

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

ANNUAL COMPLIANCE REVIEW, 2015

Docket No. ACR2015

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
QUESTION 16 OF CHAIRMAN'S INFORMATION REQUEST NO. 7

The United States Postal Service hereby provides its response to the above-listed question of Chairman's Information Request No. 7, issued on February 1, 2016. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

- 16.** Has the Postal Service realized all the savings from its Network Rationalization Initiative?
- a. Has the Postal Service been able to capture all the savings it projected it would realize from this initiative? If not, please explain why the full amount of projected savings has not been realized.
 - b. If the Postal Service was able to capture all of the savings it projected it would realize from the Network Rationalization Initiative, please identify the month in which it reached this milestone.

RESPONSE:

- a. No. The Network Rationalization Initiative is being implemented using a multi-phase approach in order to ease the impact of the changes to the Postal network and to allow time to respond to changing conditions. The first phase of implementation has been completed with the Postal Service realizing annualized savings of \$865M. The second phase, which began in January 2015, is still being implemented. During FY 2015, the Postal Service tracked 3 quarters of savings for this initiative. As part of this tracking, workload adjustments were applied to account for the increases experienced from the unplanned package growth and workload shift. In FY 2015, the initiative posted additional net savings in labor and parts of \$64.3M. As an offset, there was a planned increase in transportation due to Network Rationalization expected to cost the Postal Service \$124.9M annually. The actual increase in transportation costs associated with this initiative during FY 2015 was \$130.2M.
- b. Not applicable.