

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

MAIL PROCESSING NETWORK RATIONALIZATION
SERVICE CHANGES, 2011

Docket No. N2012-1

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1 AND 2(a)
OF PRESIDING OFFICER'S INFORMATION REQUEST NO. 1**

The United States Postal Service hereby files the following responses to questions 1 and 2(a) of Presiding Officer's Information Request No. 1, dated December 29, 2011:

- response of witness Williams to question 1; and
- response of witness Smith to question 2a redirected from witness Williams.

Responses to outstanding questions of POIR 1 are forthcoming.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DAVID WILLIAMS
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1**

1. The First-Class Mail class consists of the following four domestic products: Single-Piece Letters/Postcards, Presorted Letters/Postcards, Flats, and Parcels. Please answer the following questions in light of the assertion that certain First-Class mail will retain an overnight delivery expectation. See USPS-T-1 at 19.
- a. For each domestic product within First-Class Mail, what percentage of First-Class Mail is delivered overnight, what percentage of First-Class Mail is delivered within two days, and what percentage of First-Class Mail is delivered in three to five days, for the most recent quarter that data are available.
 - b. For each domestic product within First-Class Mail, what is the projected percentage of First-Class Mail delivered overnight, what is the projected percentage of First-Class Mail delivered within two days, and what is the projected percentage of First-Class Mail delivered in three to five days, after implementation of MPNR.

RESPONSE

- a. See the Table below which uses data from Q4 FY11.

Product	% Delivered within 1 Delivery Day	% Delivered in 2 Delivery Days	% Delivered in Between 3 and 5 Delivery Days
Single-Piece Letters/Cards	58.0	26.6	15.1
Presort Letters/Cards	37.7	37.3	24.7
Flats	36.0	31.4	30.3
Parcels	13.1	49.1	35.7

Note: Presort performance results by service standard were weighted using the estimated volume of overnight, two-day, and three-to-five-day volumes in the overall presort FCM population (based on data from Origin-Destination Information System (ODIS) and Revenue Pieces & Weight (RPW) as opposed to volumes observed in the Full Service Intelligent Mail barcode population. Flats results are based on the results from EXFC, weighted according to the overall estimated volumes of overnight, two-day, and three-to-five-day FCM volumes from ODIS and RPW sources.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DAVID WILLIAMS
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1**

RESPONSE to Question 1 (continued):

- b. Three factors will have the most influence on the percentage of First-Class Mail that receives overnight delivery in the future: (1) the degree to which First-Class Mail presort customers take advantage of the early entry time option to achieve overnight delivery, (2) the proportion of Caller Service volume which is available for recipients at the plant during the processing of this mail volume in which some proportion happens to have been entered the mailstream the day prior, and (3) the degree to which the Postal Service achieves overnight delivery for such mail. The Postal Service currently does not have an estimate of the proportion of Presort customers that may take advantage of this new entry time, nor the proportion of Caller Service volume that will be available by customers at the plant during the processing of this mail volume in which some proportion happened to have been entered in the mail the day prior. Nor can the Postal Service precisely predict future on-time service performance for such mail. If one assumes that no customers take advantage of this early entry time for overnight service and no Caller Service volume is available the following day, the following percentages of mail would be subject to the different First-Class Mail service standards (overnight, 2-day, and 3-to-5-day), assuming the hypothetical changes depicted in USPS Library Reference N2012-1/8:

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DAVID WILLIAMS
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1**

RESPONSE to Question 1 (continued):

Estimated Volume of Mail Subject to Each FCM Service Standard Group Based on Q4 FY2011 and Proposed Service Standards

Product	Projected % within 2 Delivery Days	Projected % within 3 and 5 Delivery Days
Single-Piece Letters/Cards	63.8	36.2
Presort Letters/Cards	30.4	69.6
Flats	58.6	38.9
Parcels	10.5	89.5

It cannot be overemphasized that the degree to which service standards will actually change depends upon (a) the outcome of each AMP study, (b) what amendments to 39 C.F.R. Part 121 result from the market dominant product service standard rulemaking, and (c) any further modifications that result from consideration of the advisory opinion issued at the conclusion of this docket.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MARC SMITH
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1
REDIRECTED FROM WITNESS WILLIAMS**

2. The Postal Service estimates that implementing MPNR will lead to annual savings of \$2.1 billion. See USPS-T-2 at 12.
 - a. Of the total savings, please estimate the savings that will result from reductions in the Postal Service's labor complement.
 - b. Witness Rachel (USPS-T-8) provides a list of 8 mechanisms used by the Postal Service to achieve complement reductions. USPS-T-8 at 15. Please provide specific details regarding the effect of MPNR on the number of employees and associated cost savings due to the following mechanisms:
 - i. voluntary movement utilizing eReassign;
 - ii. normal attrition over the next several years;
 - iii. reductions in non-career employees;
 - iv. article 12 involuntary reassignments;
 - v. voluntary early retirement (VER);
 - vi. management reductions in force (RIFs);
 - vii. retirement incentive options (potentially);
 - viii. bargaining unit layoffs pursuant to Article 6; and
 - ix. any other mechanism (such as voluntary separation).

RESPONSE

- a. Total savings associated with reduction of labor complement is \$2.13 billion. This should be compared with the gross savings of \$2.57 billion (see witness Bradley, USPS-T-10 at 41). The attached table shows this calculation of the savings due to reduction of labor complement. This is also provided in the spreadsheet, Cost Savings From Complement Change POIR1, Q2a.xlsm, associated with this response.
- b. [Response provided by witness Rachel]

