

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

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

Docket No. N2010-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO QUESTIONS 1-5 OF CHAIRMAN'S INFORMATION REQUEST NO. 9  
(August 26, 2010)

The United States Postal Service hereby provides its responses to Questions 1-5 of Chairman's Information Request No. 9, dated August 18, 2010. Answers were sought no later than today. Each question is stated verbatim and is followed by the response.

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

Questions 1, 4-5 – Institutional  
Question 2 – Whiteman (USPS-T-9)  
Question 3 – Elmore-Yalch (USPS-T-8)

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
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**Question 1**

Please provide FY 2009 start of year and end of year city carrier possible deliveries, route miles, and related square miles of territory covered by district. The data should match the districts for which FY 2009 DOIS hours and volume data were submitted in response to CHIR No. 8, question 4.

**RESPONSE:**

Attached electronically is an Excel workbook (CHIR.9.Q.1.DOIS.Attach.xls) with the requested information. The first two columns contain the DISTID (District Code) and the District Name. Columns (3) and (4) provide the possible deliveries for DOIS sites by district for two dates in FY09 – the beginning of the fiscal year on October 1, 2008 and the end of the fiscal year on September 30, 2009. Columns (5) and (6) contain the miles driven, extracted from the Automated Vehicle Utilization System (AVUS), on city letter and special purpose routes by district for the same two dates in FY09 – October 1, 2008 and September 30, 2009. Column (7) contains a rough estimate of the land square miles for city routes by district for FY09. The Service does not have its own database that has land square miles by district, or even ZIP Code, so data from the US Census Bureau were used as a proxy in an effort to respond to the Commission's request. The Census data were last updated with the 2000 decennial census. The land square miles for each district were derived by applying a two-step process. First, a list was constructed of the 5-digit ZIP Codes that reported positive DOIS volumes on October 1, 2008 within each district. Second, the list of ZIP Codes was use to aggregate the reported ZIP

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Code land square miles from Census for each district. Note that this approach has two drawbacks that could adversely affect the accuracy of the estimated total land square miles by district. First, land square miles for ZIP Codes which have been added since 2000 could not be included. Second, the land square miles include regions covered by both city and rural routes, but the DOIS volumes are solely from city routes.

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**Question 4**

This question pertains to DOIS data filed by the Postal Service in response to CHIR No. 3, question 10, filed May 14, 2010, and CHIR No. 8, question 4, filed July 16, 2010. With respect to the first, in the EXCEL spreadsheet CHIR.3.Q.10.DOIS.Attach.xls, the daily system-level city carrier total hours and volumes for FY 2009 sum to 376,881,323 and 105,660,456,647, respectively. Separately, CHIR.8.Q.4.DOIS.DISTRICT.xls, filed in response to the second question, shows the same daily hours and volumes, disaggregated to the district level, summing to 372,471,720 and 104,242,593,163, respectively, for all days and districts. Please explain this difference and provide revised responses to both questions, as necessary, with the data appropriately reconciled.

**RESPONSE:**

The Delivery Operations Information System (DOIS) was designed to provide actionable information, enabling the delivery unit supervisor to make sound business decisions in the day-to-day operations of the delivery unit. It is thus primarily a management tool for use in the field, and was not designed to be an archival database. This is particularly true at the local or district level.

As a result, small differences can arise if the data are extracted and constructed in different ways. Although DOIS is designed to capture hours and volumes from all routes at national level, it may not do so at the local level. For example at the district level and lower, the elimination of a route causes it to lose its local identifier and thus it is removed from the relevant district's listing of routes. This means its corresponding hours and volumes (from before the route was eliminated) are also dropped from the district totals. Thus, the hours and volumes from the eliminated routes are still in the national DOIS database, but are no longer associated with a particular district and will not show up in the district totals. In other words, one should not necessarily expect the reported district values to exactly sum to the reported national value.

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**Question 5**

The following tables contain DOIS Street and Office Hours for FYs 2006 to 2008. The source of the column labeled "Granholm" is the responses of the Postal Service to questions from the bench at the hearing for witness Granholm, file "Response 1.xls," filed July 26, 2010. The source of the column labeled "R2009-3" is the file CHIR.1.Q3.SPLY DOIS Comparison.xls," filed July 15, 2010.

<u>FY06 DOIS OFFICE HOURS</u>				<u>FY07 DOIS OFFICE HOURS</u>				<u>FY08 DOIS OFFICE HOURS</u>			
	Granholm	R2009-3	Percent Difference		Granholm	R2009-3	Percent Difference		Granholm	R2009-3	Percent Difference
October	11,866,018	11,624,262	2.04%	October	11,837,961	11,533,035	2.58%	October	10,976,961	10,663,004	2.86%
November	12,002,897	11,769,949	1.94%	November	12,093,366	11,789,952	2.51%	November	10,795,379	10,481,120	2.91%
December	11,623,333	10,385,998	10.65%	December	11,097,066	10,738,395	3.23%	December	10,244,277	9,853,726	3.81%
January	10,921,022	10,649,286	2.49%	January	10,889,896	10,598,561	2.68%	January	10,080,965	9,714,883	3.63%
February	9,999,058	9,747,604	2.51%	February	9,865,016	9,588,952	2.80%	February	9,405,266	9,050,822	3.77%
March	11,704,574	11,404,604	2.56%	March	11,417,020	11,091,421	2.85%	March	9,998,395	9,614,848	3.84%
April	10,808,951	10,529,305	2.59%	April	10,556,650	10,242,129	2.98%	April	9,764,789	9,376,293	3.98%
May	11,364,174	11,057,202	2.70%	May	10,708,064	10,402,734	2.85%	May	9,594,288	9,219,413	3.91%
June	10,690,408	10,385,998	2.85%	June	9,785,774	9,484,105	3.08%	June	8,665,571	8,310,218	4.10%
July	10,434,412	10,163,835	2.59%	July	9,547,312	9,267,272	2.93%	July	8,991,973	8,643,438	3.88%
August	11,247,034	10,941,999	2.71%	August	10,340,634	10,027,552	3.03%	August	9,096,057	8,745,312	3.86%
September	11,139,045	10,846,464	2.63%	September	9,785,098	9,512,582	2.79%	September	9,333,325	9,002,520	3.54%
<u>FY06 DOIS STREET HOURS</u>				<u>FY07 DOIS STREET HOURS</u>				<u>FY08 DOIS STREET HOURS</u>			
	Granholm	R2009-3	Percent Difference		Granholm	R2009-3	Percent Difference		Granholm	R2009-3	Percent Difference
October	23,090,279	22,002,017	4.71%	October	23,504,738	22,376,964	4.80%	October	24,452,583	23,328,956	4.60%
November	22,555,885	21,471,165	4.81%	November	22,796,658	21,684,608	4.88%	November	22,735,415	21,674,327	4.67%
December	25,186,117	20,678,989	17.90%	December	24,195,521	22,704,517	6.16%	December	24,443,132	23,003,546	5.89%
January	22,559,741	21,461,344	4.87%	January	22,939,277	21,784,303	5.03%	January	23,795,789	22,665,028	4.75%
February	21,383,558	20,365,105	4.76%	February	21,720,984	20,678,989	4.80%	February	22,755,627	21,689,852	4.68%
March	24,925,930	23,770,645	4.63%	March	25,097,649	23,938,314	4.62%	March	24,254,458	23,151,985	4.55%
April	23,004,928	21,954,309	4.57%	April	23,222,718	22,141,054	4.66%	April	24,192,164	23,095,077	4.53%
May	24,154,373	23,028,530	4.66%	May	24,269,066	23,142,992	4.64%	May	24,109,139	23,034,991	4.46%
June	23,842,613	22,750,712	4.58%	June	23,910,060	22,843,142	4.46%	June	22,970,598	21,950,186	4.44%
July	22,932,598	21,898,158	4.51%	July	23,046,445	22,011,818	4.49%	July	23,798,663	22,750,231	4.41%
August	24,847,133	23,724,545	4.52%	August	24,901,518	23,796,052	4.44%	August	23,748,437	22,717,820	4.34%
September	23,170,173	22,093,619	4.65%	September	22,298,378	21,293,100	4.51%	September	23,101,877	22,065,763	4.48%

- a. Please explain the discrepancy between the DOIS Street hours and Office Hours from the source "Granholm" and the source "R2009-3" for FYs 2006 to 2008.
- b. In the file "Response 1.xls," November 6, 2006 and November 21, 2007 have a delivered volume of over 1 billion pieces.
  - i. Please confirm the total volume recorded for those days is accurate.
  - ii. Please provide the volume of the following categories on those days: Cased Letters, Cased Flats, Sequenced Mail, FSS, DPS, and Packages.

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**RESPONSE:**

- a. First, note that the data in the columns labeled, "R2009-3" were actually filed on May 15, 2009 as part of Docket No. R2009-3, not on July 15, 2010 in Docket No. N2010-1, as the question may appear to suggest. Also, in the above tables supplied with the question, note that there are two incorrect figures embodied in the total DOIS office and street hours presented for December FY06 in the column labeled, "R2009-3." The correct figures (as originally reported in the May 15, 2009 filing in Docket No. R2009-3) are 11,332,889 for office hours and 23,715,135 for street hours, not 10,385,998 for office hours and 20,678,989 for street hours. The corrected figures reduce the percentage differences for that time period to 2.50 and 5.84 for office and street hours respectively (using Granholm figures as the base). The discrepancies in the reported office and street hour totals can be explained by recognizing that the two sets of hours were derived for different purposes. In the current docket, the Postal Service analysis must account for all city carrier hours, including regular and auxiliary letter routes, special purpose routes (e.g. parcel, combination, and collection), administrative activities (e.g. updating route books), tertiary distribution, and routers. This accounting is necessary to document the total workload of city carriers in the current six-day environment, and to match FY2009 city carrier total hours to FY2009 city carrier total labor costs. In Docket No. R2009-3, in contrast, the Service provided

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these figures to support the "Summer Sale" which focused on the possibility of excess capacity available to handle Standard Mail. As a result, it supplied a work hour total that was limited to regular office and street activity performed on regular and auxiliary letter routes (LDCs 21 and 22), where Standard Mail is predominantly handled.

- b. i. Not confirmed. There were data entry errors for Sequenced Mail on both days listed in the question.
- ii. The requested values are in the table below.

Date	Cased Letters	Cased Flats	Sequenced Mail	FSS	DPS	Packages	Total Volume
11/6/2006	68,367,767	164,088,177	21,483,666	0	340,552,794	2,058,587	596,550,991
11/21/2007	40,424,396	127,322,502	61,813,742	0	232,615,692	1,794,847	463,971,179

**RESPONSE OF POSTAL SERVICE WITNESS WHITEMAN  
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**Question 2.**

Please refer to library reference USPS-LR-N2010-1/NP2 (revised July 14, 2010), file "Volume Revenue Contribution Change due to 5-day Delivery Revise" which includes the calculations of the changes in volume associated with 5-day delivery.

Tab "Nat'l, Premier & Preferred" presents calculated mail volumes for National, Premier, and Preferred accounts by product for FY 2009. Tab "Small Business" presents calculated volumes for Small Businesses by product for FY 2009. Tab "Consumer" presents calculated volumes for consumers by product for FY 2009. The volumes in those tabs serve as the basis for calculating the expected change in volumes by product with 5-day delivery in FY 2009. However, the sum of the base volumes presented in those tabs is approximately 16 billion pieces higher than the sum of the official RPW volumes for FY 2009.

Please explain the discrepancy between those two figures. If revision to USPS-LR-N2010-1/NP2 is required to match the base volumes with official RPW volumes, please provide that revision.

**RESPONSE:**

The information request inquires about a file in USPS-LR-N2010-1/NP2 developed under the direction of witness Whiteman to estimate change in volume, revenue and contribution if five-day delivery had been implemented in FY2009. The library reference takes the percentage change estimates by product and segment from witness Elmore-Yalch to estimate changes in volume, revenue and contribution that would have occurred if five-day delivery had been implemented at the start of FY 2009. More specifically, the changes estimated in this library reference consisted of percentage changes in volume (by product and segment) from the market research conducted by Opinion Research Corporation (ORC) applied to the CBCIS volumes for National, Premier and Preferred accounts and to the RPW volumes by product, less the volumes mailed by National, Premier, and Preferred accounts. In the National, Premier and

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Preferred folder, the percentage change in volume was multiplied by the CBCIS volumes for each product, as shown in the headers for columns T –V. See, e.g., cell T44, which sums the total volume from National, Premier and Preferred accounts as 140,606,771,727, which is approximately 34.1 billion less than the RPW total of 175 billion pieces. The RPW reported volumes by product are shown in this tab solely as a check to ensure that the total volume from the RPW exceeded the total volume in cell T44, which it does. The RPW reported volumes, less the volumes of National, Premier and Preferred accounts shown in the tab, are used to calculate the change in volume for small businesses and consumers, as explained in Appendix A to USPS-T-9 (Whiteman) and shown in the Small Business and Consumer tabs. The RPW reported volumes were used in the total tab. In that tab, the change in volume by product is totaled from each segment tab and deducted from the RPW volumes by product.

The calculations on the National, Premier and Preferred tab are explained in the library reference workbook entitled: "5-day\_FY2009\_Format\_CBI.xls" as follows:

The volumes by customer type provided by [CBCIS] account for a portion of the total volume of First-Class Mail Presort, Standard Mail and Periodicals Mail as reported in the RPW Summary Report. The proportions of which they represent are: shown below and are 101.3% of First-Class Mail; 99.8% of Standard Mail and 97.0% of Periodicals Mail. The volume accounted for in CBCIS is for automated PostalOne! sites. The RPW Summary report includes automated and non-automated sites. The volumes provided by [CBCIS] were assumed to be 100% of the volume for each of these products.

The calculations for the small business and consumer segments are explained in

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the library reference. See cells A37-42 – G37-42 for small business and cells A27-32 – G27-32 for consumers.

There are no “reported volumes” from RPW by account segment – National, Premier, Preferred, Small Business or Consumer. As a result, RPW volumes simply were not used, as this information request apparently does not recognize. It would be illogical and inappropriate to sum the volumes for each segment and expect that the summed volume would equal volumes reported in RPW. As previously emphasized, the research was designed to estimate the **percentage change in volume for each product in each segment** and was not designed to estimate directly total volume for each product in each segment.

The methodology used to estimate volume change generates overstatements of volume change because of the judgments and assumptions that were made to develop the estimates. One such assumption was that the CBCIS volumes by segment and product equated exactly to RPW volumes, when they are lower for Standard Mail and Periodicals Mail and slightly higher for First-Class Mail. In addition, it was assumed that the percentage volume changes found for First-Class Mail and Priority Mail in the ORC market research could also be applied to First-Class Mail flats and parcels, and that the percentage change in volume sent by consumers and small businesses as reported in ORC's market research could serve as the percentage change sent by each of those two segments. It was assumed that residual meter volume should be accounted for separately because it is not otherwise accounted for in the volume changes for First-Class Mail and Priority Mail.

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We do not observe any overstatement of the official RPW volumes, let alone the 16 billion pieces suggested by the question. Should additional examination of this topic be of interest, a technical conference might be appropriate to further explain what was done to calculate the percentage changes, and perhaps explore any lingering basis for concern regarding a potential overstatement of 16 billion pieces.

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**Question 3**

Please refer to library reference USPS-LR-N2010-1/NP2 (revised July 14, 2010), files "USPS 5 Day - Consumer Data File and Forecast – 11-22-2009" and "USPS 5-Day Delivery - Business Data File and Forecasts\_final." The tabs "Consumer Forecast, National Forecast, Premier Forecast, Preferred Forecast, and Small Business Forecast" calculate an estimated "% Change Due to Switch to 5-Day (Adjusted)" using mean estimates based on raw data from other tabs in the same workbooks.

The percent change estimates are used as inputs for witness Whiteman's spreadsheets that calculate the volume changes in response to a 5-day delivery environment.

Please calculate the 95 percent confidence intervals for all of the mean estimates that go into the consumer, National, Premier, Preferred, and Small Business "% Change Due to Switch to 5-Day (Adjusted)" estimates.

**RESPONSE:**

Please see the Response of Postal Service Witness Elmore-Yalch to Bench

Request for Variance Estimates Associated with Quantitative Market Research,

Tr. V/1174-77 (filed Aug. 26, 2010).