

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

ANNUAL COMPLIANCE REVIEW, 2014

Docket No. ACR2014

**UNITED STATES POSTAL SERVICE RESPONSES TO
QUESTIONS 8, 11, AND 15-19 OF CHAIRMAN'S INFORMATION REQUEST NO. 13**
(March 19, 2015)

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 13, issued on March 2, 2015. Each question is stated verbatim and followed by the response. The response to Question 28 is still being prepared.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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8. In the FY 2014 Report and FY 2015 Plan, the Postal Service references the second phase of mail processing realignments beginning in January 2015, which would impact 82 mail processing locations. *Id.* at 41.
- a. What possible challenges and issues does the Postal Service anticipate customers may face during this second phase of its network consolidation process? Please discuss the possible challenges and issues as they relate to the customer groups potentially affected.
 - b. For the potential customer groups affected in question 8.a above, please discuss the Postal Service's customer resources and process for issue resolution for the most common possible issues.
 - c. How is the Postal Service notifying mailers and other customers who may be impacted by the second phase of its network consolidation process? Please include in your response the typical advance notification time for those that may be impacted (e.g., changes to the Detached Mail or Business Mail Entry Units for mailers).

RESPONSE:

- a. Because of the phased nature of the service changes, there was a lengthy advance notice regarding the changes that would affect mail sent and received by customers. The Postal Service has also provided lengthy advance notice regarding network consolidations. The realignment of mail processing operations does not affect the nature of retail and delivery services; accordingly, in general, a bulk mailer is likely to experience more issues due to network rationalization than a residential customer. Bulk mailers must prepare mail according to the current Labeling Lists, abide by the grace periods built into the Labeling Lists, and enter mail in accordance with Mail Direction Files.

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RESPONSE TO QUESTION 8 (continued)

The most common issues likely to arise from network rationalization are reduced availability of Business Mail Entry Unit appointments, unplanned redirection of mail between plants, and mail processing congestion at plant yards. Business Mail Acceptance Unit (BMAU) supervisors are proactively working with our small/medium business customers to offer guidance and assistance as needed. Our Business Service Network (BSN) is working diligently with our major mailers to resolve any reported issue related to changes within our network.

b. The Postal Service is committed to ensuring a smooth transition for customers as it creates a more efficient mail processing network. For residential customers, assistance is available at the local Post Office or through 1-800-ASK-USPS® (1-800-275-8777). Business Mail Acceptance Unit (BMAU) supervisors are proactively working with small and medium bulk mailing customers to offer guidance and assistance as needed. The Business Service Network (BSN) is working diligently with mailers to resolve any issues related to changes within the postal network.

The USPS Rapid Information Bulletin Board (RIBBS), available at <https://ribbs.usps.gov>, contains information related to Network Rationalization. Our mailers will continue their planning based on the mail move schedule published weekly on RIBBS.

The Business Service Network (BSN) is an essential link between bulk mailers and postal operations. BSN customers will continue to report any issues or

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concerns through the BSN's available tools. BSN customers can contact their BSN Representative or submit their issues or inquires directly through BSN eService, an online application that routes issues to the BSN, and can obtain status updates online. Small and medium bulk mailers must work with their local BME to resolve issues related to network changes.

c. The Postal Service believes that industry engagement is imperative, and it remains committed to continued information sharing for its customers. Customer outreach activities began in June 2014 for all locations impacted by the Phase II Network Rationalization schedule. Stand up talks were provided to acceptance employees at impacted locations in anticipation of customer questions and inquiries about the Network Rationalization changes. Signage containing key points about Network Rationalization was posted within impacted Business Mail Entry (BME) Units, and fact sheets were distributed to customers of these impacted locations. BME hours and locations are not expected to change as a result of Network Rationalization, but in the event that changes occur, the Postal Service will provide customers with at least one hundred twenty days notice. Critical time changes were communicated to the industry in October 2014, and the Postal Service continues to provide the industry with updates regarding Network Rationalization. For example, a recent update was communicated at the Postmaster General's Mailers' Technical Advisory Committee Meeting (MTAC) that occurred on February 17 and 18, 2015.

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11. Based on the FY 2014 POS survey results, more than a third of the respondents reported waiting in line for an associate at the post office four or more minutes.¹ For comparative purposes, please provide the Retail Customer Experience (RCE) wait-in-line time responses in the same categories as the POS survey data: "1-3 minutes," "4-5 minutes," "6-10 minutes," "11-15 minutes," and "16 minutes or more."² If they cannot be provided in this format, please explain why.

RESPONSE:

WTIL (MM:SS)	Average	# of shops	% of Shops
00:00-00:59 (under 1 minute)	0:17	34963	44%
1:00-3:59 (1 to 4 minutes)	2:11	30177	38%
4:00 – 5:59 (4 to 6 minutes)	4:44	7207	9%
6:00 – 9:59 (6 to 10 minutes)	7:37	4892	6%
10:00 – 14:59 (10 to 15 minutes)	11:55	2027	3%
15:00+ (more than 15 minutes)	20:20	1038	1%
TOTAL	2:23	80304	100%

¹ Library Reference USPS-FY14-38, December 29, 2014, Excel file CI Question Response Counts FY2014.xlsx.

² *Id.*, PDF file POS - USPS FY14 POS Survey.pdf., question 4.

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15. Please refer to page 18 of the Five-Year Business Plan.
- a. Were the PostPlan initiative savings in FY 2014 realized? If so, please discuss. If not, please explain why.
 - i. Did the Postal Service have a PostPlan-related FY 2014 target? If so, please provide the FY 2014 target and results.
 - ii. Is there a PostPlan-related FY 2015 target? If yes, please provide. If not, please explain why no target has been set.
 - b. Did the Postal Service have FY 2014 targets for the number of established door-to-door delivery points converted to centralized delivery points? If yes, please provide the FY 2014 targets for both residential and business delivery points. If not, please explain why no targets have been set.
 - i. Did the Postal Service set FY 2015 targets for converting established door-to-door delivery points to centralized delivery for both residential and business delivery points? If so, please provide the FY 2015 targets. If not, please explain why no targets have been set.
 - c. Did the Postal Service have FY 2014 targets for the number of new centralized delivery points? If so, please provide the FY 2014 results and targets for both residential and business new delivery points. If not, please explain why no targets have been set.
 - i. Did the Postal Service set FY 2015 targets for new centralized delivery points? If so, please provide the FY 2015 targets for both residential and business delivery points. If not, please explain why no targets have been set.

RESPONSE:

- a. Page 18 of the April 2013 Five-Year Business Plan reflects a \$1.5 billion annual savings projection that was calculated at the time on the basis of the combination of expected volume variable workload declines and the implementation of PostPlan through Fiscal Year 2016. Page 19 of the Five-Year Business Plan reflects a combined total savings estimate of \$1.2 billion for Fiscal

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RESPONSE TO QUESTION 15 (continued)

Year 2014. The portion of that projected savings estimate attributable to PostPlan was approximately \$300 million for Fiscal Year 2014. Through the end of Fiscal Year 2014, the Postal Service has saved over \$250 million, which is below the \$300 million projection. Actual savings is slightly below the savings projection due to a delay in some PostPlan reclassifications arising from an extension of the Reduction-in-Force timeline to minimize impacts on postmasters who did not obtain new employment by the end of the two-year save pay period.

i. In Fiscal Year 2014, there was no specific planned target for PostPlan savings because due to a two-year save pay provision of the Reduction in Force process applicable to Postmasters, implementation of PostPlan reclassifications was conditioned on the voluntary departure of Postmasters from their positions. Where Postmasters left their positions voluntarily, the Postal Service captured some savings from the reclassification of retail facilities, even though such reclassifications were not planned for Fiscal Year 2014.

ii. The original plan for Fiscal Year 2015 included the remaining savings of approximately \$300 million, assuming that all reclassifications were completed in Fiscal Year 2014. However, with the two-year save pay provision cited above, and a recent arbitration award that changed the levels of career status of personnel at many of the offices evaluated under

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PostPlan, the Postal Service is in the process of updating its expected savings for Fiscal Years 2015 and 2016.

b. The FY 2014 goal was to convert 34,652 delivery points with a mode other than centralized or curblineline delivery to centralized delivery points. For residential delivery points, the conversion was voluntary and the Postal Service did not set goals.

i. The FY 2015 target for conversion of delivery points with a mode other than centralized or curblineline delivery to centralized delivery is 81,988. For the reasons cited above in the response to Question 15b of Chairman's Information Request No. 13, the Postal Service did not set goals for the conversion of residential delivery points.

c. The Postal Service did not set goals for new residential and business delivery points because the establishment of new delivery points reflects decisions of the construction industry which are not part of the Postal Service's business strategies. In FY 2014, there were 116,633 new centralized business delivery points and 1,414,233 new centralized residential delivery points.

i. The FY 2015 target for new centralized delivery points, which includes both business and residential delivery points, is 112,721, and already the Postal Service has exceeded this goal by 468.28 percent.

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16. The Postal Service reports that it “voluntarily converted a total of 225,009 deliveries to a more efficient delivery mode—165,358 residential and 59,641 business deliveries.” Annual Report at 56.
- a. Please break down the 165,358 residential delivery points by type of initially established delivery point and converted-to-type.
 - b. Please break down the 59,641 business delivery points by type of initially established delivery point and converted-to-type.

RESPONSE:

- a. For residential delivery points, 61,511 delivery points were converted from a mode other than centralized or curblines delivery to curblines delivery; 46,733 delivery points were converted from a mode other than centralized or curblines delivery to centralized delivery; and 57,114 delivery points were converted from curblines delivery to centralized delivery.
- b. For business delivery points, 6,454 delivery points were converted from a mode other than centralized or curblines delivery to curblines delivery; 48,787 delivery points were converted from a mode other than centralized or curblines delivery to centralized delivery; and 4,400 delivery points were converted from curblines delivery to centralized delivery.

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17. What percentage of new delivery points for businesses and residences were centralized in FY 2014?

RESPONSE:

Of all the new delivery points established in FY 2014, including delivery points established for both businesses and residences, 51.24 percent were established as centralized delivery points.

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18. What percentage of established door-to-door delivery points for businesses and residences were centralized in FY 2014?

RESPONSE:

In FY 2014, 0.54 percent of all established residential door-to-door delivery points and 1.27 percent of all established business or other door-to-door delivery points were converted to centralized delivery.

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19. How did/does the Postal Service evaluate customer feedback related to the PostPlan and the Network Realization initiatives? Please provide any tabulated results and summary information by type of customer (residential, small/medium business, large business, etc.) collected in FY 2014.

RESPONSE:

The PO-408, Area Mail Processing (AMP) Guidelines, provides the process for gathering and evaluating customer feedback for the Area Mail Processing (AMP) consolidations used during Network Rationalization. Immediately after the announcement of a feasibility study, the Postal Service initiates a comment period and solicits input from the public for discussion during the public meeting. The public meeting provides the community with information concerning the consolidation and includes any service changes, projected cost savings, employee impacts, local customer considerations and the potential impact on commercial mailers. The presenter addresses any comments that were received prior to the meeting. The public has the opportunity to provide comment during the public meeting and after the meeting. The comment period ends 15 days after the public meeting is held. A summary of public comments for each AMP proposal is posted along with other information for the study at <http://about.usps.com/streamlining-operations/area-mail-processing.htm>. No public data were summarized or tabulated on an area or national basis in FY 2014.

The Area Vice President reviews the public comments along with the AMP proposal and if supported, submits the package to the Vice President (VP), Network Operations. A review of the public comments ensures that adequate

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attention and resolution were given to the public input prior to the consideration of the AMP by the VP Network Operations. The VP Network Operations takes into account costs and benefits outlined in the AMP proposal along with summaries of public input when making the final decision to approve or disapprove the consolidation.

With respect to PostPlan, prior to the implementation of PostPlan, affected customers received a survey similar to the sample included in the attachment "PP_Survey." The survey sought customer input regarding potential changes to retail operations – including continuation of retail service with reduced hours, and discontinuance of the retail facility combined with the establishment of an alternate means of delivery, for example, Rural Delivery – and customer preferences concerning operational hours of the retail facility. After the data were collected and reviewed, there was a decision to continue retail operations under existing hours, to reclassify the retail facility and continue to operate the facility with modified retail hours, or to conduct a discontinuance study for the retail facility. The survey included a notice of the community meeting, and a sample of that notice is included in attachment "PP_Mtg." In general, the community meeting was held approximately thirty days after distribution of the survey. Upon completion of the community meeting, decisions arising from the PostPlan process were implemented, and where applicable, retail hours were modified to reflect customer requests and operational needs.