

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

EVOLUTIONARY NETWORK DEVELOPMENT
SERVICE CHANGES, 2006

Docket No. N2006-1

UNITED STATES POSTAL SERVICE NOTICE OF ERRATA TO RESPONSES
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-49 THROUGH 56) [ERRATA]

The United States Postal Service hereby files this notice of errata to correct its June 29, 2006, filing of responses to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-49 through 56. In the corrected responses attached hereto, the Postal Service correctly identifies the source of the interrogatories in the caption at the top of each page as the Office of the Consumer Advocate. Additionally, there were two interrogatories numbered by the OCA as OCA/USPS-54. The Postal Service has taken the liberty of designating the second of these interrogatories as OCA/USPS-54a. There are no changes in the text of the responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE
Revised: July 3, 2006**

OCA/USPS-49. Please refer to the response to APMU/USPS-T1-5(d-e).

- a. Please confirm that the RDC network including some or all of the existing BMCs will be a national network.
- b. Please confirm that the activation of the RDCs and the degree of individual BMC/RDC service area overlap causing an unknown number of changes in package service standards between 3-digit ZIP Code area pairs currently serviced by the BMC network will result in changes in postal services on a substantially nationwide basis.

RESPONSE:

- a. Yes, the RDC network will contain a number of the existing BMCs.
- b. This cannot be confirmed. If the number of RDCs that make up the future network is in the lowest part of the numerical range reflected in the Docket No. R2006-1 response to PSA/USPS-T42-1, then one could reasonably conclude that there would be very little if any change in the nature of postal services arising from RDC activation.

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OCA/USPS-50. Please refer to your response to OCA/USPS-41 that the AMP consolidations pursuant to END are expected to take at least several years to implement.

- a. Please confirm that the transition of BMCs and other facilities and the construction of new RDCs will not involve completing an AMP analysis for the RDC facility but will involve application of results from the END process and an analysis using RDC documentation currently under development.
- b. Will the RDC transitions occur only after the completion of the changes resulting from the AMP consolidations in several years? If not, what is the timetable for their implementation?

RESPONSE:

- a. Confirmed.
- b. No, the processes can and are expected to run concurrently.

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OCA/USPS-51. Please refer to the response to OCA/USPS-40 indicating “there has been no suggestion by the Postal Service that the Commission not review documents that the Commission determines to be relevant to the request in this proceeding.”

- a. Please confirm that the post-implementation review document format and procedures for AMP consolidations are relevant to the request in this proceeding?
- b. Please confirm that the RDC planning documents under development and the RDC Activation Communication Plan are not necessary to review the AMP consolidations portion of the END proposal?
- c. Please confirm that the plan to create the RDC network to include the transition of many current BMCs to RDCs is a program separate and apart from the AMP consolidation process.
- d. Please confirm that the transition to an RDC network is a program of the Postal Service for which a separate proposal will be filed pursuant to §3661 of the Postal Reorganization Act.

RESPONSE

- a. Not confirmed. The Postal Service agrees that the PIR procedures and the contents of PIR documents are relevant. The Postal Service does not necessarily agree that the format of those documents is relevant.
- b. Confirmed. One could obtain a reasonable understanding of the AMP process and its role in the Evolutionary Network Development initiative without reviewing the above-referenced RDC documents.
- c. The two processes are related components of the Evolutionary Network Development realignment initiative.
- d. See the response to OCA/USPS-49(b). Should postal management determine to establish an RDC network configuration that it believes could lead to changes in postal services that are beyond the scope of the

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RESPONSE to OCA/USPS-51 (continued):

changes implied by the AMP process and that are at least substantially nationwide in character, management will review its obligations under § 3661 and take such action as it deems to be appropriate. It is premature to conclude that RDC activation would trigger changes of such magnitude.

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OCA/USPS-52. Please refer to the response to POIR No. 3, question 7 in which reference is made to “a new software system called TOPS, which is in the process of development” to reduce excess transportation capacity and for better cubularization.

- a. Please explain more details about the TOPS development such as the timetable for development, the developer, the cost, the general method of application, to which classes of mail will it apply, whether it will be applied only outside of the END model, and whether it will be used in determining the RDC network.
- b. Will the transportation cost savings obtained by using this software be measurable?

RESPONSE:

- a-b. The Postal Service is developing TOPS, which stands for Transportation Optimization Planning and Scheduling system. It is independent from the END process and models. TOPS is currently under development for implementation in 2007. This system is being developed to optimize all mail classes. Whether it could be useful in anyway to help measure transportation cost savings remains to be seen.

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OCA/USPS-54 Please refer to the response to POIR No. 3, question 8. The response states the results of the Simulation model do not provide geographic location in the future network of RDCs, LPS and DPC. Please explain how the final location for each of these facilities is determined.

RESPONSE:

Modeling can be used to develop multiple scenarios suggesting which facilities in the current inventory could potentially serve as future RDCs, LPCs, and DPCs. As useful as modeling can be, it does not incorporate all information relevant to network redesign. It is helpful in focusing attention on the most likely feasible options, but there are factors outside the model that must be considered. As indicated at page 9 of USPS-T-1, postal management also will consider such factors as age of buildings, their proximity to airports and highways, whether the facilities are owned or leased, and the status of applicable leases. Ultimately, selection of RDC sites comes down to postal management exercising its judgment about how to improve efficiency as a part of balancing all of its obligations. As an RDC is identified for a particular service area, the AMP process can be utilized as necessary to determine which subordinate facilities that remain should serve as LPCs and DPCs.

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OCA/USPS-53. Please refer to the response to POIR No. 3, question 9 where it is stated facility-specific costs are considered by the END model as the core cost function are developed. Please explain the “core” cost functions and when they are developed.

RESPONSE:

The “core” cost functions are the direct operations for which cost estimates are developed by the Postal Service for ratemaking purposes. They are utilized as inputs into the optimization model.

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OCA/USPS-54a. Please refer to the response to POIR No. 3, question 11. The response indicates the cost model inputs to the END model include empirically estimated scale “economies” achieved in plants and/or operations. Please indicate whether those estimates of scale economies are estimates of historical economies or whether the inputs include estimates of future scale economies not yet actually realized.

RESPONSE

See the Docket No. R2005-1 testimony of witness Bozzo (USPS-T-12) in which the linear cost functions are based.

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OCA/USPS-55. Please refer to the response to POIR No. 4, question 4. Please clarify that the response indicating ZIP Code pairs are held constant when developing the future network does not mean that there have not been any changes anticipated in the service standards between ZIP Code pairs as a result of implementing the AMP consolidation process.

RESPONSE

The response refers to the fact that the simulation model accepts inputs to simulate, and will report the performance against a given service standard. The results of the simulation model will indicate the performance of the proposed network developed by the optimization model. This performance can be used to determine which service standards could be considered for adjustment.

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OCA/USPS-56. Please refer to the attached June 6, 2006 report of the Rockford Register Star of Rockford, Illinois reporting on a public hearing at the Northern Illinois University Outreach Center in Rockford on Monday June 5, 2006, about the future consolidation of the Rockford P&DC operations into the Palatine P&DC facility. The report indicates Bill Galligan, senior vice president of operations of the Postal Service, stated at the meeting that of the 11 consolidations that the Postal Service has done, service has improved or has been maintained.

- a. Please confirm that the 11 consolidations referred to were the ten consolidations listed in library references LR-N2006-1/5 and 6. If not, please explain, and list the 11 consolidation to which he referred.
- b. Please confirm that only one of those consolidations, the Marina, California P&DC, has been completed and that no post implementation report had been completed on any of those consolidations at the time of his statement. If you do not confirm, please explain.
- c. Please confirm that Mr. Galligan was basing his statements upon the AMP documentation estimating the impact on 3-Digit Zip Code pair service commitments at the facilities being consolidated and not on the actual impact of those consolidations. If you do not confirm, please explain.
- d. Please confirm that although the AMP process includes an estimation of the number of changes to the service commitments for 3-Digit ZIP Code pairs serviced by the facilities, the actual impact on service and whether it has been improved or maintained by a consolidation cannot be measured until after the consolidation has been completed and operational experience has been gained. If you do not confirm, please explain.
- e. Please confirm that the planned post implementation review will not assess the impact on service performance and thus cannot determine whether it has been improved or maintained, in part because the post implementation review does not and is not now intended to compare actual service performance before and after consolidation for any class of service. If you do not confirm, please explain.

RESPONSE

- a-c. Any such comments attributable to Mr. Galligan would have been a reference to the 11 AMP proposals implemented in 2005, and the fact that that none reflected service standard downgrades. The comments would not have been based on any post-implementation review of those AMPs. Putting aside any differences between what was said and what was

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RESPONSE TO OCA/USPS-56 (continued):

- reported, there was no intent to suggest that post-implementation review of the 11AMPs had been completed.
- d. Confirmed.
 - e. As indicated in earlier interrogatory responses, assessment of service performance is a routine, ongoing, non-AMP related function of postal management. The fact that it is not an explicit part of the AMP PIR process does not mean that management will not monitor and compare service before and after an AMP in an affected area.