, there is a seven points, and it includes  
21 all those different things, but it is a balanced plan.  
22 It has been selected very carefully, and I think the  
23 important point, Commissioner, is that there is no one  
24 solution within that plan.

25 You really do have to implement all of them.

1 The fact remains that the volumes that we have, and  
2 the volumes that are going to occur in the decline  
3 over the next 10 years, the change in that mail mix,  
4 and in that impact on our revenue, does no longer  
5 support the infrastructure that we currently have.

6 We really do need to address all of those  
7 things, and quite frankly any other normal business  
8 would have done this. If any other normal business  
9 was running the Postal Service now, they would  
10 probably close thousands of post offices, and provide  
11 alternative access.

12 COMMISSIONER BLAIR: I don't dispute your  
13 need to reduce your footprint to respond to declining  
14 demand, but those decisions don't rest with you. They  
15 rest with --

16 THE WITNESS: I fully agree.

17 COMMISSIONER BLAIR: Our recommendation  
18 comes from the Commission, and they rest with  
19 Congress, and you have a wide variety of stakeholders.  
20 So when you don't get a component of those seven  
21 points, what is your Plan B?

22 THE WITNESS: Well, we aggressively by  
23 putting together a 10 years operation plan that is  
24 being developed now, and we are looking at as you know  
25 in the research, there was basically a \$238 billion

1 potential gap in 2020.

2 A portion of that gap belonged to  
3 management, and by function operations, as identifying  
4 the activities that were going to take over the next 2  
5 to 3 years, over 5 years, and 10 years, to close that  
6 gap to make our commitment to achieving that point.

7 But as you know, there is another gap of  
8 still about \$115 billion that needs to be closed, and  
9 that is where we get into the legislative changes,  
10 such as closing facilities, and five day, that require  
11 Congressional approval.

12 COMMISSIONER BLAIR: And does that operation  
13 plan inform our decision as we move forward with this  
14 case that you mentioned with the process?

15 THE WITNESS: I would think it would to see  
16 how serious management is in doing and taking its role  
17 to achieve closing the gap in the things that we have  
18 direct control over.

19 COMMISSIONER BLAIR: So when do you think  
20 you will have that operations plan? Is it going to be  
21 proffered as part of this case?

22 THE WITNESS: I don't know. That is  
23 something that counsel can work through, but it is in  
24 development now.

25 COMMISSIONER BLAIR: All right. Thank you.

1                   COMMISSIONER LANGLEY: May I just ask a  
2 question? It would be interesting to know when that  
3 plan might be available.

4                   THE WITNESS: Okay.

5                   CHAIRMAN GOLDWAY: So, can we ask counsel to  
6 report to us on when that plan would be available?

7                   MR. TIDWELL: Yes, Madam Chairman, we will  
8 come back with a response in seven days.

9                   CHAIRMAN GOLDWAY: Thank you. Now, Ms.  
10 Rush, if you would like to continue. Thank you for  
11 your patience.

12                   BY MS. RUSH:

13                   Q I want to go back to the question about  
14 these small publishers. Did you or the team conduct  
15 any analysis as to how many newspapers might be  
16 affected in this way?

17                   A No.

18                   Q have you examined through postal data or  
19 consumer research how many newspapers in the mail  
20 stream has issues that are dated on Saturday?

21                   A It was certainly discussed, but  
22 Representative Whiteman probably would be better to  
23 get into any of the details of that type of stuff.

24                   Q At the top level though the discussions  
25 occurred?

1           A     Oh, absolutely.

2           Q     Did the team determine that it would be  
3 helpful to know that number?

4           A     I am lost at the moment coming up with a  
5 number.

6           Q     All right. The number of newspapers with  
7 Saturday issue dates.

8           A     I know that they have -- other witnesses  
9 have more knowledge about what that volume is and what  
10 those numbers would be.

11          Q     Okay. What about -- well, did the team ask  
12 itself whether it could determine how many newspapers  
13 might still be in the mail stream over a weekend that  
14 might have had, for example, a Thursday issue date, or  
15 a Friday issue date?

16                     That there might be some mail that is still  
17 working its way through to the recipient? Wasn't the  
18 Saturday newspaper issue or a Thursday issue that just  
19 hadn't been delivered yet, was that discussed in the  
20 team?

21          A     I don't recall. Certainly some of the  
22 subteams may have discussed that. There were multiple  
23 subgroups talking about various subjects, and then  
24 reporting back to the overall team. But I don't  
25 recall that discussion.

1 Q You have had several discussions here with  
2 counsel about the service standards.

3 A Yes.

4 Q The standards will not change, although the  
5 service obviously will change. Did you or do you  
6 agree with that, that the standards won't change, but  
7 the service will change?

8 A No. The service standards do not change.

9 Q Right.

10 A What changes is by just as we have now,  
11 there will be an additional non-delivery day on  
12 Saturday.

13 Q So the service itself will change, but not  
14 the standard?

15 A There will be the potential of a delay of  
16 one day. However, we believe that can be alleviated  
17 in most instances as I said by just changing when you  
18 enter the mail into the stream.

19 Q Understood. But of that praise, the service  
20 standards, the standards won't change, correct?

21 A Un-huh.

22 Q But the service itself will change?

23 A Yes.

24 Q Is that correct?

25 A Yes, there is no argument that there would

1 be a potential delay because of Saturday being a non-  
2 delivery day.

3 Q Did you or any member of the team in your  
4 knowledge examine the achievement of service standards  
5 for with in-county newspaper mail?

6 A Other witnesses could address that, Ma'am.

7 Q Are you aware if that came up for  
8 discussion within the team?

9 A I can tell you that there was exhaustive  
10 discussions about all these issues, but not  
11 necessarily in the larger group. They were often done  
12 in the smaller groups that were looking at specific  
13 individual issues that the mailing industry brought  
14 forward.

15 Q Is that one that was broken?

16 A You will have to speak to -- well,  
17 potentially Whiteman may be able to help you with  
18 that. He could probably give you some more access to  
19 that.

20 Q All right. Thank you. Have you had  
21 discussions with some publishers or with anyone from  
22 within the newspaper industry about whether it was  
23 possible for the publishers to change their own  
24 publication days from Saturday to other days?

25 A Oh, absolutely.

1 Q Can you describe those discussions?

2 A Yes. There was certainly a sensitivity on  
3 our part, and an understanding on our part that there  
4 are some localized newspapers who want and who want to  
5 maintain Saturday delivery. You know, whether it is  
6 baseball scores, or other things, that are important  
7 to those particular constituents.

8 So, yes, we had those discussions, and we  
9 understood those discussions, and tried to be as  
10 sensitive as we could.

11 Q And I think we can thank Chairman Goldway  
12 for making us sensitive to the importance of football  
13 scores. You are aware of the issue, but what I am  
14 asking is have you had any specific discussions with  
15 publishers, with mailing customers, about the  
16 possibility of shifting their publication base to a  
17 different day?

18 A Yes, that was always the conversation; that  
19 we understood the sensitivity, but in order to operate  
20 and identify the environment, you would have to shift  
21 because Saturday is the non-delivery day.

22 Q And in those conversations with those  
23 customers have you found newspapers and newspaper  
24 publishers specifically that have said, okay, we can  
25 shift to a Saturday, and we will publish on Friday

1       instead?

2               A     It would depend on the particular publisher.  
3       Some probably are more likely to be able to do that,  
4       but as we know, and as you know, there are members and  
5       constituents of the newspaper industry that still  
6       would like us to maintain delivery on Saturday.

7               Q     Hypothetically, publishers may be able to  
8       shift, but what I am asking you is whether you are  
9       aware of any conversations with publishers that you  
10      have had, or members of your team have had, about  
11      discussing the realistic possibility that those shifts  
12      could be made.  Have you actually done any analysis on  
13      that topic?

14              A     We have had so many conversations.  It  
15      certainly was discussed.  It was discussed on numerous  
16      occasions, both with individuals, as well as probably  
17      in some mailing groups, but I am not sure where you  
18      are going here.

19              Q     Well, I am just trying to find out if you  
20      have actually spoken with any publishers on this  
21      topic?

22              A     Yes.

23              Q     Or has anyone on your team spoken to a  
24      publisher on this topic?

25              A     Yes.

1 Q Part of your five day team --

2 A Yes.

3 Q -- have spoken with newspaper publishers on  
4 that topic?

5 A Yes. We have spoken with you.

6 Q You have spoken with me. I am not a  
7 publisher anymore, I am grateful to say.

8 A I know.

9 Q Okay. So there has been, it is save to say  
10 in summary, that there has been some direct  
11 conversation between members of your five day team and  
12 newspaper publishers that had Saturday issues to talk  
13 about what their options may be?

14 A Un-huh.

15 Q And where in any of the testimony might I  
16 look for summaries of that? Would it come out of the  
17 opinion research companies summaries, or can I talk  
18 with Witness Whiteman about that?

19 A No, if you go back to the five day study  
20 itself, there is some references in there on various  
21 members of the mailing industry that we spoke with,  
22 but with how specific it is to the point that you are  
23 making, I don't recall if there is anything in  
24 writing, but I can safely say that --

25 CHAIRMAN GOLDWAY: If I can interrupt for

1 just a second, but the telephone noise that I just  
2 heard reminded me that my staff has been asking me to  
3 ask the witnesses or the participants when they are  
4 near the microphone to turn off their blackberries,  
5 because that is creating some buzz in the webcast that  
6 we have.

7 So if any of you have your blackberries  
8 handy, turn them off for now. Thank you. Ms. Rush,  
9 please continue.

10 BY MS. RUSH:

11 Q Did the team ask Witness Elmore-Yaich to  
12 make a specific point of asking these questions of  
13 newspapers with Saturday issues?

14 A I would suggest that they are best to speak  
15 to what those conversations were in the 14 focus  
16 groups. I was not in those groups. I have a very  
17 high level understanding from the briefing out the  
18 outcome, but all the specifics of the discussions are  
19 best left to Mr. Whiteman.

20 Q So, Mr. Whiteman?

21 A Yes, or her.

22 Q Are you aware of any conversation with  
23 newspaper associations on this topic other than me --

24 A Yes.

25 Q -- as to mailers, and technical advisory

1 committees, or PCCs, postal customer councils? Have  
2 those conversations occurred?

3 A Yes.

4 Q Have they been in your view generally  
5 negative on the ideas of ending Saturday mail or what  
6 have you found?

7 A I think that the vast majority of the  
8 mailing industry has indicated that they understand  
9 their circumstances, and they are empathetic to the  
10 situation we are in, and recognize that it is  
11 important to their vitality, as well as ours, that we  
12 need to make an adjustment.

13 And that in all likelihood I think that  
14 everyone probably expects that there is a potential to  
15 going to five day. Clearly within the broad range of  
16 customers that we service. There are all these  
17 individuals, and I have been very clear here that in  
18 these small newspapers or one of those groups who  
19 really would prefer not to go to Saturday, and we  
20 understand that, and we are very sensitive to that  
21 fact.

22 Q And you are aware that some newspapers use  
23 their own carrier forces for delivering?

24 A Yes, I am.

25 Q Did your team have a discussion about the

1       likelihood that the ending of the Saturday mail  
2       delivery would create a need for more of those  
3       delivery forces to come into being?

4           A     Yes, it is something that we expected and  
5       anticipated before we even spoke to the industry about  
6       our proposal. We expected that to be a response that  
7       we would hear.

8           Q     So you expected the publishers to say, okay,  
9       fine, if you are not delivering my newspaper, I will  
10      deliver my own newspaper; is that a fair  
11      characterization?

12          A     It depends. Maybe not in all, but certainly  
13      we expected to hear it.

14          Q     Are you aware of the volume of increases  
15      with in-county newspaper mail within the past couple  
16      of years?

17          A     No, I'm not.

18          Q     If I said to you that this subclass product,  
19      I guess it is called now, is the only market dominant  
20      product that is actually seen steady growth in the  
21      past 3 to 5 years, would you find that a credible  
22      statement?

23          A     I wouldn't, no.

24          Q     Did your team look at that at all?

25          A     I don't have direct knowledge of what your

1 growth was.

2 Q Okay. So you were aware that you might get  
3 a response from some publishers that they would to  
4 private delivery if Saturday delivery from the Postal  
5 Service ended?

6 A Yes.

7 Q Is it fair to say that there was no real  
8 analysis of it, and that it was just an awareness that  
9 was an element outside of your radar that might be  
10 occurring or not?

11 A No, I think our market analysis shows where  
12 we expected to see some volume declines, and I believe  
13 small newspapers is included in that analysis.

14 Q Okay.

15 A Mr. Whiteman can give you more specifics on  
16 that analysis.

17 Q Did you discuss the possibility that a new  
18 private carrier force might entice some other mail out  
19 of the mail stream besides those periodicals  
20 themselves?

21 A Yes.

22 Q And an analysis of that, is that included in  
23 your analysis?

24 A Yes, some periodical mailers have told us  
25 that they may go to alternative delivery as well.

1 Q Do you consider newspapers periodicals?

2 A No.

3 Q In analyzing the response that you expected,  
4 and it sounds like that you actually did receive from  
5 newspaper publishers, was there an element of  
6 discussion within the team that this was a mail  
7 product that was "underwater"?

8 A I don't recall. It would have been  
9 irrelevant whether it was under water or not in our  
10 analysis.

11 Q Do you believe that the Postal Service makes  
12 a profit delivering newspaper mail?

13 A There are other folks who can speak to that  
14 better than I.

15 Q What is your understanding of it?

16 A I am assuming that we do, but I do not have  
17 that expertise.

18 Q I am going to dwell for just a moment on the  
19 questions that counsel for NALC asked you about rural  
20 areas. You have made a point in your testimony in  
21 several places that this is kind of an equal  
22 opportunity law.

23 The Postal Services is looking at recipients  
24 of mail in urban areas, and rural areas, and public  
25 housing, and everyone alike, and that they all will

1       lose the same service, to the extent that they lose  
2       it, and to the extent that they can be compensated for  
3       it by greater post office openings or what have you  
4       that will be done. Is that correct?

5                You are trying to address this issue to the  
6       point of near equality at least?

7                A       Yes, certainly in our market research, some  
8       of our customers indicated that they thought it would  
9       be helpful if we did away with Saturday delivery, and  
10       that maybe in certain locations that we might want to  
11       stay open a little later on a Thursday, for example,  
12       to give some access.

13               Q       Are you aware of the field hearings that the  
14       Commission has been holding in this docket?

15               A       Yes, I know that they have them.

16               Q       Have you reviewed any of the comments or the  
17       testimony from witnesses in that hearing about the  
18       potential disparate impact on rural mailers and mail  
19       recipients because of greater distances from post  
20       offices, for example, or lesser access to broadband  
21       and alternative information sources?

22               A       Yes, and I don't need to know what was said  
23       at the hearings. I am well aware of the differences  
24       in the rural communities and urban communities. It  
25       was certainly discussed by our team and the impacts by

1       our team.

2           Q     Did the team discuss the possibility that  
3       the different needs of rural areas might justify  
4       having a different solution in some way for the rural  
5       recipients of mail than for the urban recipients that  
6       have easier access to post offices, for example?

7           A     No. I think that you have to look at the  
8       difference in a rural community versus an urban  
9       community, in the sense that people make a decision  
10      that they want to live in a rural community, and by  
11      making that decision, you automatically know that you  
12      may have less access to the grocery store, and less  
13      access to the gas station, et cetera.

14                So it is a conscious decision that you make.  
15      In fact, in some rural areas, you probably know that  
16      if your house catches fire that the firemen are not  
17      going to be there in time to save you. So you are  
18      making a conscious effort, and you automatically know  
19      that you don't have that access.

20                I, for example, lived in a rural area many  
21      years ago for a short period, and I knew that I had to  
22      make sure on the way home from work that I had to stop  
23      and get my milk, because I didn't want to have to  
24      leave the house just to go get milk, because there was  
25      nothing close to me where I lived at then at that

1 particular time.

2 So that is a conscious decision that people  
3 make, and they recognize and understand that.

4 Q So if I am a fourth generation member of a  
5 family farm that lives in a rural area, that's too bad  
6 for me?

7 A No, it's not too bad. It is something that  
8 you know and understand as part of your lifestyle.

9 Q So if I want those services, I should move?

10 A No, it is something that you have already  
11 accepted by the mere fact that you are living in a  
12 rural area.

13 Q Okay.

14 A It is not limited to just mail.

15 COMMISSIONER LANGLEY: May I ask a question?  
16 Does this include people who live in Alaska and  
17 Hawaii?

18 THE WITNESS: I'm not sure what you mean,  
19 Commissioner Langley.

20 COMMISSIONER LANGLEY: You're telling us  
21 that it is a conscious decision to live in a rural  
22 area, so that somebody who is a fifth generation  
23 farmer, or somebody who wishes to preserve his or her  
24 family heritage by continuing a particular occupation,  
25 in that same vain, somebody who would live in Hawaii

1 or Alaska?

2 THE WITNESS: I don't see that living in  
3 Hawaii or Alaska as a rural area. There are rural and  
4 urban areas that are in all 50 States, but there are  
5 certainly more rural areas, that's a fact.

6 COMMISSIONER LANGLEY: So would you put  
7 those in the same category?

8 THE WITNESS: In the sense of, yeah, if they  
9 are living in Hawaii, versus living in one of the  
10 urban areas of Hawaii, they have made a decision to  
11 live in the rural area, yes.

12 COMMISSIONER LANGLEY: Okay. Thank you.

13 BY MS. RUSH:

14 Q You've discussed with counsel here and you  
15 have said in your testimony that express mail will  
16 continue to be delivered seven days a week, and it  
17 will be collected six days a week; is that correct?

18 A That's correct.

19 Q Did I understand you to say earlier today  
20 that any carrier component of the Postal Service can  
21 deliver express mail?

22 A No, that there is no specific class  
23 distinction as to who can deliver express mail.

24 Q It doesn't need to be the rural letter  
25 carriers or the urban letter carriers?

1           A     Correct, and that exists in today's  
2     environment. Five day has nothing to do with that.

3           Q     And what is the plan for the delivery of  
4     express mail? Which category of carrier will be  
5     delivering express mail?

6           A     Well, there is no requirement for any  
7     category. Just as we do today, lots of express mail  
8     is delivered on a weekend by folks out of a plant. So  
9     it is a local fact determination on how they deliver  
10    the express mail based on the needs of their community  
11    and the volumes that they receive.

12          Q     So is it conceivable at least that express  
13    mail delivery in lower Manhattan could be carried out  
14    by a rural letter carrier if that local facility  
15    determines that that is the right way to do it?

16          A     In that particular instance the answer would  
17    be probably no.

18          Q     Okay. Well, what about downtown Kansas  
19    City?

20          A     The same thing, probably no. That would not  
21    be person that you would most likely use.

22          Q     Why not?

23          A     You would use the most efficient and  
24    effective person based on the geographic locale, and  
25    where the volume was to deliver that mail. Now, that

1 is not to say that letter carriers won't be delivering  
2 express mail. There may be locations in the country  
3 where the volume is enough to send a carrier out.

4 Q So it is not necessarily going to be a  
5 letter carrier, but any source that delivers express  
6 mail. It can be anyone?

7 A That's available.

8 Q It could be a supervisor?

9 A Yes.

10 Q Could it be a Postmaster General?

11 A Yes, it could be.

12 Q Could it be you?

13 A Yes.

14 Q So it could be anyone? Okay. So --

15 A Not likely, but --

16 Q So you are not planning to do that?

17 CHAIRMAN GOLDWAY: So that means on  
18 Saturdays in rural areas where there are no rural  
19 letter carriers going out to deliver that the plant  
20 supervisor, or the postmaster himself, or herself,  
21 will be driving an express letter out to a hundred  
22 miles away, or wherever it goes?

23 THE WITNESS: No, that's not an assumption  
24 that you could make. It would be determined by the  
25 local management operations who they would use. But

1 if there is no one there -- you know, if you are in a  
2 small post office, and there is no one there, and you  
3 have got one substitute, then you would make a  
4 decision on how you would handle it, but those are few  
5 and far between.

6 That is the exception. That is not the  
7 norm. If you look at our express mail volume, that is  
8 not where most of the express mail is going.

9 CHAIRMAN GOLDWAY: Yes, but we have an  
10 obligation to provide it everywhere.

11 THE WITNESS: And we have said that we will  
12 deliver it. So we are offtrack about who delivers it.  
13 The issue is that it gets delivered timely and meet  
14 our service standards.

15 CHAIRMAN GOLDWAY: And at what cost?

16 THE WITNESS: But that exists today as well.  
17 Today's environment doesn't affect that question.

18 CHAIRMAN GOLDWAY: I'm sorry to interrupt.

19 BY MS. RUSH:

20 Q And who exactly makes that decision then?  
21 Who decides what category of person carries that  
22 express mail package out?

23 A Well, that would be made at the local level  
24 by the management in that facility.

25 Q A postmaster?

1           A     Yes, it could be a postmaster. It could be  
2 a plant manager.

3           Q     It could be a plant manager? Okay. The  
4 reason that I am asking you this is that I am curious  
5 to know whether the team considered the possibility  
6 that there might be another carrier besides the usual  
7 carriers that would provide the delivery of that  
8 Saturday newspaper? Did you discuss that?

9           A     Certainly.

10          Q     And tell me about that discussion?

11          A     Well, we certainly discussed it, and these  
12 aren't new concepts, that it would be ideal if you had  
13 some type of universal employee or craft employee that  
14 could perform multiple tasks across multiple  
15 functions.

16                   This is hardly anything new to conversations  
17 with the unions that are sitting here in the room  
18 today. This has been going on for years.

19          Q     So is the determination of that, is the end-  
20 point of that question a labor question essentially?

21          A     Yes.

22          Q     It is?

23          A     It is a labor negotiations question.

24          Q     So it is a question of whether the Postal  
25 Service would be able to get any of its employee

1 unions to agree to provide that sort of service; is  
2 that what you are saying?

3 A No, we already have an agreement as far as  
4 express mail is concerned, but what we talked about  
5 was that in the future, in this current environment,  
6 we need a more flexible workforce, and ideally a  
7 flexible workforce may be able to do more than one  
8 particular craft function.

9 Q So if someone said to you -- and let's say  
10 from a component of the newspaper industry, for  
11 example, like our organization -- look, we have some  
12 newspapers that can't get into the home in any other  
13 way, and would you please look within your resources,  
14 look within, and find us a solution to this.

15 Are you telling me that the answer to that  
16 question is essentially a labor management question?

17 A No, I think the answer to that question  
18 would be the cost of providing that service, and  
19 whether the product would cover that cost.

20 Q So it is a pricing question?

21 A Certainly.

22 Q And did the team discuss that?

23 A Certainly.

24 Q How specifically did the team discuss it?

25 A It was discussed, but the concept was that

1 it would be probably fairly expensive. There is a big  
2 differential price between a piece of express mail and  
3 what we charge a newspaper for a local delivery.

4 Q So the team's conclusion about this would  
5 have been that maybe there is no other price that  
6 could be charged except for the express mail price,  
7 and the publishers would not pay that? Is that a fair  
8 characterization of the deliberations?

9 A That it would be very costly, yes.

10 Q The cost of express mail; would that be the  
11 cost?

12 A The cost of delivering any other mail  
13 isolated in an area where there is no density of  
14 product would be very costly.

15 Q Is the answer that letter carriers might be  
16 used for that product?

17 A No.

18 Q It doesn't? There is no difference in cost  
19 between --

20 A There is a difference in their work.

21 Q -- using a city letter carrier and a rural  
22 area carrier?

23 A There are differences in the work hours, but  
24 I would suggest that those differences aren't great  
25 enough to make a decision on which of them would

1 deliver, for example, your newspaper on a Saturday.

2 Q Are you saying that there is no material  
3 difference in the costs for a rural letter carrier to  
4 deliver a newspaper and a city letter carrier?

5 A No, there is a differential.

6 Q And can you give us a rank? Is a rural  
7 carrier 60 percent of the cost, or 40 percent, or do  
8 you know?

9 A I don't have that information off the top of  
10 my head.

11 Q But there is some differential?

12 A Yes, there is differential in that category,  
13 but it is still an expensive work hour.

14 Q The Postal Service provides delivery in some  
15 cases by executing contracts with carriers that are  
16 not postal employees does it not?

17 A Yes.

18 Q And do you have any idea what percentage of  
19 the mail stream gets to the recipient that way?

20 A I don't know the percentage. I know that  
21 there is a number of those routes. I think it is  
22 somewhere in the five thousand across the Nation  
23 category.

24 Q And they tend to be rural routes?

25 A Yes, they tend to be rural routes.

1 Q Did those, if you know, do those carriers  
2 deliver the mail from their private vehicles?

3 A Yes.

4 Q They don't use postal trucks, or vans, or  
5 anything?

6 A They are private contractors.

7 Q And they use the mailbox?

8 A Yes.

9 Q Do you consider them not to be postal  
10 employees?

11 A No, they are postal employees in that  
12 regard. They are contract postal employees.

13 Q But they are people that the Postal Service  
14 contracts with privately?

15 A Yes.

16 Q You don't pay benefits for them or any of  
17 those kinds of things?

18 A I am not familiar with how those contracts  
19 are set up.

20 MS. RUSH: Okay. Madam Chairman, I have no  
21 more questions.

22 CHAIRMAN GOLDWAY: Thank you, Ms. Rush. It  
23 is time to gauge some of the schedule for the rest of  
24 the morning. We often take a break of 10 or 15  
25 minutes. We have the public representative who wants

1 to ask questions. I am sure that the Commissioners  
2 will have questions to ask of you. I have to take my  
3 own break from 12:15 to 12:45.

4 So should we take a break now, or should we  
5 go ahead until 12:15 when we can all take a long  
6 break, and then perhaps resume. How much testimony do  
7 you have? What do you anticipate?

8 MS. GALLAGHER: Thank you, Madam Chairman.  
9 Our list has been shortened, and so we have three  
10 remaining areas, and they are relatively short and  
11 mostly in the nature of clarification. I think we  
12 could finish up within 5 to 10 minutes.

13 CHAIRMAN GOLDWAY: Oh, well, then I think we  
14 should proceed with you if that is okay.

15 MR. ANDERSON: Madam Chairman?

16 CHAIRMAN GOLDWAY: I assume there will be  
17 further cross-examination as well.

18 MR. ANDERSON: Darryl Anderson for the NPW.  
19 Several of the questions that have been asked, and the  
20 answers that have been provided, and particularly by  
21 questions by the Commissioners, have caused me to  
22 request the opportunity to conduct further cross-  
23 examination.

24 CHAIRMAN GOLDWAY: My gut feeling is that we  
25 are going to have to go after lunch with this

1 testimony as well, and so I am trying to figure out  
2 how to do it, but if the public representative can  
3 proceed with her questions right away, let's do those,  
4 and see how far we get before we recess.

5 MR. ANDERSON: I only have two areas of  
6 inquiry, and so the additional cross that I would  
7 request would be quite brief.

8 CHAIRMAN GOLDWAY: Okay. But you will want  
9 to hear what we have to say before you do that.

10 MR. ANDERSON: Certainly.

11 CHAIRMAN GOLDWAY: Okay.

12 MS. GALLAGHER: Patricia Gallagher for the  
13 public representative team, and with me today are  
14 Kenneth Moeller and Lawrence Fenster.

15 THE WITNESS: Good morning.

16 MS. GALLAGHER: Good morning.

17 CROSS-EXAMINATION

18 BY MS. GALLAGHER:

19 Q I may not have heard it clearly, or you may  
20 not have been specific, but this relates to your  
21 testimony regarding the medicines in the mail.

22 A Un-huh.

23 Q And you mentioned a position that a pharmacy  
24 group has taken?

25 A Un-huh.

1 Q As in the postal field, there are a number  
2 of those groups?

3 A Oh, yeah.

4 Q Did you say which -- I bring this up to  
5 clarify which group you were talking about?

6 A It was one of the pharmaceutical  
7 associations. It was in the newspaper in the past  
8 couple of days. They came up public and made that  
9 statement.

10 Q Yes, I agree. I just wanted to know if you  
11 had the name for the record, and can provide that for  
12 the record?

13 A We can obtain it. I don't have it with me  
14 or off the top of my head.

15 Q But it was nor or you don't believe it was  
16 the Pharmaceutical Care Management Association?

17 A I don't recall.

18 Q Okay. And would you accept for the record  
19 that the Pharmaceutical Care Management Association  
20 has intervened in this proceeding?

21 A I am not aware. I don't know.

22 Q Okay. But subject to checking, you would  
23 accept that? Is that a yes?

24 A Yes, certainly if they intervened.

25 Q Well, it just wasn't clear for the

1 transcript. Thank you. Then I would move on to your  
2 response to APEU, USPST1-6.

3 A Yes.

4 Q Are you there?

5 A Yes.

6 Q Listed in Part A, where there is a  
7 discussion of local decision as to parcel delivery  
8 during the holiday season, and then the treatment for  
9 letters.

10 A Yes.

11 Q Am I correct that this would be a local  
12 decision, depending on volume, if parcels will be  
13 delivered those several Saturdays?

14 A Yes, based upon the volume and the day of  
15 the week that Christmas falls, yes.

16 Q And that gets me to the volume. Is the  
17 volume a national question or will that be again a  
18 local decision as to volume? Will there be any  
19 national guidance on what volume covers?

20 A There will be national guidance, and it  
21 really won't depend all that much on volume quite  
22 frankly. Our position is that depending on the day  
23 that the holiday falls, and based on the feedback that  
24 we got from the postal industry and consumers, that  
25 anything that looks like a gift, we will try to

1 deliver it and ensure that we got it into the home  
2 timely by Christmas.

3 So, as necessary, the two or three  
4 Saturdays, depending on the volume, and that is what I  
5 mean by the volume, we would make sure that we did  
6 that as a commitment that we made.

7 Q All right. So that amplifies or clarifies  
8 that portion. Then as for letters to Santa, and  
9 Christmas greeting cards to people, you are saying  
10 that absolutely won't -- that you will not deliver  
11 those cards or letters?

12 A Not on a Saturday, but the expectation would  
13 be, since we would educate the public as part of our  
14 rollout plan, they would know that they would have to  
15 mail it so it would be delivered in time Monday  
16 through Friday. We believe that is a fairly simple  
17 adjustment.

18 Q Okay. But you don't think there is any  
19 potential for confusion or disappointment with that  
20 parcels, yes; letters, no?

21 A No, we will ensure in our communication plan  
22 that that is how it will be. We also will be working  
23 with mailers as part of that communication plan,  
24 because some them have asked, depending on their  
25 product, that we help them communicate the change.

1           Q     Thank you.  Then the question -- and if you  
2     would turn to page 16 of your testimony.  This was  
3     gone over a little bit because of your concern for --  
4     well, the tail end of Part C, and this is some of the  
5     processing that is going to occur.  Actually, let me  
6     correct myself.  It is at page 15, going over to 16.

7           A     Okay.

8           Q     And the Chairman discussed all this, but am  
9     I correct that processing will occur for the  
10    qualifying business mail, but up to the point of the  
11    door of the plant, and it will not go out the door?  
12    It will stay in the plant or location?

13          A     Yes, it will be processed on Monday.

14          Q     It will be processed on Monday?

15          A     Yes.  If it is originating mail that is  
16    dropped off in the plant on Saturday or Sunday, it  
17    would be processed on Monday.

18          Q     Okay.  But the mail that you will process  
19    over the weekend?

20          A     Destination mail.

21          Q     Right.  But that will also stay in the  
22    plant?  It is not going out the door?

23          A     Correct, in the sense that the next delivery  
24    day would be on Monday.

25          Q     The next delivery day for that group also is

1 Monday?

2 A Right.

3 Q But there is this that is ahead of it that  
4 made it through the process, too, now?

5 A Right.

6 MS. GALLAGHER: Okay. Thank you. That's  
7 all that we have. Thank you.

8 CHAIRMAN GOLDWAY: Okay. Would the  
9 Commissioners like to take a five minute break, and  
10 then it will be our opportunity to ask some questions,  
11 and then when we are done, then we will have the other  
12 participants have an opportunity for cross-  
13 examination, and re-cross. So we will take a 10  
14 minute break, and return at 11:40. So a 12 minute  
15 break, but return promptly, please. Thank you.

16 (Whereupon, at 11:29 a.m., the hearing was  
17 recessed in the above-entitled matter.)

18 CHAIRMAN GOLDWAY: I want to welcome those  
19 people who came in after I made my early welcome when  
20 we called the meeting to order at 9, and to say how  
21 pleased I am to have such a wide cross section of the  
22 mailing community here participating because these are  
23 important discussions. And we're back now, the  
24 Petitioners' right to cross-examine has completed  
25 their first phase, and now it is up to the

1 Commissioners to begin to ask the Witness questions.

2           And I will take the Chair's prerogative to  
3 at least begin with a couple of questions before I  
4 yield to my fellow Commissioners and then maybe add  
5 some later. I thought it was a very interesting  
6 discussion you had about why you focused on Saturday  
7 delivery, and your initial statement in your testimony  
8 and that's repeated was that volume is lower on  
9 Saturday. But in fact when we looked at volume it  
10 turns out that for first class mail volume is highest  
11 on Monday and the second highest day of the week for  
12 first class mail is Saturday.

13           And when we look at parcels, parcels have  
14 their largest day of delivery on Saturday, 50 percent  
15 more volume on Saturday than other days. So what  
16 we're talking about is the averaging, which is  
17 standard mail, which is lower on Saturday. You were  
18 talking about the fact that first class mail is your  
19 money making mail. Did you when you were considering  
20 the fact that there were an average lower volume on  
21 Saturday did you break it out into the particular  
22 volumes that are delivered on Saturday to consider  
23 whether your key competitive volumes or high margin  
24 volumes were going to be impacted more than others?

25           THE WITNESS: Yeah, in my testimony I was

1 referring to overall volumes being lower on Saturday.  
2 We did look at various components of that volume, but  
3 also within that very clearly is, I had also testified  
4 to, is that many of those particular categories can be  
5 easily adjusted by entering them into the mail stream  
6 to be delivered Monday through Friday, and we believe  
7 that many businesses as well as consumers will adjust  
8 and change their behavior.

9 CHAIRMAN GOLDWAY: : So you didn't think  
10 about if the mail that the Postal Service makes its  
11 most money on is first class mail and that the mail  
12 product that has the most potential for growth is  
13 parcel mail, and that mail is already delivered on  
14 Saturday and we're told by the remittance mailers that  
15 it's really important because people write their  
16 checks on Saturday and want to deliver them into the  
17 mail, and we're told by parcel shippers that it's  
18 really important to get those packages to people's  
19 homes on Saturday when they're home, you didn't think  
20 about the impact on the desirability of enhancing  
21 those particular aspects of the mail on Saturday and  
22 that those particular products would be hurt more?

23 THE WITNESS: No. It really doesn't make  
24 any difference, Commissioner. The fact is regardless  
25 of what day you picked, that mail is going to shift.

1 And if Saturday that mail is going to shift people's  
2 behaviors are going to shift.

3 CHAIRMAN GOLDWAY: Right, but since people  
4 want --

5 THE WITNESS: Just like we anticipate less  
6 mail will be dropped in blue boxes on a Saturday once  
7 the public understands that that mail's not going to  
8 be delivered.

9 CHAIRMAN GOLDWAY: But if the --

10 THE WITNESS: Saturday mail is going to  
11 shift.

12 CHAIRMAN GOLDWAY: Are you aware of the  
13 opinion research polls that were done in conjunction  
14 with the universal service obligation studies that  
15 showed that young people prefer Saturday mail more  
16 than others?

17 THE WITNESS: Only at a very high level.

18 CHAIRMAN GOLDWAY: I'm just trying to think  
19 of whether in those discussions there was any  
20 strategic focus on the particular products in Saturday  
21 mail that would be impacted. And you're saying that -  
22 -

23 THE WITNESS: No, it really makes no  
24 difference --

25 CHAIRMAN GOLDWAY: You wouldn't consider

1 that at all.

2 THE WITNESS: Because people adjust their  
3 behavior.

4 CHAIRMAN GOLDWAY: Okay.

5 THE WITNESS: So the package industry will  
6 adjust their behavior to get it into the household by  
7 Friday, for example.

8 CHAIRMAN GOLDWAY: But if people aren't home  
9 on Friday and they want it on Saturday and that's why  
10 it's attractive, they're just going to have to adjust  
11 to it.

12 THE WITNESS: Well, getting it on a Friday  
13 is a day earlier than Saturday, Commissioner.

14 CHAIRMAN GOLDWAY: If they're not home it  
15 doesn't.

16 THE WITNESS: But it's their normal five-day  
17 behavior pattern on Monday through Friday, as we said  
18 they pick up their mail, they're looking for their  
19 mail Monday through Friday. Saturday is a day that's  
20 not as important based on the research.

21 CHAIRMAN GOLDWAY: According to -- did you  
22 actually do studies about people's attitudes towards  
23 Saturday mail?

24 THE WITNESS: I would defer all of the  
25 details of how those conversations in those focus

1 groups and that research to Elmore-Yalch or Mr.  
2 Whiteman.

3 CHAIRMAN GOLDWAY: Okay. And I'll just ask  
4 one more question. Are you aware of the general  
5 question that was asked as part of the focus group?  
6 We have it here, to MTAC for instance, the nature of  
7 the question?

8 THE WITNESS: Are you talking about the MTAC  
9 survey that they did?

10 CHAIRMAN GOLDWAY: Yes.

11 THE WITNESS: Yes. I don't recall all of  
12 it, but yeah I was aware of it.

13 CHAIRMAN GOLDWAY: "To accomplish this the  
14 Postal Service is developing a plan to transition from  
15 six to five-day delivery on a national basis. This  
16 will remove delivery costs and help bring the  
17 financial picture into better balance. The  
18 alternative would be large price increases." So the  
19 survey was giving people the option of one or the  
20 other.

21 THE WITNESS: But the industry helped us put  
22 that survey together, they were partners in  
23 determining how that question was asked.

24 CHAIRMAN GOLDWAY: The members of the MTAC  
25 committee?

1 THE WITNESS: Yes. That's my understanding.  
2 Mr. Kearney would be better able --

3 CHAIRMAN GOLDWAY: Was the MTAC committee  
4 aware of the fact that you were also contemplating an  
5 exigency rate request?

6 THE WITNESS: I don't believe any of us at  
7 the time were aware that that was a possibility. At  
8 least I wasn't at my level.

9 CHAIRMAN GOLDWAY: So at the time that you  
10 were preparing these studies then, you did think there  
11 was an alternative, this would be instead of a rate  
12 increase?

13 THE WITNESS: Well, Commissioner, I think  
14 the discussion of a potential rate increase exists,  
15 but that was not part of that decision making process  
16 at the time that particular survey was developed.  
17 That survey was developed as a partnership with MTAC.  
18 Mr. Kearney can certainly testify to that since he  
19 helped manage and he distributed that survey. I think  
20 the important thing about that survey is it came back  
21 that two thirds of the mailing industry, if I recall  
22 the data, said that they could live with, make the  
23 adjustment, which comports with the private surveys  
24 that were done.

25 CHAIRMAN GOLDWAY: But in the context of

1 saying the alternative would be large price increases.

2 THE WITNESS: You --

3 CHAIRMAN GOLDWAY: You know, the survey  
4 relates to the --

5 THE WITNESS: I understand, but they were  
6 complicit in designing that survey.

7 CHAIRMAN GOLDWAY: The circumstances at the  
8 time perhaps rather than the circumstances now.

9 THE WITNESS: Right.

10 CHAIRMAN GOLDWAY: Because we've seen some  
11 different opinions from the mailing community now, and  
12 you may have seen them as a result of the hearings  
13 we've held.

14 THE WITNESS: I don't think, there has been  
15 very little difference in opinions. Those that had  
16 their opinions then and have them now I think has been  
17 fairly consistent where there's been issues.

18 CHAIRMAN GOLDWAY: The Major Mailers  
19 Association, when you met with them they were  
20 resistant to Saturday mail as they are now?

21 THE WITNESS: I'm not sure that's a correct  
22 characterization based on --

23 CHAIRMAN GOLDWAY: Their testimony was that  
24 they are opposing Saturday delivery, or the reduction  
25 of Saturday delivery. That's not what your

1 conversations with them was?

2 THE WITNESS: Not by any means by any of  
3 those members. Most indicated that they understood  
4 and could live with and accept, and their own survey  
5 shows that.

6 CHAIRMAN GOLDWAY: Their testimony, speaking  
7 for the Association, was that they are opposing it.  
8 So that's why I'm pointing out there's a difference in  
9 context perhaps between discussions you had almost a  
10 year ago and what we're having to make a decision  
11 about now in this context. You're not aware of --

12 THE WITNESS: Understood, I'm not aware of -  
13 -

14 CHAIRMAN GOLDWAY: The testimony that was  
15 provided to us at these hearings?

16 THE WITNESS: I'm not aware of it, no, not  
17 of that particular testimony.

18 CHAIRMAN GOLDWAY: I see. Okay, I will  
19 yield now to, who wants to speak? Dan, former  
20 Chairman.

21 COMMISSIONER BLAIR: Thank you, Chairman  
22 Goldway. Mr. Pulcrano, you said something that  
23 frankly bothers me, and maybe it needs a  
24 clarification. You said people will adjust their  
25 behavior. And I don't dispute that, but that sounds a

1 little high handed coming from a government monopoly.  
2 And I don't see businesses who face competition  
3 saying, our customers are going to adjust. They say,  
4 we'll adjust to our customers. Can you kind of  
5 clarify and bring some, help me better understand that  
6 statement?

7 THE WITNESS: Absolutely. If you look at  
8 the original concept that we proposed for five-day for  
9 example, back in March of 2009 to MTAC and the  
10 industry, originally we weren't going to deliver,  
11 process any originating or destinating mail  
12 whatsoever, we weren't going to accept any mail on a  
13 Saturday or a Sunday, it's in that proposal. The fact  
14 that we adjusted to them is the fact that we went back  
15 and based on their inputs and supported by the market  
16 research where they spoke to us and told us where they  
17 would prefer us to make adjustments, we did in fact  
18 make adjustments to the plan.

19 And quite frankly the feedback was they were  
20 pleased that we listened to them, granted you can't  
21 adjust and fix absolutely every single fact  
22 circumstances that people have, but over the broad  
23 picture we put back in the acceptance of mail, we put  
24 back in the processing of destinating mail throughout  
25 the weekend. So we did adjust our behavior from our

1 original proposal.

2           And I'm not by any means, don't  
3 misunderstand me, being high handed in the sense that  
4 people will adjust their behavior. I'm speaking that  
5 that's what mailers and consumers told us, both face  
6 to face in public meetings and private meetings, and  
7 private conversations on the phone and telecons, and  
8 in our market research, that they would adjust their  
9 behavior. So all I'm doing is reiterating a factual  
10 statement there.

11           COMMISSIONER BLAIR: Well I think it is  
12 important that you respond to key customers in trying  
13 to make the plan work better. But I'd go back to my  
14 original statement that I wouldn't see a Wal-Mart  
15 saying, we're going to close on Sunday and our  
16 customers will adjust. They'll adjust all right,  
17 they'll go to K-Mart, they'll go to Target, they'll go  
18 to other places. And there are many critics of this  
19 plan who say that what the Postal Service is doing is  
20 engaging in a self fulfilling prophecy by adding to  
21 this downward spiral.

22           And so that's why I'm concerned over  
23 statements as, customers will adjust. The other thing  
24 I wanted to briefly discuss a little bit more were the  
25 alternatives that had come up. And when I originally

1 was looking at that question, I wanted, it seems to me  
2 that this is among the most visible alternatives,  
3 shutting down Saturday, cutting off Saturday delivery  
4 to me is one of the most visible choices the Postal  
5 Service could have made.

6 Closing post offices, and you mentioned that  
7 earlier in talking about the alternatives, is again to  
8 me one of the most visible choices the Postal Service  
9 could do. Along with raising rates, you said 10  
10 percent as an alternative, again one of the most  
11 visible choices. What are the things that you're  
12 doing internally that may not impact upon, that the  
13 organization would have to do that doesn't seem to  
14 place pain at the doorstep of customers?

15 THE WITNESS: I think we already have a very  
16 credible and commendable record in that regard. From  
17 2000 to 2008 we took out every single year \$1 billion  
18 in cost. In '08 in the beginning of the recession we  
19 doubled that and took out \$2 billion in costs. At '09  
20 at the peak of the recession we took out \$6 billion in  
21 costs. We're developing a ten years operations plan  
22 to close the gap that was identified by the private  
23 consultants in their analysis. So I think we're doing  
24 everything that we can internally to try to reduce  
25 costs, to reduce the impact of any potential price

1 increases, and at the same time maintain, you know,  
2 affordable universal service. If anything we should  
3 be commended because we took out \$6 billion in costs  
4 last year and increased the service of our products  
5 pretty much across the board. I'm sure you're aware  
6 of that.

7 COMMISSIONER BLAIR: I am aware of the cost  
8 cutting results that you had talked about. It just  
9 concerns me that when I hear, customers will adjust,  
10 and that we're doing among the most visible aspects  
11 affecting customer service that there wasn't more done  
12 or if more couldn't have been done to look at more on  
13 the internal side. So with that I'll yield to my  
14 other colleagues.

15 CHAIRMAN GOLDWAY: Commissioner Acton?

16 COMMISSIONER ACTON: Thank you, Madam  
17 Chairman. I want to thank the Witness for his  
18 testimony today. I have a couple of questions please.  
19 You are offering cost saving estimates I think of  
20 around \$3.2 billion, isn't that right?

21 THE WITNESS: \$3.1 is the more recent  
22 figure, yeah.

23 COMMISSIONER ACTON: How long do you think  
24 it may be before the Service begins realizing those  
25 cost savings?

1           THE WITNESS: Well we're actually in the  
2 process of developing implementation plan so that'll  
3 be part of that analysis. Clearly we have  
4 requirements and our collective bargaining agreements  
5 that we have to comply with, and we're going to look  
6 at what those impacts were and what the time frame it  
7 may take for us to do that, so it's something we're in  
8 the process of working on.

9           COMMISSIONER ACTON: Once you have those  
10 numbers do you anticipate they'll continue annually?

11          THE WITNESS: You know, off the top of my  
12 head I would suggest, Commissioner, that if we were  
13 able to implement this in the middle of 2011, clearly  
14 by 2012 -- and I say this, you know, with caution  
15 without having any real analysis -- that you'd be able  
16 to capture the portion of it. Because in this  
17 particular instance what you're really basically doing  
18 is picking a date and you're flipping the switch in  
19 which you're changing and reassigning employees, and,  
20 you know, it's going to take a few months for that  
21 cycle to roll out and capture that.

22          COMMISSIONER ACTON: Let's talk a bit about  
23 service standards. The Service, the Postal Service,  
24 worked pretty hard in developing these service  
25 performance standards, it was a very cooperative

1 effort with the mailers. And I'm wondering, that was  
2 all done in light of the fact that they were  
3 anticipating six-day delivery. Your proposal of  
4 course changes the ballfield a bit. And I'm wondering  
5 if you're reformulating those service performance  
6 standards or if you're just saying that Saturday  
7 doesn't count any longer.

8 THE WITNESS: I would suggest that Mr. Day  
9 would be the best person to discuss that with.

10 COMMISSIONER ACTON: The proposal's a pretty  
11 fundamental change in your business model, and a  
12 private sector enterprise may pursue market test or  
13 pilot projects. Has there been any thought about the  
14 Service taking that course?

15 THE WITNESS: Absolutely. It's something  
16 the team looked at and examined. And in fact I recall  
17 we received an inquiry from the White House that we  
18 responded to, that the Postmaster General responded  
19 to. The fact is you really can't conduct a pilot, and  
20 let me just walk through without being too exhaustive  
21 all the reasons. First, what would be a  
22 representative sample of the country? What community  
23 would be a representative sample of community? How  
24 large would it be? Would you do a state, would you do  
25 an area?

1           And then there would be a very extensive  
2 communication effort to try to explain to the people  
3 in that group that you're not getting Saturday  
4 delivery in this pilot. And then the corresponding  
5 communication effort to the mailing industry, because  
6 they would have to start pouring out and separating  
7 that mail for that particular area of the country and  
8 making changes. The other area that would affect all  
9 of us, both the mailing industry and us, is you're  
10 probably not going to invest millions of dollars, like  
11 us we would have to invest several millions of dollars  
12 to reprogram systems to make payroll or anything  
13 within that pilot.

14           So you would have to make all kinds of  
15 manual adjustments which are extremely costly for  
16 literally tens of thousands of employees in the  
17 payroll system. You're probably not going to spend a  
18 whole lot of money wanting to make adjustments to IT  
19 systems. You would have to go into your mail  
20 processing plants in those particular locations and  
21 manually reprogram the machines because they're not,  
22 the schemes and stuff would have to be changed.

23           CHAIRMAN GOLDWAY: But it seems to me that  
24 if you did some of those things on a local basis then  
25 you would learn so much that you would save a great

1 deal on whatever other reprogramming --

2 THE WITNESS: That's what I'm speaking  
3 about, you will not save any money in a pilot on any  
4 basis, you will probably cost you.

5 CHAIRMAN GOLDWAY: No you wouldn't save  
6 money on the pilot, but you'd save money on the  
7 subsequent implementation.

8 THE WITNESS: I'm not sure you said --

9 COMMISSIONER ACTON: Well --

10 THE WITNESS: Let me finish though.

11 COMMISSIONER ACTON: Please.

12 THE WITNESS: Because there's some  
13 significant components here. We also have collective  
14 bargaining agreements and we have employees that, you  
15 know, get paid five days a week and have bid  
16 assignments that cover certain days of the week. You  
17 have another, you know, the group that's affected by  
18 the five-day is what we call the T6 that covers, you  
19 know, the off day of five regular routes. So there's  
20 approximately 25,000 of them.

21 Those employees in a pilot you technically  
22 wouldn't need, you'd have to find some other  
23 productive work for them in their craft. Absent that,  
24 you probably would put them on standby because there  
25 would be no work. So you'd be paying the work hours

1 of the savings that wouldn't occur in a five-day  
2 environment. And with the rural carriers we have  
3 actually a clause in Article 8.7 that says if you're  
4 going to make a change to the days of delivery you  
5 need to sit down and negotiate for 90 days. So even  
6 to run a pilot we would have some obligations in doing  
7 that.

8 From our analysis, we looked at that, the  
9 team looked at that, we thought that might be  
10 something that would be amenable, but as we delved  
11 into it we realized that it would be extremely  
12 difficult to do, the communication, many in the  
13 mailing industry would be probably very reluctant to  
14 have to change their mail sortation procedures, may  
15 not do that for the pilot, there would be all kinds of  
16 complication. It's certainly something, Commissioner,  
17 that we looked at, and as I said we did respond in a  
18 memo to the White House on that very inquiry, which  
19 probably gives even more detail than I'm providing to  
20 you.

21 COMMISSIONER ACTON: Well it's good to know  
22 that you folks have examined the possibility. It's  
23 just there are a lot of speculations about what the  
24 consequences of this proposal would be, and some sort  
25 of a market testing or pilot project might provide

1 some real empiricals on knowing in a more certain  
2 fashion what the outcome could be.

3 THE WITNESS: If we thought we could do it,  
4 we would have probably proposed it up front.

5 COMMISSIONER ACTON: Okay. I have a couple  
6 of clarifications on some issues that came up during  
7 the context of the field hearings please. I think  
8 you've been talking a bit today about the express mail  
9 delivery on Saturdays and how that would be involved  
10 with this proposal. And I had an exchange in Rapid  
11 City at one of our field hearings with a  
12 representative from the rural carrier group, and just  
13 so that you know the background here, he stated that  
14 rural customers will not be able to receive an express  
15 mail package on Saturdays if Saturday carrier delivery  
16 was stopped.

17 I made the point that I believed that the  
18 Postal Service's proposal would still provide for  
19 express mail delivery. And his response after the  
20 hearing's conclusion was that in large post offices  
21 that would be true, but in many if not most smaller  
22 post offices there would be no one to deliver express  
23 mail as is currently the case on Sundays. So can you  
24 talk a bit about to that, give some clarity? You  
25 talked about it earlier today but I'm still not sure I

1 understand what will happen in the rural locales when  
2 express mail is sent.

3 THE WITNESS: It will be a local operation  
4 decision; they will figure out how to do it. It  
5 exists today and we have some of those circumstances  
6 today, and you would work through it.

7 COMMISSIONER ACTON: Okay, but I believe you  
8 indicated earlier that that is a problem in only a  
9 small percentage of the deliveries?

10 THE WITNESS: Yes. Yeah, that's certainly  
11 not where the vast volume of our express mail is going  
12 is into the very remote rural areas.

13 CHAIRMAN GOLDWAY: What percentage of  
14 express mail is not delivered on Sundays now?

15 THE WITNESS: I could not respond to that,  
16 you'll have to speak to one of the other witnesses  
17 that have that expertise, possibly Mr. Whiteman.

18 CHAIRMAN GOLDWAY: All right, so let's make  
19 a note that we want to get information about what's  
20 currently not delivered on Sunday --

21 THE WITNESS: Right.

22 CHAIRMAN GOLDWAY: And we would have to  
23 assume that that portion would no longer be delivered  
24 on a Saturday and would there be any other mail,  
25 express mail that's not delivered on Saturday.

1                   COMMISSIONER ACTON: I have one last  
2 question, Madam Chairman. It's very helpful to hear  
3 your clarification, but having some numbers attached  
4 to it would be more clear.

5                   THE WITNESS: I fully understand, but  
6 there's other subject matter experts that deal with  
7 this as part of their normal jobs where I don't, sir.

8                   COMMISSIONER ACTON: Okay. How about the  
9 memorandum that you prepared for the White House and  
10 answered to their request about the market test, is  
11 that something you can share with the regulators?

12                   THE WITNESS: Oh yeah, absolutely, our  
13 lawyer can provide that to you.

14                   COMMISSIONER ACTON: Thank you. And my last  
15 question involves some exchange you had with the  
16 Public Rep with respect to Saturday processing and how  
17 cost savings would be captured there. I think that  
18 the vast majority of the savings, efficiencies, that  
19 you're estimating are in delivery costs, not in  
20 processing, is that right?

21                   THE WITNESS: Correct. Yeah, if you look at  
22 the \$3.1 and you segregated that out, roughly about  
23 \$2.8 billion roughly, in that range, is solely city  
24 and letter carrier savings. Most of the savings is in  
25 stopping the delivery on the day of Saturday.

1 COMMISSIONER ACTON: Okay.

2 THE WITNESS: While the remainder is part of  
3 processing, transportation, maintenance, and other  
4 categories.

5 COMMISSIONER ACTON: I think your website  
6 promotes it as being about a \$200 million annual cost,  
7 the processing savings.

8 THE WITNESS: Yeah, if you break it out  
9 probably --

10 COMMISSIONER ACTON: In your frequently  
11 asked questions.

12 THE WITNESS: Right, yes.

13 COMMISSIONER ACTON: I'm just wanting to be  
14 responsive to some issues that came up in the field  
15 hearing in Chicago from RO Donnelly.

16 THE WITNESS: Okay.

17 COMMISSIONER ACTON: Where they are  
18 concerned about what's going to be happening in  
19 processing facilities on Saturday. And I think you  
20 addressed some of that with counsel Gallagher from the  
21 Public Representative's Office. And I think I'm a  
22 little clear on it, but can you reiterate for the  
23 record exactly what the differentials will be under  
24 the Postal Service proposal for current processing  
25 versus what you would do under the new arrangements?

1 THE WITNESS: I'm not sure where you're --

2 COMMISSIONER ACTON: Well for instance  
3 earlier I think you said that certain mail,  
4 destination mail I believe --

5 THE WITNESS: Right.

6 COMMISSIONER ACTON: That arrived at the  
7 facility on Saturday would be processed in preparation  
8 for Monday morning.

9 THE WITNESS: Oh, okay, all right. Sorry, I  
10 didn't know where you were going. Yes, as I said  
11 originating mail we will still accept it just as we do  
12 today, but originating mail would be moved to Monday  
13 for processing except for that feature that we created  
14 for the mailing industry of local turnaround mail.  
15 But destinating mail is dropped off for delivery in  
16 that destinating delivery unit already presorted for  
17 that particular geographic area so we would continue  
18 to process that just as we do today.

19 CHAIRMAN GOLDWAY: But it wouldn't be  
20 delivered on, you would process it at the delivery  
21 unit, but you wouldn't deliver it on Saturday, it  
22 would still be held until Monday.

23 THE WITNESS: It would be delivered on  
24 Monday, but it would be there to be delivered on  
25 Monday as opposed to being processed on Monday.

1           CHAIRMAN GOLDWAY: So you would do part of  
2 the process, that's what the Public Rep said.

3           THE WITNESS: Right.

4           CHAIRMAN GOLDWAY: But not the whole  
5 process.

6           THE WITNESS: Right.

7           CHAIRMAN GOLDWAY: Because RO Donnelly was  
8 very concerned that there still would be delays.

9           THE WITNESS: Yeah, well we certainly met  
10 with RO Donnelly several times and with their staff  
11 and their plant manager and talked through some of  
12 these issues with them.

13           COMMISSIONER ACTON: Okay, well it was a  
14 sensitive point for us because RO Donnelly's  
15 understanding was that the Postal Service's  
16 representation on some of the differences between the  
17 Commission's estimates on cost savings with respect to  
18 this proposal and your own is due to discrepancies in  
19 costs related to processing. So hearing what actually  
20 you're planning is helpful.

21           THE WITNESS: Right.

22           COMMISSIONER ACTON: So the Saturday mail  
23 that's brought in will be forwarded in the queue?

24           THE WITNESS: Uh-huh.

25           COMMISSIONER ACTON: Okay, thanks very much.

1 CHAIRMAN GOLDWAY: Commissioner Hammond?

2 VICE CHAIRMAN HAMMOND: Thank you, Madam  
3 Chairman. And thank you for being here today, Mr.  
4 Pulcrano. Your testimony is always confident and  
5 articulate and I appreciate that. But still I had a  
6 couple of clarification questions, if I thought I  
7 heard right or wrong from counsel's questions earlier.  
8 I thought I heard you say in response to a question  
9 Ms. Rush asked that newspapers are not periodicals, is  
10 that correct?

11 THE WITNESS: Yes.

12 VICE CHAIRMAN HAMMOND: Newspapers are not  
13 periodicals?

14 THE WITNESS: Well I'm not, you know, the  
15 expert. To me periodicals are magazines, newspapers  
16 are newspaper.

17 VICE CHAIRMAN HAMMOND: Okay. I thought I  
18 also heard you say in response to Ms. Rush that you  
19 thought the U.S. Postal Service made a profit from  
20 periodicals?

21 THE WITNESS: Yeah but I don't know, I  
22 really don't know, sir. I just said that, I was  
23 taking her on her face value that she was telling me  
24 something that was factually correct, and I think I  
25 made that clear.

1                   VICE CHAIRMAN HAMMOND: Oh, okay, so you  
2 don't know whether the U.S. Postal Service makes a  
3 profit from periodicals or not?

4                   THE WITNESS: No. I think I also referred  
5 that she should, that that should go to someone else.

6                   VICE CHAIRMAN HAMMOND: Okay, all right.  
7 Those were my clarification questions. I did wonder  
8 also, now you headed up the team that essentially did  
9 the work on the study of this six to five is where you  
10 were considering all of the other things and it's been  
11 discussed here today and many times is that what the  
12 U.S. Postal Service has to do to survive and prosper  
13 in this world and all, and one of those things  
14 mentioned is possible post office closings. What I  
15 was wondering was, does the U.S. Postal Service have a  
16 list of post offices that they would like to close?

17                   THE WITNESS: I don't have such a list, sir,  
18 and there would be other people that if there's any  
19 contemplation that that would be appropriate  
20 questioning from them.

21                   VICE CHAIRMAN HAMMOND: So you don't know of  
22 a list?

23                   THE WITNESS: No.

24                   VICE CHAIRMAN HAMMOND: That they might, so  
25 they may or they may not have?

1 THE WITNESS: Correct.

2 VICE CHAIRMAN HAMMOND: Do you know who we  
3 might ask at the U.S. Postal Service as to whether the  
4 Postal Service has a list of post offices that they  
5 would like to close?

6 THE WITNESS: Yeah, one of the next  
7 witnesses manages that particular operation, Mr.  
8 Granholm, he may have some more enlightenment in that  
9 area.

10 VICE CHAIRMAN HAMMOND: So we could ask Mr.  
11 Granholm on that?

12 THE WITNESS: Yes.

13 VICE CHAIRMAN HAMMOND: Okay, good. There  
14 was this issue, I know Mr. Anderson, Ms. Rush, and  
15 maybe all of them brought up a little bit this issue  
16 of the postal monopoly. And I guess we're talking  
17 about the mailbox monopoly, right, right now. And we  
18 received testimony from people during our field  
19 hearings and it had people say that essentially  
20 they're interested if the Postal Service goes from six  
21 to five-day delivery that they will start up a private  
22 delivery service as a possible alternative for  
23 delivery on Saturday and everything, and they have  
24 told us that they want access to that mailbox.

25 And when questioned about to them should

1 they get exclusive access, no they're willing to make  
2 it open to competitors of theirs too. But essentially  
3 in your considerations, did you all discuss giving up  
4 your monopoly if you're not going to deliver the mail  
5 on Saturday, that enterprising private businesses  
6 should be allowed access to the mailbox, for that day  
7 only possibly?

8 THE WITNESS: It was discussed in the  
9 context that we expected just as I testified earlier,  
10 we anticipated what various members of the mailing  
11 community would say in response to our proposal, and  
12 one of them was that we expected them to come forward  
13 and say, would you give up. So it was discussed in  
14 that context, yes.

15 VICE CHAIRMAN HAMMOND: And but you all do  
16 remain opposed to others having access to that?

17 THE WITNESS: Yes. And as I testified, I'm  
18 not a lawyer but based on the briefings that I've  
19 received, you know, that requires Congressional  
20 action, there's actual, you know, criminal statutes  
21 right now, all of that would have to be changed.

22 VICE CHAIRMAN HAMMOND: Yes, I'm not a  
23 lawyer either but that is my understanding also. But  
24 of course it's going to require Congressional action  
25 to change six to five too, right?

1 THE WITNESS: Right.

2 VICE CHAIRMAN HAMMOND: So they could change  
3 that at the very same time I guess.

4 THE WITNESS: Understood, sir.

5 VICE CHAIRMAN HAMMOND: Right, yes, okay.  
6 And I have been one who has supported the monopoly  
7 because of the extra burden the Postal Service bears  
8 to provide universal service, so anyway. Nonetheless,  
9 did you discuss during that monopoly time if the  
10 Postal Service, which as I understand it that mailbox  
11 in front of my door is actually the U.S. Postal  
12 Service's even if I bought it, it's the U.S. Postal  
13 Service's, which is why you've got the monopoly there  
14 and you're the only one that can stick stuff in it and  
15 all and essentially control it, did you consider the  
16 possibility of say if these private delivery services  
17 want to rent Saturday access that you might make some  
18 money off of that?

19 THE WITNESS: It was more talked in the  
20 context that they would put postage on their products,  
21 because that's what accesses the mailbox right now  
22 under the statute is that it has postage on it. So in  
23 that context it was discussed, but, you know, we never  
24 seriously discussed that we would want to give up our  
25 monopoly.

1           VICE CHAIRMAN HAMMOND: Okay. Good, that's  
2 good to know. I know we're hitting toward that magic  
3 time.

4           CHAIRMAN GOLDWAY: We are.

5           VICE CHAIRMAN HAMMOND: So I will make just  
6 one more comment, I know that you said that you didn't  
7 need to read any of the field transcripts from the  
8 hearings, but we've personally learned a lot as we've  
9 gone around the whole country and I think that anyone  
10 connected with this issue can learn a lot from looking  
11 at those transcripts. So I would suggest, I know  
12 you're very busy, but if you have time to at least  
13 glance at them.

14          THE WITNESS: Yeah, I didn't suggest that I  
15 didn't need, I just said that I haven't done that.

16          VICE CHAIRMAN HAMMOND: Oh, okay, all right.  
17 Thank you, thank you, Madam Chairman.

18          CHAIRMAN GOLDWAY: Thank you. The  
19 Commissioners have graciously conceded to my  
20 particular scheduling needs. I need to adjourn the  
21 meeting for the moment and we'll have a lunch break  
22 now and come back at 1:15 for the continuation of the  
23 examination of the Witness. Thank you for your  
24 participation and for your accommodation of my  
25 schedule, and we'll be back at 1:15.

1                   (Whereupon, the hearing in the above-  
2   entitled matter was recessed, to reconvene at 1:15  
3   p.m., the same day.)  
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1 outreach to the customers to talk about a pilot, it  
2 was more something that was internalized within our  
3 group for discussion.

4 COMMISSIONER LANGLEY: Did any of the major  
5 mailers, commercial mailers, business mailers, discuss  
6 or bring up to you the possibility of doing?

7 THE WITNESS: Not that I recall.

8 COMMISSIONER LANGLEY: So nobody did that.

9 THE WITNESS: It was really something that  
10 came up more in the recent months about this  
11 possibility of conducting a pilot, more towards the  
12 end of the proposal as opposed to any other time.

13 COMMISSIONER LANGLEY: And did the Postal  
14 Service give consideration to maybe just select  
15 Saturdays, you know, very similar to Representative  
16 Shabots's proposal?

17 THE WITNESS: Yes, it was actually Senator  
18 Shabots's proposal that kind of brought it back to us  
19 to think about and then ultimately it was followed up  
20 with the memo that I mentioned. But that's even more  
21 difficult, to try to shut down an operation on twelve  
22 select Saturdays, and the next witness Dean Granholm  
23 is much more versed to explain the difficulties in  
24 just the delivery side of the house to do that on a  
25 given Saturday, much less the communication to the

1 customers that this Saturday you're not getting mail  
2 of the month but the next Saturdays you are, and all  
3 the complexities with the mailing industry as well.

4 COMMISSIONER LANGLEY: Okay, that does sound  
5 understandable from your point of view. Let me give  
6 you a hypothetical. Say Congress does allow the  
7 Postal Service to eliminate a day of delivery and it's  
8 Saturday, but again hypothetically it doesn't go as  
9 well as the Postal Service expected, either there are  
10 significant operational glitches, the cost savings are  
11 not worth the volume being lost. Has the Postal  
12 Service looked into how difficult and how expensive it  
13 might be to reverse such a decision or is a decision  
14 to go to five-day irreversible?

15 THE WITNESS: I'm --

16 COMMISSIONER LANGLEY: In the minds of the  
17 Postal Service, not --

18 THE WITNESS: It's a hypothetical?

19 COMMISSIONER LANGLEY: Yes, it's totally a  
20 hypoth --

21 THE WITNESS: Because nothing's irreversible  
22 in a hypothetical.

23 COMMISSIONER LANGLEY: I'm not an attorney  
24 so I can ask these I think.

25 THE WITNESS: But, you know, we think that,

1 you know, we've been planning for a year to build a  
2 concept that we think is very viable and that we've  
3 got a good handle on how to operate that. We're  
4 looking at implementation and how that would achieve.  
5 The nice thing about this at the moment is, you know,  
6 we've had a year to go through a lot of input and back  
7 and forth with our stakeholders and build the concept,  
8 and I think most people are coming to understand the  
9 concept to a great extent. And we've got still, even  
10 in today's terms, in all likelihood we would have even  
11 if Congress gave us permission say in January, we  
12 still have another year to plan implementation and  
13 communication plans and everything.

14 So we are very confident that we can  
15 implement this. We know and understand that we're  
16 going to have to have conversations with our unions  
17 and maybe they'll work with us, we have negotiations  
18 coming up, maybe there's some opportunity there to  
19 come up with some ways to even expedite this process.  
20 But it's, you know, our proposal is to implement it  
21 and that we would go forward, and we're comfortable  
22 that we're in a position that we've got a good plan to  
23 do that and we'll build the implementation and  
24 communication plans out.

25 COMMISSIONER LANGLEY: Now in response to

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1 Congressional questions, the Postmaster General said  
2 that if the Postal Service received relief on the  
3 retiree health benefits fund that certain things might  
4 not happen. Is, you know, the elimination of Saturday  
5 delivery I believe was that topic of discussion. So  
6 how is that all figuring into the movement forward to  
7 cut a day of delivery?

8 THE WITNESS: Well we're still going to  
9 continue planning because at the moment there's no  
10 money in the coffer. If in the event something should  
11 happen that might provide us some relief, I think the  
12 PMG said it more recently that at best it might delay  
13 it two or three years. I would suggest that five-day  
14 is inevitable, it's just a matter of when we're going  
15 to implement it.

16 Because the long term aspects of the volume  
17 and where the use of the Postal Service is going, more  
18 and more mail is going to be continue to be converted  
19 to electronic means, whether it's first class mail,  
20 magazines, newspapers, et cetera are all going that  
21 route. So we're going to have to make a change. We  
22 already in our current environment can't support the  
23 infrastructure that we have, volume continues to  
24 decline, it's just when are we going to be able to do  
25 it.

1                   COMMISSIONER LANGLEY: Thank you. And I  
2 would assume that that ten-year transformational view  
3 that the Postal Service is undertaking right now might  
4 take all of that into account and discuss this more  
5 fully?

6                   THE WITNESS: Yes.

7                   COMMISSIONER LANGLEY: Okay. And I would be  
8 remiss not to ask a question about Hawaii, Alaska, and  
9 other areas including rural areas on the contiguous  
10 United States. I know that the Postal Service is  
11 certainly placing a great deal of reliance and  
12 considerable reference to the market research that it  
13 did related to cutting a day of service. Were postal  
14 patrons in say Hawaii and Alaska queried any  
15 differently than patrons elsewhere?

16                   THE WITNESS: Ma'am, I'm not aware that that  
17 occurred, but witness Whiteman or Ms. Yalch would be  
18 probably more appropriate to answer that.

19                   COMMISSIONER LANGLEY: They would be the  
20 better --

21                   THE WITNESS: But I don't recall that type  
22 of distinctions.

23                   COMMISSIONER LANGLEY: I mean given that  
24 Hawaii and Alaska already have different service  
25 performance measurements, you know, taking away say

1 Saturday is certainly going to impact them differently  
2 than it will taking, you know, a day of processing out  
3 of California.

4 THE WITNESS: Yeah, I fully understand that.  
5 I had a friend who lived in Alaska for twelve years  
6 and I fully understand the difference in life up there  
7 compared to down here or if you're in the remote  
8 areas.

9 COMMISSIONER LANGLEY: Right, if you're in a  
10 remote area that definitely makes a difference. And  
11 those witnesses would be able to break down, you know,  
12 the number of folks from Hawaii and Alaska that were  
13 actually surveyed?

14 THE WITNESS: My recollection is that they  
15 probably didn't discuss that with anyone specifically  
16 from that state, but I couldn't speak to that for  
17 sure, I don't know.

18 COMMISSIONER LANGLEY: All right, I will --

19 THE WITNESS: They may have made -- part of  
20 some of their other research was phone calls, there  
21 may have been business people in those states. I  
22 can't respond to that, I'm sorry.

23 COMMISSIONER LANGLEY: Okay, well I look  
24 forward to talking to them about that then. Thank you  
25 very much. Thank you, Madam Chairman.

1                   CHAIRMAN GOLDWAY: Thank you. I have just a  
2 couple of more questions. On a specific level, if the  
3 customers who want to feel that their mail is being  
4 taken care of in some way or another or feel an  
5 obligation to use the post office on Saturday because  
6 they don't have the mail carrier to whom they can  
7 purchase stamps for instance if it's a rural carrier,  
8 I think one would anticipate that there might be  
9 greater use of the post offices on Saturday. Have you  
10 considered that in your calculations? Are you adding  
11 staff to the post offices on Saturday?

12                   THE WITNESS: We believe we've left enough  
13 staff to handle that potential volume, where we see  
14 potential increases is more post office boxes  
15 potentially being rented. Just as we do today, you  
16 know, we're always looking at that opportunity and  
17 making changes where changes are needed. But the  
18 folks that are in that organization, Tim Heeley's  
19 organization, we've consulted with them and they're  
20 prepared to make adjustments in post office boxes et  
21 cetera. But we believe we left enough work hours in  
22 there to handle.

23                   CHAIRMAN GOLDWAY: So again these are kind  
24 of catchall work hours, they're just thrown back in  
25 but they're not allocated to any particular area?

1           THE WITNESS: Well they're allocated to  
2           specific functions within each of those operations.  
3           So the subject matter experts who know what work goes  
4           in there made distinctions and determinations of what  
5           hours they think they needed to cover things.

6           CHAIRMAN GOLDWAY: So there are some hours  
7           allocated for additional express mail delivery for  
8           instance?

9           THE WITNESS: Yes.

10          CHAIRMAN GOLDWAY: And they are broken out?  
11          Because I haven't --

12          THE WITNESS: They're not necessarily broken  
13          out, it's just that they weren't, enough work hours  
14          are left in to account for that.

15          CHAIRMAN GOLDWAY: Well how did that happen?  
16          Did every one of the different units give you a  
17          certain number of work hours to put in the pool or did  
18          you just have a number and you said, here's a number  
19          and you'll be able to take some hours out of that  
20          pool? How did you come up with a pool?

21          THE WITNESS: The delivery, the subject  
22          matter delivery experts looked at what's the volume of  
23          express mail delivered on a Saturday and left the work  
24          hours in there to ensure they could continue  
25          delivering it plus some potential buffer because we

1 did expect a slight bump potentially in express mail.  
2 That's my understanding.

3 CHAIRMAN GOLDWAY: So when you were removing  
4 hours to calculate the number of hours you were saving  
5 you didn't take as many out in the express area?

6 THE WITNESS: Correct, we left hours in to  
7 cover the express mail that's already in the system.

8 CHAIRMAN GOLDWAY: Now with post offices  
9 however you didn't have any to leave in because you  
10 weren't taking any out?

11 THE WITNESS: Not necessarily so. Even  
12 there, there's a certain amount of work hours that  
13 those subject matter experts know that they left hours  
14 in to cover those operations that they expect to  
15 continue.

16 CHAIRMAN GOLDWAY: So they added in and then  
17 you have a certain number of post offices --

18 THE WITNESS: No, we just simply didn't take  
19 out. We left hours in in our calculation.

20 CHAIRMAN GOLDWAY: So there is a potential  
21 that there may be more hours that need to be added  
22 into post offices because people be using them more  
23 frequently on Saturdays? Or --

24 THE WITNESS: If the volume rose  
25 significantly beyond our expectations.

1           CHAIRMAN GOLDWAY: And didn't you suggest  
2 possibly keeping post offices open on Thursday evening  
3 or was that just something a suggestion that had been  
4 made to you and you're not taking up that suggestion?  
5 You made some comment about that.

6           THE WITNESS: Yes, that was a suggestion  
7 made in the market research from some of the customers  
8 that maybe staying open a little later on another  
9 night, Thursday seemed to be the evening they  
10 preferred because it wasn't --

11          CHAIRMAN GOLDWAY: But you're not planning  
12 to do that?

13          THE WITNESS: Not necessarily. If the  
14 demand warranted it we would like, just as we do  
15 today, we're constantly evaluating our postal office  
16 operations and we make adjustments to available work  
17 hours. There are some locations where they have later  
18 hours already, some adjust their start times. So we  
19 do that as a matter of normal course of business  
20 anyway. So if that demand warranted it then we would  
21 make those adjustments as necessary in those  
22 respective locations where the demands required some  
23 additional work hours.

24          CHAIRMAN GOLDWAY: So there is some  
25 recognition that there's a potential for increased

1 labor with regard to manning post office boxes?

2 THE WITNESS: Yes.

3 CHAIRMAN GOLDWAY: And perhaps with  
4 providing package services on Saturday?

5 THE WITNESS: Right, yes.

6 CHAIRMAN GOLDWAY: But there is no addition  
7 of those hours into the proposal to balance any  
8 savings there might be, you're just assuming that in  
9 ongoing operations you'll make adjustments and you'll  
10 take them from one place and move them to another in a  
11 way?

12 THE WITNESS: The way we felt was we left  
13 any hours, we didn't take out more hours than we  
14 thought we needed. We left in the hours that we  
15 thought would cover the operations that would still  
16 remain in a five-day environment with some of the  
17 anticipation of some other slight changes.

18 CHAIRMAN GOLDWAY: If additional workforce  
19 were needed, who makes the operational changes?

20 THE WITNESS: Well those would be local  
21 changes made based, just as we do today, at the local  
22 postmaster at a facility level and certainly with the  
23 input from the district as well. But that goes on  
24 every day right now where adjustments are made to  
25 availability of work hours in post offices. Mr.

1 Granholm can speak to that from personal experience.

2 CHAIRMAN GOLDWAY: So when I was having to  
3 go to six different post offices over the 4th of July  
4 weekend to mail something at an APC because all the  
5 APC collection boxes were full, there is somebody who  
6 was, should have been in charge of making sure the  
7 demand to use the APC collection boxes were met?

8 THE WITNESS: I'm sure there was --

9 CHAIRMAN GOLDWAY: But they were all full.

10 THE WITNESS: But I also am sure that there  
11 was communications out by the postmasters to those  
12 communities that they were closing early or they were  
13 adjusting their hours because that's the normal course  
14 of business.

15 CHAIRMAN GOLDWAY: Thank you. And then one  
16 other just general question which is, if you see that  
17 it's inevitable to go from six to five, do you see  
18 it's inevitable go to four?

19 THE WITNESS: Not necessarily. That's  
20 something that may have to be examined at some future  
21 date, but there's no plans or thought processes right  
22 now of doing that. We're focused on moving to a five-  
23 day environment.

24 CHAIRMAN GOLDWAY: Do you see volume  
25 leveling?

1 THE WITNESS: According to the information  
2 from BCD, and Gil Corbett can speak more accurately  
3 about it, but if you look at that predictions of  
4 roughly being around 150 billion pieces in 2020, that  
5 seems to be the watermark that we're working off of  
6 now. And 150 billion pieces, let's not lose sight of  
7 this, we're still a very large organization. They're  
8 one of the largest employers in the country.

9 CHAIRMAN GOLDWAY: Okay, well that completes  
10 my questions. Anything else from the bench?

11 (No response.)

12 CHAIRMAN GOLDWAY: Now we have the  
13 opportunity for the participants to follow up with  
14 additional cross-examination based on the discussion  
15 we had here this morning. And we'll begin with the  
16 APWU.

17 MR. ANDERSON: Thank you, Madam Chairman.

18 CHAIRMAN GOLDWAY: And would you identify  
19 yourself for the record?

20 MR. ANDERSON: I'm Darryl Anderson, counsel  
21 for the American Postal Workers Union, AFLCIO.

22 CROSS-EXAMINATION

23 BY MR. ANDERSON:

24 Q Mr. Pulcrano, I thought that you and I had  
25 an understanding about the scope of what you

1 considered, but then that wasn't after Mr. Blair's  
2 first questions this morning I wasn't sure about it  
3 anymore. You talked about the range of activities  
4 that the Postal Service is engaged in to try to meet  
5 their financial needs, and you and I discussed the  
6 fact that your activity was focused just on the five-  
7 day delivery aspect of that. But then in response to  
8 the question from Commissioner Blair you made  
9 reference to a \$238 billion gap, and so I gather that  
10 the \$238 billion gap was a premise of your activity,  
11 is that a fair statement? In other words the premise  
12 is but for your, that you were a part of closing a  
13 \$238 billion gap?

14 A No, actually the five-day effort was long  
15 before that analysis and that March 2nd plan being  
16 announced. It fit nicely into it as they developed  
17 that plan.

18 Q And what fit nicely into what?

19 A The five-day.

20 Q Fit nicely into?

21 A Yeah, when we started five-day the March 2nd  
22 plan was not being contemplated or developed at the  
23 time. I was tasked with starting five-day. And yes I  
24 speak in terms of the seven issues because that's a  
25 public announcement, it's something all of the

1 officers are well versed in and know. I owned, as I  
2 stated in my initial testimony with you, the lead for  
3 the five-day component of that plan. So that has not  
4 changed.

5 Q All right, so --

6 A And no lead in the other six or seven  
7 components as I testified.

8 Q So you're not fostering the \$238 billion  
9 savings?

10 A No.

11 Q And my understanding is that Mr. Corbett in  
12 his testimony, I didn't see the \$238 billion figure in  
13 his testimony either. Do you know whether it's there?

14 A Well it's a public document, it's out there,  
15 everyone's pretty much aware of it, there has been  
16 Congressional testimony in regards to that, that that  
17 was based on our consultant's analysis that that's the  
18 potential gap in 2020. So I was just speaking to  
19 something that's already public knowledge.

20 Q You made reference several times to the  
21 desire to do what in your view might be done by a  
22 private sector company in a position that you're in.  
23 But it seems to me that that's begging the question  
24 here which is, what are your obligations as a company  
25 that is not by any means a private sector company but

1 is in fact an important public service? And I assume  
2 that you would agree with me that the Postal Service  
3 is an important public service?

4 A Absolutely.

5 Q One aspect of that that you touched on in  
6 response to I think a, in a dialogue with I think  
7 Commissioners, well actually it was several of the  
8 Commissioners, is the need to service rural areas and  
9 also small communities. And that resonated with me  
10 because I am from a community of 3,000 people by the  
11 name of Holly. And you can look it up, the newspaper  
12 there is the Holly Herald. And that was and I think  
13 still is an important part of that community. So  
14 would you agree with me that to the extent that it  
15 costs the Postal Service, if it is underwater in its  
16 service to publications like that, that that's a  
17 public service that perhaps should be taken into  
18 consideration?

19 A Certainly it's a public service, but, you  
20 know, even within our own act and rules where that  
21 cover the cost coverage of the products and the  
22 services that we provide.

23 Q Well you're also obligated to provide  
24 universal service.

25 A Correct.

1 Q And you're not suggesting doing away with  
2 that requirement are you?

3 A No we are not.

4 Q Another aspect of being a public entity is  
5 that the Congress has imposed on the Postal Service  
6 the very unusual obligation to fund your retiree  
7 health benefits over a very short period of time. I  
8 think you'll agree with my description of that  
9 obligation?

10 A Yes.

11 Q But it's my understanding if you look at the  
12 numbers that the financial performance of the Postal  
13 Service for the last three completed Fiscal Years,  
14 2007, 2008, and 2009, that but for that imposition of  
15 those payments for retiree health benefits the Postal  
16 Service actually would have broken even over those  
17 three years. Are you aware of that?

18 A My understanding is that over the three  
19 years on average we would have potentially broken  
20 even, yes.

21 Q Not even potentially, the numbers are in.  
22 If you hadn't made those payments for retiree health  
23 benefits fund you would have broken even, correct?

24 A That's my understanding.

25 Q That's at a time when we had the worst

1 recession since the Great Depression, isn't that  
2 correct?

3 A Yes.

4 Q And so you're saying that a private industry  
5 doing that well would be giving up competitive  
6 advantages, cutting services, and retrenching in ways  
7 that cause consternation in a lot of different ways  
8 with some of your major customers like your mail order  
9 drug programs, and you'd be doing that not knowing for  
10 sure how much of that mail volume was going to  
11 recovery, that's your testimony?

12 A Yes, but we don't expect any significant  
13 increase in mail volume. We're also looking at a  
14 potential \$7 billion loss this year, potentially the  
15 same in the next year, we're at close to our \$15  
16 billion in cap, and everyone seems to ignore the fact  
17 there's a debt worth growing, and if you continue to  
18 grow that debt that's another component that you have  
19 to address. So when you look at those total business  
20 picture, and I'll defer to Mr. Corbett on this, but  
21 the reality is we can't continue to sustain the  
22 current system even if you did away with the health  
23 benefits retiree.

24 Q I want to assure you, Mr. Pulcrano, that the  
25 American Postal Workers Union is doing everything it

1 can to help on the retiree health benefits  
2 contributions fund and on the civil service retirement  
3 funding accountability and some other areas, but --

4 A We're aware of that.

5 Q Thank you. But and so you have some  
6 sympathy and certainly some cooperation from us there,  
7 but -- I've forgotten the question I was going to ask  
8 you, it was such a long premise. Let me come back to  
9 this and deal next with the issue of express mail, so  
10 go from the global to the particular here. It's my  
11 understanding that express mail, I think I'm right  
12 about this and I wondered, I assume you're aware of  
13 this, express mail is not available for Sunday  
14 delivery in quite a number of zip codes?

15 A Yeah absolutely, it's a very limited network  
16 on Sunday.

17 Q And that if a Saturday, if express mail  
18 misses its Saturday delivery commitment in those zip  
19 codes it's not delivered on Sunday either because it  
20 says not available?

21 A If the networks, it doesn't fit within the  
22 network, that's correct.

23 Q And I guess also because wherever there's a  
24 Sunday fees, even if Sunday delivery is available, it  
25 wouldn't be, as I said if you miss the Saturday

1       commitment, it's not delivered on Sunday because  
2       there's no arrangement to pay that fee, isn't that  
3       also correct?

4           A     I don't know all those specifics I'm afraid,  
5       sir.

6           Q     Okay. So but if those things are all  
7       correct doesn't that, I mean I don't want to argue  
8       with you but it seems to me that that raises a serious  
9       question, maybe you'll agree with me, that raises a  
10      serious question about the viability of express mail  
11      as a fallback for people who need to for example  
12      receive medications on a Saturday?

13          A     No not necessarily. You know, we understand  
14      the price differential between, you know, a standard  
15      piece of mail for medical versus express mail, but in  
16      those emergencies express mail is available, and, you  
17      know, we committed that we would continue to delivery  
18      express mail on Saturday, that was based on the input  
19      from our customers and others that they wanted us to  
20      continue that.

21          Q     As part of the discretion that you've talked  
22      about the local managers have, is it within their  
23      discretion to make a decision that it's more practical  
24      to incur the guaranteed postage cost for a failed  
25      delivery than it is to send one individual out many

1 miles to delivery a piece of express mail, is that  
2 within their discretion?

3 A I would assume it is, but I don't think very  
4 many managers would do that too often.

5 MR. ANDERSON: I have no other questions,  
6 thank you.

7 CHAIRMAN GOLDWAY: Any other follow up  
8 questions?

9 MR. DECHIARA: Madam Chairman, I have a few  
10 follow up questions.

11 CHAIRMAN GOLDWAY: Please identify yourself  
12 for the record.

13 MR. DECHIARA: Peter Dechiara for the law  
14 firm of Cohen Weiss and Simon, LLP, for the National  
15 Association of Letter Carriers, AFLCIO.

16 CROSS-EXAMINATION

17 BY MR. DECHIARA:

18 Q Mr. Pulcrano, you were asked by Commissioner  
19 Langley about whether or not the decision to go to  
20 five-day delivery was irreversible, and I was not sure  
21 I heard a response from you to that question. So let  
22 me ask you, did your team consider in its planning  
23 possibilities of reversing the decision if the  
24 projections on which the decision was based in terms  
25 of mail volume or cost savings et cetera, if those

1 projections turned out not to be correct, was there  
2 any planning on being able to reverse the decision?

3 A We're just now starting to look at  
4 developing the implementation plan, so that's  
5 something we'll look at in this process. But in  
6 response to your earlier part of your question, I was  
7 responding to a hypothetical, and in a hypothetical  
8 situation anything's reversible.

9 Q Okay, well I'm not asking you a hypothetical  
10 question, I'm asking a factual question.

11 A I understand.

12 Q We're here before this Commission, the  
13 Postal Service has put a lot of effort and time into  
14 making this proposal. To date has the Postal Service  
15 considered plans to go back to six-day delivery if it  
16 turns out to have been a wrong decision?

17 A To date, no. But as I just testified to,  
18 we're in the process of developing implementation  
19 plans and that'll be something we would look at for  
20 consideration.

21 Q And that leads to my next question. Up to  
22 this point there have been no implementation plans  
23 developed?

24 A There are processes in place that are being  
25 developed, but we're now, I've been asked to bring the

1 team back together to develop comprehensive operations  
2 plans by function and put them all together for  
3 national implementation in the even we're given  
4 approval to go forward.

5 Q All right, without getting into the details,  
6 just in terms of broad terms, can you lay out what the  
7 elements are of that implementation plan?

8 A It would cut across all the, just about  
9 every functional area in the Postal Service, so a city  
10 delivery plan, a rural delivery plan, a mail  
11 processing plan, a post office operations plan, an HR  
12 plan, you know, an employee impact plan, all of those  
13 components would be a part of that implementation  
14 development.

15 Q You would agree that it would be a complex  
16 process?

17 A Absolutely.

18 Q And would it be fair to say that given the  
19 complexity of the process and the enormity of the  
20 Postal Service and the unprecedented nature of the  
21 change that there could be unanticipated  
22 implementation costs that would be incurred?

23 A There's always some possibility, things, we  
24 could go into, you know, another dip in the recession,  
25 anything could possibly happen in that regard. But I

1 will tell you we have, as you know, quite a bit of  
2 experience implementing large complex national  
3 operating changes.

4 Q How much experience do you have going to  
5 five-day delivery?

6 A None on five-day.

7 Q Joseph Corbett in his statement on page 16  
8 provides a precise figure of the implementation cost  
9 that would be incurred if five-day were implemented,  
10 he said that, it was on page 16, he said the  
11 implementation cost would be \$110 million?

12 A Correct.

13 Q How does he know that if there have been no  
14 detailed implementation plans made?

15 A Those implementation costs were already  
16 developed by our team. Most of them center around the  
17 IT changes and the potential payment of unemployment  
18 to those employees who potentially would be let go, as  
19 well as some other changes within the organization.

20 Q Am I right that the decision to go to or to  
21 seek permission to go to five-day delivery was made  
22 before the decision was made to seek an exigent rate  
23 increase?

24 A Yes.

25 Q When ORC was asking businesses and consumers

1     how they may react or adjust to five-day delivery,  
2     were they told that they might both lose Saturday  
3     delivery and face a rate increase?

4             A     I think you need to talk to those who  
5     actually conducted that how those conversations went.  
6     So Mr. Whiteman or Ms. Yalch would be better to  
7     discuss that with, they were there in those  
8     conversations, I wasn't. But clearly there was  
9     conversations about price increases.

10            Q     Well as the head of the team that made this  
11     decision, do you believe that's a significant  
12     question, whether the question was framed that way in  
13     determining the reactions of businesses and customers?

14            A     I think if you look at their testimony there  
15     is evidence already in there that they're testifying  
16     that price increases were discussed as a part of that,  
17     but the actual, you know, what the context of those  
18     discussions and the specifics I think is best  
19     addressed by them.

20            Q     Okay, last question, just going back to the  
21     irreversibility question, the Postal Service currently  
22     has no contingency plan to go back if things don't  
23     work out as anticipated on five-day delivery, correct?

24            A     I think I already answered that, that we're  
25     in the process of developing comprehensive

1 implementation plans, so the contingency plan would be  
2 part of that.

3 Q And will there be a contingency plan?

4 A It'll be something we'll consider in that  
5 implementation.

6 Q So as you sit here today you don't know  
7 whether or not there will be a contingency plan to go  
8 back to six-day if five-day doesn't work out, is that  
9 correct?

10 A At the moment I can't give you an answer  
11 that that'll be absolute, no.

12 MR. DECHIARA: I have nothing further.

13 CHAIRMAN GOLDWAY: Thank you. Is National  
14 Newspaper Association here? Do you have any follow up  
15 questions?

16 MS. RUSH: None, thank you.

17 CHAIRMAN GOLDWAY: Public Representative?

18 MS. GALLAGHER: Yes, Madam Chairman,  
19 briefly. On the --

20 CHAIRMAN GOLDWAY: Could you please identify  
21 yourself for the record?

22 MS. GALLAGHER: Patricia Gallagher for the  
23 Public Representative team.

24 CROSS-EXAMINATION

25 BY MS. GALLAGHER:

Heritage Reporting Corporation  
(202) 628-4888

1           Q     Back to the four-day five-day question that  
2     the Chairman broached. Am I correct that what you  
3     would want Congress to do now is to eliminate any  
4     restriction on reduction, not the keep maintaining a  
5     five-day at this point but simply no restriction?

6           A     Correct, it would be strike the language in  
7     the current appropriations --

8           Q     Entirely. And therefore at that point if a  
9     decision were to and circumstances might warrant, the  
10    remaining administrative avenue would be an advisory  
11    team from the Commission, is your understanding?

12          A     Yeah, if you were going to make any future  
13    service changes by that we would have to come back and  
14    ask just as we are doing today.

15                   MS. GALLAGHER: Thank you.

16                   CHAIRMAN GOLDWAY: Thank you. I think that  
17    concludes the follow up unless there's anything else  
18    from the Commissioners. Mr. Tidwell, would you like  
19    some time with your Witness to determine whether  
20    there's a need for redirect?

21                   MR. TIDWELL: Yes, Madam Chairman. Why  
22    don't we reconvene at 2:00 if that is your pleasure?

23                   CHAIRMAN GOLDWAY: Certainly is, thank you  
24    very much. At 2:00 we'll reconvene.

25                   (Whereupon, a brief recess was taken.)

1                   CHAIRMAN GOLDWAY: It is now exactly 2:00  
2 and we'll bring the meeting back to order. Mr.  
3 Tidwell, would you like some time with your Witness  
4 for additional testimony?

5                   MR. TIDWELL: Madam Chairman, I've spent so  
6 much time with this Witness I don't know how much more  
7 I can stand.

8                   CHAIRMAN GOLDWAY: Oh come on, he's really  
9 nice. We like him, look how long we've held him here.

10                  MR. TIDWELL: Spend some more time with him  
11 then reassess your judgments. I have just a couple of  
12 redirect questions that I'd like to direct to the  
13 Witness.

14                                   REDIRECT EXAMINATION

15                   BY MR. TIDWELL:

16                  Q     Mr. Pulcrano, in your exchange with counsel  
17 for APWU I believe you got into a discussion regarding  
18 the breakdown of the percentage of delivery points in  
19 the Postal Service network in terms of business and  
20 residential delivery points, and if I heard you  
21 correctly it sounded like you said that, 80 percent of  
22 our delivery points were business addresses and 20  
23 percent were individual or household addresses. So  
24 was it your intent to proffer those percentages or  
25 would you like to clarify that response?

1           A     I'd like to clarify it. In the conversation  
2 with counsel, in my mind I thought I was discussing  
3 volume, and if you discuss what's the volume tendered  
4 to us, 80 percent of it comes from the mailing  
5 industry and 20 percent from our customers. But in  
6 fact now I understand counsel was talking in terms of  
7 deliveries and it's actually reversed, 80 percent of  
8 deliveries go to consumers and 20 percent go to  
9 businesses.

10           Q     Thanks for clearing that up. In your  
11 exchange with Commissioner Langley there was a  
12 question regarding implementation of the five-day  
13 plan, if Congress were to give us a green light in,  
14 you spoke in terms of Congress giving us a green light  
15 in January, and if I heard you it sounded like you  
16 said that we would implement a year after that. Were  
17 you talking about a year after January or a year from  
18 some other point in time?

19           A     I was clearly in my mind was thinking a year  
20 from today. As I mentioned earlier if we were given a  
21 green light in January and as we've committed to the  
22 mailing industry we would give a six-month lead time  
23 for implementation, so I was thinking in terms of from  
24 today.

25           Q     Okay. Toward the end of the session you had

1 a discussion with Chairman Goldway regarding whether  
2 the Postal Service had added hours back into its five-  
3 day cost model account for the additional retail  
4 transactions that we might say, we might experience in  
5 a five-day environment. And you've had a chance to  
6 confer with witness Granholm on that issue, can you  
7 clarify your response any for us?

8 A Yes, I probably wasn't clear enough, because  
9 we got into talking how hours were taken in or added  
10 back in, but the fact is we did in fact add hours back  
11 in in the post offices for work hours, and witness  
12 Granholm can provide that breakdown.

13 CHAIRMAN GOLDWAY: Thank you.

14 BY MR. TIDWELL:

15 Q Okay. Although she apparently -- oh, there  
16 she is. For to put Ms. Rush at ease, you had some  
17 conversation regarding periodicals.

18 A Yes.

19 Q The periodicals product, and so as not to  
20 offend the publishing industry out there, can you give  
21 us a clearer understanding of your, of your  
22 understanding of the periodicals products?

23 A Yeah, I left off my postal hat there for a  
24 few minutes and was speaking as a lay person, there's  
25 magazines and there's newspapers. But within postal

1 terms newspapers are part of the periodical group.

2 MR. TIDWELL: Thank you. That's all we  
3 have, Madam Chairman.

4 MS. RUSH: Counsel, for the record, is not  
5 at ease.

6 MR. TIDWELL: That's the best I could do for  
7 you.

8 CHAIRMAN GOLDWAY: Thank you. That  
9 concludes your testimony here today, Mr. Pulcrano.  
10 Thank you for your participation and for the  
11 contributions to the record. We appreciate that  
12 you've been as good humored as you have with this long  
13 process, and we are glad to offer you your excusal.

14 THE WITNESS: Thank you for the opportunity  
15 to be here today.

16 CHAIRMAN GOLDWAY: You are excused.

17 (Witness excused.)

18 MR. TIDWELL: Madam Chairman, I might add  
19 that the one thing he's been looking forward to is  
20 that I will give him his Blackberry back.

21 CHAIRMAN GOLDWAY: Thank you, thank you.  
22 And, Mr. Tidwell, are you ready to identify your next  
23 witness for us please?

24 MR. TIDWELL: Our next witness is Dean  
25 Granholm.

1                   Whereupon,

2                                   DEAN GRANHOLM

3                   having been duly sworn, was called as a  
4 witness and was examined and testified as follows:

5                   MR. REIMER: Thank you, Madam Chairman.

6                                   DIRECT EXAMINATION

7                   BY MR. REIMER:

8                   Q     Mr. Granholm, before you are two documents  
9 entitled "Direct Testimony of Dean Granholm on behalf  
10 of the United States Postal Service." Were those  
11 documents prepared by you or under your supervision?

12                   A     Yes they were.

13                   Q     If you were to give the contents of those  
14 documents as your oral testimony today, would they be  
15 the same?

16                   A     Yes they would.

17                   Q     Are there any library references associated  
18 with your testimony?

19                   A     Yes there are.

20                   Q     And are those library references designated  
21 as USPS-LR-N2010-12, -13, and -14?

22                   A     Yes they are.

23                   MR. REIMER: Madam Chairman, we are handing  
24 two copies of the direct testimony of Dean Granholm to  
25 the reporter, and we ask that it and its associated

1 library references be entered into the record.

2 CHAIRMAN GOLDWAY: Are there any objections?

3 (No response.)

4 CHAIRMAN GOLDWAY: If not I'll direct  
5 counsel to provide the reporter with two copies of the  
6 corrected testimony of Dean J. Granholm, and the  
7 testimony and library references are received into  
8 evidence. However, as is our practice, they will not  
9 be transcribed.

10 (The document referred to was  
11 marked for identification as  
12 USPS T-3, and was received in  
13 evidence.)

14 CHAIRMAN GOLDWAY: Mr. Granholm, have you  
15 had an opportunity to examine the packet of designated  
16 written cross-examination and responses to Chairman's  
17 information requests that were made available to you  
18 today in the hearing room?

19 THE WITNESS: Yes I have.

20 CHAIRMAN GOLDWAY: If the questions  
21 contained in that packet were posed to you orally  
22 today would your answers be the same as those you  
23 previously provided in writing?

24 THE WITNESS: Yes, they would.

25 CHAIRMAN GOLDWAY: Are there any corrections

1 or additions you would like to make to those answers?

2 THE WITNESS: No, there are not.

3 CHAIRMAN GOLDWAY: Counsel, would you please  
4 provide two copies of the corrected, or in this case  
5 accepted, designated written cross-examination and  
6 responses to the Chairman's information request to  
7 witness Granholm to the reporter? The material is  
8 received into evidence and it is to be transcribed  
9 into the record.

10 (The document referred to was  
11 marked for identification as  
12 USPS T-3 Cross, and was  
13 received in evidence.)

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BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Six-Day to Five-Day Street Delivery and  
Related Service Changes, 2010

Docket No. N2010-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION  
OF UNITED STATES POSTAL SERVICE  
WITNESS DEAN J. GRANHOLM  
(USPS-T-3)

<u>Party</u>	<u>Interrogatories</u>
American Postal Workers Union, AFL-CIO	APWU/USPS-T3-1-11  DFC/USPS-T3-1, 5, 13, 15-16, 28 GCA/USPS-T3-6 NALC/USPS-T3-14-15, 18 NNA/USPS-T3-1, 2a, 2b, 2c, 3, 7-8 PR/USPS-T3-3-4 PRC/USPS-T3-CHIR No.5 - Q1
Greeting Card Association	GCA/USPS-T3-1, 3-14
National Newspaper Association	DFC/USPS-T3-36 NNA/USPS-T3-1-8
Postal Regulatory Commission	APWU/USPS-T3-1-11 DFC/USPS-T3-15-17, 25, 28, 30, 34-35, 53-55 NALC/USPS-T3-1-18 NNA/USPS-T3-1-8 PR/USPS-T3-3-4 PRC/USPS-T3-CHIR No.1 - Q3, CHIR No.2 - Q1, CHIR No.3 - Q4, CHIR No.4 - Q1, CHIR No.4 - Q2, CHIR No.4 - Q3, CHIR No.4 - Q4, CHIR No.4 - Q5, CHIR No.4 - Q6, CHIR No.4 - Q7a, CHIR No.4 - Q7b, CHIR No.5 - Q1

PartyInterrogatories

Public Representative

APWU/USPS-T3-1-9

NALC/USPS-T3-1-6, 9-18

NNA/USPS-T3-3-4, 6-7

PRC/USPS-T3-CHIR No.4 - Q1, CHIR No.4 - Q2,  
CHIR No.4 - Q3, CHIR No.4 - Q4, CHIR No.4 - Q5,  
CHIR No.4 - Q6, CHIR No.4 - Q7a, CHIR No.4 Q7b

Respectfully submitted,

  
Shoshana M. Grove  
Secretary

INTERROGATORY RESPONSES OF  
 UNITED STATES POSTAL SERVICE  
 WITNESS DEAN J. GRANHOLM (T-3)  
 DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory

Designating Parties

APWU/USPS-T3-1	APWU, PR, PRC
APWU/USPS-T3-2	APWU, PR, PRC
APWU/USPS-T3-3	APWU, PR, PRC
APWU/USPS-T3-4	APWU, PR, PRC
APWU/USPS-T3-5	APWU, PR, PRC
APWU/USPS-T3-6	APWU, PR, PRC
APWU/USPS-T3-7	APWU, PR, PRC
APWU/USPS-T3-8	APWU, PR, PRC
APWU/USPS-T3-9	APWU, PR, PRC
APWU/USPS-T3-10	APWU, PRC
APWU/USPS-T3-11	APWU, PRC
DFC/USPS-T3-1	APWU
DFC/USPS-T3-5	APWU
DFC/USPS-T3-13	APWU
DFC/USPS-T3-15	APWU, PRC
DFC/USPS-T3-16	APWU, PRC
DFC/USPS-T3-17	PRC
DFC/USPS-T3-25	PRC
DFC/USPS-T3-28	APWU, PRC
DFC/USPS-T3-30	PRC
DFC/USPS-T3-34	PRC
DFC/USPS-T3-35	PRC
DFC/USPS-T3-36	NNA
DFC/USPS-T3-53	PRC
DFC/USPS-T3-54	PRC
DFC/USPS-T3-55	PRC
GCA/USPS-T3-1	GCA
GCA/USPS-T3-3	GCA
GCA/USPS-T3-4	GCA
GCA/USPS-T3-5	GCA
GCA/USPS-T3-6	APWU, GCA

InterrogatoryDesignating Parties

GCA/USPS-T3-7	GCA
GCA/USPS-T3-8	GCA
GCA/USPS-T3-9	GCA
GCA/USPS-T3-10	GCA
GCA/USPS-T3-11	GCA
GCA/USPS-T3-12	GCA
GCA/USPS-T3-13	GCA
GCA/USPS-T3-14	GCA
NALC/USPS-T3-1	PR, PRC
NALC/USPS-T3-2	PR, PRC
NALC/USPS-T3-3	PR, PRC
NALC/USPS-T3-4	PR, PRC
NALC/USPS-T3-5	PR, PRC
NALC/USPS-T3-6	PR, PRC
NALC/USPS-T3-7	PRC
NALC/USPS-T3-8	PRC
NALC/USPS-T3-9	PR, PRC
NALC/USPS-T3-10	PR, PRC
NALC/USPS-T3-11	PR, PRC
NALC/USPS-T3-12	PR, PRC
NALC/USPS-T3-13	PR, PRC
NALC/USPS-T3-14	APWU, PR, PRC
NALC/USPS-T3-15	APWU, PR, PRC
NALC/USPS-T3-16	PR, PRC
NALC/USPS-T3-17	PR, PRC
NALC/USPS-T3-18	APWU, PR, PRC
NNA/USPS-T3-1	APWU, NNA, PRC
NNA/USPS-T3-2	NNA, PRC
NNA/USPS-T3-2a	APWU
NNA/USPS-T3-2b	APWU
NNA/USPS-T3-2c	APWU
NNA/USPS-T3-3	APWU, NNA, PR, PRC
NNA/USPS-T3-4	NNA, PR, PRC
NNA/USPS-T3-5	NNA, PRC
NNA/USPS-T3-6	NNA, PR, PRC

Interrogatory

Designating Parties

NNA/USPS-T3-7

APWU, NNA, PR, PRC

NNA/USPS-T3-8

APWU, NNA, PRC

PR/USPS-T3-3

APWU, PRC

PR/USPS-T3-4

APWU, PRC

PRC/USPS-T3-CHIR No.1 - Q3

PRC

PRC/USPS-T3-CHIR No.2 - Q1

PRC

PRC/USPS-T3-CHIR No.3 - Q4

PRC

PRC/USPS-T3-CHIR No.4 - Q1

PR, PRC

PRC/USPS-T3-CHIR No.4 - Q2

PR, PRC

PRC/USPS-T3-CHIR No.4 - Q3

PR, PRC

PRC/USPS-T3-CHIR No.4 - Q4

PR, PRC

PRC/USPS-T3-CHIR No.4 - Q5

PR, PRC

PRC/USPS-T3-CHIR No.4 - Q6

PR, PRC

PRC/USPS-T3-CHIR No.4 - Q7a

PR, PRC

PRC/USPS-T3-CHIR No.4 - Q7b

PR, PRC

PRC/USPS-T3-CHIR No.5 - Q1

APWU, PRC

**N2010-1**

**United States Postal Service**

**Dean J. Granholm  
(USPS-T-3)**

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
DEAN J. GRANHOLM (USPS-T-3) TO INTERROGATORY OF THE  
AMERICAN POSTAL WORKERS UNION, AFL-CIO

**APWU/USPS-T3-1.** On page 3 of your testimony, lines 19-20, you state that "Current Post Office Box delivery will remain intact on Saturday for customer convenience." Does this mean that there will be mail delivered to the Post Office that day and sorted to the Post Office Boxes or does it mean that customers will continue to have access to their Post Office Boxes to pick up mail that was delivered and sorted on Friday?

**RESPONSE:**

Mail will be delivered and sorted to Post Office Boxes on Saturday, in the proposed plan, to locations with current Saturday PO Box delivery. This also includes Caller Service mail addressed to a PO Box.

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**APWU/USPS-T3-2.** On page 5 of your testimony, lines 17-18, you indicate that "to manage Monday work hours, delivery supervisors will likely defer non-committed mail for delivery on Tuesday."

- a.) Please define "non-committed mail" and describe the types of mail that would fall into this category.
- b.) How long would this mail typically have been waiting in the Post Office by the time it is delivered?
- c.) If there is a Monday holiday, when is this mail likely to be delivered?

**RESPONSE:**

- a.) Non-committed mail is mail that may be curtailed and will not impact on service standards. This is generally Standard Mail.
- b.) The local unit may only curtail it for one business day. If the mail arrived for Friday delivery, and if it was curtailed Friday it would have to be delivered on Monday. If the mail arrived for Monday delivery, it would have to be delivered on Tuesday. If it arrived for delivery on Tuesday after a Monday holiday, it would have to be delivered Wednesday.
- c.) Much of the standard mail will be included in the automated mail stream, and will be delivered on Tuesday. Any standard mail not delivered on Tuesday would be expected to be delivered on Wednesday.

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**APWU/USPS-T3-3.** On page 5 of your testimony, lines 18-21, you state that due to "increased mail volume on Fridays, Mondays and Tuesdays, there may be increased work hours in the form of overtime and/or auxiliary assistance." The Postal Service currently has a virtual ban on all overtime hours. Given that it will continue to be looking for additional savings, how likely is it that delivery supervisors will be allowed to use overtime hours to deliver increased volumes?

**RESPONSE:**

The preferred solution to increased workload would be to curtail non-committed mail. If mail is not available for curtailment, supervisors will have to utilize the other tools available to them such as any undertime on another route, auxiliary assistance and overtime.

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**APWU/USPS-T3-4.** On page 8 of your testimony you discuss the impact on mailers who normally drop ship mail on Saturday. Could you please clarify the following:

a.) You state "destination drop-shipped mail will still have a start the clock event on the day it is accepted by the USPS, provided it is entered prior to the local critical entry time." Will destination drop-shipped mail still be accepted on Saturdays?

b.) What is the average number of pieces drop shipped at originating units on Saturdays? Will it be possible to provide all the Saturday shippers Friday slots if they do not want their mail to sit around until Monday processing times?

c.) Will the reduced window of operation for drop ship appointments only be reduced on Saturday? Will the window for appointments on Friday be increased?

d.) You also state that "[i]n the future, the window of operation for drop shipment acceptance will align with retail hours due to the limited distribution operations on a Saturday." Will retail hours be extended to accommodate an increased need for drop shipment acceptance times Monday-Friday?

**RESPONSE:**

a.) Destination drop-ship mail will be accepted on Saturday in locations with Saturday drop-shipment acceptance hours.

b.) The average number of pieces dropped at originating units on Saturday was 30,303,169 for FY2009. This is the total volume dropped at BMEU and Post Office locations, but excludes Detached Mail Unit (DMU) locations. Local managers and mailers will have to determine if changes are possible to existing Saturday acceptance appointments to another day of the week. The FAST system should be used when determining potential Friday availability.

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c.) Saturday would be the only day drop-ship hours are reduced at delivery units, if at all, in some locations. It is not expected that Friday's window for appointments will be increased.

d.) Drop-ship appointments on Saturday will be related to retail hours. It is not expected that retail hours will be extended to accommodate drop ship appointments Monday-Friday. On weekdays, there is sufficient time for drop ship appointments due to the afternoon activities in the back office of a delivery unit.

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**APWU/USPS-T3-5.** On page 9 lines of your testimony, 9-12 you estimate "that no more than ten percent of Saturday delivery time will be needed on the other days of the week under five day delivery." Please explain whether this ten percent is cumulative over Monday – Friday or is an increase added to each day.

**RESPONSE:**

This additional time expenditure is anticipated for Monday and is due to increased mail volumes which historically would have been delivered on Saturday.

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**APWU/USPS-T3-6.** On page 10 of your testimony, you discuss the impact on collections operations. On lines 10-13 you state "Field managers will also need to consider the impact of heavier collection volume on Monday outgoing operations – they may need to advance collection mail arrival at the plant. Advancing collection mail could require additional work hours Mondays.

- a.) Please explain what is meant by "advance collection mail arrival at the plant."
- b.) If Monday is a holiday, will collection mail arrival be advance on Tuesdays? Will additional work hours be needed on Tuesdays?
- c.) How many additional work hours to you estimate will be necessary on either Monday or a Tuesday after a Monday holiday? Please explain the basis for this estimate.

**RESPONSE:**

- a.) It is anticipated that during certain periods of the year, additional volumes may be deposited over the weekend such that an early collection on Monday may be necessary due to overflow situations. This should occur on specific boxes, and would be anticipated by local management based on historic volumes.
- b.) In the same manner as answered in subpart a, when mail accumulates in certain boxes for a three day period, some of those boxes will experience additional volumes, potentially causing an over flow situation. Local offices will be expected to anticipate this situation and either institute early collections or enhance the box capacity to minimize the need to collect the box early.
- c.) It is not possible to come up with a specific number until the plan is approved and in place, and local offices must create plans to respond to the situation.

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**APWU/USPS-T3-7.** On page 11 of your testimony, lines 17-19 you indicate that "because of the forecast of a continuing decline in volume and the in-office impact of FSS implementation, work hours on City routes should remain very near eight hours daily."

a.) Will FSS deployment and ramp up be complete at all locations by the time the Postal Service moves to a 5-day delivery schedule?

b.) Will the implementation of 5-day delivery be determined by when the FSS deployment is complete?

c.) How much leeway is there in this estimate of Monday and Tuesday mail volumes for work hours to remain near eight hours? What if mail volumes recover to 2008 levels instead of continuing to fall? What if they remain at 2009 levels instead of continuing to fall?

**RESPONSE:**

a.) It is unknown at this time and it is impossible to project when the Postal Service would move to a five day schedule; however there is no direct linkage between FSS implementation and Five Day delivery service.

b.) No. The implementation of the Five Day plan will not be determined by when the FSS deployment is complete.

c.) We do not expect the transition to Five Day delivery to impact city routes to the extent that the change will require additional costs beyond what was incurred to maintain city route structure during FY 2009.

If mail volumes recover to 2008 levels instead of continuing to fall, administrative costs will occur to adjust the routes to eight hours if necessary. This would be done regardless of Five Day implementation.

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The 2009 mail volume numbers were used in the Five Day delivery case. Therefore, if mail volumes remain at 2009 levels instead of continuing to fall, the savings would be those in the filing.

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**APWU/USPS-T3-8.** On page 7 of your testimony, lines 13-15 you state that there is a "37% PO Box vacancy rate nationally" and therefore, new requests related to businesses requiring PO boxes when the Saturday delivery of their holdout mail is discontinued could be accommodated. In Docket No. N2009-1, the Postal Service averred that it anticipates sufficient PO Box space to allow it to accommodate customers who have PO Boxes in stations and branches that will be closed with replacement PO Boxes in the post office closest to them.

a.) Have the overlapping demands of these two programs been evaluated together?

b.) What percentage of the PO Box vacancies are currently in stations or branches on the list for possible closure?

**RESPONSE:**

a.) No. However, evaluations from the candidate Station and Branch closing offices reveal adequate to more than sufficient space to accommodate additional PO Box customers. Districts have indicated that the existing PO Box customers for possible closure offices will be absorbed into adjacent Post Offices. In many cases the entire box section will be relocated to an adjacent Post Office.

b.) The information is not available in a format that can provide a vacancy percentage rate for the total possible closure offices. On average, the vacancy rates are the same as or higher for the possible closure offices than the "37% PO Box vacancy rate nationally".

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**APWU/USPS-T3-9** In your response to APWU/USPS-T3-3 you indicated that the preferred solution to increased workload on Fridays, Mondays and Tuesdays would be curtailment of non-committed mail. Several comments by customers in the Appendix of USPS Library Reference N2010-1/1 indicated that they could make adjustments to 5-day delivery as long as the Postal Service could get their time sensitive mail delivered on Friday. This appears to set up a situation where the Postal Service's planned response to workload changes resulting from 5-day delivery are in conflict with the expectations of the customers. Please detail the plans the Postal Service has made to resolve this mismatch.

**RESPONSE:**

It is expected that a significant volume of such mailings will be advanced to Thursday and especially Friday prior to the week end. If the customer provides the mail in an automation capable format, the Postal Service has the automation capacity to handle this volume. It is expected that this will reduce the amount of manual mail that is received on Monday (mail which could be candidate mail for curtailment).

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**APWU/USPS-T3-10** In your response to APWU/USPS-T3-8 you state that the vacancy rates for PO Boxes is the same or higher for possible closure offices than it is nationally. This seems to indicate that post offices with less than a 37 percent vacancy rate will be the ones where the Postal Service is both trying to accommodate patrons with PO boxes in stations/branches scheduled for closure AND accommodate increased demands for PO boxes from businesses requiring PO boxes when Saturday delivery of their holdout mail is discontinued.

a). Why hasn't the Postal Service done an evaluation of the potential conflicts of these two programs?

b). The Postal Service in Docket No. MC2010-20 is requesting that some PO box service be moved to the competitive products list. While the proposal in this case is for a relatively small number of PO boxes, is the Postal Service considering moving a larger number of PO boxes into the competitive products category? If so, what percentage of PO boxes might be impacted by that plan and what would be the time frame of such a change?

**RESPONSE:**

[a] These two separate programs do not necessarily present conflicts. No Post Office will be closed due to implementation of five-day delivery. The Postal Service intends to take the necessary steps to ensure that increased demand for P.O. Boxes is met, in part by increasing the number of boxes that are available for rent.

[b] The Postal Service has not made a decision on whether it will seek to move any other Post Office Boxes to the competitive products list. Until such a decision is made, this question cannot be answered. Any future request to move P.O. Boxes to competitive products will be made independently of implementation of five-day delivery.

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**APWU/USPS-T3-11** In your response to APWU/USPS-T3-2(b) you indicate that mail may only be curtailed for one business day yet in response to NALC/USPS-T3-16 you state that the "Postal Service could not curtail mail for more than one calendar day." Please explain this inconsistency and identify the correct amount of time mail may be curtailed.

**RESPONSE:**

Mail may only be curtailed for one business day.

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**DFC/USPS-T3-1.** Please provide a copy of all documents, including memos, letters, directives, and other materials distributed on a nationwide or substantially nationwide basis, that discuss the Postal Service's current policy or practice for collection schedules and collection times on Saturdays.

**RESPONSE:**

National policy is expressed in Section 3 of the Postal Operations Manual ("POM"). This section is reprinted in the following pages, as are memoranda addressing this policy.

# 3 Collection Service – National Service Standards

## 31 Applicability and General Requirements

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### 311 Applicability

Instructions apply to all city delivery offices. At noncity delivery offices the district manager or designee determines the degree of application.

### 312 Local Postmark

#### 312.1 Local Postmark Requirement

The local postmark must be made available in every community having a Post Office™. There are no exceptions to this policy.

#### 312.2 Local Postmark Requests

Customers may request a local postmark at the retail counter at all Post Offices, stations, and branches. Customers with significant volumes of mail to be postmarked (50 or more pieces) should contact the postmaster or other managers in advance, to assure that adequate resources are available to provide the local postmark.

### 313 Collection Requirements

#### 313.1 Collection Schedules

Collection service must function efficiently; therefore, establish collection schedules as follows:

- a. Gear frequency of trips to outgoing dispatches.
- b. Arrange schedules consistent with requirements of the local community and timely handling of mail at the processing point.
- c. Make collections as near as possible to the posted pickup time, but not before posted times for specific trips.
- d. Review operation continually to make modifications as justified by changed conditions.

#### 313.2 Motorized Collections

Motorized collections are not to be made earlier than the scheduled time and should be made no later than 20 minutes after the posted time.

**313.3 Residential Box Collections**

Letter carrier collections from residential collection boxes must not be made before the scheduled time and should be made within 20 minutes after the posted time to the extent practicable.

**313.4 Multiple Box Collections**

Where boxes are located in multiple units, collections must be scheduled from all boxes in the cluster. An exception is permissible only if mail from one of the boxes receives significantly more expeditious dispatch by being collected separately.

**313.5 Collections From Small Offices and Airports**

At small offices and airports that do not have Saturday afternoon, holiday, or Sunday collection service, the district manager may authorize service from nearby offices. The district manager should consider highway contract route carriers, rural route carriers, or mail messengers for making collections from the box in front of small offices or at airports not provided collection service. When a holiday falls on a Monday, a collection must be made from all collection boxes on either Sunday or the Monday holiday.

**313.6 Platform Collections**

Schedule the latest possible acceptance time at the back platform of the mail processing unit for receipt of ZIP Coded mail properly separated to the designated next-day-delivery service area.

**313.7 Establishment of and Changes in Collection Schedules and Collection Box Locations**

Any decision made under this chapter that affects collection schedules or the locations of collection boxes must take into account and be consistent with the needs of the community affected by the decision, the volume and the type of mail affected, the need for timely processing of the mail, and the need to meet outgoing dispatches.

**314 Collection Tests**

Conduct tests at least once each quarter at all city delivery offices. Use plastic collection test card D-1148 and PS Form 3702, *Test Mailing Record (Collection and Special Test Mailings)*. Administer collection tests in accordance with Chapter 1 of Handbook M-39, *Management of Delivery Services*.

**315 Collection Boxes****315.1 Appearance**

All collection boxes must have a uniform appearance and identification system nationwide so that customers can readily recognize the type of service provided at each box. All boxes must be maintained in good condition and the collection times decal must be clean and legible. Boxes must be painted in accordance with and have only the decals prescribed by

Corporate Identity Policy at Headquarters, and Handbook MS-22, *Street Letter Box Maintenance*.

### 315.2 **Number and Types**

Install a sufficient number of all types of boxes (see [321](#) through [324](#)) within the city delivery area to handle mail volume according to the following guidelines:

- a. Receiving boxes and mail chutes may be installed in public buildings, private buildings open to the public during business hours, or in transportation stations and depots.
- b. Cooperative mailing racks may be installed in office buildings.

### 315.3 **Locations**

#### 315.31 **At Postal Units**

Provide a regulation collection box at all CAG A-K offices and at all classified stations, branches, and self-service postal centers. Boxes should also be provided at contract stations and branches. At CAG L offices where a letter box is not supplied, provide a slot in the outer Post Office door.

#### 315.32 **In Residential Areas**

In residential areas, if collection boxes are about 1 mile apart, the density of these boxes is generally considered adequate. In areas that receive motorized delivery only to curbside boxes, neighborhood delivery and collection box units (NDCBUs), or cluster box units (CBUs), this standard need not be followed unless such service is mixed with other methods.

#### 315.33 **In Business Areas**

In business areas, install boxes where the greatest mail volume is generated and where boxes are convenient to the greatest number of business places.

### 315.4 **Removal or Relocation**

If a box generates fewer than 25 pieces a day, conduct a review to determine if the box should be retained. Factors to consider include the volume of mail collected and the character of mail collected, such as sales orders, daily reports, or other types of mail.

## 316 **Collection Times Decals**

A correct and legible collection times decal displaying all scheduled collections must be affixed on all collection boxes; on all regular collection boxes, the collection times decal must indicate the location of the nearest Express Mail® collection box. All collection boxes that do not display a last pickup time decal must have a collection times decal clearly marked to indicate the location of the nearest collection box with a last pickup time decal where 5:00 p.m. (or later), Sunday, and holiday services are available. Those collection boxes displaying a time decal indicating the last pickup time between 5:00 p.m. and 6:30 p.m. must indicate the location of the nearest collection box with a last pickup between 6:30 p.m. and 8:00 p.m. All collection boxes displaying a last pickup time decal must indicate the location of the nearest processing facility, or other location, that provides the

last collection and dispatch on weekdays and that also provides Saturday, Sunday, and holiday service. For further instructions on last pickup time decals, see section [322](#).

### 317 **Collection Box Record**

Maintain a record showing location of each collection box/point and times of collection in the computer-generated listings. Use the computer-generated listings to record information on maintenance of collection boxes (such as painting, lubrication of locks, anchoring, date of replacement of decals) and other collection box information.

## 32 **Types of Collection Boxes**

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### 321 **Local Delivery**

#### 321.1 **Identification**

These boxes must be clearly marked with Label 162, *Local Delivery*, and must show sufficient information so that customers will know what constitutes local delivery in the particular area where the box is located. This normally means delivery to the ZIP Code™ areas of the origin Post Office.

#### 321.2 **Location**

Provide separate designated boxes at city delivery offices where the collections are taken to an area mail processing center for distribution. The minimum requirement for the location of these boxes is at the main office, classified stations and branches, and SSPCs.

#### 321.3 **Number of Boxes**

Local management must decide where there is a need for local delivery boxes in addition to the minimum number required under [321.2](#).

#### 321.4 **Collection Schedule**

Since these boxes will be located in clusters with other types of collection boxes, the schedule times should be the same as for the adjacent boxes. These collection times should be augmented as necessary to ensure that local mail deposited in these boxes meets established delivery service standards.

### 322 **Boxes Displaying Last Pickup Time Decals – 30-Minute Time Increments**

#### 322.1 **General**

Boxes that generate a daily average of 100 or more pieces on weekdays and boxes needed to meet the requirements in [322.2](#) regardless of volume must display a last pickup time decal.

**322.2 Last Pickup Between 5:00 p.m. and 6:29 p.m. (Monday Through Friday)**

**322.21 Decals**

These boxes should display 5:00 p.m., 5:30 p.m., or 6:00 p.m. decals, as appropriate.

**322.22 Locations**

Locate these boxes as follows:

- a. Where needed in business areas or on main thoroughfares so that customers do not have to travel more than approximately 2 miles from their homes to a box displaying a last pickup time decal.
- b. In front of main offices, classified stations and branches, and SSPCs.

**322.23 Collection Schedules**

**322.231 Monday Through Friday**

These boxes should have at least two collections daily, with the last collection scheduled at 5:00 p.m. or later.

**322.232 Saturday**

Saturday schedules should include as many collections as necessary, with the last collection from each box scheduled as late as possible in the day, but in no case earlier than 1:00 p.m.

**322.233 Sunday and National Holidays**

Sunday and holiday pickups should be at least once a day, as late as possible, to ensure that the mail will connect with dispatches of value to meet established standards.

**322.3 Last Pickup Between 6:30 p.m. and 8:00 p.m. (Monday Through Friday)**

**322.31 Decals**

These boxes should display 6:30 p.m., 7:00 p.m., 7:30 p.m., or 8:00 p.m. decals, as appropriate.

**322.32 Location**

These boxes will be located at those offices where processing, either incoming or outgoing, is scheduled at the central processing plant during these evening hours or where the office has a late evening dispatch to the area processing plant. These boxes may be located in front of main offices, classified stations, classified branches, SSPCs, and where needed in business areas or main thoroughfares.

**322.33 Number of Boxes**

Local management must decide where the volume of mail justifies the placement of this type of box in addition to those located at postal units.

**322.34 Collection Schedules**

**322.341 Monday Through Friday**

These boxes should have as many collections as necessary, with one collection shortly after 5:00 p.m. and the last collection scheduled between

6:30 p.m. and 8:00 p.m. Schedules should provide a late evening deposit point for interested customers to ensure next day delivery within the local area service plan.

**322.342 Saturday**

Saturday schedules should include as many collections as necessary, with the last collection from each box scheduled as late as possible in the day, but in no case earlier than 3:00 p.m.

**322.343 Sunday and National Holidays**

Sunday and holiday pickups should be at least once a day, as late as possible, to ensure that the mail will connect with dispatches of value to meet established standards. The last collection should be no earlier than 3:00 p.m.

**323 Residential**

**323.1 Identification**

These boxes do not display last pickup time decals. However, as specified in [316](#), the collection times decal affixed thereon must indicate the location of the nearest collection box with a last pickup decal where 5:00 p.m. (or later), Sunday, and holiday services are available.

**323.2 Location**

These boxes should be located throughout residential areas as needed and to ensure that the density standard in [315.32](#) is met. They are not required in areas that receive motorized delivery only to curbside boxes, NDCBUs, or CBUs. If such service is mixed with other delivery methods, the standard in [315.32](#) should be followed.

**323.3 Number of Boxes**

Local management must decide where the volume of mail justifies the placement of residential boxes.

**323.4 Collection Schedules**

**323.41 Monday through Saturday**

These boxes should have a posted pickup time approximately 20 minutes prior to the expected arrival time of the carrier serving the route in the area. If the foot or motorized carrier normally passes these boxes on return to the delivery unit, the pickup should be scheduled at that time so that the latest possible collection is made.

**323.42 Sunday and National Holidays**

Normally, full collection service from these boxes is not a requirement; however, this service may be provided where local management is convinced there is a need.

**324 Motorist Mailchute/Post Type Boxes**

Whenever these boxes are in use, identify them to reflect the level and type of service intended as outlined in [321](#) through [323](#).

## 325 **Express Mail Collection Boxes**

### 325.1 **Identification**

Mark these boxes with the appropriate Express Mail decals and Express Mail Collection Times decal/customer information as prescribed in Handbook MS-22, *Street Letter Box Maintenance*.

### 325.2 **Location**

Separate, designated boxes may be provided at all offices that accept Express Mail Next Day Service shipments. The minimum requirements for the location of these boxes will be determined by the district manager or designee.

### 325.3 **Number of Boxes**

The district manager or designee must decide where there is a need for Express Mail boxes (locations inside buildings and street locations) in addition to determining the need for local or area-wide collection service.

### 325.4 **Collection Schedules**

Collection schedules must be set in order to provide the latest possible collection consistent with local acceptance and dispatch capabilities. Express Mail shipments deposited into Express Mail collection boxes before the posted collection time receive a Next or Second Day Express Mail service guarantee. There is no product differentiation between shipments placed in an Express Mail collection box and those accepted at a retail counter.

## 326 **Mail Deposit and Collection**

### 326.1 **Collection Times**

Mail is collected in residential and business areas served by city carriers at times scheduled to connect with mail dispatches. Mail is also collected in business areas at frequent intervals to keep boxes from becoming overloaded and to provide an even flow of mail to the Post Office.

### 326.2 **Ordinary Deposit of Mail**

#### 326.21 **Post Office Lobby**

Letterdrops are provided in lobbies of all Post Offices for the ordinary deposit of mail.

#### 326.22 **Collection Boxes**

Collection boxes for the ordinary deposit of mail are placed at convenient points in areas served by city carriers, at noncity delivery offices in front of Post Office quarters, and in nonpersonnel rural units.

#### 326.23 **Rural Boxes**

Mail on which postage is paid may be deposited for collection in mailboxes on rural routes.

**326.24 Vertical Improved Mail Mailrooms**

At vertical improved mail (VIM) mailrooms, mail may be deposited in bundle mail drops where provided. Otherwise, it may be left with the carrier on duty when the VIM call window is open.

**326.3 Deposit of Mail With Employees**

The following types of mail may be handed for dispatch to employees on duty in mobile units or transfer offices and at airport mail facilities:

- a. First-Class Mail<sup>®</sup> on which postage is paid.
- b. Package Services mail presented by representatives of manufacturers or distributors of medicines or serums when endorsed: "Emergency — This package has been weighed and bears necessary postage. Any additional postage found to be due is guaranteed by sender." Package Services mail, except that described, and mail to be sent Registered Mail<sup>™</sup>, Insured Mail, or COD is not mailable with the employees identified above.
- c. Unless acceptance is prearranged and previously authorized by the postmaster, only parcels that may be opened for postal inspection in the presence of the mailer to determine mailability of contents may be accepted at airport mail facilities.

**326.4 Mailchutes and Receiving Boxes****326.41 Use****326.411 Determination of Installation**

Mailchutes and receiving boxes may be placed, at the expense of the owner, in public buildings, railroad stations, hotels, and business or office buildings of not less than four stories, and apartment houses of not less than 40 residential apartments. Buildings with receiving boxes must be open to the general public, without restrictions, during the hours specified for mail collections. If the owner of a building does not want to install a mailchute and receiving box, a receiving box may be installed only if the postmaster determines it is necessary and approves its installation.

**326.412 Purpose**

Mailchutes and receiving boxes are intended for the deposit of First-Class Mail. Standard Mail<sup>®</sup> may not be deposited in mailchutes and receiving boxes.

**326.42 Installation, Specification, and Maintenance**

Requests for the installation of mailchutes and receiving boxes must be approved by the postmaster, and he or she must be furnished the contract and specifications for any proposed chute and box. The specifications for mailchutes and maintenance procedures are covered in Publication 16, *Mail Chutes, Receiving Boxes, and Auxiliary Collection Boxes: Regulations and Specifications*.

**326.5 Bulk Mailings**

Mailings under permit indicia or in bulk must be deposited at times and places designated by the postmaster. These mailings are prohibited from

deposit in collection boxes, mailchutes, receiving boxes, or other mail receptacles because they must be verified to ensure proper acceptance.

### 326.6 **Separation of Mail by Sender**

Customers with large mailings at single piece First-Class or Standard Mail rates should separate and rubber band them into bundles labeled "Local" and "Out of Town." These labels may be obtained from the Post Office.

## 327 **Plant Load Operations**

### 327.1 **Definitions**

#### 327.11 **Plant Loading**

*Plant loading* is an operation in which the Postal Service receives mail at a mailer's plant and transports it to bypass handling that otherwise would be required at one or more Postal Service facilities. Plant loads are authorized when they benefit the Postal Service (see [327.3](#)).

#### 327.12 **Expedited Plant-Load Shipment**

An expedited plant-load shipment is an operation in which an authorized plant-load mailer receives additional authorization to transport a plant-loaded shipment at the mailer's expense to destination Postal Service facilities where the mail is deposited. Under an expedited plant-load shipment authorization, the Postal Service verifies the mail for presort and postage at the mailer's plant, and postage is calculated from and paid at the Post Office where the mailer is authorized to plant load. DMM D020 contains mailer instructions for obtaining an expedited plant-load shipment authorization.

#### 327.13 **Collection**

*Collection of mail* is an operation in which the Postal Service transports mail from a mailer's plant or other authorized non-Postal Service location to the local Post Office or other designated local acceptance point. Unlike plant-loaded mail, collection of mail generally does not include any mail that bypasses a handling or requires a postage statement, except under [327.2](#).

#### 327.14 **Mailer's Plant and Mailings**

##### 327.141 **Mailer's Plant**

The mailer's plant is the non-Postal Service location where the mail is loaded onto transportation provided by the Postal Service.

##### 327.142 **Detached Mail Unit**

A detached mail unit is an area in a mailer's facility where Postal Service employees perform mail verification, acceptance, dispatch, and other Postal Service functions.

##### 327.143 **Plant-Loaded Mailings**

Plant-loaded mailings consist of mail from one mailer or the combined mailings of two or more mailers loaded into one or more vehicles and accepted by the Postal Service at the mailers' plants when:

- a. A single postage statement is prepared and submitted by the mailers if required for each mailing;

- b. Proper postage is affixed to each item; or
- c. An alternative method of paying postage using a permit imprint (e.g., manifest mailing) is used, and a single postage statement and a manifest covering the mailing are prepared and submitted by the mailer.

**327.144 Mixed Classes of Mail**

A mailer may combine Periodicals, Standard Mail, and Package Services in a single vehicle if the mailings are physically separated, a postage statement is submitted for each mailing, and the service standards are met for each class of mail combined in the vehicle or trailer.

**327.15 Transportation Service Area**

**327.151 First-Class Mail**

The service area for plant-loaded First-Class Mail is the service area of the sectional center facility (SCF) in which the mailer's plant is located.

**327.152 Periodicals**

The service area for plant-loaded Periodicals is the service area of the SCF or area distribution center (ADC) in which the mailer's plant is located.

**327.153 Standard Mail and/or Package Services**

The service area for plant-loaded Standard Mail and/or Package Services is the service area of the bulk mail center (BMC) or auxiliary service facility (ASF) in which the mailer's plant is located.

**327.154 Intra-District Area Plant Loads**

*Intra-district area plant loads* are vehicle movements of mail that originate at the mailer's plant and destinate to a Postal Service facility located within the district serving the mailer's plant. Handling at the local Post Office or other local acceptance facility is bypassed.

**327.155 Inter-District Area Plant Loads**

*Inter-district area plant loads* are vehicle movements of mail that originate at the mailer's plant and destinate to a mail processing facility located outside the service area of the district serving the mailer's plant. Handling at one or more intermediate processing facilities is bypassed.

**327.16 Transportation Equipment**

**327.161 Highway Transportation Vehicle**

A *highway transportation vehicle* is a vehicle owned or leased for any term by the Postal Service or provided by a Postal Service highway transportation contractor for the transportation of mail exclusively over highways.

**327.162 Rail Transportation Vehicle**

A *rail transportation vehicle* is a vehicle provided by a Postal Service rail transportation contractor for the transportation of mail in whole or in part by rail.

**327.17 Transportation Definitions**

**327.171 Bobtailing**

*Bobtailing* is the movement of a tractor without a trailer to or from a mailer's plant.

**327.172 Deadheading**

*Deadheading* is the movement of a highway or rail transportation vehicle to or from a mailer's plant without transporting any mail.

**327.173 Waiting/Holding**

*Waiting/holding* occurs when a vehicle waits or is held at a mailer's plant for mail to be loaded into the vehicle.

**327.174 Spotting**

*Spotting* is the activity of a driver with a truck-tractor, other than delivery or pick-up, to reposition trailers to and from loading docks on the mailer's premises.

**327.2 Procedures for Authorization of Plant Loads****327.21 Filing Application**

A mailer requesting plant load must complete PS Form 3815, *Plant-Load Authorization Application, Worksheet, and Agreement*, and submit it to the postmaster of the Post Office serving the mailer's plant. The local postmaster reviews the application, completes the applicable sections, and forwards it to the district manager, Customer Service and Sales.

**327.22 Action by District****327.221 General**

Each district manager, Customer Service and Sales, must establish a cross-functional district plant-load committee to review plant-load applications and to address plant-load issues within the district.

**327.222 Intra-District Area**

After either approving or disapproving the application, the district manager sends a copy to the area manager, Distribution Networks, as information only. The district manager approves an application for an intra-district area plant load if:

- a. It meets the requirements listed in [327.31](#).
- b. The manager, Distribution Networks, confirms that transportation equipment is available in accordance with [327.312](#).

**327.223 Inter-District Area**

After recommending either approval or disapproval of the application, the district manager forwards the application to the area manager, Distribution Networks, for action. The district manager should recommend approval of an application for an inter-district area plant load if:

- a. It meets the requirements of [327.32](#).
- b. The manager, Distribution Networks, confirms that transportation equipment is available in accordance with [327.322](#).

**327.23 Action by Area Manager, Distribution Networks****327.231 Intra-District Area**

The area manager, Distribution Networks, reviews information copies of intra-district area plant-load applications authorized by district managers, Customer Service and Sales, to ensure compliance with Postal Service standards and to ensure the most efficient transportation is used. Any noncompliance with Postal Service standards must be brought to the attention of the district manager who approved the application.

**327.232 Inter-District Area**

The area manager, Distribution Networks, who serves the area where the mailer's facility is located approves an application for an inter-district area plant load if it meets the requirements in 327.32. The authorizing manager must notify the destination area manager, Distribution Networks, of the approval in writing. The application is denied if the requirements of 327.32 are not met.

**327.24 Notification of Action to Mailer****327.241 General**

Each official who acts on an application must do so within 5 business days of receipt. The district manager must promptly notify the mailer in writing of the final action taken. If the application is denied, the manager must notify the mailer, specifying the reasons for the denial and informing the mailer of the right to appeal the denial.

**327.242 Appeal Rights**

The applicant has appeal rights. The applicant must be notified in the letter of denial of the right and procedures to appeal the decision. If an application for plant load is denied and it is subsequently determined that the denial is due to errors in the original application, the mailer may appeal to the authorizing official in writing. The authorizing official may require the mailer to complete a new application or submit the corrected information in writing as an addendum to the original. The mailer may also appeal to and work with the authorizing officials to correct any deficiency and thus justify reconsideration and/or approval of the plant-load application within applicable standards and guidelines.

**327.243 Appeal to Higher Authority**

If the area manager, Distribution Networks, or district manager, Customer Service and Sales, denies the application, the mailer may appeal in writing through their local postmaster to the vice president, Area Operations, for the area office in which the mailer's plant is located. A mailer may also appeal a decision of a field manager to revoke an existing plant-load agreement. Such an appeal must be filed with the postmaster, within 10 business days of the date of the mailer's receipt of the notice of denial. The mailer must specify in the appeal the reasons why the application should be approved. The postmaster sends the file and all pertinent information relating to the respective appeal to the vice president, Area Operations, for review. The decision of the vice president, Area Operations, must be promptly transmitted in writing to the mailer and copied to the district manager, Customer Service and Sales. The decision of the vice president, Area Operations, is final and binding.

**327.25 Commencement of Operations**

The application is approved if it meets all the requirements in 327.3 for either intra-district or inter-district area plant loads. If the application is approved and the mailer wants plant-load operations, the mailer must enter into a plant-load agreement with the Postal Service. Plant-load operations may begin as specified in the agreement once the application is approved and the mailer enters into the agreement.

**327.26 Failure to Meet Requirements**

The local postmaster of the Post Office serving the mailer's plant is responsible for monitoring plant-load operations and coordinating with the district plant-load committee. If a mailer fails to meet the terms agreed to in the plant-load agreement, the district plant-load committee must reevaluate the plant-load authorization. See Handbook PO-512, *Plant Loading Authorization and Procedures Guidelines*.

**327.3 Requirements for Approval of Plant-Load Applications****327.31 Intra-District Area****327.311 General**

An application for an intra-district area plant load is approved by the district manager if transportation equipment is available (see [327.312](#)) and a net cost-savings to the Postal Service is demonstrated under Alternative 1 (see [327.313a](#)), Alternative 2 (see [327.313b](#)), or Alternative 3 (see [327.313c](#)).

**327.312 Transportation Availability**

As determined by the manager, Transportation and Networks, transportation equipment must be available to transport the mail to the BMC, ASF, ADC, or SCF in the service area of the mailer's plant. Authorizations will not be granted unless transportation is available.

**327.313 Net Cost-Savings**

The plant load must result in a net cost-savings to the Postal Service. A net cost-savings can be demonstrated under Alternative 1, Alternative 2, or Alternative 3.

- a. *Alternative 1: Minimum Volume and Maximum Mileage.* The volume of mail to be plant loaded must be at least 50 percent of a vehicle's capacity by weight or cube (a minimum of 23,000 pounds or 1,600 cubic feet), and the mileage from the mailer's plant to the destination Postal Service facility must be 150 miles or less in one direction. For mail verified and accepted at a mailer's plant, the Postal Service may allow mailings verified at the plants of two or more mailers located in the same service area to be combined to meet the minimum volume requirement. For mail verified and accepted at the business mail entry unit of the origin office the minimum volume requirement must be met by the mailings of only one mailer. (See [327.423](#) for requirements for verification at a Postal Service facility.)
- b. *Alternative 2.* If the mailer does not meet the criteria in Alternative 1, a net cost-savings to the Postal Service must be demonstrated using the cost analysis worksheet on PS Form 3815.
- c. *Alternative 3.* If the mailer does not satisfy the criteria in either Alternative 1 or Alternative 2, the plant-load criteria may still be met if the local origin Postal Service facility is operating at or near its mail processing capacity for the type of mail to be plant loaded. The local manager, Transportation and Networks, after consulting with In-Plant Support, determines whether a facility is at or near its mail processing capacity and recommends whether to approve the plant load in such cases.

**327.314 Periodic Review**

Intra-district plant-load authorizations must be reviewed every 4 years to determine whether a net cost-savings to the Postal Service is still demonstrated under Alternative 1 (see [327.313a](#)), Alternative 2 (see [327.313b](#)), or Alternative 3 (see [327.313c](#)). If the plant load is authorized under Alternative 3 and it is subsequently determined that the local origin facility is operating below its mail processing capacity for the class or type of mail to be plant loaded, the district manager must rescind the plant-load authorization.

**327.32 Inter-District Area****327.321 General**

An application for an inter-district area plant load is approved by the area manager, Distribution Networks, if transportation equipment is available (see [327.322](#)) and a net cost-savings to the Postal Service is demonstrated under Alternative 1 (see [327.313a](#)), Alternative 2 (see [327.313b](#)), or Alternative 3 (see [327.313c](#)).

**327.322 Transportation Availability**

Transportation must be available to transport the mail to the BMC, ASF, ADC, or SCF outside the Postal Service facility's service area in which the mailer's plant is located. The application must not be granted until additional transportation is obtained.

**327.323 Net Cost-Savings**

The plant load must result in a net cost-savings to the Postal Service. A net cost-savings can be demonstrated under Alternative 1 (see [327.323a](#)), Alternative 2 (see [327.323b](#)), or Alternative 3 (see [327.323c](#)).

**a. Alternative 1: Minimum Volume and Maximum Mileage.**

(1) *Minimum Volume:* The volume of mail to be plant loaded must be at least 60 percent of a vehicle's capacity by weight or cube (a minimum of 28,000 pounds or 2,000 cubic feet). Mailings of two or more mailers located in the same service area may be combined in the same vehicle to make up the minimum volume.

**(2) Maximum Mileage for Highway**

(a) If the plant-loaded transportation is by highway and bypasses the origin SCF and at least one BMC, ASF, or ADC, the distance from the mailer's plant to the destination Postal Service facility must be 275 miles or less in one direction.

(b) If the plant-loaded transportation is by highway and bypasses only the origin SCF, the distance from the mailer's plant to the destination Postal Service facility must be 150 miles or less in one direction.

(c) There is no mileage criterion for plant-loaded transportation by railroad or water.

b. *Alternative 2.* If the mailer does not meet the criteria in Alternative 1, a net cost-savings to the Postal Service must be demonstrated using the cost analysis worksheet on PS Form 3815.

- c. *Alternative 3.* If the mailer does not satisfy the criteria in either Alternative 1 or Alternative 2, the plant-load criteria may still be met if the local origin Postal Service facility is operating at or near its mail processing capacity for the type of mail to be plant loaded. The local manager, Transportation and Networks, after consulting with In-Plant Support, determines whether a facility is at or near its mail processing capacity and recommends whether to approve the plant load in such cases.

**327.324 Periodic Review**

Inter-district plant-load authorizations must be reviewed every 4 years to determine whether a net cost-savings to the Postal Service is still demonstrated under Alternative 1 (see [327.323a](#)), Alternative 2 (see [327.323b](#)), or Alternative 3 (see [327.323c](#)). If the plant load is authorized under Alternative 3 and it is subsequently determined that the local origin facility is operating below its mail processing capacity for the class or type of mail to be plant loaded, the area manager, Distribution Networks, must rescind the plant-load authorization.

**327.4 Verification and Collection of Postage**

**327.41 General**

All plant-loaded mail must be verified, and postage and fees must be collected in accordance with DMM and POM standards, Handbook DM-109, *Business Mail Acceptance*, and Handbook DM-103, *Official Mail*.

**327.42 Verification of Intra-District Area Plant Loads**

**327.421 General**

Intra-district area plant-loaded mail must be verified at the mailer's plant or at a Postal Service facility within the origin district as authorized by the district manager.

**327.422 Verification at the Mailer's Plant**

Intra-district area plant-loaded mail must be verified at the mailer's plant by a clerk qualified to do verification and acceptance unless authorization to verify mail at a Postal Service facility within the origin district is granted under [327.421](#).

**327.423 Verification at Postal Facility**

Authorization to verify mail at the origin BMC, ASF, or SCF may be granted only if all the following conditions are met:

- a. There is no detached mail unit (DMU) at the mailer's plant.
- b. The mailer is located within the service area of the BMC, ASF, or SCF where verification is to take place.
- c. Each vehicle contains the mail of only one mailer.
- d. Each vehicle contains no more than five mailings and each mailing is physically separated.
- e. If a postage statement must be completed, the original must accompany the corresponding mailing in the vehicle. Where a single mailing is contained in more than one vehicle, a separate original

postage statement must accompany each vehicle for the segment of the mailing contained in each vehicle.

- f. If an alternative method of paying postage using permit imprint (e.g., manifesting) is used, an original of the proper postage statement and a manifest must accompany each vehicle if there is only one mailing in the vehicle or one manifest for each mailing segment in the vehicle. Where a single mailing is contained in more than one vehicle, a separate original postage statement and manifest must accompany each vehicle for each mailing segment.
- g. The mailer must keep a plant-load control log containing the following information:
  - (1) Copy of each postage statement (sequentially numbered) accompanying plant-loaded mail.
  - (2) Number for each vehicle transporting mail.
  - (3) Name of BMC, ASF, or SCF verifying mail.
- h. The mail can be physically verified at the BMC, ASF, or SCF. Therefore, the mailing cannot be shrinkwrapped, stretchwrapped, or otherwise prepared so that a presort verification cannot be done.

**327.424 Placarding Requirements for Verification at Postal Facility**

If mail is to be verified at the origin BMC, ASF, or SCF, the following requirements apply:

- a. Before the vehicle leaves the mailer's plant, the mailer must place on the inside wall near the right rear door of the trailer a distinctive placard provided by the Postal Service to indicate that verification is required. The manager, Distribution Networks, or designee must notify the driver not to pick up the trailer unless this placard is in the vehicle. The mailer may place a second placard on the outside of that trailer door.
- b. The requirements of this section and corrective actions must be met to ensure revenue protection and collection of postage and fees prior to the vehicle being transported from the mailer's plant, except as provided for official mail in the DMM. Exhibit 327.424 provides an example of a placard that can be used for this purpose. Reproduce the placard locally as required.

Exhibit 327.424

**Sample Verification Required Placard**

# ATTENTION

THE MAIL CONTAINED IN THIS VEHICLE  
**HAS NOT BEEN ACCEPTED**  
BY THE POSTAL SERVICE

PLEASE VERIFY  
UNDER NORMAL  
ACCEPTANCE PROCEDURES  
BEFORE ENTRY  
INTO THE MAIL STREAM

(PLEASE DESTROY THIS NOTICE AFTER MAIL HAS BEEN ACCEPTED)

**POSTMASTER**

**327.425 Corrective Action**

If intra-district area plant-loaded mail fails verification at a Postal Service facility, the mailer has the following two options:

- a. The mailer pays the applicable next-higher rate on that portion of the mailing estimated to be improperly prepared.
- b. Within 24 hours, the mailer either transports the mailing or arranges for the Postal Service to transport the mailing to the mailer's plant, at the mailer's expense (see 327.6). The mail must be reworked to comply with the applicable mailing standards for its class. If the mailer does not transport the mail or request transportation for it within 24 hours, the mailer must reimburse the Postal Service for detention in accordance with 327.6.

**327.43 Verification of Inter-District Area Plant Loads**

Inter-district plant-loaded mail must be verified, sealed, placarded, and recorded in accordance with Handbook PO-512 at the mailer's plant in a Postal Service-approved DMU by a clerk qualified to do verification procedures.

**327.431 Detached Mail Unit Requirements**

The DMU must be separate from the mailer's activities, in an enclosed, secure, and safe work area with a telephone. The Postal Service must approve the DMU work area.

**327.44 Payment of Postage and Fees**

The mailer must pay postage and fees for plant-loaded mail to the origin Post Office before the vehicle is transported from the mailer's plant, except under 327.4 and DMM E060.

**327.5 Preparation Requirements for Plant-Loaded Vehicles****327.51 Intra-District Area Plant Loads**

Intra-district area plant-loaded vehicles must fill 50 percent or more of a vehicle's capacity by weight or cube (a minimum of 23,000 pounds and/or 1,600 cubic feet).

**327.52 Inter-District Area Plant Loads****327.521 Vehicles Containing One Mailing**

Mailers must prepare inter-district area plant-loaded vehicles containing one mailing under the following requirements for the proper class or type of mail:

- a. First-Class Mail and Periodicals
  - (1) When there is enough mail to fill 60 percent or more of a vehicle's capacity by weight or by cube (a minimum of 28,000 pounds and/or 2,000 cubic feet) addressed to the same SCF service area, the mailer must prepare a direct vehicle for that SCF.
  - (2) When, after making up all possible SCF vehicles, there is enough mail to fill 60 percent or more of a vehicle's capacity by weight or by cube (a minimum of 28,000 pounds and/or 2,000 cubic feet) addressed to the same area distribution center (ADC) service area, the mailer must prepare a direct vehicle for that ADC.

- (3) The Postal Service transports all mail remaining, using appropriate transportation to the facility selected by Distribution Networks.
  - (4) The mailer agrees to withhold all mail for local processing and to comply with local instructions for loading and dispatching of mail in accordance with Handbook PO-512.
- b. Standard Mail and Package Services
- (1) When there is enough mail to fill 60 percent or more of a vehicle's capacity by weight or by cube (a minimum of 28,000 pounds and/or 2,000 cubic feet) addressed to the same SCF service area, the mailer must prepare a direct vehicle for that SCF.
  - (2) When, after making up all possible SCF vehicles, there is enough mail to fill 60 percent or more of a vehicle's capacity by weight or by cube (a minimum of 28,000 pounds and/or 2,000 cubic feet) addressed to the same BMC or ASF service area, the mailer must prepare a direct vehicle for that BMC or ASF.
  - (3) All mail remaining after all the above preparation requirements are met is transported by the Postal Service, using appropriate transportation, to the Postal Service facility selected by Distribution Networks.
  - (4) The mailer agrees to withhold all mail for local processing and to comply with local instructions for loading and dispatch of mail in accordance with Handbook PO-512.

#### 327.522 Vehicles Containing Two or More Mailings

Mailers must prepare inter-district plant-loaded vehicles containing two or more mailings under the following requirements for the proper class or type of mail:

- a. Two or more mailings, which independently have *insufficient* volume to require destination vehicles to be prepared, may be combined to make up an origin vehicle without meeting the requirements of 327.522b.
- b. Two or more mailings, which independently have *sufficient* volume to require destination vehicles to be prepared, must meet the preparation requirements described below when combined.
  - (1) When there is enough mail to fill 60 percent or more of a vehicle's capacity, by weight or by cube (a minimum of 28,000 pounds and/or 2,000 cubic feet), addressed to the same ADC service area, the mailer must prepare a direct vehicle for the ADC.
  - (2) When there is enough mail to fill 60 percent or more of a vehicle's capacity, by weight or by cube (a minimum of 28,000 pounds and/or 2,000 cubic feet), addressed to the same BMC or ASF service area, the mailer must prepare a direct vehicle for that BMC or ASF.
  - (3) The mailer agrees to withhold all mail for local processing and to comply with local instructions for loading and dispatch of mail in accordance with Handbook PO-512, *Plant Loading Authorization and Procedures Guidelines*.

- (4) The Postal Service transports the remaining mail, using appropriate transportation, to the facility selected by Distribution Networks.

**327.53 Determination of Vehicle Makeup Requirements**

The makeup requirements for plant-loaded vehicles are determined by the destination of the mailings accepted by the Postal Service at the mailer's plant. When possible, mailers should combine mailings in vehicles as a means of preparing the finest destination vehicles possible.

**327.54 Corrective Action**

If a plant-loaded mailing does not meet the vehicle preparation requirements for plant-loaded vehicles as required in 327.521 or 327.522, the mailer has the following two options:

- a. Rework the mailing so that it complies with the applicable make-up requirements for plant-loaded vehicles as required in 327.521 or 327.522. If the mailing is verified for presort, mail makeup, and postage payment purposes and is accepted as mail at the mailer's plant, and then it is determined that the vehicle preparation requirements were not met, the mailer must choose this option and rework the mailing. Vehicles must not be dispatched from the plant until the vehicle preparation requirements are met.
- b. Transport the mailing at the mailer's expense to a Postal Service facility within the origin service area designated by the origin postmaster and with the capability to process that class of mail. If this option is chosen, all applicable postage statements must be submitted with the mailings. The origin postmaster must notify the designated Postal Service facility in advance that the mailer has chosen to transport the mail at its own expense and is to enter the mailing at that facility. The mailing must be verified at the designated Postal Service facility for proper presort and mail makeup for the class of mail and for postage payment purposes. The designated Postal Service facility completes the Post Office part of the postage statements after the mailing is verified and accepted and returns the postage statements to the origin Post Office, where postage and fees must be paid.

**327.6 Reimbursement for Non-Postal Services**

**327.61 General**

The Postal Service must obtain reimbursement from mailers for non-Postal services furnished by the Postal Service in providing plant-load service only as authorized in 327.62 through 327.65.

**327.62 Detention of Trailers**

**327.621 General**

The Postal Service must obtain reimbursement under 327.622 through 327.625 from plant-load mailers when trailers furnished by the Postal Service to provide plant-load service are detained by some action by the mailer.

**327.622 Request to Detain Trailers**

The procedure for making a request to detain trailers is as follows:

- a. Plant-load mailers wanting to detain trailers longer than the time necessary to load them must make a request to the Postal Service at least 24 hours in advance of the requested date and time of the trailer's arrival. The mailer must agree to reimburse the Postal Service for the cost of detaining the trailers. The Postal Service must approve the request to detain trailers before the trailers are sent to the mailer's plant.
- b. If the mailer does not submit a timely request to detain trailers but detains them longer than the time necessary to load them, the mailer must reimburse the Postal Service for the cost of detaining the trailers.

**327.623 Nonreimbursable Detention Period**

Mailers who submit timely requests to detain trailers may do so for 24 hours without reimbursing the Postal Service for detention. The nonreimbursable period begins when the trailer arrives at the mailer's plant or at the date and time at which the mailer requested the trailer to arrive, whichever is later. The nonreimbursable period ends 24 hours later, excluding Saturdays, Sundays, and holidays. For example, if a trailer arrives at 5:00 p.m. on Friday, the nonreimbursable period ends 5:00 p.m. on Monday, or 5:00 p.m. on Tuesday if Monday is a holiday.

**327.624 Determination of Reimbursable Detention Period**

The guidelines for determining the reimbursable detention period are:

- a. If the plant-load mailer has submitted timely requests to detain trailers, the reimbursable detention period begins at the expiration of the nonreimbursable detention period.
- b. If the mailer did not submit timely requests to detain trailers, the reimbursable detention period begins at the date and time the trailer arrives at the plant, or at the date and time at which the mailer requested the trailer to arrive, whichever is later.
- c. The reimbursable period ends when the trailer is ready for dispatch and the mailer so notifies the Postal Service.

**327.625 Calculation of Reimbursement**

Reimbursement is made for each 24 hours, or fraction thereof, of the reimbursable detention period that a trailer is detained. After the nonreimbursable detention period ends, Saturdays, Sundays, and holidays are included in the calculation of detention reimbursement. Calculations for highway and rail transportation reimbursement are made as follows:

- a. Reimbursement for each highway transportation trailer is equal to the actual daily cost to the Postal Service for leasing the trailer, multiplied by the number of detention periods determined per 327.624.
- b. Reimbursement for each rail transportation trailer is equal to the demurrage or detention charge payable by the Postal Service under the rail transportation contract under which the trailer is furnished to the Postal Service by the railroad.

**327.63 Bobtailing, Deadheading, and Waiting/Holding Charges**

Plant-load mailers must reimburse the Postal Service for bobtailing, deadheading, or waiting/holding when the Postal Service incurs such charges due to some action by the mailer. Reimbursement is equal to the service charge paid by the Postal Service under the transportation contract.

**327.64 Damage Charges**

Plant-load mailers are responsible for reimbursement to the Postal Service for charges, including but not limited to, damages to Postal Service-furnished equipment caused by the mailer or the mailer's employees or agents.

**327.65 Spotting Charges**

The Postal Service allows free of charge to the mailer one round trip per vehicle to the mailer's plant for loading and from the mailer's plant as a dispatch to a destination Postal Service facility. In cases where a mailer makes an advance request to detain vehicles, the mailer may also accrue a spotting charge for the transportation expenses to position the vehicle for preloading at the mailer's plant.

**327.66 Nonreimbursable Charges****327.661 Detention**

The Postal Service does not obtain reimbursement from plant-load mailers for the detention of trailers that results from an action by the Postal Service.

**327.662 Other Operations**

The Postal Service does not obtain reimbursement from plant-load mailers where bobtailing, deadheading, or waiting/holding charges are incurred by an action by the Postal Service.

**327.7 Mailer Expedited Plant-load Shipment****327.71 Definition**

Under an expedited plant-load shipment authorization, the Postal Service verifies the mail for presort and proper preparation at the mailer's plant. Postage is paid at the Post Office where the mailer is authorized plant-load privileges. The mailer then transports the expedited plant-load shipment at the mailer's expense to destination Postal Service facilities where the shipment is deposited and accepted into the mailstream. Only plant-load mailers authorized to do so may transport expedited plant-load shipments at their own expense under the conditions in [327.72](#) through [327.76](#).

**327.72 Authorization**

The procedure for obtaining authorization for expedited plant-load shipments is as follows:

- a. An authorized plant-load mailer may seek authorization to transport expedited plant-load shipments by submitting a written request to the district manager. The mailer's request must describe, for each destination where mail is to be transported, the material to be deposited as an expedited plant-load shipment (e.g., the class, characteristics, and quantity), the frequency of mailing, and whether the request is for one or for a series of mailings. No form is provided for this purpose.

- b. The district manager reviews the mailer's request, ensures the availability of Postal Service resources (e.g., detached mail unit staff), provides the mailer with a written decision, and sends a copy of the written decision to the manager, Distribution Networks. If the request is approved, the authorization is for a mailing or group of mailings and for a time period not to exceed 2 years, after which a new request must be submitted. If the request is denied, a written response explaining the reasons for denial must be provided to the mailer. A denial is a classification decision and may be appealed under DMM G020.
- c. The mailer's request for expedited plant-load shipment authorization may be approved when it is in the best interest of the Postal Service, and the mailer is in compliance with the requirements for a plant-load operation.
- d. If the expedited plant-load shipment request is approved for more than one-time use, the plant-load agreement must be amended by attaching a completed and signed PS Form 8026, *Expedited Shipment Agreement for Plant-Load Mailings*, and including additional documents detailing the material to be prepared as expedited plant-load shipments.

#### 327.73 Mailer Responsibilities

Mailers who are authorized to have mail verified in their plant and paid for at the Post Office serving the mailer's plant (plant-load authorization) and to transport that mail at their own expense for deposit at a destination Postal Service facility (or facilities) must adhere to the following requirements before expedited plant-load shipments can be deposited at destination Postal Service facilities:

- a. The Postal Service facility (or facilities) where the mail is to be deposited must be one that processes the class of mail to be deposited.
- b. All the mailpieces in each expedited plant-load shipment must have a destination within the service area of the Postal Service facility where the shipment is deposited and accepted. For example, if an expedited plant-load shipment is deposited at a BMC, all the pieces in the shipment must be for addresses within the service area of that BMC.
- c. The mailer must contact each Postal Service facility where the expedited plant-load shipment is to be deposited to arrange and obtain approval for a time and location to deposit the expedited plant-load shipment.
- d. When a vehicle contains more than one expedited plant-load shipment to be drop-shipped to a single destination Postal Service facility, each shipment must be physically separated. When a vehicle contains mailings or mailing segments for more than one destination facility, the mail must be physically separated by destination, and then within each destination the mail must be physically separated by mailing or mailing segment.
- e. When the vehicle used for expedited plant-load shipment also contains other material carried as freight, the mailer must load all freight in the nose (front) of the vehicle, clearly marked and separated from the expedited plant-load shipment. The mailer must ensure that the separation method prevents the freight and expedited plant-load shipment from becoming mixed in transit.

- f. When the vehicle is loaded to make multiple stops, the mailer must ensure that only the appropriate shipment is removed at each stop, that no other material (mail or freight) is added, and that any remaining shipments are kept separate from any other freight remaining on the vehicle.
- g. The mailer must present the required postage statements and documentation to the DMU for each mailing.
- h. At destination, the mailer must provide the necessary documentation (provided by the Postal Service) to prove the required postage was paid for the expedited plant-load shipment.
- i. The mailer must meet the requirements that apply to any presort or automation-based rates claimed on the mailing being prepared as an expedited plant-load shipment.

**Note:** Expedited plant-load shipments are not eligible for destination entry rates.

#### 327.74 **Verification and Collection of Postage**

All expedited plant-load shipment mailings must be verified and have postage and fees collected according to the class of mail as required in this manual, Handbook DM-109, and Handbook DM-103, before it is loaded into mailer-supplied transportation and dispatched. The plant-load requirements in 327.421, 327.422, 327.43, and 327.44 must be met.

#### 327.741 **Detached Mail Unit Responsibilities**

When mailers are authorized to transport an expedited plant-load shipment at their own expense to a destination Postal Service facility, the detached mail unit (DMU) employees assigned to the mailer's plant must verify those mailings as they would all other mail to be accepted under the plant-load authorization. Before the dispatch of an expedited plant-load shipment, DMU employees must complete the following additional activities for mail loaded onto mailer-provided transportation:

- a. Complete a PS Form 8017, *Expedited Plant Load Shipment Record*, for each destination. Place the form on the inside rear sidewall of the vehicle. Completion of more than one PS Form 8017 is required for mail to be deposited at multiple Postal Service facilities.
- b. Ensure that any material carried as freight on the same vehicle as an expedited plant-load shipment is confined to the nose (front) of the vehicle, is separated by a clearly marked separation, and is loaded to avoid becoming mixed with the expedited plant-load shipment in transit.

**327.742 Destination Postal Facility Responsibilities**

Destination Postal Service facilities have the following responsibilities:

- a. Upon receipt of PS Form 8017, verify that the office receiving the shipment is the correct destination office. Check that PS Form 8017 is complete, signed, and round-stamped by the origin Post Office.
- b. After the shipment is unloaded, complete the applicable blocks on PS Form 8017.
- c. Retain PS Form 8017 for 1 year.
- d. Additional mail for downstream Postal Service facilities must not be loaded onto the mailer's vehicle by any Postal Service facility at which the mailer has deposited an expedited plant-load shipment.

**327.75 Liability**

The mailer assumes all liability and responsibility for any loss or damage to the expedited plant-load shipment before it is deposited in and accepted at a destination Postal Service facility regardless of whether a third party is used to transport it. The Postal Service is not liable or responsible for any loss or damage to an expedited plant-load shipment, except after accepted and deposited at a destination Postal Service facility as provided for in the DMM.

**327.76 Refunds**

The Postal Service does not refund postage for any failure to provide service caused in whole or in part by any event occurring before the shipment is deposited in and accepted at a destination Postal Service facility, except in accordance with the provisions of the refund standards in DMM P014.

**327.8 Transportation****327.81 Selection of Mode of Transportation**

Distribution Networks selects the least-costly mode of transportation that meets the service objectives for the class of plant-loaded mail. The mode of transportation is not changed at the request of the mailer.

**327.82 Mailer Transportation**

Mailers may transport their own plant-loaded mail when there is a highway contract between the Postal Service and the mailer or when the mailer is authorized to transport plant-verified mail under [327.8](#) and has entered into an Expedited Plant-load Shipment Agreement with the Postal Service. The awarding of a highway contract to the mailer or authorization under [327.8](#) is not a factor in deciding whether to authorize the plant load. Any net cost-savings that result from an expedited plant-load shipment authorization may not be included in the cost-savings analysis for initial plant-load authorization or renewal.

**327.83 Holding, Storing, or Delaying Dispatch**

The Postal Service does not hold, store, or otherwise delay the dispatch of plant-loaded mail except as provided for under the plant-load agreement with the mailer.

327.84

Postal Operations Manual

**327.84 Relocation of Trailers**

The Postal Service does not relocate trailers at a mailer's plant.

**327.85 Service Objectives**

The service objectives that apply to the class of mail being transported apply to the plant-loaded mail. Plant-loaded mail may have deferred service objectives, if provided for in the plant-load agreement.



July 23, 1999

MANAGERS, DELIVERY PROGRAMS SUPPORT (AREA)

SUBJECT: Early Last Pick-Up Times on Collection Boxes/Points

Surveys conducted during recent field visits, focusing on last collection times displayed on collection boxes/points, clearly indicate that some offices are not adhering to the National Service Standards outlined in Chapter 3 of the Postal Operations Manual (POM). These standards are not optional for city delivery offices. Their degree of application to non-city delivery offices is determined by the district manager or his/her designee.

Some of the most frequently noted problems during these visits are listed in the attachment.

Would you please forward these findings to the appropriate manager within each cluster to ensure that scheduled and/or posted collection times are in accordance with the requirements as outlined in the Postal Operations Manual.

All questions concerning the POM requirements, as well as the attached list of problems, may be directed to Doug Wynkoop at (202) 268-2463.

Thank you in advance for your assistance.

A handwritten signature in black ink, appearing to read "W.S. Bothwell".

W.S. Bothwell  
Manager  
Delivery Policies and Programs

Attachment

### Irregularities Identified During Field Visits

1. Weekday collection times displayed on collection boxes at post offices, stations, and branches are earlier than 5:00 PM as required by the POM,

All collection boxes located in front of main post offices, stations, and branches are required to display a last pickup time decal of 5:00 PM or later for weekday collections (POM 322.22.b).

2. Collection boxes that receive a daily average of 100 pieces of mail per weekday have a final weekday collection prior to 5:00 PM;

In addition to the requirement that all collection boxes located in front of main post offices, stations, and branches display a last pickup time decal of 5:00 PM or later for weekday collections, all collection boxes that generate a daily average of 100 or more pieces on weekdays and boxes needed to meet the requirements in 322.2 regardless of volume must also display a last pickup time decal (POM 322.1). POM 322.22.a further states that time decal boxes will be located in business areas or on main thoroughfares so that customers do not have to travel more than approximately 2 miles from their homes to a box displaying a last pickup time decal. All collection boxes meeting the above criteria are required to display a last pickup time decal and are required to have a 5:00 PM or later collection performed Monday through Friday.

3. Many post offices do not use the required last pickup time decals as required by the POM;

The use of last pickup time decals as specified in POM 322.1 and 322.22.a & b is not optional; all of the collection boxes identified in these sections must display these decals and have a collection performed at 5:00 PM or later.

4. Saturday collections from collection boxes located at main post offices, stations, and branches are not performed as late in the day as possible;

Saturday collections from last pickup time decal collection boxes located at main post offices, stations, and branches should be as frequent as necessary with the last collection from each box as late in the day as possible but in no case earlier than 1:00 PM or 3:00 PM (POM 322.232 and 322.342 respectively). Main post offices, stations, and branches, having delivery personnel returning from street duties during mid to late afternoon on Saturday's, have a later evening dispatch scheduled for mail picked up by letter carriers during delivery as well as all other remaining outgoing mail in the office. This dispatch may be provided by PVS or may originate from the office after all carriers have returned for the day. Offices with a scheduled dispatch departing from the office at 5:00

PM with all remaining outgoing mail should not be posting Saturday's last pickup of the day on collection boxes at either 1:00 or 3:00 PM; rather, the posted time should be 4:30 to 4:45 PM allowing just enough time to get the collection box mail on the dispatch. Posting any time earlier than necessary to connect with the scheduled 5:00 PM dispatch falls well short of the requirement of performing collections as late in the day as possible.

5. Saturday collections from last pickup time decal collection boxes located at other than postal facilities are not performed as late in the day as possible;

All collection boxes that generate an average of 100 or more pieces on weekdays and boxes needed to meet the requirements of POM 322.2 regardless of volume must display a last pickup time decal of 5:00 PM or later for weekday collections (POM 322.1). POM 322.2(a) states that last pickup time decal collection boxes must be located "where needed in business areas or on main thoroughfares so that customers do not have to travel more than approximately 2 miles from their homes to a box displaying a last pickup time decal".

It is evident that Saturday collections from many collection boxes, that meet and/or exceed the criteria for last pickup time decals, are being performed by letter carriers during their normal delivery duties; frequently, collection times displayed on the box were well before the 1:00 PM or 3:00 PM requirement in POM 322.232 and 322.342. If any other means exist that would allow for a later collection from these boxes on a Saturday (such as a collection route or interstation run, etc.), these "last pickup time decal" collection boxes must be picked up as late in the day as possible. The posting of any time earlier than specified in the POM, or where opportunities exist to collect these boxes later in the day, falls well short of the requirement of performing collections as late in the day as possible.

6. Collection boxes have no Saturday collection displayed on the collection time decal;

POM 322.232, 322.342, and 323.41 clearly indicate that mail is to be collected from each collection box at least once Monday through Saturday. Dependent upon volume levels generated, time decal boxes and some other boxes are collected more than once daily when local managers determine it is warranted. The only exception to this rule is that some boxes and mailchutes, due to location, are not accessible on Saturdays; this commonly occurs in industrial parks where buildings and complexes are locked down or gated for security reasons. If the collection box or mailchute exists, and is accessible on Saturday, it must be collected.

Collection requirements in the Postal Operations Manual specify that schedules for the collection of mail are to be arranged, consistent with the requirements of the local community and timely handling of the mail at the processing point. Scheduling the last pick-up of the day for a vast portion of collection boxes/points earlier in the day than necessary falls well short of that requirement, especially in those instances when the mail is actually collected several hours later.

Collection schedules must be set as late in the day as possible, thus allowing customers time to deposit their mail while still providing sufficient time for its collection and handling at the processing point. Collection boxes/points, which are pulled by letter carriers during the course of their rounds, should be scheduled for pick-up approximately twenty minutes prior to the carriers normal arrival time. Or, if the carrier passes the box on the way back to the office, the box should be scheduled for pick-up at the end of the route with a posted pick-up time approximately twenty minutes before the carrier normally completes the route. Those boxes/points having sufficient volume to warrant assignment to a collection route (all day or evening) should also be scheduled with a posted pick-up time approximately twenty minutes prior to the collectors normal arrival time.

The posting of collection times earlier than that specified in the POM, or earlier than logically necessary, makes it very easy for customers to conclude that many collection boxes/points collection times have been shifted to an earlier last pickup time to circumvent the external measurement system. Area and District staff should take the appropriate action to ensure that all delivery units in their areas are familiar with the requirements outlined in Section 3 of the Postal Operations Manual, and that collection times are scheduled in full compliance with same. They should be reminded that the objective of the Postal Service's collection activities is to collect mail as late in the day as possible with schedules arranged consistent with requirements of the local community and timely handling of mail at the processing point.

KATHY ALMSWORTH  
VICE PRESIDENT, QUALITY AND RETAIL



November 18, 2007

**VICE PRESIDENTS, AREA OPERATIONS**

**SUBJECT: Standardization of Collection Policy and Procedures**

At the National Executive Conference last month, we highlighted a critical corporate requirement to shift from an internal to an externally-focused organization. Our practices regarding mail collection are very visible to external customers. The mailing public reacts quickly, and generally negatively, to any activity that results in a degradation of mail collection service.

In recent months there have been an alarming number of districts enacting wholesale changes to collection profiles resulting in a significant degradation of service from a customer's perspective. Invariably these actions have received extremely negative customer reaction resulting in widespread, unfavorable press. Additionally, the Postal Regulatory Commission has expressed a great deal of interest and concern in the wide disparity of collection service provided across the organization.

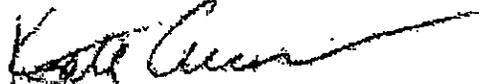
An effort is underway to re-evaluate our current collection policy and guidelines. The main objective of this effort will be the establishment of an externally focused, standardized collection profile applied consistently across the organization. This will obviously require significant input from all functional and geographic areas of the Postal Service. The end result must be a set of policies that meet our internal processing and distribution needs and provide consistent quality collection services to the mailing community.

In the interim and effective immediately, district and local management must not make, or direct, any changes to the pick up times currently posted on collection boxes that will lead to a degradation of the current level of customer service provided. Degradation in customer service is defined as (a) removal of a box, or (b) changing the posted last collection pick-up to an EARLIER time. This freeze is necessary while we are in the process of reviewing our current policy and developing recommendations to improve and standardize the collection of mail.

At this time, I recommend that district personnel take time to review their compliance with the existing collection policy with the following objectives in mind:

1. Identify locations that have significantly deviated from the national collection policy
2. Identify locations with an inordinate amount of last collection times before noon.
3. Identify locations with a significant amount of collection mail and posted last pickup times prior to 6:00 p.m.

These are the locations that will most likely require special attention to come into compliance in the upcoming months.

  
Kathy Almsworth

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JORDAN M. SMALL  
VICE PRESIDENT, DELIVERY OPERATIONS



June 30, 2008



VICE PRESIDENTS, AREA OPERATIONS

SUBJECT: Collections

On November 18, 2007, Headquarters imposed a moratorium to prevent any changes to the pick-up times currently posted on collection boxes that would lead to a degradation of the current level of customer service provided. We took this action because of districts enacting wholesale changes to collection profiles resulting in a significant degradation of service from a customer's perspective.

Last week, senior management made a decision to lift the moratorium. Local and district management personnel can once again resume their practice of evaluating collection activity and making changes on an as-needed basis. Decisions related to collection schedules or the location of collection boxes must take into account and be consistent with the needs of the community, the volume and the type of mail involved, the need for timely processing of the mail, and the need to meet outgoing dispatches.

Work is underway to develop a standardized collection policy. You will be hearing more about this effort in the coming months. In the interim, I encourage you to review your posted collection times and pay particular attention to collection points with a posted collection time prior to 1:00 p.m. In many instances, a posted collection time earlier than 1:00 p.m. is not consistent with our customer's needs.

Jordan M. Small

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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DEAN J. GRANHOLM  
(USPS-T-3) TO INTERROGATORY OF DOUGLAS F. CARLSON

**DFC/USPS-T3-5.** Please identify any plans to adjust weekday collection schedules, including posted collection times on Fridays, if the Postal Service eliminates Saturday collections from blue collection boxes.

**RESPONSE:**

At this time, there are no plans to adjust weekday collection schedules, including posted collection times on Fridays, if the Postal Service eliminates Saturday collections.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DEAN J, GRANHOLM  
(USPS-T-3) TO INTERROGATORY OF DOUGLAS F. CARLSON

**DFC/USPS-T3-13.** Please refer to your response to DFC/USPS-T3-1. Please confirm that Postal Service policy requires a Saturday collection for every collection box under the jurisdiction of city-delivery offices that is accessible to the public on Saturdays. If you do not confirm, please explain and provide the policy and service standards for collection schedules on weekdays and Saturday for collection boxes for which a Saturday collection is not required.

**RESPONSE:**

This statement is not confirmed. Saturday collection service is required for residential boxes (POM 323.41) and for time decal boxes (POM 322.232). Saturday collections from business boxes are not specifically required under the Postal Operations Manual (POM), but may be done under POM Section 313.7.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DEAN J, GRANHOLM  
(USPS-T-3) TO INTERROGATORY OF DOUGLAS F. CARLSON

**DFC/USPS-T3-15.** If the Postal Service implemented the plan that it proposes in this docket, would it collect mail from every Express Mail collection box on Saturdays? Please explain.

**RESPONSE:**

With the implementation of this plan, it is planned that the field will be directed to schedule Saturday collection service for all accessible Express Mail collection boxes.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DEAN J, GRANHOLM  
(USPS-T-3) TO INTERROGATORY OF DOUGLAS F. CARLSON

**DFC/USPS-T3-16.** Please identify the percentage of post offices that have at least one Express Mail collection box anywhere in their service area.

**RESPONSE:**

According to a facilities database, 20.35% of post offices have Express Mail collection boxes.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DEAN J, GRANHOLM  
(USPS-T-3) TO INTERROGATORY OF DOUGLAS F. CARLSON

**DFC/USPS-T3-17.** If the Postal Service implemented the plan that it proposes in this docket, would it install any additional Express Mail collection boxes? Please explain.

**RESPONSE:**

Express Mail collection boxes are installed based on Section 325.3 of the Postal Operations Manual. There is no national plan to expand the number of collection boxes, but if a District Manager, or their designee, sees a local community need after the implementation of this plan, they have the authority to install additional Express Mail collection boxes.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DEAN J, GRANHOLM  
(USPS-T-3) TO INTERROGATORY OF DOUGLAS F. CARLSON

**DFC/USPS-T3-25.** Please refer to your response to DFC/USPS-T3-5. Do you believe that the Postal Service's collection schedules comply with agency policy and service standards and provide customers with adequate collection services? Please explain your answer.

**RESPONSE:**

Establishment of collection schedules is a local function as specified in POM Section 313.1. Working under the overall national policy as spelled out in the POM, each local office must manage their collection schedules and per Section 313.1.d, "review operations continually to make modifications as justified by changed conditions." While it appears from data analyzed for this response that not every post office is following agency policy, this data does not reflect local situations and conditions. Apparently in many situations this is meeting local customer demand based on the minimal number of customer complaints received.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DEAN J, GRANHOLM  
(USPS-T-3) TO INTERROGATORY OF DOUGLAS F. CARLSON

**DFC/USPS-T3-28.** If the Postal Service implements the plan that it proposes in this docket, please provide the percentage of post offices that will offer neither retail window service on Saturdays nor an Express Mail collection box that has a Saturday collection.

**RESPONSE:**

Our data show that 16.4% of post offices, classified stations and branches and finance stations and branches will not offer retail service on Saturday. Due to the use of different data bases, it is not feasible to compare closed retail window service offices with the 4,587 Express Mail boxes that have a Saturday collection.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DEAN J, GRANHOLM  
(USPS-T-3) TO INTERROGATORY OF DOUGLAS F. CARLSON

**DFC/USPS-T3-30.** If the Postal Service implemented the plan that it proposes in this docket, please confirm that postal retail facilities that accepted Express Mail on Saturdays would dispatch all available mail on Saturdays, including mail collected at the retail window and in lobby drops, on the dispatch truck that carried outgoing Express Mail. If you do not confirm, please explain.

**RESPONSE:**

Not confirmed. There is no expectation that all mail that is available on a Saturday at a retail facility that accepts Express Mail on Saturdays will be dispatched that day. If such mail is dispatched on Saturday, it is not guaranteed to be on the same truck with Express Mail. Dispatch issues of this nature will be determined locally prior to implementation of the plan.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DEAN J. GRANHOLM  
(USPS-T-3) TO INTERROGATORY OF DOUGLAS F. CARLSON

**DFC/USPS-T3-34.** If the Postal Service implemented the plan that it proposes in this docket, please confirm that each postal facility that collected Express Mail on Saturdays also would dispatch available outgoing mail, including First-Class Mail deposited in lobby drops, on Saturdays.

**RESPONSE:**

Not confirmed. There is no expectation that each postal facility that collects Express Mail on Saturdays will also dispatch all outgoing mail that is available on a Saturday. Dispatch issues of this nature will be determined locally prior to implementation of the plan.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DEAN J, GRANHOLM  
(USPS-T-3) TO INTERROGATORY OF DOUGLAS F. CARLSON

**DFC/USPS-T3-35.** If the Postal Service implemented the plan that it proposes in this docket, please confirm that each postal facility that collected Express Mail on Saturdays also would run an operation to prepare mail for dispatch that would be similar to, but perhaps smaller than, it runs now.

**RESPONSE:**

A dispatch preparation operation will be in place at retail facilities with Saturday hours to prepare for Monday's dispatch (or Tuesday if Monday is a holiday). The dispatch time on Monday (or Tuesday) for Saturday's collection mail will vary by location. Saturday's collection mail should be ready at the beginning of the business day.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DEAN J, GRANHOLM  
(USPS-T-3) TO INTERROGATORY OF DOUGLAS F. CARLSON

**DFC/USPS-T3-36.** Please refer to your response to DFC/USPS-T3-4. Please explain where and how the Postal Service provides or otherwise disseminates information about the national service standards for collections and collection times to the public. Your response should include specific locations and methods of communication, such as Internet URL's.

**RESPONSE:**

Public information concerning national service standards for collections is found in Chapter 3 of the Postal Operations Manual. This manual is available to the public through the Materials Distribution Center at 500 SW Gary Ormsby Drive, Topeka KS 66624-9702 (telephone 800-332-0317). Collection times are posted on each individual collection box.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DEAN J, GRANHOLM  
(USPS-T-3) TO INTERROGATORY OF DOUGLAS F. CARLSON

**DFC/USPS-T3-53.** If the Postal Service implemented the plan that it proposes in this docket, would it provide Saturday postmarks for postage-paid, stamped mail that customers present to window clerks along with a request for a Saturday postmark? If so, please explain whether the Postal Service would charge for this service.

**RESPONSE:**

There will generally be no cancellation of single-piece First-Class Mail on Saturday.

However, circular hand-stamped postmarks will still be provided on request at post offices on Saturdays. It is not expected a charge will be associated with this service.

Revised June 4, 2010

Docket No. N2010-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DEAN J, GRANHOLM  
(USPS-T-3) TO INTERROGATORY OF DOUGLAS F. CARLSON

**DFC/USPS-T3-54.** Please refer to your responses to DFC/USPS-T3-38 and 42. Please confirm that the Postal Service does not require local officials or any other postal officials to measure the volume of mail that street collection boxes under the jurisdiction of city-delivery offices collect to ensure that collection boxes that receive a weekday average of 100 pieces of mail or more have a weekday collection time at 5:00 PM or later pursuant to POM § 322.1. If you do not confirm, please explain.

**RESPONSE:**

While the Postal Service does not require local officials to conduct periodic collection box density checks on a scheduled basis, such tests are nonetheless often performed to ensure that proper service levels are being provided.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DEAN J, GRANHOLM  
(USPS-T-3) TO INTERROGATORY OF DOUGLAS F. CARLSON

**DFC/USPS-T3-55.** Please refer to your response to DFC/USPS-T3-38. Please confirm that the requirement in POM § 313(d) to “[r]eview operation continually to make modifications as justified by changed conditions” does not include a requirement to measure volume in collection boxes. If you do not confirm, please explain.

**RESPONSE:**

While there is no specific requirement to measure volume, a density check is a tool frequently utilized in reviewing collection operations. For instance, all collection routes are required to be reviewed once a year by a manager. This review includes an estimate of the amount of mail in each box on that one day. Per Section 234.3 of the M-39 Handbook, *Management of Delivery Services*, based on this review, local management determines whether to make changes. This requirement could result in to conducting a density check as appropriate.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DEAN J, GRANHOLM  
(USPS-T-3) TO INTERROGATORY OF GREETING CARD ASSOCIATION

**GCA/USPS-T3-1**

On page 13, lines 2-3 of your testimony, you refer to "other employees who fill in on the sixth day...".

- a. Please state (i) the categories into which such employees fall and (ii) whether they are full time or part time employees, using the categories in Postal Service witness Colvin's Attachment 1, page 2.
- b. Please confirm that all employees covered by (a) are city carrier employees. If you do not confirm, please state what craft(s) these employees belong to.
- c. What are the current numbers of all such "other employees" and their numbers of hours in FY 2009, (i) for Monday through Saturday delivery operations and (ii) for Saturday only?

**RESPONSE:**

[a] The City Carrier craft regular work force is comprised of two categories: full-time and part-time. The Postal Service also employs transitional employees in the carrier craft. A breakdown of part-time and transitional employees, who sometimes fill in on the sixth day, follows (it is also possible that full-time employees could fill in using overtime hours):

Part Time:

City Carrier Part Time Regular (PTR)

City Carrier Part Time Flexible (PTF)

Transitional Employee:

City Carrier Transitional Employee (TE)

Docket No. N2010-1

**Revised July 13, 2010**

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DEAN J, GRANHOLM  
(USPS-T-3) TO INTERROGATORY OF GREETING CARD ASSOCIATION

[b] Confirmed.

[c] I have received the following information from Finance:

<u>Other employees</u>	<u>current numbers</u>
City Carrier Part Time Regular (PTR) –	833
City Carrier Part Time Flexible (PTF) –	19,850
City Carrier Transitional Employee (TE) –	14,136

<u>Other employees</u>	(i)	(ii)
City Carrier Part Time Regular (PTR) –	1,246,855	88,883
City Carrier Part Time Flexible (PTF) –	39,475,032	6,535,924
City Carrier Transitional Employee (TE) –	27,780,620	4,630,396

Revised July 13, 2010

Docket No. N2010-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
DEAN J, GRANHOLM (USPS-T-3) TO INTERROGATORY OF THE  
GREETING CARD ASSOCIATION

**GCA/USPS-T3-3**

On page 12, lines 19-20, of your testimony you note that "Carrier Technician assignments will no longer be necessary." Please confirm that this would be true whether Saturday or some other delivery day were chosen to be eliminated. If you do not confirm, please explain fully why the quoted statement would not be true regardless of the delivery day eliminated.

**RESPONSE:**

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
DEAN J, GRANHOLM (USPS-T-3) TO INTERROGATORY OF THE  
GREETING CARD ASSOCIATION

**GCA/USPS-T3-4**

On page 12, lines 20-22, you state that with the elimination of Saturday delivery, existing Carrier Technicians will fill assignments that “become vacant through attrition and the elimination of Transitional Employees.”

- a. Please state, by fiscal year, the number of Transitional Employees and hours worked that are assumed reduced through elimination in the five-day delivery proposal.
- b. Please state the wage rates and total compensation of such Transitional Employees.
- c. Please state, by fiscal year, what attrition assumption you are making with regard to the departure of full time regular or part time career carriers whose positions current Carrier Technicians would be moved into with the elimination of Saturday delivery.
- d. Under your description of effect on the city delivery component, please (i) confirm that you have assumed that all or most all Carrier Technicians will become full time regular employees of the Postal Service, and (ii) please state the wage rate decrement each receives with this transition. If you do not confirm with respect to (i), please explain fully.
- e. Where a Carrier Technician becomes a regular career carrier by replacing a Transitional Employee, please confirm that this costs USPS more money, not less, ceteris paribus, since regular carrier earnings exceed those of Transitional Employees. If you do not confirm, please explain fully.

**RESPONSE:**

[a] For purposes of the inputs that I provided to the costing witnesses in this case, no such assumptions were necessary, and I made none.

[b] I have been informed by Finance that the current wage rate for Transitional Employees is \$21.31 for CC Grade 1 and \$22.25 for CC Grade 2. Total compensation is \$25.07 for these employees.

[c] For purposes of the inputs that I provided to the costing witnesses in this

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case, no such assumptions were necessary, and I made none.

[d]-[e] Carrier Technicians already are full time regular employees of the Postal Service. Under current regulations carrier technicians would retain their salary level.

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**GCA/USPS-T3-5**

Referring to your testimony, Postal Service witness Bradley states on page 19, lines 11-13, of his testimony that: "Operations experts, however, anticipate the hours savings will be for full time carriers so the appropriate wage for valuing saved hours is the full time regular wage."

- a. Where in your testimony do you state that the hours saved from eliminating Saturday delivery will be for full time carriers, as opposed to part time regular or Transitional Employees?
- b. What are the wage rate differences, respectively, (i) between full time regular carriers and part time regular, (ii) between full time regular and Transitional Employees, and (iii) between full time regular and the "other employees" you refer to on page 13, line 2 of your testimony?

**RESPONSE:**

- [a] Section I, beginning on page 12 of my testimony.
- [b] The following responses are based on information from Labor Relations:
  - (i) There is no difference between Full Time Regular employees and Part Time Regular employee's wages rates at the same step and grade.
  - (ii) There is a difference of \$ 4.57 per hour between the wage rate of a Step O, CC Grade 2 Full Time Regular employee and a CC Grade 2 Transitional Employee, with the TE being paid less.
  - (iii) There is a difference of \$ 1.08 between the wage rate of a Step O, CC Grade 2 Full Time Regular employee and a Step O, CC Grade 2 Part Time Flexible employee, with the full time regular being paid less.

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**GCA/USPS-T3-6**

Please refer to page 14, lines 19-23, of your prefiled testimony. Please describe fully the circumstances under which you anticipate that retail hours on days other than Saturday might not be sufficient to handle increased retail lobby traffic.

**RESPONSE:**

Customers will no longer have the opportunity for carrier redelivery service of "left notice" mail pieces on Saturday. They may choose to pick up these articles at their local Post Office. Locations without Saturday retail hours will need to determine if additional hours are needed to accommodate these customers during the week. Customer demand after implementation will be analyzed, and retail hours may be adjusted accordingly at that time. There may be a combination of extended hours and/or shifting of existing hours to start and end at later times.

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**GCA/USPS-T3-7**

In your testimony at page 13, line 1, you state that USPS witness Bradley “will use the full time regular wage for City carriers” as the basis for estimating savings from ending Saturday delivery.

- a. Please confirm that this implies an assumption that all or most of the work-hours saved from ending Saturday delivery will be from full time regular City carriers. If you confirm, please explain fully why this assumption is considered appropriate. If you do not confirm, please explain your answer fully.
- b. The April 2010 GAO report on the Postal Service’s financial viability (GAO-10-455) states on page 16 that: “Current collective bargaining agreements ... contain ‘no lay-off’ provisions for about 500,000 employees and require USPS to release lower-cost part-time and temporary employees before it can layoff any full-time workers without layoff protection.”

Please confirm that this contradicts use of the full time regular wage for City carriers as the basis for calculating savings from ending Saturday delivery. If you do not confirm, please explain fully.

**RESPONSE:**

- [a] Confirmed. In a full up Five-Day delivery environment, full time career day off replacement employees will not be necessary.
- [b] Not confirmed. The savings projections in this case are based on “full-up” savings, i.e., under the assumption that the savings have been captured.

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**GCA/USPS-T3-8**

In your testimony at page 12, line 21, you refer to vacancies through "attrition" that current Carrier Technicians would fill.

a. Please confirm that you referring to attrition of full time regular city carriers. If you do not confirm, please explain fully as to what labor complement you are referring in the use of the term "attrition".

b. Is your attrition assumption based on (i) the number of employees eligible for retirement, or (ii) a forecast of how many, among those eligible to retire, will actually retire, or (iii) some other figure? ? Please explain fully.

c. Contractually, are those carriers eligible to retire free to continue working if they choose to?

d. (i) In arriving at your judgment(s) regarding attrition referred to in (a) and (b) above, what data or analyses did you consult or rely upon? Please furnish copies of all such data or analyses.

(ii) In arriving at your judgment(s) regarding attrition, what if any consideration did you give to (A) the state of the economy in recent years, with particular regard to the number of jobs available, (B) the availability of jobs comparable to Postal Service carrier jobs with respect to compensation, benefits, and security, or (C) current financial uncertainties for retirees. Please provide any data or analyses you consulted or relied on in connection with any consideration you gave to these matters.

e. Is it your opinion that those carriers eligible to retire will in fact retire in the numbers they might were these economic conditions not present? Please explain fully the bases for your opinion.

**RESPONSE:**

[a] Confirmed

[b] For purposes of the inputs that I provided to the costing witnesses in this case, no such assumptions were necessary, and I made none.

[c] Yes.

[d] Not applicable.

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[e] Not applicable.

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**GCA/USPS-T3-9**

Please refer to your response to GCA/USPS-T3-1(c).

(a) Please clarify what the first three numbers labeled "current numbers" refer to (i.e., 833, 19,850, and 14,136).

(b) Please confirm that the second set of six numbers refer to FY 2009 hours for Monday through Saturday (column (i)) and Saturday only (column (ii)). If you do not confirm, please explain fully.

**RESPONSE:**

[a] These are the current number of employees on the rolls for the requested categories as of May 13, 2010.

[b] Confirmed

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**GCA/USPS-T3-10**

In his response to GCA/USPS-T6-11(c), Postal Service witness Bradley says he has no knowledge of your experience negotiating postal labor contracts. The question was not redirected to you or USPS institutionally for a response. Please respond to GCA/USPS-T6-11(c).

**RESPONSE:**

While I have not sat at the bargaining table for negotiating postal labor collective bargaining agreements, employees under my supervision are part of teams that negotiate such contracts.

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**GCA/USPS-T3-11**

In your response to GCA/USPS-T3-4, you state for answers a. and c. that no such input was necessary for your analysis and that "I made none". However, USPS witness Bradley states on page 19, lines 11-12, that "Operations experts, however, anticipate the hours savings will be for full time carriers...."

(a) Are you one of the operations experts USPS witness Bradley is referring to, or are such experts reporting to you?

(b) Given certain labor contracts and considerable precedent in the history of collective bargaining within the Postal Service to preserve and protect the jobs of full time regular employees, please explain fully how you are able to "anticipate" that the hours savings will be for full time carriers rather than, for example, for transitional employees?

(c) Without knowing the expected amount of attrition, how do you know that there is enough attrition for M- F full time regular carriers to absorb much or most Carrier Technicians displaced from five-day delivery, as you state you expect in your testimony at page 12, lines 19-22?

(d) Please explain fully how, without *both* an attrition assumption and the number of transitional employees, you can assume that the labor saved from five-day delivery can all be valued at a full time regular wage for City carriers, as opposed to a mixture of that wage rate and the much lower rate for transitional employees?

(e) (i) Is a surrogate for d. above your "proportions of Saturday carrier hours," referenced on page 12, line 23 of your testimony?

(ii) Please provide a numerical value for such "proportions" and the raw data upon which the proportions were estimated.

**RESPONSE:**

[a] Both my staff and I anticipate that the full-up hour savings in the city carrier craft would be for full-time carriers. It is my understanding that witness Bradley is referring to my staff and me.

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[b] My task was to address full-up hour savings in a 5-day environment. I was not asked to, nor did I, address collective bargaining agreements.

[c]-[d] It is my understanding that full-up savings occur once the Postal Service is fully realizing those savings. I was not asked to, nor did I, address how long it would take the Postal Service to reach full-up savings.

[e] (i) No.

(ii) N/A

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**GCA/USPS-T3-12**

Please refer to your response to GCA/USPS-T3-5.

(a) Please reconcile all your answers with the substantially different answers in Postal Service witness Colvin's testimony at Attachment 1, page 2, productive hourly rates, and his response to GCA/USPS-T7-1.d.; and

(b) Please identify the source of your wage information in your original response with more specificity than the term "from Finance," and provide that source.

**RESPONSE:**

[a]-[b] My response to GCA/USPS-T3-12 was based on financial charts regarding employee salaries, published and provided by the Postal Service's Labor Relations office. I have been informed that Mr. Colvin utilized data from the 2009 ACR report. I have been informed that Mr. Colvin's data is more commonly used in PRC proceedings, but I believe that the data provided by me in my response to GCA/USPS-T3-5 was responsive to the question that was asked of me.

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**GCA/USPS-T3-13**

Please refer to your response to GCA/USPS-T3-6. Based on your answer, what input did you convey to USPS cost witness Bradley about the possible need for extra hours to accommodate customers at retail facilities?

**RESPONSE:**

No input was provided to witness Bradley; however the following was provided to witness Colvin and is referenced in section 3 of Library Reference USPS-LR-N2010-2:

In order to accommodate customer demand of pickup, we have built additional retail hours into the proposed plan. Approximately 2,500-3,000 Level 20 and above Post Offices do not currently offer Saturday retail hours. A breakout of these locations by level and facility subtype can be found in the Excel file PO OPERATIONS.xls in tab "NO Saturday Retail Hours". We added in 2 hours per week for these locations (using the higher end of the range, 3,000) if customer demand necessitates. Local decision must be made after a period of time to determine the need to implement additional retail hours. The added hours are not restricted to these locations, as some may not require additional retail hours in the future. These added hours appear as Extended Retail Hours in the "Summary FY09" tab of Excel file PO OPERATIONS.xls.

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**GCA/USPS-T3-14**

(a) In your response to GCA/USPS-T3-7, please explain fully how you can "assume" for any purpose, including your input to witness Bradley, that "fullup" savings, i.e. savings based on full time regular carrier compensation rates, provide an accurate measure of cost savings from five-day delivery when it appears from the GAO finding that much or most of the savings would come from much lower cost transitional employees.

(b) Apart from the question of the merit of your wage rate assumption inputted to witness Bradley as it relates to likely operational outcomes for five-day delivery, would you agree that if much or most of the savings from 5-day delivery was from transitional employees, the (net) savings estimate from five-day delivery would be lower than \$3.1 billion?

(c) Please provide a complete definition of the term "full-up" as you have used it in responding to GCA/USPS-T3-7.

**RESPONSE:**

[a] The savings from Five-Day delivery in city delivery are not derived from transitional employees, but from no longer needing Carrier Technician positions which currently are scheduled to cover absences to provide the current levels of six-day delivery. Carrier Technicians are the highest paid city carrier employees due to the skill levels required to carry multiple routes.

[b] I am not a Finance witness, and cannot provide an expert response to the posed hypothetical question.

[c] It is my understanding that full-up savings occur once the Postal Service is fully realizing those savings.

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**NALC/USPS-T3-1**

Provide the same categories of data listed on Table 2 on page 4 of USPS-LRN2010-1/3 (i.e., average volume, average office hours and average street hours) broken out separately as between FY2008 and FY2009.

**RESPONSE:**

FY2008	
	Tuesday After Monday Holiday
	Normal Tuesday
Avg. Office Hours	381,378
Avg. Street Hours	948,815
Avg. Total Volume	396,444,099

FY2009	
	Tuesday After Monday Holiday
	Normal Tuesday
Avg. Office Hours	333,582
Avg. Street Hours	927,953
Avg. Total Volume	331,953,952

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**NALC/USPS-T3-2**

Provide the same categories of data listed on Table 2 of USPS-LR-N2010-1/3 (i.e., average volume, average office hours and average street hours) for each normal Wednesday and each Wednesday following a Monday holiday in FY 2008 and FY 2009.

**RESPONSE:**

FY2008

	Normal Wednesday	Wednesday After Monday Holiday
Avg. Office Hours	378,437	419,765
Avg. Street Hours	946,437	960,750
Avg. Total Volume	410,776,267	445,185,901

FY2009

	Normal Wednesday	Wednesday After Monday Holiday
Avg. Office Hours	333,722	354,021
Avg. Street Hours	926,191	936,660
Avg. Total Volume	335,626,787	367,798,086

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**NALC/USPS-T3-3**

Provide the same categories of data listed on Table 2 of USPS-LR-N2010-1/3 (i.e., average volume, average office hours and average street hours) for each normal Thursday and each Thursday following a Monday holiday in FY 2008 and FY 2009.

**RESPONSE:**

FY2008

	Normal Thursday	Thursday After Monday Holiday
Avg. Office Hours	375,269	406,368
Avg. Street Hours	934,002	948,212
Avg. Total Volume	387,726,500	423,519,008

FY2009

	Normal Thursday	Thursday After Monday Holiday
Avg. Office Hours	333,646	345,736
Avg. Street Hours	914,910	924,157
Avg. Total Volume	339,629,864	347,273,232

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**NALC/USPS-T3-4**

Provide the same categories of data listed on Table 2 of USPS-LR-N2010-1/3 (i.e., average volume, average office hours and average street hours) for each normal Friday and each Friday following a Monday holiday in FY 2008 and FY 2009.

**RESPONSE:**

FY2008

	Normal Friday	Friday After Monday Holiday
Avg. Office Hours	376,124	398,067
Avg. Street Hours	927,336	936,433
Avg. Total Volume	392,981,770	416,432,905

FY2009

	Normal Friday	Friday After Monday Holiday
Avg. Office Hours	336,090	342,013
Avg. Street Hours	908,211	914,492
Avg. Total Volume	345,928,485	350,604,657

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**NALC/USPS-T3-5**

Provide the overtime hours for city letter carriers on normal Tuesdays and Tuesdays after a Monday holiday for FY 2008.

**RESPONSE:**

FY2008 Overtime Hours	
Normal Tuesday	Tuesday After Monday Holiday
5,573,083	1,658,824

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**NALC/USPS-T3-6**

Provide the overtime hours for city letter carriers on normal Tuesdays and Tuesdays after a Monday holiday for FY 2009.

**RESPONSE:**

FY2009 Overtime Hours	
Normal Tuesday	Tuesday After Monday Holiday
4,309,685	1,056,121

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**NALC/USPS-T3-7**

Provide auxilliary assistance hours for city letter carriers on normal Tuesdays and Tuesdays after a Monday holiday for FY 2008.

**RESPONSE:**

FY2008 Aux. Assistance Hours	
Normal Tuesday	Tuesday After Monday Holiday
2,801,839	406,670

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**NALC/USPS-T3-8**

Provide auxiliary assistance hours for city letter carriers on normal Tuesdays and Tuesdays after a Monday holiday for FY 2009.

**RESPONSE:**

FY2009 Aux. Assistance Hours

Normal Tuesday	Tuesday After Monday Holiday
2,990,173	345,417

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**NALC/USPS-T3-9**

Provide the "average volume" (as that term is used on Table 2 of USPS-LRN2010-1/3) for each day of the week (i.e., Mondays, Tuesdays, etc.), provided separately for FY 2008, FY 2009 and, to the extent available, FY 2010.

**RESPONSE:**

The following table provides the requested averages. The daily averages are based upon the total number of delivery service days per year for each day of the week.

Year	Day	Average Total Volume	Number of Days
2008	Mon	489,086,918	47
	Tue	425,430,935	51
	Wed	414,746,609	52
	Thu	391,937,383	51
	Fri	395,740,727	51
	Sat	386,141,421	52
2009	Mon	428,907,366	47
	Tue	352,188,688	51
	Wed	338,661,815	53
	Thu	340,409,800	49
	Fri	346,378,117	52
	Sat	328,799,203	51
2010	Mon	438,271,449	22
	Tue	369,772,011	25
	Wed	338,281,049	24
	Thu	352,994,534	25
	Fri	348,142,330	23
	Sat	335,359,680	25

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**NALC/USPS-T3-10**

Provide, separately for FY 2008, FY 2009 and FY 2010, the same categories of data listed on Table 2 of USPS-LR-N2010-1/3 (i.e., average volume, average office hours and average street hours) for the Tuesday following Martin Luther Kings's Day and the Tuesday following Presidents Day.

**RESPONSE:**

2008

	Avg. Office Hours	Avg. Street Hours	Avg. Total Volume
MLK Day	482,230	1,034,541	677,895,270
President's Day	471,054	1,026,261	648,225,595

2009

	Avg. Office Hours	Avg. Street Hours	Avg. Total Volume
MLK Day	418,796	1,007,076	583,064,457
President's Day	404,165	978,923	534,151,874

2010

	Avg. Office Hours	Avg. Street Hours	Avg. Total Volume
MLK Day	379,009	995,669	573,160,435
President's Day	369,484	990,219	520,543,578

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**NALC/USPS-T3-11**

Provide auxiliary assistance hours provided to letter carriers, broken out separately for each quarter in FY 2008, FY 2009 and FY 2010.

**RESPONSE:**

Auxiliary assistance hours are available by month, not quarter, and are presented in that way, on the following page, for FY2008, FY2009, and what is available for FY2010.

**(continued)**

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**Response to NALC/USPS-T3-11 (continued)**

	Month	Auxiliary Assistance Hours
2008	Oct	1,525,667
	Nov	1,451,473
	Dec	1,382,846
	Jan	1,468,553
	Feb	1,494,205
	Mar	1,641,034
	Apr	1,629,766
	May	1,685,097
	Jun	1,762,733
	Jul	1,914,344
2009	Aug	1,892,550
	Sep	1,621,480
	Oct	1,684,586
	Nov	1,468,283
	Dec	1,570,318
	Jan	1,592,798
	Feb	1,518,708
	Mar	1,727,695
	Apr	1,770,354
	May	1,780,833
2010	Jun	2,007,202
	Jul	2,041,525
	Aug	1,871,038
	Sep	1,478,900
	Oct	1,447,843
	Nov	1,279,675
	Dec	1,339,888
	Jan	1,324,796
	Feb	1,284,952
	Mar	1,238,928

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**NALC/USPS-T3-12**

On page 11, line 16 of your testimony, you state that "During 2009, City carriers' daily average per route was less than eight work hours." Provide, separately for FY 2006, FY 2007, FY 2008, FY 2009 and, to the extent available, for FY 2010, city carriers' daily average work hours per route.

**RESPONSE:**

Fiscal Year	City Carriers Average Hours/Route
FY2006	8.38
FY2007	8.32
FY2008	7.99
FY2009	7.85
FY2010	8.03

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**NALC/USPS-T3-13**

USPS-LR-N2010-1/3 states at page 2 that "City routes averaged 7.55 hours on Saturdays during August and September of 2009." Provide average hours for city routes for all days of the week combined for each quarter of FY 2008, FY 2009 and FY 2010, stated separately for each quarter.

**RESPONSE:**

Time Period	City Carriers Average Hours/Route
FY2008 Q1	8.43
FY2008 Q2	8.10
FY2008 Q3	7.76
FY2008 Q4	7.81
FY2009 Q1	8.16
FY2009 Q2	7.92
FY2009 Q3	7.62
FY2009 Q4	7.79
FY2010 Q1	8.18
FY2010 Q2	8.02

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**NALC/USPS-T3-14**

Provide the total number of city delivery routes for each quarter in FY 2008, FY 2009 and FY 2010 (to the extent FY 2010 data is available), stated separately for each quarter.

**RESPONSE:**

Time Period	City Routes
FY2008 Q1	163,320
FY2008 Q2	163,249
FY2008 Q3	162,657
FY2008 Q4	162,075
FY2009 Q1	161,542
FY2009 Q2	159,980
FY2009 Q3	158,144
FY2009 Q4	157,382
FY2010 Q1	150,786
FY2010 Q2	150,596
FY2010 Q3	151,140

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**NALC/USPS-T3-15**

Provide the total number of delivery points on all city delivery routes combined for each quarter in FY 2008, FY 2009 and FY 2010 (to the extent FY 2010 data is available), stated separately for each quarter.

**RESPONSE:**

Time Period	City Delivery Points
FY2008 Q1	86,880,556
FY2008 Q2	86,981,049
FY2008 Q3	87,070,473
FY2008 Q4	87,164,245
FY2009 Q1	87,284,877
FY2009 Q2	87,392,147
FY2009 Q3	87,469,431
FY2009 Q4	87,567,654
FY2010 Q1	87,673,060
FY2010 Q2	87,779,299
FY2010 Q3	87,850,934

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**NALC/USPS-T3-16**

You state at page 5, line 17 of your testimony that "delivery supervisors will likely defer non-committed mail for delivery on Tuesday." Do you have an estimate of how much mail will be deferred to Tuesday? If so, provide the estimate. Do you have an estimate of how much non-committed mail will be deferred to days other than Tuesdays? If so, provide the estimate.

**RESPONSE:**

I have not prepared an estimate of how much non-committed mail will be curtailed in a 5-day environment. The Postal Service does not track curtailments nationally. The amount of mail curtailed will depend on local operational conditions. To remain consistent with the current service standards, the Postal Service could not curtail mail for more than one calendar day.

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**NALC/USPS-T3-17**

You state at page 5 of your testimony that increased mail volume on Fridays, Mondays and Tuesdays are possibly expected to lead to increased work hours in the form of overtime and/or auxiliary assistance. Do you have an estimate of how much such overtime and/or auxiliary assistance hours may increase and how much that might cost USPS? If so, provide the estimate.

**RESPONSE:**

I have not prepared an estimate of how much overtime and/or auxiliary assistance hours may increase in a 5-day environment. The amount of overtime and/or auxiliary assistance utilized will depend on local operational conditions.

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**NALC/USPS-T3-18**

State how many new city delivery routes you believe USPS would have to create as a result of its elimination of Saturday delivery. Provide the data and analysis for your response.

**RESPONSE:**

I have not made any such estimate. There is no plan to create new City routes as a result of eliminating Saturday delivery.

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**NNA/USPS T3-1**

In its Request of the United States Postal Service for an Advisory Opinion On Changes in the Nature of Postal Service, USPS states on page 12:

"As a courtesy, the Postal Service has provided local firm holdout service to customers, usually businesses, receiving more than 50 mail pieces per day. Local firm holdout policy permits these customers, who usually do not have a Post Office Box, to pick up their mail at delivery unit six days a week in lieu of having it delivered to their street addresses. Even if it were operationally feasible to separate this mail from other street addressed mail at a delivery unit on Saturday, it would not be fair to permit some recipients to pick up such mail on Saturday but to deny the same service on the same day to other recipients of street-addressed mail who also are not receiving delivery to their street addresses."

- a. Please confirm that firm holdout service is provided free to these customers.
  
- b Do recipients of firm holdout service typically receive their mail in this manner every day?
  
- c. Is it the Postal Service's intention to eliminate firm holdout service for any day besides Saturday,
  1. If 5 day delivery is adopted?
  2. Whether or not 5 day delivery is adopted?
  
- d. If your response to part a. is yes, does the Postal Service "separate this mail from other street addressed mail" on a typical non-Saturday? If so, please explain why such separation would be any more infeasible on a Saturday than, say, a Wednesday.
  
- e. Are "firm holdout" customers the same as "caller service" customers, as defined on lines 23-24, page 3 of your testimony.
  
- f. If firm holdout customers typically have more than 50 mail pieces per day and the PO boxes available at the customer's post office do not accommodate that volume, what options will be extended to the customer?
  
- g. If a given Post Office has insufficient PO Box inventory to convert all firmholdout customers to paid PO boxes, will PO box distribution on Saturdays be discontinued at that Post Office on grounds that it is not "fair" for some

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recipients to get mail while others do not?

**RESPONSE:**

- [a] Confirmed.
- [b] Yes.
- [c] Firm holdout customers will receive delivery on the same delivery schedule as customers receiving delivery to a street address.
- [d] Firm holdout mail arrives at a delivery unit comingled with other street addressed mail and is manually separated out each delivery day. Feasibility of this process is dependent on the arrival of street addressed mail at a DU, regardless of day of week. In this proposal, only mail addressed to PO Boxes will arrive at a delivery unit on Saturday for delivery. The remaining mail will be held in the processing facility for DPS processing over the weekend for Monday delivery. Since firm holdouts customers receive mail addressed to a street address, their mail will not be available for pick up at a delivery unit on a non-delivery day for customers receiving delivery of street addressed mail.
- [e] No.
- [f] Caller Service will be available to these customers.
- [g] Neither PO Box service nor Caller Service will be discontinued at any location due to inventory constraints. Caller service does not require a physical PO Box, so it does not depend on the PO Box inventory.

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**NNA/USPS T3-2**

On p 4 of your testimony, you say that "Large Mailers" that drop ship mail will be able to continue to enter mail at Post Offices on Saturdays.

- a. Please define "Large Mailers."
- b. Will a mailer with volumes considered "large" when measured on a scale of an individual Post Office's volumes be considered a "Large Mailer?"
- c. Will a mailer's history of mail entry on Saturdays be a factor in considering whether the mailer will be permitted to enter mail on Saturdays?
- d. Please provide a copy of DM-109 5-5.1 for the record and explain how the elimination of Saturday service is expected to affect this policy.

**RESPONSE:**

[a]-[b] Typically customers making drop shipments at Delivery Unit (DU) locations are larger mailers with high volumes. However, any size customer may drop ship mailings at a DU if the qualifying sort has been made and rate has been paid for the mailing.

[c] Mail entry will be dependent on the Saturday operating window at a Post Office location. If the operating window can accommodate existing drop ship appointment times on Saturday, there will be no change to Saturday entry.

[d] redirected to the United States Postal Service for an institutional response.

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**NNA/USPS T3-2**

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- a. Please define "Large Mailers."
- b. Will a mailer with volumes considered "large" when measured on a scale of an individual Post Office's volumes be considered a "Large Mailer?"
- c. Will a mailer's history of mail entry on Saturdays be a factor in considering whether the mailer will be permitted to enter mail on Saturdays?
- d. Please provide a copy of DM-109 5-5.1 for the record and explain how the elimination of Saturday service is expected to affect this policy.

**RESPONSE:**

[a]-[b] Typically customers making drop shipments at Delivery Unit (DU) locations are larger mailers with high volumes. However, any size customer may drop ship mailings at a DU if the qualifying sort has been made and rate has been paid for the mailing.

[c] Mail entry will be dependent on the Saturday operating window at a Post Office location. If the operating window can accommodate existing drop ship appointment times on Saturday, there will be no change to Saturday entry.

[d] redirected to the United States Postal Service for an institutional response.

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**NNA/USPS T3-3**

On p 4 of your testimony you state that eliminating Saturday delivery will not require additional vehicles, casing equipment or facility space. Later in your testimony, you state your belief that some mail will shift to Fridays for in-home delivery by the weekend and the rest will be delivered on Monday, and finally on p. 11 you state that mail shifting to "other weekdays" should have only a small effect on a route's average weekly street hours. You then analyze the effect of the deferred mail delivery upon Monday work hours.

a. Has the Postal Service conducted any studies to determine which percentage of Saturday mail will shift to Fridays or any other work day, rather than Mondays? If so, please provide a copy of the study or studies.

b. If volume shifting to Fridays were to lead to a potential of increased cost in vehicles, casing equipment, facility space or other cost-drivers, would local supervisors have the option of deferring non-committed mail to Mondays, or later?

c. If volume shifting to Fridays could not be deferred without violating service standards, would additional costs for Friday processing and delivery be likely?

d. Does the Postal Service find that there is greater or lesser excess capacity of available workhours, vehicles, casing equipment or facility space on Tuesdays, Wednesdays, Thursdays or Fridays than on Saturdays? Please explain your response.

e. Has the Postal Service conducted any studies of newspaper Periodicals class mailers that now mail on Saturdays to determine whether they will switch to Fridays, Mondays or any other day when delivery is provided. If so, please provide the study or studies. If not, please explain why not.

**RESPONSE:**

[a] No studies have been conducted to determine which percentage would move to which day.

[b] Local supervisors would have the option of deferring non-committed mail to

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Mondays, assuming that it does not impact service standards.

[c] If volume shifting to Friday could not be achieved without violating service standards, the mail would not be shifted and extra costs would be incurred.

[d] From a delivery perspective, the greatest day of excess capacity is on Saturdays. This is due to the combination of lesser volume and businesses being closed on Saturday.

[e] General discussions have been held at various PCC's, but no studies conducted.

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**NNA/USPS T3-4**

You state that some labor to be eliminated consists of "lower wage" Leave Replacement employees on rural delivery routes. Please provide documentation of the difference(s) in compensation levels between Leave Replacement employees and regular rural letter carriers.

**RESPONSE:**

The following data were extracted from the USPS Finance National Payroll Hours

Summary Report:

May 8 - May 21, 2010 - Pay Period 11 - FY 2010  
 NATIONAL PAYROLL HOUR SUMMARY REPORT DATE 05-26-2010  
 MINNEAPOLIS PDC PAY PERIOD-FY 11-2010 PAGE 48  
 REPORT AAW120P1 SFX ENDING DATE 05-21-2010

RURAL CARRIER FULL-TIME (DES 71)  
 (% BENEFITS/ACCRUED SALARY COST) 36.1262

B/A FDC SUB REPORT-A  
 REFERENCE NBR: 1055 TITLE:

RURAL CARRIER ASSOCIATE (DES 78)  
 COST OF SAL & BEN PER TOTAL WK HR 20.1593

Docket No. N2010-1

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**NNA/USPS T3-5**

Please confirm that Within County Periodicals mail that is entered at carrier-route, walk sequenced rates does not necessarily have to be manually sorted and that this mail can be carried by city carriers in a firm bundle or by rural carriers on motor routes without manual sorting by the carrier. If you do not confirm, please explain why you do not.

**RESPONSE:**

Not confirmed. This mail is not handled as a firm bundle by city carriers, but as a sequenced set. Rural carriers may deliver this mail with or without manually casing it.

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**NNA/USPS T3-6**

On p 12 you discuss some route adjustments that may be needed for rural carriers' routes.

- a. Does a "territorial" cut for a K route mean that the route may become shorter, covering fewer miles?
- b. If routes must be cut to make them fit into 8 hours daily, will additional routes be added in those territories? If so, please provide an estimate of how many routes will be added.
- c. Please confirm that the route adjustments discussed in this section are the subject of contractual agreements and that USPS does not at this date know whether the contractual adjustments will be agreed to by Rural Letter carriers. If you do not confirm, please explain why. If you do confirm, please explain how you have analyzed route cost savings without knowing the constraints of potential contracts.
- d. Please confirm that your reference to "higher" wages in line 3 or page 13 refers to the wages of city carriers, and not carrier technicians.

**RESPONSE:**

- [a] Yes.
- [b] Each delivery zone will have a unique set of circumstances governing whether or not any additional route(s) will be necessary due to territorial adjustments. Nationally we expect the adjustments to have a minimal impact on route complement.
- [c] Yes, the route adjustments are the subject of contractual agreements between the USPS and NRLCA. The route cost savings were calculated based on assumptions all routes would have to be adjusted to as close to 40 hours a week as possible.
- [d] The average wage for carrier technicians and other employees who fill in on the sixth day is higher than the average full time regular wage for City carriers.

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**NNA/USPS T3-7**

On p 14 you say local post office management may need to add retail hours if postal patrons create an increase in lobby traffic in Saturday, in order to achieve Wait Time in Line goals of 5 minutes or less. Has any estimate of the additional retail hour cost been provided in this docket? If so, please cite it.

**RESPONSE:**

As cited in section 3 of Library Reference USPS-LR-N2010-2, "In order to accommodate customer demand of pickup, we have built additional retail hours into the proposed plan. Approximately 2,500-3,000 Level 20 and above Post Offices do not currently offer Saturday retail hours. A breakout of these locations by level and facility subtype can be found in the Excel file PO OPERATIONS.xls in tab "NO Saturday Retail Hours". Two 2 hours per week were added in for these locations (using the higher end of the range, 3,000) if customer demand necessitates. Local decision must be made after a period of time to determine the need to implement additional retail hours. The added hours are not restricted to these locations, as some may not require additional retail hours in the future. These added hours appear as Extended Retail Hours in the "Summary FY09" tab of Excel file PO OPERATIONS.xls."

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**NNA/USPS T3-8**

You discuss the effect of automation upon workload peaks on p. 15.

- a. What percentage of letter mail is currently delivery-point sequenced through automation?
- b. Please provide estimates of the additional percentage gains in deliverypoint sequenced letter mail that Postal Service expects to achieve in the next three years.
- c. Please confirm that the Postal Service's current plans for Flats Sequencing Systems for flat mail predict that around 35 percent of flats will be handled by FSS. If you do not confirm, please provide the correct estimate

**RESPONSE:**

[a] I have been informed that 91.48 percent of letter mail, year-to-date, is delivery point sequenced through automation.

[b] I have been informed that the National Performance Assessment (NPA) goal for DPS percentage for FY 2010 is 95 percent. Goals for future years have not been established as of this date.

[c] I have been informed that the Phase 1 Flats Sequencing System deployment of 100 machines should be able to handle about 25 to 33 percent of the total candidate flat volume.

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**PR/USPS-T3-3**

In USPS-LR-N2010-1/1 at 4, it is stated that “ ... a significant portion of the current workforce — 44 percent —is eligible to retire between now and 2014.” Please provide the retirement attrition rate for several recent fiscal years by Craft and for management (and by any other readily-available breakdown) or identify where this information can be found in publicly-available documents.

**RESPONSE:**

The reference in this question is to a library reference associated with the testimony of Sam Pulcrano (USPS-T-1), as opposed to my own testimony. Nonetheless, my office has requested and received the requested data, which are attached to this response.

## Retirements FY 2005 - FY 2010 YTD

Unit	RSC	FY 2005		FY 2006		FY 2007		FY 2008		FY 2009		FY 2010 YTD	
		Retirements	Rate										
APWU	P,C	9,376	3.4%	8,526	3.1%	8,589	3.3%	8,825	3.5%	14,377	6.0%	18,214	8.2%
NALC	Q	6,555	2.9%	6,166	2.7%	5,941	2.7%	6,676	3.1%	9,580	4.6%	3,670	1.9%
NLRCA	R,B	2,030	3.2%	2,006	3.1%	2,204	3.3%	2,271	3.3%	2,783	4.1%	1,271	1.9%
NPMHU	M	1,453	2.6%	1,391	2.5%	1,358	2.4%	1,624	2.9%	2,269	4.2%	2,854	5.7%
FOP	Y	59	7.2%	88	12.0%	38	5.8%	28	4.6%	38	6.7%	20	3.7%
IT/AS	N	77	6.0%	41	3.2%	47	3.7%	39	3.1%	59	4.7%	26	2.1%
NPPN	G	6	3.5%	9	5.4%	10	6.2%	10	6.8%	2	1.5%	16	13.3%
OS	K	3	3.1%	0	0.0%	3	2.9%	2	1.9%	2	1.9%	3	2.9%
<b>TOTAL BARG</b>		<b>19,559</b>	<b>3.1%</b>	<b>18,227</b>	<b>2.9%</b>	<b>18,190</b>	<b>3.0%</b>	<b>19,475</b>	<b>3.3%</b>	<b>29,110</b>	<b>5.1%</b>	<b>26,074</b>	<b>4.8%</b>
EAS	E	5,326	7.0%	3,508	4.7%	3,619	4.8%	3,921	5.3%	6,724	9.7%	2,166	3.3%
OTH NONBARG	F,S,U,V	153	5.5%	158	5.8%	616	23.4%	113	4.3%	230	6.9%	118	2.9%
<b>TOTAL NONBARG</b>		<b>5,479</b>	<b>7.0%</b>	<b>3,666</b>	<b>4.7%</b>	<b>4,235</b>	<b>5.5%</b>	<b>4,034</b>	<b>5.3%</b>	<b>6,954</b>	<b>9.6%</b>	<b>2,284</b>	<b>3.3%</b>
<b>USPS TOTAL CAREER</b>		<b>25,038</b>	<b>3.5%</b>	<b>21,893</b>	<b>3.1%</b>	<b>22,425</b>	<b>3.2%</b>	<b>23,509</b>	<b>3.5%</b>	<b>36,064</b>	<b>5.6%</b>	<b>28,358</b>	<b>4.7%</b>

## Retirements:

<u>Unit</u>	<u>RSC</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010 YTD</u>
APWU	P,C	9,376	8,526	8,589	8,825	14,377	18,214
NALC	Q	6,555	6,166	5,941	6,676	9,580	3,670
NLRCA	R,B	2,030	2,006	2,204	2,271	2,783	1,271
NPMHU	M	1,453	1,391	1,358	1,624	2,269	2,854
FOP	Y	59	88	38	28	38	20
IT/AS	N	77	41	47	39	59	26
NPPN	G	6	9	10	10	2	16
OS	K	3	0	3	2	2	3
<b>TOTAL BARG</b>		<b>19,559</b>	<b>18,227</b>	<b>18,190</b>	<b>19,475</b>	<b>29,110</b>	<b>26,074</b>
EAS	E	5,326	3,508	3,619	3,921	6,724	2,166
OTH NONBARG	F,S,U,V	153	158	616	113	230	118
<b>TOTAL NONBARG</b>		<b>5,479</b>	<b>3,666</b>	<b>4,235</b>	<b>4,034</b>	<b>6,954</b>	<b>2,284</b>
<b>USPS TOTAL CAREER</b>		<b>25,038</b>	<b>21,893</b>	<b>22,425</b>	<b>23,509</b>	<b>36,064</b>	<b>28,358</b>

<u>FY</u>	<u>Unit</u>	<u>RSC</u>	<u>Quit</u>	<u>Retirement</u>	<u>DIT/ASharge</u>	<u>Other</u>	<u>Total Seps</u>
2005	APWU	P,C	3,566	9,376	1,871	892	15,705
	NALC	Q	5,190	6,555	2,891	549	15,185
	NLRCA	R,B	586	2,030	147	124	2,887
	NPMHU	M	754	1,453	504	202	2,913
	FOP	Y	22	59	1	2	84
	IT/AS	N	15	77	1	1	94
	NPPN	G	12	6	1	0	19
	OS	K	3	3	2	0	8
	EAS	E	594	5,326	81	152	6,153
	OTH NONBARG	F,S,U,V	70	153	1	19	243
2006	APWU	P,C	3,301	8,526	1,584	918	14,329
	NALC	Q	4,341	6,166	2,029	556	13,092
	NLRCA	R,B	604	2,006	167	151	2,928
	NPMHU	M	692	1,391	485	237	2,805
	FOP	Y	23	88	0	8	119
	IT/AS	N	11	41	3	4	59
	NPPN	G	12	9	4	2	27
	OS	K	4	0	1	0	5

	EAS	E	542	3,508	68	175	4,293
	OTH NONBARG	F,S,U,V	73	158	3	24	258
2007	APWU	P,C	2,841	8,589	1,145	901	13,476
	NALC	Q	4,384	5,941	2,163	569	13,057
	NLRCA	R,B	557	2,204	162	150	3,073
	NPMHU	M	782	1,358	533	227	2,900
	FOP	Y	14	38	0	2	54
	IT/AS	N	19	47	1	1	68
	NPPN	G	11	10	1	0	22
	OS	K	0	3	1	0	4
	EAS	E	575	3,619	94	194	4,482
	OTH NONBARG	F,S,U,V	520	616	33	166	1,335
2008	APWU	P,C	2,121	8,825	1,022	834	12,802
	NALC	Q	2,523	6,676	1,216	457	10,872
	NLRCA	R,B	493	2,271	162	142	3,068
	NPMHU	M	704	1,624	444	207	2,979
	FOP	Y	9	28	3	3	43
	IT/AS	N	18	39	2	1	60
	NPPN	G	8	10	3	1	22
	OS	K	1	2	3	0	6
	EAS	E	592	3,921	69	156	4,738
	OTH NONBARG	F,S,U,V	64	113	2	13	192
2009	APWU	P,C	1,259	14,377	730	742	17,108
	NALC	Q	1,269	9,580	616	413	11,878
	NLRCA	R,B	320	2,783	140	161	3,404
	NPMHU	M	368	2,269	348	168	3,153
	FOP	Y	8	38	2	2	50
	IT/AS	N	6	59	2	1	68
	NPPN	G	2	2	0	0	4
	OS	K	1	2	0	0	3
	EAS	E	439	6,724	50	181	7,394
	OTH NONBARG	F,S,U,V	100	230	2	11	343
2010 YTD	APWU	P,C	1,301	18,214	243	399	20,157
	NALC	Q	557	3,670	252	229	4,708
	NLRCA	R,B	151	1,271	49	83	1,554
	NPMHU	M	456	2,854	120	109	3,539
	FOP	Y	4	20	0	1	25

IT/AS	N	3	26	3	1	33
NPPN	G	4	16	0	0	20
OS	K	2	3	0	0	5
EAS	E	219	2,166	24	87	2,496
OTH NONBARG	F,S,U,V	42	118	3	5	168

UNIT	RSC	PP20_04	PP20_05	PP20_06	PP20_07	PP20_08	PP20_09	PP09_10
APWU	P,C	280,864	275,710	268,825	259,120	249,669	231,828	211,611
NALC	Q	227,859	228,050	224,320	222,075	211,616	200,628	195,417
NLRCA	R,B	62,733	64,337	66,381	67,585	68,924	67,793	67,213
NPMHU	M	54,536	55,859	56,502	57,077	55,261	51,886	48,180
FOP	Y	869	776	696	613	592	536	539
IT/AS	N	1,276	1,277	1,277	1,258	1,261	1,237	1,234
NFPN	G	172	167	165	160	134	130	111
OS	K	93	102	102	107	107	105	99
<b>TOTAL BARG</b>		<b>628,402</b>	<b>626,278</b>	<b>618,268</b>	<b>607,935</b>	<b>587,564</b>	<b>554,143</b>	<b>524,404</b>
EAS	E	76,156	75,388	75,401	74,380	73,301	65,345	64,190
OTH NONBARG	F,S,U,V	2,781	2,737	2,666	2,598	2,614	4,013	4,042
<b>TOTAL NONBARG</b>		<b>78,937</b>	<b>78,125</b>	<b>78,067</b>	<b>76,978</b>	<b>75,915</b>	<b>69,358</b>	<b>68,232</b>
<b>USPS TOTAL CAREER</b>		<b>707,339</b>	<b>704,403</b>	<b>696,335</b>	<b>684,973</b>	<b>663,479</b>	<b>623,501</b>	<b>592,636</b>

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
DEAN J, GRANHOLM (USPS-T-3) TO INTERROGATORY OF THE  
PUBLIC REPRESENTATIVE

**PR/USPS-T3-4**

Under the Postal Service's 5-day delivery plan as presently configured, is it correct that there will be disparate impact on Commercial Mail Receiving Agents (CMRAs), depending on whether the CRMA business plan uses a street address or a Postal Service-provided post office box?

**RESPONSE:**

Mail is delivered to Commercial Mail Receiving Agents (CMRAs) based on the postal mailing address of the CMRA.

Under the plan, when five day delivery to street addresses is implemented, mail intended for delivery to a CMRA with a street address will be accorded the same service as other street addressed mail. It will be delivered Monday – Friday.

The plan does not include any changes to the frequency of deliveries to P.O. Boxes. Mail intended for a CMRA with a Post Office Box address (including Caller Service Post Office Box numbers) will be delivered with the same frequency as it is delivered today.

**RESPONSE OF POSTAL SERVICE WITNESS GRANHOLM  
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

**Question 3**

Page 6 of USPS-T-3 states, "[c]urrent procedures for delivery of Express Mail on Sundays and Holidays will be used for Saturday Express Mail operations."

(a) Please describe these procedures in detail.

(b) Will an additional fee be charged for Express Mail delivery on Saturday as is currently the case for Sunday and Holiday delivery?

(c) What employee craft(s) will be responsible for delivering Saturday and Sunday Express Mail? Please include in your response the type of postal facility the delivery employee will operate out of.

**RESPONSE**

(a) There are two primary procedures used for the delivery of Express Mail on Sundays and Holidays. The most common is for individuals associated with the receiving plant to be assigned to receive, review and deliver incoming Express Mail. The Express Mail pieces are generally divided into geographic groupings to minimize travel costs and travel time. Based on Express Mail arrival time, travel time and volume, pieces assigned per deliverer may be limited so as to allow for the pieces to be delivered within service standards.

The second procedure is called a "hub and spoke" operation. Express Mail for an office or a group of offices may be delivered to the delivery center, usually a centrally located Post Office or delivery unit, from the plant, or they may be assigned to send an individual to the plant hub to pick up mail for their assigned offices. The Express Mail would be reviewed and divided into geographic groupings that will allow for efficient travel and delivery, as well as in a quantity that will allow for all pieces to be delivered within service standards.

(b) At this time, no additional fee is under consideration.

**RESPONSE OF POSTAL SERVICE WITNESS GRANHOLM  
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

**RESPONSE to Question 3 (continued)**

(c) Under postal collective bargaining agreements, any postal employee may deliver Express Mail. The actual delivery employee will vary from office to office depending on the Express Mail transportation network, and the characteristics of the delivery territory. While many deliveries will be made from plants, Express Mail delivery hubs in larger or centrally located post offices, primarily rural areas, will also deliver Express Mail.

**RESPONSE OF POSTAL SERVICE WITNESS GRANHOLM  
TO CHAIRMAN'S INFORMATION REQUEST NO. 2**

1. The Postal Service's Management of Rural Delivery Services, at page 213, discusses delivery routes currently served by three delivery days per week. How will these routes be affected by a change to 5-day delivery? Please discuss. Is the number of such routes expected to change under your proposal?

**RESPONSE:**

There are approximately 600 deliveries nationally that are delivered pursuant to Section 212.4 of the M-38, Management of Rural Delivery Services. The remaining deliveries that are delivered three times a week are served by Contract Delivery Services. It is expected that tri-weekly mail service routes will continue to exist under Five Day Delivery and will maintain current service levels.

The impact to Rural delivery routes will be minimal. For the deliveries served by Contract Delivery Service it will likely be necessary to increase the number of contracts to service these areas.

**RESPONSE OF POSTAL SERVICE WITNESS GRANHOLM  
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

4. Witness Bradley states, "transferring delivery of current Saturday volume to other days of the week will not cause a transfer of much of this time to those days... the reduction of volume has outstripped the reduction in street time capacity and there is available capacity on the street." USPS-T-6 at 16.

- (a) In the absence of 5-day delivery, does the Postal Service expect to eliminate excess capacity in the long run?
- (b) How does the Postal Service identify excess capacity in delivery operations?
- (c) Would it be possible to construct an excess capacity measure and adjust this measure through time in response to both drops in volume and workhours? Please explain.

**RESPONSE:**

- a. The Postal Service has been, and will continue to be, identifying and minimizing excess capacity in Delivery Operations. The processes available to identify and minimize excess capacity vary based on each specific delivery craft.
- b. Excess capacity is identified in situations where a city carrier's expected work load is less than eight hours daily. This is identified through the use of tools such as DOIS.
- c. While it may be possible, it would be extremely difficult to measure due to the individual characteristics of each delivery route, whether city or rural, as well as work loads, delivery types and modes, weather, distances traveled, local driving conditions, etc. Moreover, the ability to capture excess capacity is limited by the National Agreements, the evaluated pay process for rural delivery, and the individual contracts utilized on Contract Delivery Service (CDS) routes.

**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 6<sup>th</sup> 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 GRANHOLM  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4**

**Question 7**

The Postal Service states that the supervisory workhours savings estimate is developed by identifying the number of Customer Service facilities large enough to support full supervisory schedules. See USPS-LR-N2010-1/3 at 7.

- (a) Please describe the type of facilities that would be considered a Customer Service facility; for example, would Delivery Distribution Units be considered a Customer Service facility?
- (b) Are the supervisory workhour savings for first-line supervisors only? If not, please explain.
- (c) The total supervisor workhour savings are valued using the productive hourly wage rate for Cost Segment 2. Cost segment 2 costs consist of the salaries and benefits costs for sub-accounts .103 (Supervisors) and sub-account .130 (Professional and Technical Personnel). Please explain why the salaries and benefits of sub-account .130 were included.
- (d) Of the total amount of supervisor workhour savings included in the proposal how many of the hours saved would be supervisors classified under the .102 sub-account and how many of the hours would be classified under the .130 sub-account.

**RESPONSE:**

- (a) The analysis included all delivery units that were levels EAS-22 and above, including DDUs.
- (b) The analysis assumed the elimination of 8 workhours of supervision each week in each of those offices, without further assumption regarding supervisor level.
- (c)-(d) Answered by witness Colvin.

**RESPONSE OF POSTAL SERVICE WITNESS GRANHOLM  
TO CHAIRMAN'S INFORMATION REQUEST NO. 5**

**Question 1**

The Postal Service states that tri-weekly routes will continue to exist under 5-day delivery and that service standards will not change. See Response to CHIR No. 2, Question 1.

- (a) USPS Handbook M-38 "Management of Rural Delivery Services" discusses Tri-Weekly Routes and indicates that Tri-Weekly Routes include a Saturday component on half of the routes. If the Postal Service's proposal to eliminate Saturday delivery is instituted, what would be the effect on the Tri-Weekly routes that incorporate a Saturday Delivery?
- (b) Please identify the number of Tri-Weekly Routes by Three Digit ZIP Code area or by state.
- (c) Please identify the approximate total number of customers currently served by Tri-Weekly Routes, if that information is available.

**RESPONSE:**

[a] Adjustments would be necessary to have all current Tri-Weekly routes continue to deliver three (3) days within a five (day) week. CDS (Contract Routes) would need to have contracts renegotiated based on changes to current service.

[b] To the best of my knowledge, based on the data and information available, there are 272 Tri-weekly routes. The pdf file (ChIR.5.Q.1.Attach.pdf) attached to this response electronically lists the routes by state.

[c] Based on the available data, the approximate number of customers currently being served by Tri-weekly routes is 40,519.

1                   CHAIRMAN GOLDWAY: Is there any additional  
2 written cross-examination for witness Granholm?

3                   MR. DECHIARA: Yes, Madam Chairman. Peter  
4 Dechiara for the National Association of Letter  
5 Carriers. We do have additional written cross-  
6 examination which we designated for Mr. Granholm,  
7 unfortunately our designation was one day late. The  
8 Commission graciously allowed us to submit the  
9 designation late but the secretary asked that we  
10 submit it, the two copies at the hearing, so I would  
11 like to do that now.

12                   CHAIRMAN GOLDWAY: Please do so and give  
13 them to the court reporter. I think you have to ask  
14 the Witness first, don't you, whether they're correct?

15                   MR. DECHIARA: Mr. Granholm, I've put before  
16 you two copies of written cross-examination documents,  
17 I would ask you to please review those and let us know  
18 if your responses to the interrogatories are correct  
19 and if you were asked them orally whether they would  
20 be the same as they are in writing?

21                   THE WITNESS: These are correct.

22                   CHAIRMAN GOLDWAY: They will be -- are there  
23 others there as well? I see, is that --

24                   THE WITNESS: No, they're --

25                   CHAIRMAN GOLDWAY: That's something else,

1     okay.  Then the written cross-examination the NALC has  
2     submitted has been given to the court reporter for  
3     inclusion and transcription into the record.

4                             (The document referred to was  
5                             marked for identification as  
6                             USPS-T-3 Cross, and was  
7                             received in evidence.)

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**BEFORE THE  
POSTAL REGULATORY COMMISSION**

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

Docket No. N2010-1

**DESIGNATION BY NATIONAL ASSOCIATION OF LETTER CARRIERS, AFL-CIO  
OF WRITTEN CROSS-EXAMINATION OF USPS WITNESS DEAN GRANHOLM  
(USPS-T-3)**

The National Association of Letter Carriers, AFL-CIO hereby designates the following interrogatory responses as its written cross-examination of USPS witness Dean Granholm to be included in the record of the proceeding:

NALC/USPS-T3-1 through 6, 12 through 15, 17 through 18.

Two copies of the designated material are being separately filed with the Secretary of the Commission.

July 10, 2010

Respectfully submitted,

/s/ Peter D. DeChiara  
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Peter D. DeChiara  
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Attorneys for Intervenor National  
Association of Letter Carriers, AFL-CIO

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
DEAN J, GRANHOLM (USPS-T-3) TO INTERROGATORY OF THE NATIONAL  
ASSOCIATION OF LETTER CARRIERS, AFL-CIO

**NALC/USPS-T3-1**

Provide the same categories of data listed on Table 2 on page 4 of USPS-LRN2010-1/3 (i.e., average volume, average office hours and average street hours) broken out separately as between FY2008 and FY2009.

**RESPONSE:**

FY2008	
	Tuesday After Monday Normal Tuesday                      Holiday
Avg. Office Hours	381,378                      474,386
Avg. Street Hours	948,815                      1,012,512
Avg. Total Volume	396,444,099                      642,832,209

FY2009	
	Tuesday After Monday Normal Tuesday                      Holiday
Avg. Office Hours	333,582                      405,397
Avg. Street Hours	927,953                      979,248
Avg. Total Volume	331,953,952                      538,348,262

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
DEAN J. GRANHOLM (USPS-T-3) TO INTERROGATORY OF THE NATIONAL  
ASSOCIATION OF LETTER CARRIERS, AFL-CIO

**NALC/USPS-T3-2**

Provide the same categories of data listed on Table 2 of USPS-LR-N2010-1/3 (i.e., average volume, average office hours and average street hours) for each normal Wednesday and each Wednesday following a Monday holiday in FY 2008 and FY 2009.

**RESPONSE:**

FY2008

	Normal Wednesday	Wednesday After Monday Holiday
Avg. Office Hours	378,437	419,765
Avg. Street Hours	946,437	960,750
Avg. Total Volume	410,776,267	445,185,901

FY2009

	Normal Wednesday	Wednesday After Monday Holiday
Avg. Office Hours	333,722	354,021
Avg. Street Hours	926,191	936,660
Avg. Total Volume	335,626,787	367,798,086

Docket No. N2010-1

**Revised June 9, 2010**

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
DEAN J, GRANHOLM (USPS-T-3) TO INTERROGATORY OF THE NATIONAL  
ASSOCIATION OF LETTER CARRIERS, AFL-CIO

**NALC/USPS-T3-3**

Provide the same categories of data listed on Table 2 of USPS-LR-N2010-1/3 (i.e., average volume, average office hours and average street hours) for each normal Thursday and each Thursday following a Monday holiday in FY 2008 and FY 2009.

**RESPONSE:**

FY2008

	Normal Thursday	Thursday After Monday Holiday
Avg. Office Hours	375,269	406,368
Avg. Street Hours	934,002	948,212
Avg. Total Volume	387,726,500	423,519,008

FY2009

	Normal Thursday	Thursday After Monday Holiday
Avg. Office Hours	333,646	345,736
Avg. Street Hours	914,910	924,157
Avg. Total Volume	339,629,864	347,273,232

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
DEAN J, GRANHOLM (USPS-T-3) TO INTERROGATORY OF THE NATIONAL  
ASSOCIATION OF LETTER CARRIERS, AFL-CIO

**NALC/USPS-T3-4**

Provide the same categories of data listed on Table 2 of USPS-LR-N2010-1/3 (i.e., average volume, average office hours and average street hours) for each normal Friday and each Friday following a Monday holiday in FY 2008 and FY 2009.

**RESPONSE:**

FY2008

	Normal Friday	Friday After Monday Holiday
Avg. Office Hours	376,124	398,067
Avg. Street Hours	927,336	936,433
Avg. Total Volume	392,981,770	416,432,905

FY2009

	Normal Friday	Friday After Monday Holiday
Avg. Office Hours	336,090	342,013
Avg. Street Hours	908,211	914,492
Avg. Total Volume	345,928,485	350,604,657

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
DEAN J, GRANHOLM (USPS-T-3) TO INTERROGATORY OF THE NATIONAL  
ASSOCIATION OF LETTER CARRIERS, AFL-CIO

**NALC/USPS-T3-5**

Provide the overtime hours for city letter carriers on normal Tuesdays and Tuesdays after a Monday holiday for FY 2008.

**RESPONSE:**

FY2008 Overtime Hours	
Normal Tuesday	Tuesday After Monday Holiday
5,573,083	1,658,824

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
DEAN J, GRANHOLM (USPS-T-3) TO INTERROGATORY OF THE NATIONAL  
ASSOCIATION OF LETTER CARRIERS, AFL-CIO

**NALC/USPS-T3-6**

Provide the overtime hours for city letter carriers on normal Tuesdays and Tuesdays after a Monday holiday for FY 2009.

**RESPONSE:**

FY2009 Overtime Hours

Normal Tuesday	Tuesday After Monday Holiday
4,309,685	1,056,121

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
DEAN J, GRANHOLM (USPS-T-3) TO INTERROGATORY OF THE NATIONAL  
ASSOCIATION OF LETTER CARRIERS, AFL-CIO

**NALC/USPS-T3-12**

On page 11, line 16 of your testimony, you state that "During 2009, City carriers' daily average per route was less than eight work hours." Provide, separately for FY 2006, FY 2007, FY 2008, FY 2009 and, to the extent available, for FY 2010, city carriers' daily average work hours per route.

**RESPONSE:**

Fiscal Year	City Carriers Average Hours/Route
FY2006	8.38
FY2007	8.32
FY2008	7.99
FY2009	7.85
FY2010	8.03

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
DEAN J, GRANHOLM (USPS-T-3) TO INTERROGATORY OF THE NATIONAL  
ASSOCIATION OF LETTER CARRIERS, AFL-CIO

**NALC/USPS-T3-13**

USPS-LR-N2010-1/3 states at page 2 that "City routes averaged 7.55 hours on Saturdays during August and September of 2009." Provide average hours for city routes for all days of the week combined for each quarter of FY 2008, FY 2009 and FY 2010, stated separately for each quarter.

**RESPONSE:**

Time Period	City Carriers Average Hours/Route
FY2008 Q1	8.43
FY2008 Q2	8.10
FY2008 Q3	7.76
FY2008 Q4	7.81
FY2009 Q1	8.16
FY2009 Q2	7.92
FY2009 Q3	7.62
FY2009 Q4	7.79
FY2010 Q1	8.18
FY2010 Q2	8.02

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
DEAN J, GRANHOLM (USPS-T-3) TO INTERROGATORY OF THE NATIONAL  
ASSOCIATION OF LETTER CARRIERS, AFL-CIO

**NALC/USPS-T3-14**

Provide the total number of city delivery routes for each quarter in FY 2008, FY 2009 and FY 2010 (to the extent FY 2010 data is available), stated separately for each quarter.

**RESPONSE:**

Time Period	City Routes
FY2008 Q1	163,320
FY2008 Q2	163,249
FY2008 Q3	162,657
FY2008 Q4	162,075
FY2009 Q1	161,542
FY2009 Q2	159,980
FY2009 Q3	158,144
FY2009 Q4	157,382
FY2010 Q1	150,786
FY2010 Q2	150,596
FY2010 Q3	151,140

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
 DEAN J, GRANHOLM (USPS-T-3) TO INTERROGATORY OF THE NATIONAL  
 ASSOCIATION OF LETTER CARRIERS, AFL-CIO

**NALC/USPS-T3-15**

Provide the total number of delivery points on all city delivery routes combined for each quarter in FY 2008, FY 2009 and FY 2010 (to the extent FY 2010 data is available), stated separately for each quarter.

**RESPONSE:**

Time Period	City Delivery Points
FY2008 Q1	86,880,556
FY2008 Q2	86,981,049
FY2008 Q3	87,070,473
FY2008 Q4	87,164,245
FY2009 Q1	87,284,877
FY2009 Q2	87,392,147
FY2009 Q3	87,469,431
FY2009 Q4	87,567,654
FY2010 Q1	87,673,060
FY2010 Q2	87,779,299
FY2010 Q3	87,850,934

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
DEAN J, GRANHOLM (USPS-T-3) TO INTERROGATORY OF THE NATIONAL  
ASSOCIATION OF LETTER CARRIERS, AFL-CIO

**NALC/USPS-T3-17**

You state at page 5 of your testimony that increased mail volume on Fridays, Mondays and Tuesdays are possibly expected to lead to increased work hours in the form of overtime and/or auxiliary assistance. Do you have an estimate of how much such overtime and/or auxiliary assistance hours may increase and how much that might cost USPS? If so, provide the estimate.

**RESPONSE:**

I have not prepared an estimate of how much overtime and/or auxiliary assistance hours may increase in a 5-day environment. The amount of overtime and/or auxiliary assistance utilized will depend on local operational conditions.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
DEAN J, GRANHOLM (USPS-T-3) TO INTERROGATORY OF THE NATIONAL  
ASSOCIATION OF LETTER CARRIERS, AFL-CIO

**NALC/USPS-T3-18**

State how many new city delivery routes you believe USPS would have to create as a result of its elimination of Saturday delivery. Provide the data and analysis for your response.

**RESPONSE:**

I have not made any such estimate. There is no plan to create new City routes as a result of eliminating Saturday delivery.

1           CHAIRMAN GOLDWAY: This should bring us to  
2 oral cross-examination. There are five parties that  
3 have requested oral cross-examination. American  
4 Postal Workers Union, AFLCIO?

5           MR. ANDERSON: The APW has no questions at  
6 this time, Madam Chairman.

7           CHAIRMAN GOLDWAY: Thank you. Green Card  
8 Association. Mr. Stover?

9           MR. STOVER: Yes, Madam Chairman.

10          CHAIRMAN GOLDWAY: National Association of  
11 Letter Carriers, Mr. Dechiara?

12          MR. DECHIARA: Dechiara.

13          CHAIRMAN GOLDWAY: I'll practice it. You  
14 have questions?

15          MR. DECHIARA: Yes, I have questions.

16          CHAIRMAN GOLDWAY: National Newspaper  
17 Association?

18          MS. RUSH: Yes, Madam Chairman, we do have  
19 questions.

20          CHAIRMAN GOLDWAY: And Public  
21 Representative?

22          MS. GALLAGHER: Yes, Madam Chairman.

23          CHAIRMAN GOLDWAY: Okay. Have a seat at the  
24 table, David, and we'll begin then with the Green Card  
25 Association, alphabetical order. Forgive me, I didn't

1 get the name of the counsel representing the Postal  
2 Service for this Witness?

3 MR. REIMER: I apologize. My name is Brian  
4 Reimer, R-E-I-M-E-R, representing the Postal Service  
5 with Mr. Granholm's testimony.

6 CHAIRMAN GOLDWAY: Thank you. Welcome to  
7 our hearings, I haven't seen you here before.

8 MR. REIMER: It's been four years.

9 CHAIRMAN GOLDWAY: Mr. Stover, would you  
10 identify yourself for the record?

11 MR. STOVER: Yes, Madam Chairman. David  
12 Stover for the Green Card Association. Thank you,  
13 Madam Chairman.

14 CROSS-EXAMINATION

15 BY MR. STOVER:

16 Q And good afternoon, Mr. Granholm.

17 A Good afternoon.

18 Q We would like to begin by asking you, just  
19 to make sure that I understand fully some of the  
20 things that you've told us so far in the course of the  
21 proceeding, if we understand your earlier statements  
22 correctly, let's just consider carriers at the moment,  
23 you are saying that carrier savings will come from the  
24 Service's no longer needing carrier technicians and  
25 that is because in the five-day systems the regular

1 carriers won't need a days off replacement, is that  
2 accurate?

3 A That's correct.

4 Q And so that I'm clear on what happens next,  
5 are you positing that the carrier technicians will  
6 take over regular carrier jobs that fall vacant  
7 through attrition and through elimination of  
8 transitional employees?

9 A Elimination of some transitional employees,  
10 potentially. But that's something that obviously  
11 we'll have to experience as time goes on, yes.

12 Q Well let me put it this way, does the plan  
13 as you've described it to the Commission and to us in  
14 our interrogatories contemplate that some savings will  
15 come from moving carrier technicians into regular  
16 positions and some savings will come from eliminating  
17 the transitional employees but at this point we don't  
18 know how much of each, is that a fair statement?

19 A That's a fair statement when it comes to  
20 work hours, correct.

21 Q I'm talking about work hours, yes.

22 A Correct.

23 Q Now you said in responding to our  
24 interrogatory T-3-11(c) and (d), I'll give you a  
25 moment to find that because I need to do the same

1 thing. All right, you said that you did not address  
2 the question of how long it would take the Service to  
3 reach fill up savings. That's a fair recap of your  
4 answer I think, isn't it?

5 A My answer discusses the fact that fill up  
6 savings occur once the Postal Service --

7 Q Yes.

8 A Finally realizes those savings, correct.

9 Q And you go on to say "I was not asked to nor  
10 did I address how long it would take the Postal  
11 Service to reach fill up savings"?

12 A That's correct.

13 Q Yeah, so that's the part I want to focus on  
14 for the moment. And I would like to ask you if it's  
15 fair to infer from that last sentence in your response  
16 that you also did not address the question of how far  
17 the carrier technicians that we've spoken of would  
18 come to occupy regular jobs fallen vacant through  
19 attrition and how far they would come to occupy jobs  
20 vacated by transitionals, is that a fair?

21 A I did not address that.

22 Q At any rate whether it follows from your  
23 other statement or not you did not address it?

24 A I did not address that, no.

25 Q And would it be correct similarly to say

1 that you didn't address the question of whether for  
2 example all the transitionals might go first or all  
3 the regular carriers might retire first or how these  
4 two potential complexes and retirements or separations  
5 would relate to each other in time?

6 A In my testimony I discuss the scenario, but  
7 nothing specific as far as what's first --

8 Q About what might happen first or what might  
9 happen next?

10 A Correct.

11 Q Let me send you to another one of our follow  
12 up questions, this is number T-3-10.

13 A Okay.

14 Q Are you with me? Okay.

15 A I am with you.

16 Q You said in that response that the people  
17 who report to you do have experience negotiating labor  
18 contracts, and in arriving at your judgment that the  
19 city carrier savings would come from eliminating work  
20 by full-time regular carriers.

21 Did you discuss with those individuals the  
22 likelihood that that way of proceeding rather than  
23 proceeding by eliminating work done by transitional or  
24 eliminating transitional employees, I guess I should  
25 say, would be feasible contractually?

1           A     Obviously, we had to consider our current  
2 contract. We couldn't consider future contracts. In  
3 today's contract with the National Association of  
4 Letter Carriers, we have the right to hold a certain  
5 number of TEs. Some of those QVs are what we call  
6 memo or FSS TEs that we could hold in future FSS  
7 sites. And we also have a certain percentage of TEs  
8 that we can hold at a 3.5 percent rate of our total  
9 workforce.

10                 Since those TEs are part of our current  
11 contract, we have to consider that we still need  
12 flexibility in the Postal Service after a five-day  
13 environment. And those TEs were only being a part of  
14 our flexibility going forward, so any mention of the  
15 full elimination of TEs would be unreasonable under  
16 our current contract.

17           Q     And that contract expires when? Remind me.

18           A     I believe the fall of next year.

19           Q     2011?

20           A     Correct.

21           Q     I think I know the answer, but FSS in this  
22 context means the flat sequencing system.

23           A     Thank you. I'm sorry that I used an acronym  
24 there for you.

25           Q     Now let's go to, if you don't mind, go to

1 TCA-T-13, I mean T-3, excuse me, 14<sup>©</sup>. And this was  
2 the question in which we asked you to give your  
3 definition of the term of "full up" as you've been  
4 using it in your Interrogatory responses.

5 A That is correct. Yes.

6 Q Now, so that I'm clear on this, are the  
7 savings that refer to in that answer to T314<sup>©</sup> are  
8 these the savings which were estimated quantitatively  
9 by Dr. Bradley and Dr. Colvin?

10 A These are work hours savings Dr. Bradley or  
11 Colvin can discuss, financial savings with you.

12 Q Let's agree that we're talking about -- for  
13 the moment at least we're talking about work hours  
14 unless we agree otherwise.

15 A Correct.

16 Q Thank you. So work hour savings that you  
17 refer to in that definition you gave us are the work  
18 hours that Drs. Bradley and Colvin would have  
19 calculated and used for their ultimate financial  
20 computation?

21 A Correct. Well, I do have an understanding  
22 of the situation myself, which is under our current  
23 contract the T-6 employees, which I refer them to as,  
24 as carrier technicians, moving to the carrier  
25 position, a regular carrier position would still be

1 paid at the T-6 rate.

2 Q Yes, their salaries are saved.

3 A Correct.

4 Q Like when the change the title of the job  
5 and the nature of their work.

6 A That's correct.

7 Q I think you did testify to that or responded  
8 to an interrogatory.

9 A I did.

10 Q But let's get back now to the --

11 A I'm having trouble hearing the --

12 Q Feedback is coming from --

13 CHAIRMAN GOLDWAY: Yes.

14 THE WITNESS: Am I too close to the mike,  
15 Madame Chairman?

16 CHAIRMAN GOLDWAY: Usually, it's somebody  
17 has a blackberry that's a little close to the  
18 microphone or a telephone.

19 THE WITNESS: I'm innocent. I use an  
20 iPhone.

21 CHAIRMAN GOLDWAY: Is your iPhone close?  
22 Those are things that have been causing us trouble.  
23 Turned it off.

24 THE WITNESS: Well, I'll leave it on the  
25 floor; is that better?

1 CHAIRMAN GOLDWAY: That seems to be better,  
2 yes.

3 THE WITNESS: All right, I changed my plea  
4 to guilty.

5 BY MR. STOVER:

6 Q Let's get back, Mr. Pulcrano, to the --

7 A Mr. Granholm?

8 Q Mr. Granholm.

9 A That's an easy question.

10 Q I guess you've already been asked his name.

11 A Yes.

12 Q Mr. Granholm, let's get back to the pool of  
13 work hour savings that we were just discussing that  
14 are utilized -- calculated and utilized by Dr.  
15 Bradley and Dr. Colvin. Those savings then would be  
16 savings for Fiscal 2009, would they not?

17 CHAIRMAN GOLDWAY: Fiscal 2000?

18 MR. STOVER: Nine.

19 CHAIRMAN GOLDWAY: From.

20 BY MR. STOVER:

21 Q The exercise done by Dr. Bradley and Dr.  
22 Colvin is, as I understand it, take they're numbers  
23 from 2009; am I correct?

24 A The testimony really is Dr. Bradley's. Yes.

25 Q Okay. I think it's answered in his

1 testimony, but I wanted to be sure --

2 A I haven't read his testimony, so -- you may  
3 answer that question.

4 Q So if that is in fact the case about what  
5 Dr. Bradley testified to, you are talking about the  
6 savings that he is talking about?

7 A I believe Dr. Bradley took my testimony and  
8 made his financial decisions from that. Yes.

9 Q Now still on the definition of fill up  
10 savings, is it part of your definition or your  
11 understanding, if a better way to put it, of the  
12 concept of fill up savings if the carrier labor  
13 eliminated -- carrier labor hours eliminated by five-  
14 day deliveries is to be valued at the regular full-  
15 time carrier rate per hour?

16 A I believe so, yes.

17 Q Okay. Let's go back now to your response to  
18 GCA T3-12. That's a follow-up interrogatory. If I  
19 may, I'm assuming that the reference to T3-12 in the  
20 first line of your response may be a typo for T3-5.  
21 If I'm wrong on that, could you correct me?

22 A I'm not sure.

23 Q We asked you to refer back to T3-5.

24 A Yes, I would assume. I'd have to refer to  
25 T3-5 to verify.

1           Q     T3-5 is the one in which we asked you the  
2     question -- the report Dr. Bradley's and we asked you  
3     where in your testimony you state that the hours saved  
4     from eliminating Saturday delivery will be for full-  
5     time carriers as opposed to part-time regular or  
6     transitional question.

7           A     Yes, I would say that's a typo. Correct.

8           Q     Okay. I'm going to correct it in my copy  
9     then.

10          A     It refers to T3-5 in my response.

11          Q     All right, that's the easy part. This  
12     answer rest -- you said that your response rested on  
13     charts of salary that were published by the Labor  
14     Relations Department.

15          A     That's correct.

16          Q     Are they public documents? Can I infer that  
17     from the word "published"?

18          A     You know I'm not sure if they're published  
19     or not.

20          Q     Well, we are wondering where we could access  
21     those charts, if they are a public document. I don't  
22     know whether you know the answer, but if not, perhaps  
23     counsel could make an inquiry.

24                 MR. REIMER: I can make an inquiry into  
25     that and report back.

1 MR. STOVER: That would be very helpful if  
2 we could have that because we would like --

3 CHAIRMAN GOLDWAY: To have a report back on  
4 whether that data is publicly available?

5 MR. STOVER: Yes. And if it is publicly  
6 available, a copy of the data itself. That would be  
7 very helpful. Thank you, Madame Chairman and thank  
8 you, Mr. Reimer.

9 BY MR. STOVER:

10 Q Now the other question I have is, if you  
11 recall, the layout of the charts. Do they record just  
12 salaries without any facility for calculating a  
13 productive hourly rate from the charts?

14 A This is stressing my memory at this point.

15 Q Okay.

16 A I don't recall.

17 MR. STOVER: I suppose if we get the charts  
18 we can infer that for ourselves. But if the charts  
19 are not public, Madame Chairman, we would like to get  
20 some sort of an indication from the Postal Service,  
21 either from Mr. Granholm or through counsel, as to  
22 whether it's just bare salary numbers from which you  
23 can't compute a productive hourly rate for a  
24 particular category of employees.

25 MR. REIMER: Madame Chairman, I believe I

1 can clarify some of that. The nature of the charts,  
2 my understanding is that they are wage and salary  
3 information as opposed to what we often refer to as a  
4 fully loaded figure, which would consider the value of  
5 benefits. So that is my understanding of what the  
6 charts are.

7 CHAIRMAN GOLDWAY: But they don't  
8 necessarily relate to productivity, which is I think -  
9 -

10 MR. REIMER: I do not think that they would.

11 MR. STOVER: They would not, for example,  
12 reflect the number of productive hours that is assumed  
13 for a particular category of employees.

14 MR. REIMER: I do not believe that they  
15 would.

16 MR. STOVER: I wouldn't expect them to if  
17 they're just wage and salary charts.

18 MR. REIMER: That's my understanding is that  
19 they are pure wage and salary charts.

20 MR. STOVER: All right.

21 BY MR. STOVER:

22 Q Now, I'm going to go back to where angels  
23 fear to tread and talk a little bit about rural  
24 carriers. And you provided, Mr. Granholm, some input  
25 on rural carriers for Dr. Bradley, I believe. And am

1 I correct in thinking that you did in the hours saved  
2 by the range by route type? I'm reciting to "H", "J",  
3 "K" auxiliary.

4 A Yes, because of the days off difference  
5 between those. Yes.

6 Q And when you provided that material to Dr.  
7 Bradley, did that carry with it the pustules that the  
8 distribution of work across carrier types with respect  
9 to days of the week would be exactly what it is today?  
10 And let me give you an example.

11 If you say the Saturday hours on a K Route,  
12 which would be let's say eight hours, in the  
13 computations that you rolled in for this case and for  
14 your project those would not be valued at RCA hours  
15 when they were transferred into the Monday through  
16 Friday hours, but as regular carrier hours -- the  
17 regular carrier's hourly rate; is that correct?

18 A Perhaps it's better to refer to my library  
19 reference, which discusses that exact process.

20 Q Okay, that is No. 4, is it?

21 A I believe that is No. 4. Yes.

22 Q Well, let me push on for the moment. And  
23 let's stick for the moment to the question of that  
24 distribution of work or redefinition of the work  
25 allocated to various carrier types in relation to days

1 of the week. If that were to be changed, would that  
2 be a matter for contractual negotiation?

3 A I'm not understanding your question.

4 Q Okay.

5 A Sorry.

6 Q Let's suppose if I can make up an example on  
7 the spur of the moment that the Postal Service wanted  
8 to change the J Route from a rural carrier auxiliary  
9 every other Saturday to every third Saturday for  
10 whatever reason. Would that change, as I described  
11 it, never mind whether it's a rational one or not,  
12 would that change have to be negotiated with the rural  
13 carrier union in order to be feasible?

14 A The rural carrier working every third  
15 Saturday is not part of their makeup now. So yes,  
16 that would have to be --

17 Q that would be a negotiable issue?

18 A But let me make sure that I clarify. We do  
19 make changes and adjustments to routes now. We have  
20 four classifications of rural routes. We have the K  
21 Route, the H Route and the J Route. Each of those  
22 classifications are classified by the number of days  
23 off that they have. K Route has two days off. J  
24 Route has one day off in a pay period, meaning --

25 Q Yes, two weeks.

1           A     -- J Route does not work either -- only five  
2     days a week through the pay period for two weeks  
3     consecutive. The J Route works six days one week,  
4     five days the other. The H Route has six days both  
5     days. We changed through management that leveling of  
6     routes -- by the way, the fourth category is auxiliary  
7     route.

8           Q     Yes.

9           A     And that's in my library reference, and it  
10    explains that we do adjust routes under today's  
11    environment. Now those routes do change between "K"  
12    and "J" and "H" after our annual count and  
13    reevaluation of rural routes. That's well within the  
14    contract. We do consolidate routes. We do expand  
15    routes when growth is required, and we do have the  
16    changes between the classification of routes.

17                   The situation you brought up is unique.  
18    Having no days off in a two-week period and then a day  
19    off is not within the current structure, so that would  
20    have to be negotiated. Yes.

21           Q     Could I generalize a little bit and ask you  
22    if you were to -- if I understand you correctly,  
23    you're saying that on the basis of the evaluation  
24    results you can move a route from let's say "J" into  
25    "H".

1           A     Yes.

2           Q     But you cannot wholesale redefine what  
3     constitutes a J Route without negotiating with the  
4     rural carrier -- Letter Carriers Association.

5           A     Right.

6           Q     Okay.

7           A     As it states in my library reference, there  
8     are certain steps, criteria of standards that builds  
9     that route to its evaluation. Changing that  
10    evaluation would be a contractual issue that would  
11    have to be negotiated. Yes.

12          Q     Let's go back for a moment to city carriers,  
13    with some relief on my part because I find them more  
14    easier to deal with.

15                    Can the Postal Service get flexibility in  
16    the utilization of city carriers by using, for  
17    example, part-time, flexible employees?

18          A     We do have part-time, flexible employees in  
19    our craft. They are career employees, so that is part  
20    of our craft now. They're career, but they are part-  
21    time, flexible, yes.

22          Q     Well, Dr. Clifton tells me I can't to city  
23    carriers right away. You said in your very helpful  
24    answer about how you can deal -- what the Postal  
25    Service has a right to do on its own in dealing with

1 rural carrier routes, the various kinds. That you can  
2 on the basis of evaluation move the route from let's  
3 say a "J" to "K" or a "J" to "H," depending on how the  
4 evaluation comes out. Is mail volume part of the mix  
5 in that evaluation?

6 A Mail volume factors make up about 25, around  
7 25 percent of the total evaluation. There's other  
8 factors included as well.

9 Q Number of boxes and the length of the route  
10 and so forth. Yes.

11 A You're becoming an expert.

12 Q Would you expect on the -- and I'm asking  
13 you on the basis of your experience in operations.  
14 Would you expect that in a declining volume  
15 situation -- I mean one that continues for any length  
16 of time and with some magnitude that that would result  
17 in what I probably wrongly call a downgrading of rural  
18 routes? Let's say some H Routes might become J Routes  
19 and some J Routes might become K Routes and possibly  
20 some routes might become auxiliary routes, if your  
21 authority to reclassify routes extends that far down  
22 the list?

23 A Yes, it does.

24 Q Would you expect that that might be a result  
25 of the declining volume situation that was of some

1 magnitude and duration?

2 A It already has.

3 Q That has happened with route classification?

4 A Yes, it has.

5 MR. STOVER: I believe that's all GCA has.

6 Thank you, Madame Chairman, and thank you, Mr.

7 Granholm.

8 THE WITNESS: Thank you.

9 CHAIRMAN GOLDWAY: Thank you. Then we'll go  
10 to the National Association of Letter Carriers.

11 MR. DECHIARA: Thank you, Madame Chairman.

12 CROSS-EXAMINATION

13 BY MR. DECHIARA:

14 Q Good afternoon, Mr. Granholm. My name is  
15 Peter Dechiara from the law firm of Cohen, Weiss &  
16 Simon, LLP. We represent the National Association of  
17 Letter Carriers, AFL-CIO in this proceeding.

18 Am I correct that most of the savings that  
19 the Postal Service anticipates from going to five-day  
20 delivery would be delivery savings related to delivery  
21 costs?

22 A I believe the way that my testimony is, yes,  
23 that that would be correct.

24 Q And would the bulk of those delivery cost  
25 savings be from savings related to letter carrier

1 costs?

2 A I think there is a cost savings from letter  
3 carriers, yes.

4 Q Well, is the bulk of delivery cost savings  
5 from letter carrier costs?

6 A I think that the sheer size of the letter  
7 carrier craft and the work hours that are within the  
8 letter carrier craft would be a natural answer that,  
9 yes, letter carrier crafts will take -- that's where  
10 most of the savings will come from.

11 Q And if Saturday delivery were eliminated and  
12 mail that would otherwise be delivered on Saturday  
13 would be delivered on other days of the week, correct?

14 A Yes. That's also part of my testimony.

15 Q So everything else being equal if Saturday  
16 delivery were eliminated volumes -- mail volumes would  
17 increase on the other days of the week, correct?

18 A In my testimony I estimated that Monday  
19 would get about a 75 percent impact from the Saturday  
20 volume and 25 percent we felt would move into the  
21 Friday time frame.

22 Q And am I correct that with increased mail  
23 volume, at least on the two days you've identified,  
24 Monday and Friday, that that cause an increase in  
25 letter carrier work hours?

1           A     There will be a small increase in work hours  
2     that are attributable to that volume and I think  
3     that's explained in my library reference.

4           Q     Okay, well, setting aside the magnitude of  
5     the change, would you agree with me that the  
6     anticipated increase in mail volume as a result of the  
7     elimination of Saturday delivery would cause letter  
8     carrier work hours to go up?

9           A     Our estimates, from looking at past data and  
10    Fiscal Year 2008 an Fiscal Year 2009, that we'll see  
11    less than a 10 percent attributable cost increase to  
12    volumes on the street and around a 25 percent increase  
13    in loss of time as part of that volume. And auxiliary  
14    time, actually, only increases about a 6 percent rate.

15          Q     Mr. Granholm, I'm actually only asking you  
16    whether the direction -- not the magnitude, but the  
17    direction of letter carrier work hours would be up if  
18    mail volume increased? Is the answer to my question  
19    yes?

20          A     Yes.

21          Q     Okay. Now the fact is that no one really  
22    knows how much letter carrier work hours would go up  
23    on other days if Saturday deliveries were increased  
24    because -- if Saturday delivery were eliminated  
25    because Saturday delivery has not been eliminated,

1 correct?

2 A I disagree. I think we've got, as I stated  
3 before, we've got great examples of what may occur  
4 after Saturday's eliminated through the fact that over  
5 the last few years we've conducted analysis of Monday  
6 holiday impact. And that impact that goes into  
7 Tuesdays after Monday holidays and also regular  
8 Tuesdays that don't have holidays prior to it I think  
9 we have a very good expectation of what the outcome  
10 will be.

11 Q Okay. We'll get to that analogy of looking  
12 at Tuesdays after Monday holidays, but that's just an  
13 analysis, is it not? Is not that analysis simply  
14 saying we don't know what mail volume will be if  
15 Saturday delivery was eliminated because Saturday  
16 delivery has not been eliminated, so let's look at  
17 what might be a proxy. Let's look at Tuesdays after  
18 Monday holidays; is that correct?

19 A No, I think Tuesdays after Monday holidays  
20 are a great example of a five-day work environment on  
21 11 different days over the last two fiscal years  
22 totaling approximately 10 percent of the work weeks  
23 that occurred in those two years. So I think  
24 representative -- a representative review of that  
25 process has been conducted.

1           Q     But you've testified that -- again, putting  
2     aside the magnitude of the increase, you testified  
3     that if mail volume went on other days after Saturday  
4     delivery were eliminated that mail volume -- I sorry,  
5     that letter carrier work hours would increase. Can  
6     you explain -- let's look at office hours. Can you  
7     explain why additional mail volume would cause letter  
8     carrier office hours to go up?

9           A     It depends on what type of volume and  
10    whether it's automated or not. The scenario you're  
11    providing me I'm not sure if I understand.

12          Q     Well, can you tell us in general terms why  
13    that increase in mail volume may cause letter carrier  
14    work office hours to go up?

15          A     I don't know if I can say that under the  
16    framework of what you're proposing the situation. If  
17    letter volume or flat volume goes up -- we have  
18    different classifications of volume and much of our  
19    volume is automated at this point.

20                 For instance, in letters where we're -- over  
21    90 percent of that volume is now in delivery point  
22    sequence order, if letter volume went up the  
23    differentiation between the result of work hours would  
24    be very minimal.

25          Q     Let me refer you to library reference USPS

1 LRN20101/3, which I'll call library reference 3 for  
2 short.

3 A Okay.

4 Q Do you have that in front of you?

5 A This was the city carrier portion?

6 Q Yes.

7 A And what reference would you like me to see?

8 Q Well, first, I just wanted to have you have  
9 the document in front you. Do you have the document  
10 in front of you?

11 A I do have that document in front of me.

12 Q Okay, turn to page 4.

13 A I'm on page 4.

14 Q Do you see table 2?

15 A I do see table 2.

16 Q Do you see that added volume for Tuesdays  
17 following a Monday holiday in FY 2008 and FY 2009 was  
18 higher than average volume on normal Tuesdays during  
19 that two years?

20 A Yes.

21 Q And do you see that average office hours  
22 were higher to Tuesdays following a Monday holiday  
23 than they were for normal Tuesdays?

24 A Yes, I see it at a rate less than the volume  
25 increase. Correct.

1 Q Right. But nonetheless, the hours are --  
2 I'm just eyeballing it, about 86 -- what is that 86  
3 million?

4 A I believe it says 86,000.

5 Q Okay, 86,000 higher. Why are they higher?

6 A Obviously, because workload has increased  
7 during those days. This is a real example, obviously,  
8 that we used over the last two years.

9 Q Okay. My question is what causes them to be  
10 higher?

11 A In the office, the additional workload of  
12 packages that are not automated to the route and flats  
13 that are not automated to the route yet, meaning into  
14 delivery point sequence.

15 Q So the carrier has to --

16 A Has to prepare those in route order in the  
17 office in a letter case, carrier case.

18 Q And you said the letters are not in sequence  
19 automatically the letter carrier would have to post  
20 those as well, correct?

21 A No, the letters would be predominately put  
22 into delivery point sequence and be available for the  
23 carrier to be handle on the street.

24 Q Predominately or entirely?

25 A Not entirely, predominately -- at over a 90

1 percent rate.

2 Q Okay. So my question was to the extent the  
3 letters were not in delivery point sequence the letter  
4 carrier would have to spend additional time taking the  
5 letters as well as the packages and flats, is that a  
6 correct statement?

7 A At less than a 10 percent absorption rate.  
8 Yes.

9 Q Okay. Let's talk about street hours. With  
10 additional mail volume, letter carriers street hours  
11 also go up, correct?

12 A And in the example that you've referred to  
13 me, street hours went up 6 percent. Yes.

14 Q Why did street hours go up?

15 A Street hours? They may have additional  
16 packages that they're delivering. They may have more  
17 accountable mail that they're delivering on the route.  
18 And also, they may make more stops along the route  
19 where today we have a coverage factor on the route as  
20 far as the number of deliveries that are made versus  
21 those that are not made of around 80 percent. In this  
22 example, I'm sure that coverage factor went up.

23 Q So it's possible that with higher volume a  
24 letter carrier may have to go to a delivery point that  
25 he might not otherwise have to go to?

1           A     Not otherwise.  Yes, it depends on the  
2     volume factor.  Obviously, in the day after the  
3     holiday you've combined Saturday's volume into Tuesday  
4     in this case.  When normally on Tuesday, which is the  
5     comparative, they may make 80 percent of their  
6     deliveries because that's all the volume they have and  
7     houses that they don't have mail for they skip.  And  
8     in this case, they'd have to possibly make 85 percent.  
9     So there's an ancillary increase in that delivery  
10    coverage.

11          Q     So to put it simply, on days when there's  
12    higher volume letter carriers may have to go to  
13    delivery points that they might not otherwise go to if  
14    the volume had not increased?

15          A     That's correct.

16          Q     And let's say at an apartment building or a  
17    cluster box, on days with higher volume the letter  
18    carrier might have to put mail into more of the mail  
19    slots than he or she might otherwise have to mail  
20    volume was lower?

21          A     Possibly, depending on the makeup of the  
22    mail and which people are getting mail or not.

23          Q     Okay.  And if the letter carrier did have to  
24    put more mail into more mail slots that would take  
25    more time, correct?

1           A     It's not necessarily the more mail to the  
2     more mail slots. It's the move. It's the motion.  
3     Like I said, as far as the gap in the coverage factor.  
4     Since the mail is already prepared in delivery  
5     sequence, the fact is that the carrier will pick up  
6     mail, briefly finger through it and put it all into  
7     the slot together.

8           Q     Why would it take more time then?

9           A     Because they may have slots that yesterday  
10    were vacant. Today they may have to make --

11          Q     Okay, that was my point. We're saying the  
12    same thing.

13          A     Right.

14          Q     What about a park and loop route? Is it  
15    possible with increased volumes the letter carrier may  
16    have to make more trips to and from the vehicle if the  
17    volume filled up the satchel quicker?

18          A     I would say no. Park and loop right has a  
19    pretty high absorption rate.

20          Q     Now if there were increased volume on a  
21    given day, a given route date as a result of the  
22    elimination of carrier delivery, that would cause an  
23    increase in overtime for letter carriers, correct?

24          A     I would say overtime, potentially, on  
25    delivery assistance or on some routes it might mean

1 that instead of pivoting from their route to another  
2 route on under time that it would fill up some of  
3 their routes.

4 Q Well, do you know how much letter carrier  
5 overtime would increase on other days if Saturday  
6 delivery were eliminated?

7 A No, I don't.

8 Q Let's look at your response to NALC's  
9 Interrogatory No. 5, and it's NALC/USPS/T3-5. Let me  
10 know when you have that in front of you.

11 A T3-5? I have it.

12 Q And this shows FY 2008 overtime hours for  
13 city letter carriers on normal Tuesdays and on  
14 Tuesdays after Monday holidays, correct?

15 A Correct.

16 Q And the overtime hours for the normal  
17 Tuesdays is much larger than the Tuesdays after Monday  
18 holidays, correct?

19 A The way it's shown here, yes.

20 Q Right. And the way it's shown there, it  
21 appears counterintuitive, it's because you've given --  
22 in responding, you've given us the aggregate overtime  
23 hours as opposed to the average per Tuesday, correct?

24 A That's correct.

25 Q Okay. So if we did a little simple math --

1 by the way, do you know how many normal Tuesdays there  
2 were in FY 2008?

3 A It's in my library reference, but I believe  
4 around 44 or 42, 46 -- 45 or 46. One year had 45.

5 Q If I said 45, would you argue with me?

6 A No, I would not.

7 Q Okay, so let's say 45. And I'd like us to  
8 move this along. Let me represent to you that there  
9 were shifts Tuesdays after the Monday holiday in FY  
10 2008, does that sound right?

11 A That sounds right.

12 Q So if we divide the aggregate normal Tuesday  
13 overtime number by 45 and we divide the Tuesday after  
14 a Monday holiday aggregate number by 6, do you know  
15 what the resulting numbers are?

16 A I can make an estimate, but I don't.

17 Q What's your estimate? Well, let me --

18 A Obviously, there's going to be more on the  
19 holiday than there are the normal.

20 Q Okay. Would you disagree with me that if  
21 you did the math that letter carrier overtime hours on  
22 Tuesdays after a Monday holiday are actually more than  
23 twice than on normal Tuesdays?

24 A And that's understandable in this  
25 environment, and I can explain why.

1           Q     I just want you to answer my question. Does  
2     that sound right that the overtime hours on Tuesdays  
3     after a Monday holiday are about -- are more than  
4     twice on a normal Tuesday?

5           A     Yes, and I can explain why. And the reason  
6     is is because in this environment versus our proposed  
7     five-day situation with Saturday being the eliminated  
8     day, employees that have Monday off, or if they get  
9     holiday pay, that becomes part of their work week. So  
10    it's a situation where the work hour itself is not as  
11    flexible as we may incur when we have the five-day  
12    work week. In that case it'd be planned. We'd have  
13    auxiliary assistance available. We have P6s in this  
14    case, carrier technicians that already have a set  
15    assignment. You're limited in the amount of  
16    flexibility of scheduling that you have on a holiday  
17    time period versus what I believe we'd have in a post-  
18    five-day environment.

19          Q     You say that the differences in a five-day  
20    environment it would be more anticipated, the need for  
21    additional work hours would be more anticipated?

22          A     No, I think it would be more planned on the  
23    way that we'd addressed a Monday situation, which is  
24    the duplicate of what we're talking about here. It  
25    would be more planned. First of all, carriers have a

1 six-day work week now and they work on a rotating  
2 basis. They have Monday off one week, Tuesday off the  
3 next, so the days off affect the schedule. Carriers  
4 on a holiday work week are paid for the Monday  
5 holiday. So it's not a -- not this case on the  
6 overtime situation I think will not be as exacerbated  
7 in a five-day environment as it shows here. That's  
8 just my operational opinion.

9 Q But you don't know how much additional  
10 overtime there would be on other weekdays if Saturday  
11 delivery were eliminated, correct?

12 A No, what I said in my --

13 Q Is that correct? Did I say that correct?

14 A Yes. What I said in my testimony is the  
15 fact that we understand that Mondays will be heavier.  
16 We think Fridays will gain additional volume and that  
17 we can use different things such as overtime,  
18 auxiliary assistance and potential curtailing of  
19 volume to level of the day. And when those things  
20 occur 52 weeks out of the year, with the exception of  
21 the holidays that may occur within them that  
22 leveling -- the assignment of the auxiliary assistant,  
23 the overtime assignments will be much more planned  
24 than they fall into with these holiday situations. I  
25 will have more control.

1           Q     Monday holidays aren't they in the calendar  
2     and does the manager see them coming a long time ahead  
3     of time?

4           A     Absolutely. But as you know, our current  
5     contract have requirements on days off, et cetera.  
6     They have requirements as far as holiday pay for  
7     employees and that would not be the case on a normal  
8     five-day work week.

9           Q     You mentioned that if Saturday delivery were  
10    eliminated there would be increased volume on Fridays  
11    and Mondays. Let me refer you to your Interrogatory  
12    No. -- your response to Interrogatory No. 2. It's  
13    NALC/USPS-23-2.

14          A     Okay.

15          Q     And that shows that both in FY 2008 and FY  
16    2009, Wednesdays after a Monday holiday had higher-  
17    volume-than-normal Wednesdays, correct?

18          A     That's correct.

19          Q     And if you look at the following  
20    interrogatory response, 23-3, that shows that both for  
21    FY 2008 and FY 2009, Thursdays after a Monday holiday  
22    had higher volume than a normal Thursday, is that  
23    correct?

24          A     Let me take a look at it. Yes.

25          Q     And if you look at the following

1 interrogatory response, 23-4, that shows, for both of  
2 those two fiscal years, Fridays following a Monday  
3 holiday had higher-volume-than-normal Fridays,  
4 correct?

5 A Yes.

6 Q Now, the number of city delivery routes has  
7 steadily dropped since 2008, correct?

8 A No.

9 Q Well, let me ask you to look at your  
10 response to Interrogatory No. 14, NALC/USPS-C3-14.

11 A Okay.

12 Q That shows, does it not, that in, for  
13 example, the first quarter of FY 2008 there were  
14 approximately 163,000 city routes; but by first  
15 quarter FY 2010, there were under 151,000 city routes.  
16 Correct?

17 A That's correct, yes, but I wouldn't call  
18 that steady.

19 Q Okay. Well, putting aside what adjective we  
20 choose to put on it, it does show that routes of in  
21 the ballpark of 12 to 13 thousand, a reduction of 12  
22 to 13 thousand routes in that time period, correct?

23 A Right. Primarily due to recent times with  
24 our negotiations and agreements made with the NALC.

25 Q Okay. So you're aware that the NALC, in

1 2008, entered into a memorandum of understanding with  
2 the Postal Service that provided for expedited joint  
3 labor management, well, adjustment, correct?

4 A Yes.

5 Q Okay. And is it fair to say that it was due  
6 to that memorandum of understanding that the National  
7 Association of Letter Carriers entered into, that  
8 permitted the sort of increase in city routes that we  
9 see set forth in Interrogatory 14?

10 A Since the beginning of 2008, the route  
11 reduction that has occurred in the Postal Service,  
12 including the Quarter 3 small add that you show in the  
13 FY 10 2003 --

14 Q I'm sorry, the what?

15 A The small addition in routes are due to a  
16 joint agreement process with the NALC, jointly  
17 evaluating routes based on data. And that process has  
18 reduced approximately 10,000 routes over the last two  
19 years.

20 Q If you can turn to your response to  
21 Interrogatory 12, NALC/USPS-C3-12. Let me know when  
22 you're there.

23 A All right. I'm there.

24 Q And this shows us that in FY 2010, city  
25 carrier routes are on average over eight hours.

1           A     My work in route adjustments, I'd call that  
2     an eight-hour route. I see it's 8:03. There's,  
3     between 7:50 and 8:10, we consider it an eight-hour  
4     route. But it's at 8:03 on average right now.

5           Q     Okay. Now, you testified earlier, when you  
6     were being cross-examined, examined by the Green Card  
7     Association, that you had not read Dr. Bradley's  
8     testimony, is that correct?

9           A     That's correct.

10          Q     Let me read to you a statement from Dr.  
11     Bradley's testimony. And I'll just ask you if you  
12     would agree with what Dr. Bradley says. I'm reading  
13     from page 13 of Dr. Bradley's direct testimony,  
14     starting on line 4.

15                 Dr. Bradley says, "The most important way  
16     the city carrier delivery network adjusts to changes  
17     in volume is through route reconfiguration -- changes  
18     in number of routes."

19                 Do you agree that's the most important way  
20     that a city carrier delivery network adjusts to  
21     changes in volume is through changes in the number of  
22     routes?

23          A     Could you re-read his statement? I've never  
24     seen it before. Could you refer to it again so I can  
25     follow along, and then apply the question to the --

1           Q     Absolutely. "The most important way the  
2     city carrier delivery network adjusts to changes in  
3     volume is through route reconfiguration -- changes in  
4     number of routes." Do you agree with that?

5           A     I think it's work-hour reductions in city  
6     carrier operations over the last couple of years have  
7     been substantiated through route reductions. I also  
8     think that we are achieving route savings through  
9     pivoting routes prior to the route reductions. I  
10    think that's what really led to the agreement that we  
11    made with the NALC; the fact that we were taking city  
12    carriers on undertime and using them on other routes,  
13    which is another way that we can trade and adjust  
14    routes on a temporary basis.

15                   I would prefer that we adjust routes  
16    permanently, which we've done over the last several  
17    years.

18           Q     If city carrier routes are on average at  
19    8.03 hours, and if Saturday delivery is eliminated,  
20    causing volume to increase on other days, would there  
21    not be a need to increase the number of city carrier  
22    routes?

23           A     I don't believe so, no.

24           Q     And in fact, the Postal Service's proposal  
25    here is predicated on the assumption that there would

1 be no increase in city delivery routes, correct?

2 A That is correct.

3 Q And the reason you believe there would be no  
4 need to increase city delivery routes is that you are  
5 counting on a continued decrease overall in mail  
6 volume, correct?

7 A I think that, as Mr. Pulcrano talked about,  
8 the BCG analysis clearly shows that volume will  
9 continue to decline. That by 2010, we will have  
10 around 150 billion pieces, as opposed to what we have  
11 today.

12 Q 2010?

13 A I'm sorry, 2020. Thank you for correcting  
14 me. And that the contribution of piece number per  
15 delivery, in 2000 we had about five pieces per  
16 delivery. Currently we have about four pieces per  
17 delivery. Part of that is due to our number of  
18 delivery increases per year. And that by 2020 we'll  
19 only have three pieces per delivery. That alone  
20 creates the impetus for continued change.

21 Q Just out of curiosity, have you looked at  
22 predictions made in the 1970s and in the 1980s about  
23 where mail volume would be 10 years hence?  
24 Predictions at that time made by the foremost experts  
25 in the field?

1           A     No, I haven't.

2           Q     Well, perhaps the Postal Service's crystal  
3 ball this time around is better than it was in the  
4 past.

5                     Let's look at, go back to Library Reference  
6 3. In particular the Table 2 on page 4.

7           A     I'm there.

8           Q     And there's a column that's labeled  
9 "absorbed." And then in the text that follows there's  
10 a discussion of the concept of absorption. Could you  
11 just briefly tell us what absorption means in that  
12 context?

13          A     Let me think of a layman's way to explain it  
14 that's understandable. Because absorption, when it  
15 comes to city routes, is a little different, and a  
16 concept that might be harder to understand. So I'll  
17 use a scenario perhaps that will be more  
18 understandable.

19                     Imagine that you go to the grocery store six  
20 days a week, and you live 20 minutes away from the  
21 grocery store. So to prepare to do that six days a  
22 week, what you would do is go out to your vehicle,  
23 load in your green bags that you take with you to the  
24 grocery store, drive the 20 minutes to the grocery  
25 store, collect your cart, put your bags in it. You

1 would go inside the grocery store.

2 And let's say your habit is to go up and  
3 down every single aisle to see exactly what you  
4 wanted. And you knew on that set day the products  
5 that you pull off of the shelf.

6 You'd go through the line. You'd take the  
7 goods out to the vehicle. You load them into the back  
8 of your vehicle, and you drive 20 minutes home. And  
9 you would put those into your cabinets and unload  
10 them.

11 The issues that we're talking about with  
12 absorption is the fact we're eliminating a day, and  
13 that day elimination takes out the redundancies in  
14 what occurs on a carrier's delivery route.

15 So in the case that I've given, the scenario  
16 that I've given about the grocery store, you'd still  
17 get your bags if a day was eliminated; you'd still  
18 drive to the grocery store. You'd still go up and  
19 down every single aisle.

20 Saying it as though you're driving along  
21 your route, you'd still check out. You may have an  
22 extra cart of goods on that extra day, because you  
23 made more motion and more movement to the shelf to  
24 pull off the goods, much like a carrier moves to a  
25 box. And you may take longer in loading your goods

1 into the back of your vehicle. And when you get home,  
2 it may take longer to unload and put those items away,  
3 over a five-day time period, if you eliminated one of  
4 those days.

5 That's an easy way to understand why there's  
6 redundancies in the street and office time,  
7 particularly the sixth office time, on a delivery  
8 route that would be eliminated.

9 Q Are you done?

10 A I was going to go on a little longer, but go  
11 ahead.

12 Q Well, I don't want to cut you off. Tell me  
13 if you're --

14 A Go ahead, go ahead.

15 Q The absorption rate set forth on Table 2, on  
16 page 4 of Library Reference 3 are for FY 2008, FY  
17 2009, correct?

18 A That's correct.

19 Q And we know, from your response to  
20 Interrogatory 12, NALC/USPS-C3-12, that in FY 2008 and  
21 FY 2009 city carrier routes were on average 7.99 and  
22 7.85 hours, respectively.

23 A I'm not there yet. On 12?

24 Q Yes.

25 A Okay.

1 Q Is that correct, that for those two years  
2 city carrier routes were on average below eight hours?

3 A That is correct. Now, understand, 2010 is  
4 not done yet. And our time period on 2010, where we  
5 have the least amount of hours is the summer months.

6 Q Well, I --

7 A I expect --

8 Q I'm just asking you about 2008 and 2009.

9 A Yes, I --

10 Q I have no question about 2010 at the moment.

11 A But I'd like to make sure I clarify that  
12 2010 is not completed. And our lowest number of hours  
13 per city route occur in these three summer months. So  
14 I believe that number will go down.

15 Q In FY, looking at that same interrogatory  
16 response, FY 2006, FY 2007 --

17 A Sorry, I closed it up. That was No. 13?

18 Q Twelve.

19 A No. 12, okay. Okay.

20 Q During FY 2006, FY 2007, city carrier routes  
21 were on average above eight hours, 8.38 and 8.32  
22 respectively, correct?

23 A That's correct. That was due to the fact  
24 that the automation --

25 Q I didn't ask why.

1           A     had not kicked in yet. Obviously, we had  
2 more mail volume at the time. And we've made some  
3 good efficiency increases with assigned letter  
4 carriers. They've definitely increased their  
5 productivity over the last few years, as well.

6           Q     Did you look at what the absorption rates  
7 were for Tuesdays after a Monday holiday for FY 2006,  
8 FY 2007?

9           A     No. We only looked at 2008 and 2009.

10          Q     So you only looked at years when there was  
11 excess capacity on city letter carrier routes, but not  
12 years where there was a lack of excess capacity, is  
13 that right?

14          A     I think 2008 and 2009 are a better  
15 reflective of current productivity levels and current  
16 automation levels. Looking at 2006 and 2007 would not  
17 give a true picture of our current situation with  
18 automation levels, with our productivity levels, et  
19 cetera. Automation at that time, for DPS, was much  
20 lower than it is today. The carriers were naturally  
21 casing more mail.

22          Q     It's a fair and simple question. You looked  
23 at the two years where routes were under eight hours,  
24 and you didn't look at the years where routes were  
25 over eight hours, to determine absorption rates.

1           A     That did not come into our, our way, our  
2     means of looking at those years, that the last two  
3     years were the best reflective years. We didn't have  
4     the stats on hours and select which ones we were going  
5     to pick.

6           Q     No, I was just asking you as a matter of  
7     fact, did you look at those, did you look at '06 and  
8     '07?

9           A     No, they're not part of my testimony, no.  
10    And no, we did not.

11           MR. DECHIARA: I have nothing further.

12           CHAIRMAN GOLDWAY: Thank you. Now we have  
13    the National Newspaper Association.

14           MS. RUSH: Thank you, Madame Chairman.

15                    CROSS-EXAMINATION

16           BY MS. RUSH:

17           Q     Mr. Granholm, I am Tonya Rush. We represent  
18    the community newspapers, as I'm sure you know.

19                    Following up on counsel from NALC, did you  
20    say the Postal Service believes that the Saturday mail  
21    that will be displaced to other days, that 75 percent  
22    of it you believe will go to Mondays?

23           A     Yes.

24           Q     And then 25 percent you think will go to  
25    Fridays.

1           A     Yeah, I believe that there will be some  
2     mailer acceptance to the fact that Saturday is not  
3     available, so they'll shift for weekend adds, et  
4     cetera, to that Friday timeframe, yeah.

5           Q     And I was looking in your testimony.  
6     Actually, you earned the most little green sticky  
7     notes of the above witnesses. I'm pleased to say that  
8     you've answered most of my questions, so we don't have  
9     to go through all of them. I was trying to find in  
10    your testimony, and I wasn't able to locate it just  
11    now, but does the Postal Service believe there is some  
12    excess capacity in this system now on Mondays that can  
13    absorb some of the Saturday mail?

14          A     There is some. And some of that is  
15    automation increases that we have planned with our FSS  
16    environment coming in will create some additional  
17    capacity. I can't speak of plant operations. That's  
18    not my purview. That would be Mr. Neri I believe, who  
19    will be testifying later on plant operations. On  
20    delivery operations, I think there is more that we can  
21    do on Mondays, yes.

22          Q     But there is no presently excess capacity.  
23    You anticipate there will be, there would be --

24          A     No, I believe we still have more. I think  
25    there is some productivity improvements we can make on

1 Monday, yes.

2 Q All right. And is that in the carrier cost  
3 segment primarily, the excess capacity? Is that where  
4 you would look to find it?

5 A As opposed to post office operations?

6 Q Or as opposed to any other cost segments  
7 that go into it.

8 A I can really only speak to what I am --

9 Q Understood, you're not an economist, okay.

10 A Right. And I'm in charge of delivery and  
11 post office operations. And I would believe in both  
12 functions there is some margin of improvement we can  
13 make to, for capacity due to productivity advances,  
14 yes.

15 Q And from where did you form your belief that  
16 75 percent of Saturday mail would shift to Mondays?  
17 Was that from interviewing mailers? Or is that  
18 information you've gotten from another witness?

19 A You know what, I'm not, I don't recall at  
20 this point. I mean, it was a while ago that that  
21 decision was formed. But I do believe that it's an  
22 accurate reflection of what will occur.

23 Q Do you think that is mostly because there is  
24 mail already in the mail stream, and the Postal  
25 Service hits the hold button on Friday, and the rest,

1 and the mail will just stop and then continue to flow  
2 through to Mondays?

3 A No.

4 Q Is that, do you think that shift in mailer  
5 behavior will cause that?

6 A I believe that shift in mailer behavior. I  
7 don't feel right now that we have that operational  
8 situation where we just let mail roll into a Saturday,  
9 no.

10 Q So if it were to turn out that the Postal  
11 Service is wrong about the mailers' behavior change,  
12 and it turns out that let's say 60 percent of the mail  
13 shifts to Friday. What does that do to Fridays?

14 A Friday then would be a capacity issue, and  
15 Monday would be a much different scenario that we had  
16 planned. But it's not anything that we couldn't  
17 adjust to.

18 Q But if that were to be the case, the excess  
19 capacity that presently exists that you anticipate  
20 would still remain as excess, would it not?

21 A As far as on Monday?

22 Q On Mondays.

23 A No, Monday is still, as far as volume, is  
24 still our heaviest day. So the shift would actually  
25 level the mail throughout the week.

1           Q     Okay.  But if you, if you see there's excess  
2     capacity now to absorb this 75 percent, and you don't  
3     get 75 percent, then I would assume that at least the  
4     existing excess capacity remains excess, if I am  
5     following.

6           A     No, no.  Because the excess that I spoke of  
7     was based on productivity improvements, more mail that  
8     we could handle.  Much like what we show that we can  
9     handle on Mondays, or Tuesdays after a holiday.

10                  We have the ability, with our work force, to  
11     deliver more than we have now.  The problem that we're  
12     having is not that we have, you know, that excess  
13     capacity; the problem is we don't have the volume.  
14     And that's why we're leading to this situation,  
15     obviously, the scenario that I gave to the gentleman  
16     from NALC.  We are losing the amount of pieces to  
17     deliver per day, and it's creating the dilemma.  And  
18     that's from my side of it, of delivery and post office  
19     operations.

20                  We're getting too many gaps in the delivery.  
21     The carrier still has to deliver on the route every  
22     day.  He still has to pass by every single address.  
23     The problem is that those addresses, each year as we  
24     go on, gets less and less volume.  And then more and  
25     more of those addresses don't get any volume.

1           And it becomes the situation that we're in.  
2           It becomes where cost of the actual delivery of the  
3           work hours used to deliver, you know, we don't have  
4           the volume to sustain it.

5           Q     Understood. You'd like to have more pieces  
6           per delivery point.

7           A     That would be a good dilemma.

8           Q     But if my hypothetical prove true, and you  
9           really wind up with let's say 60 percent of the  
10          Saturday mail shifting to Fridays, you're not going to  
11          get more, more mail per delivery point on Mondays, or  
12          at least not to what you're anticipating at this  
13          point. And it's difficult, then, to downsize that  
14          network, the fixed cost of that network, to adapt to  
15          that. If it turns out the hypothetical the Postal  
16          Service has created is wrong.

17          A     No, I completely disagree. I think it would  
18          be the same scenario as Monday, that we would shift  
19          our resources to that Friday. That's something, as  
20          Mr. Pulcrano said, that we can be very flexible in  
21          operation and driving the work hours to the periods  
22          where the volume is the highest, and where the need  
23          is.

24                    Again, as I mentioned before, our automation  
25          continues to address the work load issue, with

1 continued delivery-point sequence on letters, the  
2 pending FSS, which will continue to roll out as time  
3 goes on.

4 So, you know, the capacity issues that  
5 you're speaking of in my realm, in delivery and post  
6 office operations, I don't see a capacity issue that  
7 you're bringing up for Friday or Monday. I think  
8 it's, as we stated, can be handled.

9 Q Were you in the hearing room when I had a  
10 conversation with Mr. Pulcrano about the costs of  
11 starting up and shutting down if you chose a Tuesday  
12 or a Wednesday as the non-delivery day?

13 A Yes, I was.

14 Q I asked him to identify for me where those  
15 costs might occur. And I'm not sure I really got an  
16 answer to that. And I'm not asking you for numbers,  
17 I'm just looking for operational sequence segments.

18 If you were to choose a non-delivery day, a  
19 Tuesday or a Wednesday, so you had two interruptions  
20 during the week, where would you be looking at the  
21 cost consequence of that, within the operation?

22 A I think there's a number of different places  
23 where cost would be an issue. Obviously -- and I  
24 don't want to speak to the plant again, that's Mr.  
25 Neri. But a lot of the costs would be associated with

1 plant operations, the fact that you would have to  
2 start up and shut down with set-ups and plant  
3 environments.

4 The same thing occurs in post offices, with  
5 the need to prep for the day, I mean on delivery day  
6 or a day in which our facilities are closed down. It  
7 would virtually create a doubling effect of the carry-  
8 over of the volume.

9 The scheduling conflicts would be difficult,  
10 because now the mail volume wouldn't be a natural  
11 shift to the bookends of the Monday and the Friday.  
12 There are operational difficulties in doing it. And  
13 really I think the majority of those operational  
14 difficulties occur on the plant side.

15 Q Okay. Not so much in the post offices?

16 A I'm not saying there aren't difficulties on  
17 the post office side. As far as trying to schedule  
18 that type of operation it would be difficult.

19 Q But there isn't anything particularly  
20 different that would be done within the delivery  
21 network if you were not delivering on Wednesday as  
22 opposed to Saturday?

23 A I think --

24 Q Other than labor scheduling issues?

25 A I think we'd have trouble with, I think we'd

1 have trouble with scheduling, which employee  
2 categories we'd schedule where, I think that would be  
3 the difficult situation.

4 Q Okay. Are you familiar with the practice  
5 that newspaper, periodicals, mailers use called  
6 exceptional dispatch?

7 A No.

8 Q We accept subject to tax that newspapers are  
9 permitted to enter their mail at delivery offices,  
10 with the postmaster's permission, but to keep a  
11 postage payment account at the original entry office,  
12 and that they do that for service reasons to take the  
13 mail further into downstream toward the carrier.

14 A Okay.

15 Q Does that make sense to you?

16 A You're speaking Greek to me, I'm sorry.

17 Q Okay. Well they --

18 A I've been a postmaster in two locations but  
19 that was not --

20 Q You didn't do --

21 A A level that I did, no, I was in large post  
22 offices.

23 Q Let me ask you this then. The Postal  
24 Service has made the determination that on Saturdays  
25 destinating entry mail will be continue to be worked.

1 Will that be true also for a newspaper mail entry that  
2 would occur at a delivery post office?

3 A At a destinating entry in the realm if it  
4 were accepted, and again Tom Day is the best person to  
5 talk about the standard piece on this, but the way I  
6 understand it if it is broken down to the local  
7 destinating unit and dropped into a local post office  
8 that unit would be delivered on Monday.

9 Q If a newspaper periodical mailer were  
10 dropping mail overnight on a dock, for example, for a  
11 delivery on the next delivery day whenever that may  
12 occur, can you see any reason in the five-day  
13 environment why that practice might need to be  
14 changed?

15 A That's a tough question for me to answer in  
16 just the scenario that you provided, and I'm not sure  
17 that occurs now, where newspapers are dropped on a  
18 dock for actual delivery, I thought they had to run  
19 through the BMEU unit. But I really can't answer  
20 that, that's not my area of responsibility as far as  
21 mailing requirements.

22 Q Okay, so pose that to Mr. Day?

23 A I imagine that's a great question for Mr.  
24 Day.

25 Q All right, we'll say that, I'm sure he'll be

1 delighted to hear it.

2 A Yes.

3 Q Are you aware of any plans that the Postal  
4 Service has in changing the frequency with which FSS  
5 machines are run in plants, that there might be a plan  
6 to shift to running those machines every other day?

7 A I have not heard that plan, I am involved in  
8 discussions surrounding FSS, but that is a Frank Neri  
9 question, processing.

10 MS. RUSH: All right. Madam Chairman, I  
11 have no other questions.

12 CHAIRMAN GOLDWAY: Thank you. Public  
13 Representative?

14 MS. GALLAGHER: Thank you, Madam Chairman.  
15 Patricia Gallagher for the Public Representative.  
16 With me today is Kenneth Moeller and Lawrence Spencer.

17 CROSS-EXAMINATION

18 BY MS. GALLAGHER:

19 Q Good afternoon.

20 A Good afternoon.

21 Q I'd like to return to one of the questions  
22 counsel for NALC had you look at, and that is  
23 NALC/PGREEN-14.

24 A All right.

25 Q And you've left me just one question that I

1 would need to ask and that is, in the numbers that are  
2 provided there for each quarter I'm just having  
3 trouble trying to, is that the number at the outset of  
4 each quarter, at the end of each quarter?

5 A That should be the end of each quarter.

6 Q That's the end of each quarter?

7 A Yes, correct.

8 Q Okay, thank you, that was the only thing we  
9 needed on that.

10 A Okay.

11 Q Thank you. Then I'd like to turn to part of  
12 your testimony beginning on page 10 but it will go on  
13 from there. And this is talking about the extent --  
14 are you there?

15 A I'm there.

16 Q Okay. This really delving into the extent  
17 implementation of the proposal will turn on  
18 adjustments at the local level. And at page 10 lines  
19 6 through 13, am I correct in understanding you say  
20 the plan assumes that field managers will take all  
21 steps needed to address the collection box capacity  
22 issues?

23 A That is correct.

24 Q Okay. And similarly at page 14?

25 A Yes.

1           Q     And 19 through 23, you're talking about  
2     local managers also needing to address possibly the  
3     expanded retail and so on?

4           A     That's correct, operations managers,  
5     correct.

6           Q     So none of that will be at the national  
7     level?

8           A     Correct.

9           Q     And on page 17 lines 3 through 5, parcel  
10    volumes during the housing may require managers to  
11    plan for Saturday parcel?

12          A     Correct.

13          Q     As Mr. Pulcrano said today.

14          A     Yes.

15          Q     So would you agree that these actions if  
16    they need to be taken will have an impact on costs?

17          A     Yes.

18          Q     Okay.

19          A     And I'll give you an example.

20          Q     Fine.

21          A     This was something that we'd done before, we  
22    do it now, not a change.

23          Q     That's fine, but the answer's yes. Thank  
24    you.

25          A     Right, okay.

1 Q And if so, those costs, it's axiomatic then  
2 that that would reduce the estimated savings?

3 A No, actually we considered this. If you  
4 look at my library reference, I believe hours have  
5 been added for this situation.

6 Q For each of those situations?

7 A I believe so.

8 Q Each one, okay, well thank you. Then my  
9 other questions were addressed by the other people, so  
10 thank you.

11 A Okay.

12 CHAIRMAN GOLDWAY: Okay. Questions from the  
13 bench? Commissioner Acton?

14 COMMISSIONER ACTON: Thank you for your  
15 testimony today. I have a couple of questions from  
16 our technical staff, and it has to do with  
17 productivity banners.

18 THE WITNESS: Okay.

19 COMMISSIONER ACTON: In response to one of  
20 the Chairman's information requests you had provided  
21 some street productivity estimations by day, and we  
22 are wondering if you have analyzed historical DOAS  
23 data to determine if street delivery function has ever  
24 historically achieved the productivities that you've  
25 estimated for Mondays following an implementation of

1 Saturday delivery?

2 THE WITNESS: We never took a look at  
3 historical data like that, so I'd be unable to give  
4 you a comment on whether or not historically we have  
5 seen that type of performance. That's something I  
6 could certainly take on as a homework assignment, to  
7 look at historical data.

8 COMMISSIONER ACTON: We would be grateful to  
9 have that information, it would give us some gauge of  
10 comparative information.

11 THE WITNESS: Yes.

12 COMMISSIONER ACTON: Also on productivity,  
13 have you ever examined the productivity for an entire  
14 five-day week that includes a Monday holiday and  
15 compared that to your findings for productivity for  
16 the entire six-day week of non-holiday weeks?

17 THE WITNESS: I don't believe we did look at  
18 that, but that's also something we could take a look  
19 at.

20 COMMISSIONER ACTON: Okay, we'd be very  
21 grateful for that. And finally I have a question from  
22 our colleague Commissioner Hammond, who's had to leave  
23 for the day, but earlier he asked witness Pulcrano  
24 about the possibility that the Postal Service may have  
25 or may be developing a list of post offices that they

1 may like to or are planning to close. I think he  
2 indicated, that the earlier witness indicated that you  
3 may have some insight on that.

4 THE WITNESS: I do.

5 COMMISSIONER ACTON: And are you able to  
6 share it?

7 THE WITNESS: I can tell you that there is  
8 no list of post offices that we are intending to  
9 close. That's a local decision on closures. I do  
10 have the number of station and branch office potential  
11 closures that I think the Regulatory Commission has  
12 seen as far as the number, I know you had a lot of  
13 hearings regarding --

14 CHAIRMAN GOLDWAY: About 150 of them, is  
15 that right?

16 THE WITNESS: Yes, correct. And those are  
17 still on the board. We have not made determination on  
18 those. All others of the numbers that we started  
19 with, around 755, we've already given determination  
20 not under consideration at this time. That's the only  
21 list that we have is that station and branch.

22 COMMISSIONER ACTON: Thanks for answering  
23 the Commissioner's question. And on the productivity  
24 data do you have an estimate on when you might be able  
25 to provide us some written information?

1 THE WITNESS: Two weeks.

2 COMMISSIONER ACTON: Thanks very much.

3 THE WITNESS: You're welcome.

4 CHAIRMAN GOLDWAY: Commissioner Blair?

5 COMMISSIONER BLAIR: Given the lateness of  
6 the afternoon I'm reluctant, but let me just ask a  
7 couple of short questions. It seems to me, Mr.  
8 Granholm, the crux of your testimony is that there is  
9 excess capacity within the system that by cutting 17  
10 percent of delivery, one day a week, that the system  
11 can, even with the cuts you've been making, can absorb  
12 this, and is that correct?

13 THE WITNESS: That is correct, I'm  
14 confident.

15 COMMISSIONER BLAIR: And most of this is  
16 based on the fact that you are projecting continuing  
17 volume declines, right?

18 THE WITNESS: That is correct, that's a part  
19 of it.

20 COMMISSIONER BLAIR: And part of the  
21 question today is, well what happens if you're wrong  
22 and the volumes go up? My question is also that what  
23 happens if volumes drop off worse than you were  
24 anticipating?

25 THE WITNESS: That would be a decision made

1 by the Postal Service. Obviously Sam has been put in  
2 charge of the five-day -- sorry, Mr. Pulcrano has been  
3 put in charge of five-day case. We'd have to relook  
4 at that if our volume dropped off more dramatically.  
5 It would obviously be a bad situation that we'd have  
6 to address through operational and oversight reviews  
7 and putting together probably another group like this  
8 to determine where we go from there. If we did have  
9 volume increases, first of all that's a good solution,  
10 you know, that would be a great thing if we could get  
11 more volume. But at this time our forecast is that  
12 volume will continue to drop.

13 COMMISSIONER BLAIR: Do you think dropping a  
14 day of delivery is going to help volume or hurt  
15 volume?

16 THE WITNESS: That's really not my area of  
17 expertise, it's not something I've looked at.

18 COMMISSIONER BLAIR: Okay, thank you.

19 CHAIRMAN GOLDWAY: Commissioner Langley?

20 COMMISSIONER LANGLEY: Thank you. And how  
21 are you?

22 THE WITNESS: Good.

23 COMMISSIONER LANGLEY: I have just a couple  
24 questions that deal more with household customers.

25 THE WITNESS: All right.

1                   COMMISSIONER LANGLEY: There has been a lot  
2 of focus on the business customer. You state in your  
3 direct testimony that Saturday retail hours will  
4 remain intact at local post offices, and I assume  
5 right now I am calling post offices stations,  
6 branches, whatever retail facility that might be.  
7 What percentage of those facilities are now closed on  
8 Saturdays?

9                   THE WITNESS: I think we estimated between  
10 2,500 and 3,000 are closed now. Those will remain  
11 closed, but we will put into place some options on  
12 dealing with this. So if you think of our total  
13 stations and branches, less than 10 percent.

14                   COMMISSIONER LANGLEY: So less than 10  
15 percent, but how will the determination be made to  
16 ensure that those customers who are served by a post  
17 office that is now closed on a Saturday that will not  
18 be open --

19                   THE WITNESS: Right.

20                   COMMISSIONER LANGLEY: Do have access to  
21 service at that facility if they wanted?

22                   THE WITNESS: Yes, obviously we'd have to  
23 take into consideration for instance package pickup et  
24 cetera. But they are not open now, so the customers  
25 in those locations do not expect retail. You know,

1 we're obviously not going to open where we're already  
2 closed, customers have obviously become accustomed to  
3 that situation. What we do need to do is figure out  
4 for instance package pickups et cetera, what we can do  
5 to handle those. So what we do now I believe is  
6 provide notice to customers to pick up at another  
7 location on Saturday so that they can do their package  
8 pickups et cetera.

9 COMMISSIONER LANGLEY: So those customers  
10 who do pick up at, or whose station is closed, branch  
11 might be closed on a Saturday, now know to go  
12 somewhere else.

13 THE WITNESS: Correct.

14 COMMISSIONER LANGLEY: So they're notified  
15 on the slip itself?

16 THE WITNESS: Yes I believe so, that's the  
17 current situation that we have. Or they may open at  
18 that store only in current situation, because there  
19 may be carrier operations behind in those locations.  
20 Most of our offices that are closed on Sunday are  
21 single postmaster offices though, so it's a very small  
22 community.

23 COMMISSIONER LANGLEY: So they're mostly in  
24 rural areas?

25 THE WITNESS: I believe so yes, the ones

1 that are closed now. I could get you data on those if  
2 you like.

3 COMMISSIONER LANGLEY: It would be  
4 interesting to have a breakdown.

5 CHAIRMAN GOLDWAY: It would be nice to know  
6 where they're broken down in what areas.

7 THE WITNESS: We could do that, again about  
8 14 days.

9 COMMISSIONER LANGLEY: That would be great.  
10 My other question is just collection operations and  
11 monitoring overflow situations.

12 THE WITNESS: Right.

13 COMMISSIONER LANGLEY: Where certainly, you  
14 know, the expectation of a consumer is if they use an  
15 APC that they can put a package or a letter into the  
16 APC. How will the change in, you know, the lack of  
17 processing on Saturday affect those overflow  
18 situations, I mean who is really going to be  
19 monitoring that?

20 THE WITNESS: Right. Well first of all I'm  
21 embarrassed about the situation you've found with  
22 those boxes where they were overloaded next to the  
23 APCs. We do pride ourselves that we do offer 24/7  
24 service to customers who are APC, obviously it's our  
25 responsibility to clear those boxes even over weekend

1 periods or install larger or bigger boxes, which is  
2 something we can do as well.

3 COMMISSIONER LANGLEY: And I guess that's  
4 really my point is I think people want to use the  
5 Postal Service, they want to continue their  
6 relationship with the U.S. Postal Service but are  
7 frustrated in, you know, the sometimes inability to do  
8 so. And, you know, I personally want to make sure  
9 that the Postal Service is on top of helping customers  
10 stay within the system and not go to alternate  
11 delivery systems, but if there isn't a strong process  
12 out there at both the local and the national level of  
13 monitoring, you know, overflow situations, I think you  
14 could see more decline in volume because people will  
15 have to move elsewhere.

16 THE WITNESS: I can tell you from my  
17 experience as a postmaster in two locations, a station  
18 manager, and as a district manager, it is the field's  
19 understanding about clearing boxes. We never want to  
20 have a customer not be able to deposit revenue into a  
21 box --

22 COMMISSIONER LANGLEY: Right.

23 THE WITNESS: For our benefit obviously and  
24 also for theirs, we know that they want to mail  
25 important products. And we consider everything

1 important that a customer may provide us. So I can  
2 tell you that it is a big issue if we have a box  
3 filled. And I know from that experience from the  
4 field level it was critical to keep those boxes  
5 cleared. We would install jumbo boxes or an  
6 additional collection box in those locations, and  
7 that's why that's addressed in my testimony that we  
8 will look at the customer's needs to mail over the  
9 weekend, and we do want to provide them access to  
10 deposit mail on those days of the week.

11 COMMISSIONER LANGLEY: Are you using Monday  
12 holidays, you know, the current volume now as a proxy  
13 for helping determine what added personnel you might  
14 need over this period of time?

15 THE WITNESS: Yes we are, as a matter of  
16 fact as Mr. Pulcrano shared we are just at the  
17 beginning of starting to conduct our process analysis  
18 on what we need to have in place, so that is already  
19 under consideration, it's something that we know is a  
20 big issue. We also currently in the field days after  
21 holidays we're on early arterial runs to get that mail  
22 in early so the plant doesn't get impacted, that  
23 brings that mail in typically between noon and 2.

24 On an early run in the past during heavy  
25 volume periods we've actually run collections on the

1 holiday. It's not very frequent, obviously we don't  
2 want to give the customer perception that we're  
3 picking up on the holidays, but on that Tuesday or in  
4 this case on Monday we can run arterial collection  
5 runs to get that mail back into our system as early as  
6 possible.

7 COMMISSIONER LANGLEY: So people using  
8 collection, the APCs on a Saturday are going to be  
9 happy with the service they're receiving?

10 THE WITNESS: Well the good thing is that  
11 our APCs are located where we have retail, so the last  
12 clear-out after the retail closes in we can sweep the  
13 box, we can certainly look at APC locations that do  
14 high revenue over that Saturday and Sunday and put in  
15 procedures to clear those boxes, we don't like those  
16 boxes being filled, we want people to use our  
17 products.

18 COMMISSIONER LANGLEY: Okay, thank you  
19 again.

20 THE WITNESS: Thank you.

21 CHAIRMAN GOLDWAY: Thank you. I'm a little  
22 concerned by the answer you gave to Commissioner  
23 Langley about customers in areas where post offices  
24 are already closed on Saturday because it follows on  
25 what Commissioner Blair commented to Mr. Pulcrano

1 about. Mr. Pulcrano kept using the phrase "our  
2 customers will adjust." And you said "the customers  
3 are already accustomed to closed Saturday", but the  
4 point is they're accustomed to not having a post  
5 office open, but they're not accustomed to having no  
6 Saturday delivery, so you're going to provide in those  
7 areas people with twice the cutoff.

8 And you're considering no adjustments or  
9 accommodation for those people who will get even less  
10 service with your proposal than they now have. I  
11 think it's a mindset that's very worrisome, and I know  
12 we're going to look at it and I would advise you in  
13 your implementation phase or in your cost savings  
14 review to see where there is something you can do to  
15 make adjustments for customers who are going to get a  
16 double whammy.

17 THE WITNESS: Madam Chairman, I hope I  
18 wasn't misconstrued. My comment was strictly about  
19 the retail operation, I wasn't inferring to the  
20 delivery at all. I fully appreciate the situation  
21 those customers --

22 CHAIRMAN GOLDWAY: But those people, those  
23 people are going to have to because they don't have a  
24 postal letter carrier coming to their door whom they  
25 might be able to ask a question of, they'll have to go

1 travel further to a post office. They may be  
2 accustomed to having Saturday parcels delivered and  
3 that won't be an option and they'll have to figure  
4 something out for a Friday parcel delivery or to go to  
5 a post office somewhere further away, you're just,  
6 you're making it even harder.

7 And I would imagine that's particularly  
8 burdensome in the rural areas where post offices are  
9 closed on Saturdays. I would think that in those post  
10 offices that are open, whether they're in adjacent to  
11 post offices that are closed or just in general that  
12 you're going to have more customer traffic. And I  
13 asked Mr. Pulcrano if there are any plans to extend  
14 retail hours. Do you have any plans to extend retail  
15 hours?

16 THE WITNESS: We haven't looked at that but  
17 that will be part of our process --

18 CHAIRMAN GOLDWAY: Do you have any hours  
19 added into your system to expand the number of retail  
20 clerks for increasing retail service?

21 THE WITNESS: We do in the library reference  
22 for certain items, coverage of package pickup et  
23 cetera.

24 CHAIRMAN GOLDWAY: But not in expanded  
25 hours?

1 THE WITNESS: No, not expanded hours.

2 CHAIRMAN GOLDWAY: Not an additional clerk  
3 because you want to keep the wait in line time down to  
4 five minutes, you don't have anything for an  
5 additional clerk?

6 THE WITNESS: No, not at this time, no.

7 CHAIRMAN GOLDWAY: And then I was a little  
8 concerned when NALC pointed out that on a weekend, on  
9 holiday weeks, it appears that there is not only  
10 higher volume on the Tuesday, but there is on the  
11 Wednesday, Thursday, and Friday, which leads me to  
12 believe that the mail that would have been delivered  
13 on Monday is in fact not just delivered the next day  
14 but the standard for delivery is delayed for that  
15 whole week. So if we're not going to get Saturday  
16 delivery how does that impact standards for delivery  
17 for all of the mail in the system?

18 THE WITNESS: We have the ability in  
19 delivery to curtail mail one day, that's -- so what it  
20 maybe is, Monday's mail is curtailed into Tuesday,  
21 Tuesday's is curtailed into Wednesday --

22 CHAIRMAN GOLDWAY: That's my point.

23 THE WITNESS: But Monday isn't curtailed  
24 into Friday.

25 CHAIRMAN GOLDWAY: But that's my point, I

1 think if you can, I don't know, is it in the library  
2 reference already the volumes on the delivery days  
3 after holiday weekend as the NALC attorney?

4 THE WITNESS: I believe it's in the  
5 interrogatory that the NALC requested.

6 CHAIRMAN GOLDWAY: I think there's a real  
7 concern about the impact on service standards for all  
8 of the mail in the system as a result of that. So  
9 what you're saying is if you're going to delay mail on  
10 Saturday for one day, that the mail that ought to have  
11 been in there, that's coming in on Monday will not be  
12 delivered as quickly. It's going to be delayed an  
13 extra day. So I think that's something that has to be  
14 looked at further.

15 And I wanted to clarify for you, the staff  
16 had told us that your estimates are on Mondays that  
17 there's 451 pieces per hour that are processed -- that  
18 are delivered through your letter carriers and that  
19 you would assume with a 75 percent on Monday, that 736  
20 pieces per hour would be delivered. So that's 70  
21 percent -- 300 -- 70 percent increase in productivity.  
22 You think you're capable of doing that?

23 THE WITNESS: I believe that's what's been  
24 shown over the past two years on the holidays.

25 CHAIRMAN GOLDWAY: Well, what's been shown

1 is delivery on a holiday being substituted for a  
2 Tuesday, which is normally one of the lighter days of  
3 the week, not moved into a Monday, which is normally  
4 the heaviest day of the week. And what's been shown  
5 is when it's moved to Tuesday, then a lot more mail  
6 backs up the rest of the week.

7 THE WITNESS: I think if we look at --

8 CHAIRMAN GOLDWAY: So you really feel that  
9 this is something that's realistic?

10 THE WITNESS: Yes. If we look at Mondays  
11 volume moved to Tuesday, it's quite similar to  
12 Saturdays mail moved into Monday, if you take a look  
13 at the numbers involved in that.

14 CHAIRMAN GOLDWAY: And then just one more  
15 question. How long do you think it's going to take  
16 for you to get the process fully implemented given  
17 some of the questions and concerns we've had and your  
18 acknowledgment that you're going to make some  
19 adjustments to APCs or collection boxes or routes that  
20 need to be adjusted?

21 THE WITNESS: I think that after  
22 implementation, a matter of weeks to work out the  
23 bugs. I don't think it will take a very long time to  
24 get it fixed up at all for delivery and post office  
25 operations.

1           CHAIRMAN GOLDWAY: Okay, thank you. We have  
2 an opportunity for cross-examination and I'm not  
3 taking a break because I think we'll break after this  
4 witness. So do we have any re-cross?

5           MR. ANDERSON: This is Darryl Anderson on  
6 behalf of APW. Madam Chairman, may I?

7           CHAIRMAN GOLDWAY: Surely, yeah.

8           MR. ANDERSON: Thank you.

9                           RE-CROSS EXAMINATION

10           BY MR. ANDERSON:

11           Q     Following up on something Commissioner  
12 Goldway was asking you, it's my understanding that  
13 some -- that one of the factors that determines  
14 whether there's purely Saturday delivery in an areas  
15 as opposed to having a retail presence as well is that  
16 retail clerks can also provide service to the carriers  
17 in readying them to go out of their routes. Is that  
18 one of the factors?

19           A     No.

20           Q     So that there's a -- and so isn't there some  
21 kind of interaction in between the decision to co-  
22 locate retail and delivery operations?

23           A     I'm not aware of that. We have post offices  
24 that don't have delivery either city or rural where  
25 clerks work with post masters that just have post

1 office boxes. So this separation or location of  
2 Saturday retail associated with delivery, I don't  
3 believe that's the case, no.

4 Q So you're not -- to your knowledge, it's not  
5 the case that where they are co-located or maybe for  
6 other reasons where they're co-located now, if the  
7 carrier operation is not present on Saturday, that the  
8 cost of maintaining that retail operation would be  
9 increased; are you aware of that possibility?

10 A No. I would say the opposite.

11 CHAIRMAN GOLDWAY: Anything else?

12 BY MR. ANDERSON:

13 Q One other question. I understand that  
14 adjustment of lobby hours is something that you said  
15 will be a local decision?

16 A I don't believe I addressed lobby hours as a  
17 local decision, no; but, typically, it is.

18 Q And do you expect to issue national guidance  
19 on what will be expected in terms of acceptable  
20 service levels given the possibility of additional  
21 demand for service?

22 A Field operations consistently looks at the  
23 window traffic patterns for adjustment of window  
24 hours. So I don't think additional guidance would be  
25 needed.

1 MR. ANDERSON: That's all I have. Thank  
2 you.

3 CHAIRMAN GOLDWAY: Any other questions?  
4 Commissioner Langley has one and then I have just one.

5 COMMISSIONER LANGLEY: I am curious. What  
6 happens to a package if a person receives notification  
7 that there's a package at a post office and that  
8 person can't get there say on that Saturday? What  
9 happens to the package?

10 THE WITNESS: It stays in that post office  
11 for them to pick up. We can provide second notice if  
12 the person forgets or doesn't pick up the package.  
13 But it stays on --

14 COMMISSIONER LANGLEY: How long --

15 THE WITNESS: -- it stays on weight on a  
16 shelf behind the post office for that customer to pick  
17 up.

18 COMMISSIONER LANGLEY: Indefinite period of  
19 time?

20 THE WITNESS: No, 30 days.

21 COMMISSIONER LANGLEY: Thirty days?

22 THE WITNESS: Yeah. At this point, it's 30  
23 days.

24 COMMISSIONER LANGLEY: And then could a  
25 customer give a secondary address, like a business

1 address? I mean, if I were to receive notification  
2 that I had a package and I couldn't get there on a  
3 Saturday, could I ask that it be redirected to my  
4 office?

5 THE WITNESS: I don't believe we have the  
6 means at this point for a temporary forward for one  
7 piece of product. I don't believe we have that now.  
8 I can tell you conceptually we've talked about it in  
9 operations with retail about looking at something like  
10 that for the future.

11 COMMISSIONER LANGLEY: Okay, thank you.

12 THE WITNESS: Sure.

13 CHAIRMAN GOLDWAY: And my one other question  
14 is in the field hearings, it was brought to our  
15 attention that in rural letter carriers, we have  
16 something called an intermediate drop, I believe  
17 that's what it's called, so that rural carriers from a  
18 larger post office actually deliver mail to a smaller  
19 post office before they then go on to do some of their  
20 other -- or in the middle of their route.

21 THE WITNESS: You must have got that from  
22 got that from Dakotas.

23 CHAIRMAN GOLDWAY: Yes.

24 THE WITNESS: Okay.

25 CHAIRMAN GOLDWAY: And so there was some

1 concern that there will be post offices that can't be  
2 open or they might be open, but they won't be able to  
3 service their post office boxes because there is no  
4 rural letter carrier bringing the mail to them.

5 THE WITNESS: That will not be the case. We  
6 have other options: highway contract; we could still  
7 use the letter carrier that's --

8 CHAIRMAN GOLDWAY: And do you have hours  
9 figured into the system to cover for those costs?

10 THE WITNESS: No, we don't. It's such a  
11 small occurrence where rural carriers have  
12 intermediate drops. It hardly ever happens.

13 CHAIRMAN GOLDWAY: Do we have a --

14 THE WITNESS: It's something simply --

15 CHAIRMAN GOLDWAY: -- number of how many  
16 intermediate drops there are? Can you get us --

17 THE WITNESS: That's a homework assignment  
18 that I can get for you.

19 CHAIRMAN GOLDWAY: Thank you. I'd  
20 appreciate it.

21 THE WITNESS: Sure.

22 CHAIRMAN GOLDWAY: Well, I think we've  
23 exhausted our questions for you. You've been very  
24 patient. It's now the opportunity of your own counsel  
25 to determine if he would like to do any follow-up.

1 MR. REIMER: Can I just have five or 10  
2 minutes?

3 CHAIRMAN GOLDWAY: Certainly. In fact, I  
4 think to be efficient, what I'd like to do is to break  
5 for 15 minutes. That will be our break.

6 MR. REIMER: Okay.

7 CHAIRMAN GOLDWAY: We will then be able to  
8 quickly finish up with Mr. Granholm and start with Mr.  
9 Kearney.

10 MR. REIMER: Thank you.

11 CHAIRMAN GOLDWAY: Okay.

12 (Whereupon, a brief recess was taken.)

13 CHAIRMAN GOLDWAY: Reassembling for the  
14 continuation of today's hearing and we have comments  
15 from Postal counsel.

16 MR. REIMER: I only have two questions on  
17 redirect for Mr. Granholm.

18 CHAIRMAN GOLDWAY: Okay. Identify yourself  
19 for the record.

20 MR. REIMER: Brian Reimer, R-E-I-M-E-R,  
21 representing the United States Postal Service.

22 REDIRECT EXAMINATION

23 BY MR. REIMER:

24 Q My first question, Mr. Granholm, in a  
25 discussion you had with Chairman Goldway, there was a

1 discussion about mail being curtailed. Could you just  
2 clarify for the record what classes of mail you were  
3 talking about with mail being curtailed?

4 A That would be standard mail. With standard  
5 mail, we can curtail one day. Typically, that's time  
6 dated mail where the mailer has given us a range of  
7 three days in which they would like us to make  
8 delivery. Within that range, we can curtail one day.

9 Q And my second question, in your testimony,  
10 in your discussions with Commissioner Langley, there  
11 was a discussion about a situation where a customer's  
12 post office will be closed on Saturday and it would  
13 not be receiving Saturday delivery and you were asked  
14 whether a single package could be forwarded in that  
15 situation. What options would a customer have in that  
16 situation? What could a customer do?

17 A I should have mentioned that we do have an  
18 option locally with the Form 3849, which is the form  
19 that customers receive notice that their package, you  
20 know, is available at the post office for pickup and  
21 an attempt has already been made. On the reverse side  
22 of that, they can fill out an alternate address to  
23 have that package sent to and delivered to and I was  
24 remiss. However, that can only take place in that  
25 local delivery area. So that is another option that's

1 available now.

2 COMMISSIONER LANGLEY: So you could have --  
3 I could have a package delivered to my neighbor?

4 THE WITNESS: Oh, absolutely; yes.

5 MR. REIMER: Thank you. I have no further  
6 questions.

7 CHAIRMAN GOLDWAY: Thanks. Great. Well,  
8 Mr. Granholm, I am sure you are pleased that your  
9 testimony is completed. And we appreciate your  
10 participation in the hearing and your patience. You  
11 can see how important all of us feel this issue is and  
12 your testimony is very valuable. Thank you for your  
13 appearance and you are excused.

14 (Witness excused.)

15 CHAIRMAN GOLDWAY: Mr. Tidwell, would you  
16 identify your next witness?

17 MR. TIDWELL: The Postal Service calls  
18 Stephen Kearney to the stand.

19 Whereupon,

20 STEPHEN KEARNEY,

21 having been duly sworn, was called as a  
22 witness and was examined and testified as follows:

23 CHAIRMAN GOLDWAY: Okay.

24 DIRECT EXAMINATION

25 BY MR. MECONE:

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1           Q     I am James Mecone for the United States  
2     Postal Service. Mr. Kearney, before you, you have two  
3     copies of the testimony entitled "USPS-T-11, direct  
4     testimony of Stephen Kearney on behalf of the United  
5     States Postal Service." Was this testimony prepared  
6     by you or under your supervision?

7           A     Yes.

8           Q     Okay. If you were to provide this document  
9     as your testimony today, would it be the same as  
10    appears in the document?

11          A     Yes, it would.

12                MR. MECONE: Okay. Madam Chairman, the  
13     Postal Service moves into evidence the document  
14     entitled "USPS-T-11, direct testimony of Stephen  
15     Kearney on behalf of the United States Postal  
16     Service."

17                CHAIRMAN GOLDWAY: Is there any objection?

18                        (No objection.)

19                CHAIRMAN GOLDWAY: Hearing none, I will  
20     direct counsel to provide the reporter with two copies  
21     of the corrected direct testimony of Stephen M.  
22     Kearney. That testimony is received into evidence.  
23     However, as is our practice, it will not be  
24     transcribed.

25     //

1 (The document referred to was  
2 marked for identification as  
3 USPS-T-11, and was received  
4 in evidence.)

5 CHAIRMAN GOLDWAY: Mr. Kearney, you've had  
6 an opportunity to examine the packet of designated  
7 written cross-examination and responses to Chairman's  
8 information request that were made available to you in  
9 the hearing room this morning or this afternoon?

10 THE WITNESS: Yes, I have.

11 CHAIRMAN GOLDWAY: If the questions  
12 contained in that packet were posed to you orally  
13 today, would your answers be the same as those you've  
14 previously provided in writing?

15 THE WITNESS: Yes, they would.

16 CHAIRMAN GOLDWAY: Are there any corrections  
17 or additions you would like to make to those answers?

18 THE WITNESS: No, thank you.

19 CHAIRMAN GOLDWAY: Counsel, would you please  
20 provide two copies of the designated written cross-  
21 examination and responses to Chairman's information  
22 request to witness Kearney to the reporter? That  
23 material is received into evidence and it is to be  
24 transcribed into the record.

25 //

1 (The document referred to as  
2 USPS-T-11 was marked for  
3 identification and was  
4 received into evidence.)  
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BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Six-Day to Five-Day Street Delivery and  
Related Service Changes, 2010

Docket No. N2010-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION  
OF UNITED STATES POSTAL SERVICE  
WITNESS STEPHEN M. KEARNEY  
(USPS-T-11)

Party

Interrogatories

Postal Regulatory Commission

APWU/USPS-T11-1  
PRC/USPS-T11-CHIR No.1 - Q7

Public Representative

APWU/USPS-T11-2  
NNA/USPS-T11-1-2  
PRC/USPS-T11-CHIR No.4 - Q11

Respectfully submitted,

  
Shoshana M. Grove  
Secretary

INTERROGATORY RESPONSES OF  
UNITED STATES POSTAL SERVICE  
WITNESS STEPHEN M. KEARNEY (T-11)  
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory

Designating Parties

APWU/USPS-T11-1

PRC

APWU/USPS-T11-2

PR

NNA/USPS-T11-1

PR

NNA/USPS-T11-2

PR

PRC/USPS-T11-CHIR No.1 - Q7

PRC

PRC/USPS-T11-CHIR No.4 - Q11

PR

**N2010-1**

**United States Postal Service**

**Stephen M. Kearney  
(USPS-T-11)**

**RESPONSES OF STEPHEN M. KEARNEY TO INTERROGATORIES OF  
THE AMERICAN POSTAL WORKERS UNION, AFL-CIO**

**APWU/USPS-T11-1.** On page 5 of your testimony you indicate that the Postal Service commissioned a public opinion survey of customers and small business owners. Please confirm this is the survey produced by Opinion Research Corporation and referenced in the testimonies of Postal Service witnesses Rebecca Elmore-Yalch (USPS-T-8) and Gregory M. Whiteman (USPS-T-9). If you cannot confirm, please provide a copy of the public opinion survey referenced in your testimony and the results of that survey.

- a.) You also indicate that the Postal Service conducted a survey of the Mailer's Technical Advisory Committee. Please provide a copy of this survey and its results.

**RESPONSE**

Not confirmed. Please see USPS-LR-N2010-1/13.

- a.) The materials will be filed as USPS-LR-N2010-1/14.

**RESPONSES OF STEPHEN M. KEARNEY TO INTERROGATORIES OF  
THE AMERICAN POSTAL WORKERS UNION, AFL-CIO**

**APWU/USPS-T11-2.** On page 6 of your testimony you discuss providing mailings to Postal Service customers regarding the proposed service changes and make reference to an "implementation period" and "implementation date." Please define "implementation period" and "implementation date" and provide any specific time or time period associated with these definitions.

**RESPONSE**

"Implementation period" refers to the interval of time during which the Postal Service will prepare to put into effect its five-day service plan. "Implementation date" refers to the time when the Postal Service puts into effect the five-day service plan. Due to the many unresolved issues, both external and internal, that will affect implementation, the Postal Service cannot identify any specific times or time periods associated with these definitions.

**RESPONSES OF STEPHEN M. KEARNEY TO NATIONAL NEWSPAPER  
ASSOCIATION INTERROGATORIES**

**NNA/USPS T11-1**

Please provide the anticipated cost of the two mailings the Postal Service expects to send to every delivery address and explain whether the Postal Service expects to assess itself "postage" for the communications.

**RESPONSE**

Please see the response to Chairman's Information Request No. 4, question 11.

**RESPONSES OF STEPHEN M. KEARNEY TO NATIONAL NEWSPAPER  
ASSOCIATION INTERROGATORIES**

**NNA/USPS T11-2**

Does the Postal Service expect to send either mailing to delivery addresses prior to any action by Congress to eliminate or revise current statutory requirements for 6 day mail?

**RESPONSE**

The Postal Service will provide notice of the elimination of Saturday delivery to street addresses at least six months prior to the implementation date. The current legislative prohibition barring a general change from six-day delivery expires at the end of FY 2010. The legislative process is complex and dynamic, and especially unpredictable three to six months ahead of when events are expected to occur. Accordingly, it is too early to speculate about the timing of either mailing in relation to specific Congressional action (or inaction) relative to FY 2011.

**RESPONSE OF POSTAL SERVICE WITNESS KEARNEY  
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

**Question 7**

Page 1 of USPS-T-11 indicates that the Postal Service is developing an "integrated research-based implementation communications plan" to aid customers in adjusting to the change with minimal inconvenience.

(a) Please provide a copy of the communications plan, if available.

(b) If the plan is not currently available, please indicate when the plan will become available.

(c) Please provide an estimate of the cost of developing and implementing the communications plan.

**RESPONSE**

(a)-(b). The Postal Service has formed a cross functional team made up of postal personnel with extensive experience in both external and internal communications who will be responsible for developing and implementing the five-day communications. Unlike recent service change dockets where implementation of service changes was expected to occur three months after the filing of a section 3661 request, the request in this docket was filed nine months before the beginning of the calendar year in which the planned service changes are expected to be implemented. And the Postal Service intends to give six months notice of the date in calendar year 2011 chosen for implementation. The details of the communications plan will be influenced significantly by circumstances surrounding the Postal Service as the selected implementation date approaches. Accordingly, the details will be more fully developed in the summer and fall of calendar year 2010.

**RESPONSE OF POSTAL SERVICE WITNESS KEARNEY  
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

**RESPONSE to Question 7 (continued)**

As part of that plan, the Postal Service is considering the use of direct mail pieces to inform customers at every delivery address of five-day implementation and direct them to Post Offices and [usps.com](http://usps.com) for more information. Lobby signage will also be posted and amended collection box labels will need to be affixed as the implementation date approaches, and other tools such as news releases will be used to keep five-day information in the forefront of people's minds.

One tool already being utilized is [www.usps.com](http://www.usps.com), which already has a micro website dedicated to the five-day delivery service change:

<http://www.usps.com/communications/five-daydelivery>.

That micro-site is divided into sections that focus on businesses and households. Customers who access this website will be able to manage their own transition based on current information that will be posted and updated as necessary. Additional information may be posted online via the Rapid Information Bulletin Board System and Postal Explorer which are used by numerous commercial mailers, printers and mail preparation businesses.

**RESPONSE OF POSTAL SERVICE WITNESS KEARNEY  
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

**RESPONSE to Question 7 (continued)**

The Postal Service is considering a range of materials, including USPS official publications which will be used to disseminate information and updates before and after implementation. Some of these vehicles are *MailPro*, the *Postal Bulletin*, *PCC Insider*, the *DMM Advisory*, and *MTAC Update*. Also, internally, the Postal Service plans to use webinars and teleconferences to disseminate information throughout the organization as it prepares for launch. Concurrently, the Postal Service intends to develop supporting materials such as service talks so that the Postal Service workforce stays informed about current events and in synchronization with external communications. Internal communication will be posted on the Postal Service intranet site so that it is available to postal personnel on demand.

(c) Development of the plan is expected to rely largely upon the talents of experienced postal communications managers as part of their ongoing day-to-day responsibilities. As explained above, it also will rely on many communications channels already in place. As details of the plan are settled upon, it will be clearer what internal or external resources and tools may need to be relied upon or developed. Accordingly, it may not be until during the summer of 2010 before the Postal Service can provide an estimate of the costs of specific segregable elements of its 5-day implementation communications plans.

**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.

1                   CHAIRMAN GOLDWAY: Is there any additional  
2 written cross-examination material for witness  
3 Kearney?

4                   (No additional written cross-examination.)

5                   CHAIRMAN GOLDWAY: Hearing none, that brings  
6 us to oral cross-examination and one party has  
7 requested oral cross-examination, a public  
8 representative. Is there any other party that wishes  
9 to cross-examine Mr. Kearney?

10                   (No verbal response.)

11                   CHAIRMAN GOLDWAY: If not, Ms. Gallagher?

12                   MS. GALLAGHER: Thank you. Patricia  
13 Gallagher, again for the public representative team  
14 consisting of myself and Kenneth Miller and Lawrence  
15 Spinster. Good afternoon and thank you for waiting  
16 around all this time.

17                   CROSS-EXAMINATION

18                   BY MS. GALLAGHER:

19                   Q     I just have a few questions and because I  
20 have a journalism background, I am very interested in  
21 some of your channels for customer feedback. If you  
22 turn to page seven of your testimony and your Part IV  
23 conclusion --

24                   A     Right.

25                   Q     -- where you do identify a number of

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1 channels, am I correct that you were talking there in  
2 the present tense? Are you receiving customer  
3 feedback now via those channels on the planned service  
4 changes?

5 A Those are all channels that we regularly  
6 receive feedback now. We're not necessarily  
7 soliciting feedback through all of them on this  
8 service change, but we are receiving feedback through  
9 most of those channels now.

10 Q So it would be initiated by an interested  
11 outsider you're saying?

12 A That's correct.

13 Q And then I'm sort of intrigued by the social  
14 media reference there. Are people twittering and  
15 finding you and that sort of thing?

16 A Yes. We have software that allows us to  
17 compile and analyze any social media and regular media  
18 that talks about the Postal Service. It enables us to  
19 isolate particular topics that people are commenting  
20 on and analyze the results. That also applies to the  
21 comments that people send us directly through our own  
22 website.

23 Q Correct. You're not -- you haven't set up  
24 your own Facebook account or something like this?

25 A Well, the Postal Service, as a whole, just

1 recently adopted a social media policy.

2 Q Okay.

3 A Actually within the last couple of weeks, we  
4 did. And we are having an internal summit on social  
5 media later this month to develop our strategy over  
6 the next few months. We have had a couple early  
7 adopters, such as our philatelic area does have a page  
8 on Facebook that presents mostly information about new  
9 stamps that are being issued.

10 Q Thank you. That's very helpful. Also among  
11 those channels, you mentioned the business service  
12 network. Could you explain to us what that network  
13 is?

14 A Yeah. That's designed to provide day-to-day  
15 service response to mostly business mailers and we  
16 have about 87,000 -- I'm sorry, 28,000 managed  
17 accounts we call them that are able to contact 81  
18 business service network centers that we have.  
19 They're also able to do it through an electronic means  
20 that's available 24 hours a day, seven days a week.  
21 And we basically create a ticket for every contact we  
22 get from one of those customers and our system allows  
23 us to track everyone through to resolution.

24 Q So would it be fair to say the business  
25 service network is for the larger accounts, whereas

1 the social media might be more the individual  
2 consumer, perhaps even a younger consumer demographic?

3 A Yes. The business service network is for  
4 business mailers. They're not all extremely large,  
5 but it is for business customers.

6 Q And I assume one channel though not listed  
7 there would be the standing MTAC operation?

8 A Yes. MTAC is an important channel for us to  
9 communicate with business customers. We meet  
10 quarterly. We have a number of ongoing work groups  
11 and we communicate through --

12 Q Yeah. When you didn't identify them there,  
13 I was just --

14 A Okay.

15 Q -- assuming that -- wanted to make sure that  
16 that was --

17 A Yes.

18 Q -- intended to be there. Thank you. And  
19 then just in terms of an update, since we'll be  
20 listening to what customers tell us about the planned  
21 service changes, can you provide us any update since  
22 you filed your testimony on what that looks like at  
23 this point? Or were you talking more toward the  
24 future when you would have your overall plan in  
25 effect?

1           A     Yeah. I can't tell you about any feedback  
2     about how we should communicate this, which is what my  
3     role is in this process. We haven't really compiled  
4     survey quality type data. As I'm sure you've talked  
5     about already, there have been a number of surveys, a  
6     couple of which we sponsored and others were sponsored  
7     externally.

8           MS. GALLAGHER: Okay, well, that's fine.  
9     That concludes my questions. Thank you.

10          THE WITNESS: Thank you.

11          CHAIRMAN GOLDWAY: Anyone else wish to  
12     question? Commissioners, any questions? I know it's  
13     getting late. I do have a couple of questions.  
14     You're responsible for measuring and tracking customer  
15     satisfaction?

16          THE WITNESS: Yes.

17          CHAIRMAN GOLDWAY: Have you considered what  
18     customer satisfaction measurements might reflect if  
19     there is a decrease in the number of days of delivery  
20     and what appears to be some change in the number of  
21     days of delivery for mail, at least mail that's mailed  
22     at the end of the week, if not some spillover all  
23     during the week?

24          THE WITNESS: Yes, we have considered that.  
25     We did sponsor one somewhat general survey on the

1 subject and we plan to use our ongoing customer  
2 experience measurement surveys to ask more specific  
3 questions as we get closer to the time when it will be  
4 implemented.

5 CHAIRMAN GOLDWAY: So you've asked one  
6 general question. Do you have any indication as to  
7 whether there's a relationship between customer  
8 satisfaction and use of the mail, whether that will  
9 mean that people will use the mail less if there is  
10 lower satisfaction because of lower service?

11 THE WITNESS: No, I haven't seen any data on  
12 that.

13 CHAIRMAN GOLDWAY: You haven't measured that  
14 data? You haven't done any measurements?

15 THE WITNESS: No. I believe one of our  
16 other witnesses is going to talk about research he's  
17 done on that, that was contained in our study of the  
18 effect --

19 CHAIRMAN GOLDWAY: The focus group --

20 THE WITNESS: -- on mail volume, yeah.

21 CHAIRMAN GOLDWAY: The focus groups that  
22 they did to try and estimate mail volume. Is that --

23 THE WITNESS: Yes.

24 CHAIRMAN GOLDWAY: And which witness is  
25 that?

1 THE WITNESS: I think it's witness Whiteman.

2 CHAIRMAN GOLDWAY: Okay. Do you have a  
3 sense of, since you do these surveys and you're  
4 available -- and you're required to evaluate them,  
5 that the context in which you ask a question or the  
6 circumstances around it make a difference in terms of  
7 how you evaluate it? I pointed out to Mr. Pulcrano  
8 that the survey was -- and the questions that were  
9 asked about the six to five day and whether people  
10 would accept it were done well in advance of the  
11 Postal Service's announcement of an exigency rate case  
12 and their request for a rate increase and that we've  
13 gotten a lot of indication from people who participate  
14 in our hearings that that made a big difference in how  
15 they were viewing the possible reduction in service.  
16 Do you have a sense in terms of principle about how  
17 you would go about asking those questions? Would you  
18 consider that you need to ask those questions again in  
19 a new context?

20 THE WITNESS: Yes. Madam Chairman, the  
21 survey I referred to earlier was done actually in two  
22 parts, for consumers and small businesses, and it did  
23 ask more than one question. I was really talking  
24 about the fact that the survey was at a high level.  
25 But, I think context is very important and we made

1       sure in that survey that we described the general  
2       outline of our plan; in other words, keeping post  
3       offices open on Saturdays and having PO box service  
4       and keeping remittance mail moving. It's important  
5       for people to know that, as they answer the question.  
6       We did not include any alternative ways for the Postal  
7       Service to close its financial gap in that survey. So  
8       a price increase, for example, was not presented as an  
9       alternative.

10               CHAIRMAN GOLDWAY: In fact, in the question,  
11       this was instead of a price increase.

12               THE WITNESS: I'm talking about the one that  
13       --

14               CHAIRMAN GOLDWAY: Oh, that you just did.

15               THE WITNESS: -- we did through Merits  
16       Corporation of consumers and small businesses. It did  
17       not mention price in the survey.

18               CHAIRMAN GOLDWAY: And that's part of the  
19       customer satisfaction survey you do now or that was in  
20       addition to that?

21               THE WITNESS: That was in addition, but done  
22       by the same company that does our survey.

23               CHAIRMAN GOLDWAY: Is it possible for us to  
24       see that study?

25               THE WITNESS: I think I did provide it as

1 part of my library reference --

2 CHAIRMAN GOLDWAY: Oh, okay.

3 THE WITNESS: -- in response to a --

4 CHAIRMAN GOLDWAY: I apologize then for not  
5 having paid attention to it earlier. Okay. And I  
6 think -- a question I had in terms of informing the  
7 public was it doesn't seem to be anything with regard  
8 to television or radio in your plans. And I know  
9 you've had a great deal of success in advertising "if  
10 it ships" -- "if it fits, it ships" ads. Would there  
11 be any consideration of more impact messaging than  
12 just a press release and a post card?

13 THE WITNESS: I think we are going to do  
14 more than a press release and a post card and  
15 certainly we should consider all media, including  
16 radio and television. I did not mention them in my  
17 description because we're still in a formative stage  
18 about deciding. We really have to take into account  
19 the cost of this also, as we do it, and we think that  
20 given the very long lead time the public will have,  
21 that there will be lots of time for people to get the  
22 news that it's happening.

23 CHAIRMAN GOLDWAY: Do you feel that the  
24 costs for providing adequate information to customers  
25 and businesses has been noted properly in the

1 potential savings that the case has presented to us?

2 THE WITNESS: We did include costs for  
3 communicating in the estimate of costs. Of course,  
4 it's being done at a very early stage in the process.  
5 One of the reasons we can be confident about those is  
6 that we plan to use mostly existing vehicles and  
7 channels that we use already to communicate regularly  
8 with our customers. And the one unique thing that was  
9 in there was a national mailing to every address and  
10 in one of the responses to the interrogatories, we  
11 provided an estimate of the cost of one mailing, and  
12 we plan to do two mailings at least.

13 CHAIRMAN GOLDWAY: But most of what you plan  
14 to do is piggybacking on your existing communications  
15 network with MTAC and customer counsels and PCCs?

16 THE WITNESS: That's correct.

17 CHAIRMAN GOLDWAY: Okay. That's all the  
18 questions I have.

19 COMMISSIONER LANGLEY: I have just one  
20 question. How do you communicate -- or how does the  
21 Postal Service now, does it have any special  
22 strategies or communication policies with disabled  
23 persons or disabled -- or organizations that work with  
24 disabled persons like, you know, Federation of the  
25 Blind?

1           THE WITNESS: We do make sure that all of  
2           the information we put on our website is compliant  
3           with the requirements for disabled people. And we  
4           have a network of consumer advisory counsels around  
5           the country and we try to get representative  
6           membership from the local community in those. So I'm  
7           sure some of them include representatives of the  
8           disabled community. I would need to look at the list  
9           of the 56 associations who belong to MTAC to determine  
10          whether any of those have specialization in that area.  
11          But, I'm sure many of them belong to the Alliance of  
12          Nonprofit Mailers, who we have a close relationship  
13          with and a lot of communication. So I would need to  
14          check more to see if there are any more specific cases  
15          in that.

16           COMMISSIONER LANGLEY: I would be interested  
17          to know if there is going to be any additional  
18          outreach as you continue this process.

19           THE WITNESS: Okay.

20           CHAIRMAN GOLDWAY: I think both Commissioner  
21          Langley and I are concerned about people in rural  
22          areas, people who are poor, or senior citizens who  
23          don't seem to get as much information about the Postal  
24          Service and have not been included in some of the  
25          other considerations like the stations and branch

1 process that we had previously. And it would -- we've  
2 also had problems, ourselves, and that we deal with  
3 the Alliance of Nonprofit Mailers, but we're dealing  
4 with the mailers for those associations, not with  
5 their advocates. So we often don't get as good a line  
6 of communications with the people we'd like to and we  
7 would advise you to do --

8 COMMISSIONER LANGLEY: I do agree with that.

9 CHAIRMAN GOLDWAY: -- whatever you can do to  
10 expand your networks.

11 THE WITNESS: One example of expanding is we  
12 did meet with folks from several consumer advocacy  
13 organizations specifically about the five-day delivery  
14 plan a few months ago and we committed to keep the  
15 lines of communication open with them. But I agree,  
16 we do need to use all possible vehicles and channels  
17 to get the word out.

18 COMMISSIONER LANGLEY: I think we're all  
19 concerned that, you know, everyone is as well informed  
20 as the business mailers.

21 THE WITNESS: Another unique thing we've  
22 done for the general public is putting a special micro  
23 website on usps.com that has specific sections for  
24 consumers and small businesses. And in addition to  
25 answering frequently asked questions, it also begins

1 to provide a profile of what possible changes people  
2 might need to make in their mailing or receiving of  
3 mail behaviors in response to this change. And as we  
4 get closer and we get more specific resolution of  
5 those issues, we'll continue to update that website.  
6 That's been very popular already.

7 COMMISSIONER LANGLEY: Thank you.

8 CHAIRMAN GOLDWAY: Thank you. Well, this  
9 has been a long day and I appreciate your patience in  
10 waiting. I'm sure you are relieved, however, that  
11 your testimony is less controversial and speaks for  
12 itself more clearly, so there isn't as much cross-  
13 examination.

14 Counsel, do you have any need to consult  
15 with your witness?

16 MR. MECONE: No.

17 CHAIRMAN GOLDWAY: I think I will excuse  
18 you. Thank you for your participation.

19 (Witness excused.)

20 CHAIRMAN GOLDWAY: And adjourn this meeting.

21 (Whereupon, at 4:39 p.m., the hearing in the  
22 above-entitled matter was recessed, to reconvene on  
23 Thursday, July 15, 2010, at 9:30 a.m.)

24 //

25 //

REPORTER'S CERTIFICATE

DOCKET NO.: N2010-1  
CASE TITLE: Six-Day to Five-Day Carrier Delivery  
HEARING DATE: July 14, 2010  
LOCATION: Washington, D.C.

I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before the Postal Regulatory Commission.

Date: July 14, 2010



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