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

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

REBUTTAL TESTIMONY OF
JAMES D. YOUNG
ON BEHALF OF
UNITED STATES POSTAL SERVICE

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Autobiographical Sketch

1

2

3 My name is James D. Young. My postal career began in the Chicago
4 Main Post Office as a distribution clerk in November 1970. During the 27+ years
5 since 1970, I have held various staff and management positions throughout Mail
6 Processing, Transportation Operations, and Purchasing and Materials.
7 Examples include the following:

Position Title	Facility
• Transportation Dock Clerk	Washington BMC
• Transportation Analyst	Washington BMC
• Transportation Specialist	Washington TMSC
• Senior, Transportation Specialist	Washington TMSC
• Transportation Specialist	Postal Headquarters
• Program Manager, Transportation Planning	Postal Headquarters
• Manager, Transportation Policies	Postal Headquarters
• Manager, National Mail Transportation Purchasing	Purchasing and Materials, Postal Headquarters

8 In my current position as Manager, National Mail Transportation
9 Purchasing, my group has responsibility for the purchasing and contract
10 management for \$4 billion worth of transportation services annually. The modes
11 of transportation include air, rail, highway (transport and delivery), boats, even
12 mules and wheelbarrows that are used in specialized situations.

Purpose of Testimony

1

2 The purpose of my testimony is to rebut several statements made in the
3 testimony of intervenor witnesses regarding purchased transportation,
4 particularly rail and highway transportation. In the course of my remarks, I will try
5 to provide some additional information and perspective on the Postal Service's
6 transportation procurement policy and procedures for which I am responsible.

1 **1. The Postal Service buys highway transportation capacity to meet**
2 **weekly peak mail volumes.**

3
4 Dr. Haldi for the Alliance of Nonprofit Mailers uses TRACS data to support
5 the proposition that the Postal Service sizes trucks “for the segment with the
6 highest average volume” (Tr. 22/11848). There are a number of considerations
7 that go into purchasing transportation capacity, but average utilization on a
8 segment is not one of them.

9 When the Postal Service purchases transportation capacity, it generally
10 operates from an historical knowledge base. We know, for example, the
11 requirements of downstream mail processing and delivery facilities. These
12 requirements are determined by service commitments to customers. We also
13 know how many containers of mail each downstream facility normally receives
14 on the busiest day or night of the week. Finally, we know what plants can handle
15 which types and sizes of highway equipment.

16 Using this historical knowledge, the Postal Service has a good idea of the
17 times of day and days of the week for which we need maximum transportation
18 capacity on a given route. Let me give you an example. Beginning in the
19 evening, a BMC will begin to process mail for its service area. This intra-BMC
20 mail is sorted to containers to be loaded onto intra-BMC highway trucks. These
21 trucks in turn will be dispatched to local processing and distribution centers

1 (PDCs) and their large subordinate offices. Dispatch times will fall in a window of
2 time that is determined by the downstream facilities' operating plans.

3 Dr. Merewitz, for the Florida Gift Fruit Shippers, describes postal
4 transportation in terms of linehauls and backhauls, where the linehauls are
5 outbound trips and the backhauls are inbound trips. (Tr. 22/11504). This is an
6 oversimplification. Generally speaking, a contract contains pairs of trips. Each
7 trip pair contains an outbound trip and an inbound trip¹. When the BMC
8 processes mail for its service area, it is likely, particularly on its peak weekly
9 volume day, to dispatch vehicles full, although it is certainly possible that the last
10 dispatch of the day will be less than full. This last scheduled dispatch, called the
11 dispatch of value, must be met since any further delay would result in mail being
12 unavailable to meet downstream processing and delivery schedules. The same
13 truck is likely to return in mid-morning less than full, often carrying empty
14 equipment.

15 In the evening, the same activity occurs, but moving in the opposite
16 direction. (Moreover, the actual routing may not be the same as those on the
17 early morning "outbound" trips.) Vehicles run routes that load mail at P&DCs
18 and other subordinate facilities, and unload at the BMCs. On the inbound peak
19 day of the week, these vehicles typically are full on arrival at the BMC. A return
20 trip from the BMC carries smaller volumes of mail. Generally speaking, these
21 two routings are independent of each other. That is, a large outbound load from

¹ The inbound trips do not necessarily retrace the path of the outbound runs. It should also be noted that there are numerous one way trips that are exceptions to this rule of thumb.

1 the BMC on Thursday night has little to do with a large inbound load to the BMC
2 on Friday morning.

3 In some situations, the size of the truck itself is driven by factors other
4 than mail volume. For instance, certain facilities cannot handle tractor trailers.
5 Other facilities require special tailgate equipment to allow the truck to access the
6 platform. Certain roadways restrict the maximum weight a vehicle may carry.
7 Aside from these considerations, for any given routing, the Postal Service will
8 buy as big a truck as we need to meet peak weekly volumes, since there is very
9 little difference in cost between, for example, a 40-foot trailer and a 45-foot
10 trailer.

11 For this reason, I disagree with Mr. Ball's assertion, made on behalf of
12 the Florida Gift Fruit Shippers, that it is necessarily more efficient to add trips
13 than to increase truck size or make other routing adjustments when additional
14 capacity is needed. ("Peak volumes could be handled by extra trips, probably at
15 lower total cost." Tr. 22/11381.) I do not dispute that this may be Mr. Ball's
16 experience when purchasing transportation for his association's members, but,
17 as I explain below, the transportation service he is buying is inherently different
18 from the transportation the Postal Service buys. If the Postal Service were to
19 purchase additional transportation to meet anticipated and unanticipated peaks, I
20 am confident, based on my experience, that our transportation costs would
21 increase. In addition, the administrative complexity of such a strategy would add
22 cost and confusion to the procurement of this transportation, and would almost

1 certainly lead to service problems. The fact that we have less than full loads on
2 some legs of transportation is not evidence of inefficiency. Rather, unused
3 capacity is an inherent by-product of the provision of reliable, economical
4 service.

5 The size of the truck selected by the Postal Service is not independent of
6 other routing considerations, however. Truck size is dependent on service
7 requirements (i.e., the processing window), the distance between and number of
8 downstream facilities served, and the number of containers of mail expected to
9 be transported.²

10 Let me give you another example. An intra-BMC trip runs between the
11 Washington BMC, the Merrifield (VA) P&DC, and the Norfolk (VA) P&DC.
12 Suppose the transportation needs of Norfolk increase because the Norfolk P&DC
13 begins to receive two more containers on the peak night. In the short term, this
14 may require an extra trip, but over time, we can re-work the routing of this truck
15 to skip a stop at the Merrifield P&DC and divert Merrifield's mail to another
16 contract (or another trip on the same contract). That second contract (or trip)
17 might need a bigger truck, but the first one simply alters its mileage. Total cubic
18 feet of truck space may be increased, but the effect on cubic foot miles is
19 complicated, because we have reduced mileage on one route and increased
20 cube (and perhaps also mileage) on another.

² A 40-foot trailer can carry a maximum of 14 BMC over-the road (OTR) containers.

1 **2. The Postal Service's highway contractors provide a fundamentally**
2 **different service than that available in the private sector.**

3
4 Mr. Ball (Tr. 22/11387) compares Postal Service purchased highway
5 transportation to the transportation generally available in the private sector. As
6 James Orlando (Docket No. R84-1, USPS-RT-6) pointed out very clearly, such
7 comparisons fail to take into account significant differences between our
8 operations and private sector carriers. The Postal Service requires its highway
9 transportation contractors to provide consistent, reliable and secure service
10 everywhere, every day.

11 Precise scheduling of postal transportation is required in order to make
12 efficient use of postal employees who account for about 80 percent of postal
13 operating costs. Our highway contract routes operate at all hours of the day
14 and night, year-round. Our schedules include time-definite dispatch and arrival
15 times. These schedules are considerably more demanding than those generally
16 used in the motor freight industry.

17 Another characteristic of our contract transportation system that differs
18 from the private sector is our commitment to keep mail secure. Unlike many
19 products carried by motor freight providers, mail is not replaceable. And we
20 must have confidence that it is kept secure at all times. For this reason, the
21 Postal Service requires security clearances for its contractors and contract
22 drivers.

1 The Postal Service makes extraordinary demands on our highway
2 contractors. In return, the Postal Service includes certain provisions in its
3 highway contracts to ensure the viability of the carriers we use. Our contracts
4 provide competitive compensation with assurances to the contractor that a
5 secure income will be forthcoming for the life of the contract. Included in these
6 assurances is our standard indemnification in the event the contract is canceled.
7 We also provide some protection against fuel and wage inflation. The resulting
8 symbiotic relationship between the Postal Service and its highway carriers
9 assures that we maintain the most economical, reliable and secure highway
10 transportation available.

11
12 **3. Highway costs adjusted for capacity have not increased faster than**
13 **the rate of inflation. However, we have increased our highway capacity as**
14 **a result of numerous operational programs and other events.**
15

16 Dr. Merewitz has testified that the Postal Service highway transportation
17 spending has increased much faster than the rate of inflation (Tr. 22/11410-
18 11412). Similarly, Dr. Haldi notes "disproportionate" increases in the
19 transportation cost for certain nonprofit mail (Tr. 22/11816). And Mr. Hehir notes
20 a similar finding for Periodicals mail (Tr. 27/14712). While I cannot speak to the
21 distribution of costs to mail classes, I can explain the overall increase in highway
22 spending that the Postal Service has experienced.

1 On a per mile basis, I believe we have bettered inflation and I fully expect
2 to continue to do so. Each year, the Postal Service reports its spending on
3 regular and emergency highway contracts by state to the United States
4 Department of Transportation. Comparing these costs to the mileage driven on
5 these contracts, we find that our cost per mile in FY 1996 was about \$1.27. In
6 FY 1991, this cost was about \$1.15 per mile. These numbers compare very
7 favorably with Dr. Merewitz's non-local motor freight cost increases (Tr. 22/
8 11410-11411), even though many Postal Service costs relate to local
9 transportation which is relatively more expensive.

10 Cost increases above the rate of inflation are due to a variety of programs
11 and operational changes that are difficult to separate and quantify. Here are
12 several changes that have likely contributed to the increase.

13 A. Increase in number of facilities.

14 As the number of postal facilities increases, the number of
15 transportation links between these facilities must also expand. Over time, due to
16 population flows, for example, the Postal Service adds new facilities, including
17 carrier stations and retail and other facilities, that must be integrated into the
18 existing transportation network. This adds to our highway costs each year.

19 B. Changes in distribution schemes.

20 With the advent of delivery point sequencing for letter mail, we
21 have added capacity to the surface transportation network. Thousands of

1 delivery point sequencing (DPS) machines and carrier route sequencing barcode
2 sorters (CSBCS) have been deployed. Each machine potentially alters the
3 location of mail processing activities for letter mail. For instance, in the case of
4 CSBCS sorting activity, additional delivery annex facilities have been added.
5 Regardless of the type of sorting equipment, delivery point sequencing of mail
6 has resulted in tighter windows of service. With less time to reach downstream
7 facilities, highway contract routes must be altered either by reducing the number
8 of offices per trip or by adding trips. This adds to purchased capacity and costs.

9 C. HASPS.

10 The Postal Service has made an effort to divert some mail,
11 particularly Priority Mail and First-Class Mail, to hub and spoke processing
12 facilities (HASPS). These changes are driven by both service and cost
13 considerations, and the transportation involved in the diversion of this mail has
14 added capacity and costs to the surface network.

15 D. EXFC.

16 The Postal Service has made a concerted effort to improve local
17 mail service to meet EXFC goals. These efforts have resulted in additional
18 transportation capacity in the network, particularly at the local level.

19 E. Containerization.

20 The Postal Service has moved to increase the use of
21 containerization of mail in transit; this containerization is an integral part of our

1 efforts to reduce labor costs and improve service. Containerization of automated
2 flat and letter mail results in increased use of trays which make less efficient use
3 of space in vehicles. Containerization of trays, sacks and loose mail using rolling
4 stock, postal paks and pallets generally increases the amount of vehicle space
5 used for a given amount of mail compared to bedloading. Both kinds of
6 containerization tend to increase capacity requirements for the transportation
7 network and add costs. These cost increases, however, should be more than
8 offset by reductions in labor costs associated with loading and unloading
9 vehicles and the overall cost savings from automated sortation.

10 F. Changes in palletization.

11 Twice in the last five years (April 1993 and January 1996) minimum
12 pallet weights were reduced. In general, lighter pallets can increase
13 transportation capacity requirements and costs to the extent that they cannot be
14 stacked.

15 G. Problems with rail service.

16 Over the last few years the rail industry has undergone significant
17 change as a result of mergers. The consolidation of merging rail networks from
18 time to time has caused service disruptions. When this occurs, some shift in
19 volume from rail to highway is required.

20 Each of these factors has contributed to recent changes in purchased
21 transportation capacity as the highway network evolved and responded to

1 changes in postal operations and in the availability and reliability of rail and air
2 transportation.

3 **4. Choice of mode is not based on “rules of thumb”.**

4 Dr. Merewitz noted a “rule of thumb” that inter BMC mail traveling over
5 400 miles is carried by rail. (Tr. 22/11619). While it is true that rail can be an
6 economical alternative for long hauls, I cannot shed any light on this “rule”. The
7 Postal Service contracts for transportation based on service and operating
8 requirements. In the event that economical, reliable rail service that meets our
9 requirements is available, we will use it. We do, however, use highway for many
10 long hauls, several over 2000 miles.

11 **5. References to a nonpreferential transportation network can give the**
12 **misleading impression that we operate distinct surface networks.**

13
14 Dr. Merewitz (Tr. 22/11411) makes reference to the “nonpreferential
15 highway transportation system”. This historical notion is an oversimplification.
16 Transportation capacity on inter- and intra- BMC runs often is used for
17 “preferential mail” not processed at BMCs. This may result from picking up or
18 loading mail at P&DCs (or other postal facilities) en route or from facilities co-
19 located with BMCs³. The blurring of historic notions is evidence of the flexibility
20 of our transportation system.

³ The Washington BMC is co-located with two facilities, the Southern Maryland P&DC and the Capital Beltway Facility. The latter primarily processes Priority and Periodicals. The Springfield (MA) BMC is co-located with the Springfield P&DC.