

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

EVOLUTIONARY NETWORK DEVELOPMENT
SERVICE CHANGES, 2006

Docket No. N2006-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO NOTICE OF INQUIRY NO. 1
(April 4, 2006)

The United States Postal Service hereby files its comments in response to the questions raised by the Commission in Notice of Inquiry No. 1, which was issued on March 28, 2006. The Inquiry seeks comments on five questions, some of which have multiple subparts. In the pages that follow, the Postal Service repeats each question verbatim and provides its comments in response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2998, Fax -5402
michael.t.tidwell@usps.gov

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO. 1**

Question 1

Can the Commission perform the role that Congress has assigned it under 39 U.S.C. § 3661 if the evidence submitted bears primarily on the goals of network realignment and the processes by which it is implemented, and the impact on service levels and costs cannot be ascertained from that evidence?

RESPONSE

Section 3661 embodies Congress's intent that the Postal Service be given the benefit of the Commission's policy advice whenever it plans a nationwide change in the nature of postal services. Nothing in the history or scheme of the Postal Reorganization Act, however, suggests that the Commission's role in this section of the Act is to provide specific operational guidance in the management of the Postal Service, or to second-guess particular operational decisions at a level that examines comprehensively the localized cost or service effects of any planned change. On the contrary, the entire history and purpose of postal reorganization supports the goal of freeing the Postal Service to make sound business decisions independently and shielding it from the tendency of the institutions that developed prior to reorganization to deprive postal management of the freedom.

As explained in its Request and testimony, in formulating the approach under consideration in Docket No. N2006-1, the Postal Service has kept current service standard definitions constant and has outlined operational goals and processes for network realignment that could result in a significant, but unknown number of upgrades and downgrades in service between numerous 3-digit ZIP Code pairs for some mail classes.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO. 1**

Hindsight may one day inform us that, examined separately, not all of these changes for each affected mail class rise to the level intended for scrutiny under § 3661. Nevertheless, in presenting its proposals in this docket, the Postal Service has attempted to balance the need for operational flexibility and independence embodied in its authority under the Act, with the clear benefit of the Commission's guidance in light of the overall policies of the Act. These policies include the Postal Service's general responsibilities to "develop and promote adequate and efficient postal services." 39 U.S.C. § 3661(a).

In this context, the answer to this question is clearly yes. Not only will a consideration of the goals and processes described in the Postal Service's testimony enable the Commission to carry out its proper role, but those goals and processes, in some respects, delimit that role. In particular, as implemented by the Commission, § 3661 does not require that substantially nationwide service changes be predicated on an estimated cost in order for such changes to be deemed consistent with the policies of the Act. Nor is there a requirement that the Postal Service know in advance what the precise overall impact or the ZIP Code-by-ZIP Code impact of the service changes may be. It is sufficient that the Postal Service describe the nature and type of changes that can be expected to occur for affected mail classes, as those changes evolve from the operation of the processes under review. The Commission's goal should be to evaluate the reasonableness of the process from the standpoint of its policy judgment.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO. 1**

For the reasons explained by witness Pranab Shah (USPS-T-1), the Postal Service plans to reconfigure its mail processing and transportation networks. The objective of this network realignment is not to change the nature of existing postal services or the level of service provided to each mail class. However, such changes will be a consequence of network realignment.

Modification of the postal mail processing network and transportation network to conform to any particular network model is not a task that can be accomplished by the flip of a switch. All of the necessary changes cannot be implemented simultaneously. With a general network configuration goal in mind, the Postal Service has undertaken the task of beginning to examine each mail processing plant in its network, for the purpose of determining whether each has a role in the future network and what that role may be. The process of Evolutionary Network Development requires that the Postal Service regularly re-evaluate mail volume and mail mix trends and pursue the development of a network that can change more easily in response to such changes. Accordingly, the optimal network configuration is subject to constant review and change. What may today be deemed an appropriate future network role for Mail Processing Plant A, for example, may be modified in 2007 and beyond. The same is true of the overall network configuration.

As explained by witness David Williams (USPS-T-2), the Postal Service will employ its long-standing Area Mail Processing review procedures to determine the feasibility of proposed network roles for its mail processing

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO. 1**

facilities. As a part of that process, as proposed facility roles are developed, potential upgrades and downgrades in service for affected 3-digit ZIP Code pairs will be determined, based upon existing service standard definitions.

Until the Postal Service has completed the hundreds of facility-specific Area Mail Processing feasibility studies that are being planned for the next several years, it cannot be determined specifically what the geographic scope or the overall magnitude of the numerous upgrades and downgrades will be for affected 3-digit ZIP Code pairs. Because the entire mail processing network will be examined, the changes have the potential to be at least substantially nationwide in scope. Accordingly, the request in this proceeding was filed.

As is evident from that filing, the Postal Service has established no target limitation on the number or percentage of 3-digit ZIP Code pairs that could experience a service upgrade or downgrade for any mail class. It is expected that, with the exception of Express Mail, the impacts will be most pronounced for those mail classes with the shortest service standard day ranges: First-Class Mail and Priority Mail. And, insofar as Periodicals service standards overlap with First-Class Mail 1-3 day standards for certain 3-digit ZIP Code pairs, Periodicals service upgrades and downgrades can be expected to move in lock-step with those for First-Class Mail. The impact on Standard Mail and Package Services is expected to be less pronounced, given their wider ranges of service standard days. See USPS-T-1 at 13-14. The Postal Service stands prepared to provide

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO. 1**

as much further clarification as it can in response to any inquiries from the Commission and the parties.

As explained by witness David Williams (USPS-T-2), the Postal Service intends to measure potential cost impacts associated with each Area Mail Processing feasibility study. The Postal Service also plans to conduct post-implementation reviews that will, *inter alia*, compare any projected cost savings with actual savings. Regarding the issue of cost savings, therefore, the Postal Service stands in a different posture than it did in Docket No. N89-1. In the earlier docket, the Postal Service was criticized for not establishing procedures for measuring or estimating the cost effects of implementing the service standard definitional changes and the service level changes that it believed were supported by its market research. See PRC Op. N89-1 at 2 and 41.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO. 1**

Question 2

Is it appropriate for the Commission to examine the process of network realignment in sufficient detail to determine whether the outcome of network realignment might be predicted, at least on a general level? For example,

- a. Should the Commission examine the process in sufficient detail to determine the extent to which network realignment is likely to degrade overall service for certain classes of mail, or upgrade overall service for others?
- b. Should the Commission examine the process in sufficient detail to determine the general extent to which transportation or mail processing cost savings will result from network realignment?

RESPONSE

- (a) The Commission certainly should examine the process by which the Postal Service intends to make service standard changes related to its network realignment plan, in order to understand the potential impact of the proposed realignment plan on the level of service provided to affected mail classes. However, in order to judge whether service upgrades or downgrades for certain mail classes for a presumptively nationwide range of 3-digit ZIP Code pairs, based on current service standard definitions, would conform to the policies of the Act, it is not necessary to know the percentages of mail or ZIP Codes upgraded or downgraded.

The Commission's duty under § 3661 is to offer a non-binding opinion on the question of whether changes in mail service in the form of service upgrades and/or downgrades affecting certain mail classes being

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO. 1**

made for the reasons explained by the Postal Service would conform to the policies of the Act.

Within the context of § 3661, the Act requires the consideration of a variety of policy considerations. Aside from prohibitions against undue and unreasonable preferences and discrimination in § 403(c), and overriding considerations of fairness, the Act does not give any of the other pertinent factors greater weight over the others. The question before the Commission in a § 3661 proceeding is whether service changes, of the type described by the Postal Service, implemented in the manner it has set out, and made in pursuit of the objectives it has established, would be consistent with the policies of the Act.

The Postal Service's policy justification for the presumptively nationwide service changes that could result from pursuit of its Evolutionary Network Development initiative are no more or less compelling whether 1 percent or 10 percent or 100 percent of volume for any mail class is affected. Although overall cost savings are an expected consequence of the END initiative, there is no cost savings target associated with the initiative. Nor is there any specific ratio of cost to service upgrade or cost savings to service downgrade that serves as a decision-making criterion.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO.1**

- (b) There is no cost incurrence or cost savings threshold that can be inferred from § 3661 to serve as a basis for determining whether the pursuit of service changes would be consistent with the policies of the Act. Nevertheless, the Postal Service agrees that the Commission should examine the Evolutionary Network Development initiative and the Area Mail Processing review procedures in sufficient detail to confirm what the Postal Service regards to be a foregone conclusion, that it is not possible in the foreseeable future to project the extent to which transportation or mail processing cost savings will result from network realignment.

The Postal Service has no overall Evolutionary Network Development cost savings target as a goal, other than to incrementally estimate the savings that could accrue as studies are completed and approved, and then to measure its achievement of any projected savings. Even if the primary goal of the END initiative were to achieve some pre-determined financial savings target, the Postal Service considers that the Commission's responsibilities in reviewing that objective under § 3661 would be limited. Under § 3661, it is not the Commission's role to substitute its judgment for that of postal management and to declare that other operational or financial goals should be preferred.

There is no reasonable basis for attempting to project what the cumulative END-related cost savings may be. Each AMP study examines the unique circumstances of different local mail processing plants. A

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO.1**

variety of local factors contribute to operations being configured differently and generating different costs from one facility to the next. The results of one AMP study cannot be regarded as typical or representative of others, even for facilities that appear to have the same general characteristics.

If the cumulative cost savings impact of the 10 AMP studies in USPS Library Reference N2006-1/5 were, for example, \$10 million dollars, there would be no basis for assuming that a \$1 million dollar average should be assumed for all future AMP studies. There is no basis for concluding that these 10 facilities represent a cross-section of AMP candidates or that the solutions proposed for each could be obtained for similar facilities. The magnitude of the Marina CA AMP study in Library Reference N2006-1/6 cautions against making assumptions about *average* or *typical* AMP cost savings based on a very limited sample. It will take years for the numerous local AMP studies to be completed and, therefore, years to know what the expected cost savings might be. Accordingly, the Postal Service considers it a foregone conclusion that, given the incremental nature of the AMP review process and the location-specific variables that must be considered as a part of each feasibility study, a consensus will soon be reached that it cannot be estimated from the small sample of studies recently completed or currently underway what the overall transportation or mail processing cost savings impacts are likely to be.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO.1**

Question 3

In order to know whether a program involving widespread facility consolidation will be consistent with the Act, does the appropriate scope of the Commission's inquiry depend on the particular approach that the Postal Service has taken to network realignment? For example,

- a. If the Postal Service has identified a specific network configuration that it intends to use to guide its consolidation program when it begins, is it necessary or helpful for the Commission to know what that configuration is? Would this knowledge increase the Commission's ability to estimate what service and cost impacts are likely to occur?
- b. If network realignment relies on a specific set of assumptions to measure the effect of consolidation on costs, or on service levels, is it necessary or helpful to know what that set of assumptions is?
- c. If network realignment relies on a specific set of decision rules to determine when an estimated level of cost savings justifies an estimated degree of service degradation, is it necessary or helpful to know what those decision rules are?

RESPONSE

- (a) The Postal Service agrees that, in order for the Commission to fulfill its limited advisory role under § 3661, it is certainly helpful for the Commission, without getting bogged down by local Zip Code-by-ZIP Code minutiae, to develop an understanding of the Postal Service's approach to network realignment and its objectives.

Figure 3 at page 12 of USPS-T-1 depicts the facility types that are expected to populate the future mail processing network. The specific location of all of the facility types identified in Figure 3 of USPS-T-1 is still being determined, and is subject to change as the Postal

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO.1**

Service continues to assess its future needs based upon volume trends, mail mix changes, and the outcomes of numerous facility-specific operational consolidation feasibility studies, such as those reflected in USPS Library Reference N2006-1/5. In his March 30, 2006, response to OCA/USPS-T1-12(d), witness Shah has revealed the Postal Service's intention to establish approximately 70 of the Regional Distribution Centers depicted in Figure 3. The city area locations for all of these RDCs have yet to be determined. When such information is ready to be publicly disclosed, the Postal Service will make such disclosure after fulfilling its obligations to first share such information with collective bargaining and employee association representatives.

However, even if the Postal Service were able to reveal today the potential locations of all of the RDCs and all of the subordinate or otherwise related facilities in the future network depicted in Figure 3 of USPS-T-1, that information would not increase the Postal Service's or the Commission's ability, anytime in the foreseeable future, to estimate what cumulative service and cost impacts are likely to occur as a result of the Evolutionary Network Development initiative. Only through facility-specific feasibility analysis -- which is currently underway, and which can only be conducted incrementally on a facility-by-facility basis over the next several years -- can the Postal Service and, in turn, the Commission know what the cumulative service changes and cost savings are likely to be.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO.1**

In this regard, the Postal Service is in a position similar to Docket No. N89-1. In that earlier docket, the Postal Service established a goal of changing First-Class Mail service standards, on the basis of changes in the service standard definitions and conclusions drawn from market research. The changes were to be implemented in two successive phases, each of which would take more than a year to implement. In that case, all that the Postal Service was able to provide to the Commission were estimates of ranges of the percentage of First-Class Mail volume that might be affected. See, Docket No. C2001-3, USPS Response to DBP/USPS-26(f) (December 3, 2001). Operational changes were expected to result from the proposed Docket No. N89-1 service level changes, as were cost savings, although the latter was not a goal of the program. No cost savings were projected and no process for measuring any cost savings was established. See PRC Op. N89-1 at 2, 41.

In comparison, Docket No. N2006-1 involves service upgrades and downgrades that are expected as a consequence of incremental operational changes that will take years to implement from start to finish. Cost savings are expected, and procedures are in place for estimating the cost savings associated with each incremental operational change.

In the current docket, there is no reliable basis for assuming that the cumulative service and cost impacts reflected in the 10 AMP feasibility

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO.1**

studies in USPS Library Reference N2006-1/5 (or even including the Marina CA feasibility study in USPS Library Reference N2006-1/6) are representative of what will result from the next 10 or the next 100 AMP feasibility studies – either in terms of service or cost impacts.

- (b) If the Postal Service's network realignment plan were premised upon a specific or even a general set of assumptions to measure the effect of consolidation on costs, or on service levels, the Postal Service agrees that it would be helpful for the Commission to know what that set of assumptions is.

The Postal Service has established no such assumptions or targets as a premise for its Evolutionary Network Development initiative. The Postal Service is pursuing consolidation and realignment primarily for the purpose of eliminating redundant class-based mail processing operations and overlapping, class-based transportation arrangements. Given current service standard definitions, operational consolidation will lead to some service standard changes. It is to be expected that some cost savings should result from the pursuit of increased efficiency. However, no overall systemwide or per-consolidation cost savings assumption or target has been established. The Postal Service will use the AMP review procedures to, *inter alia*, develop estimates of potential cost savings and

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO.1**

the AMP post-implementation review procedures to measure the achievement of such savings.

- (c) The Postal Service agrees that, if its network realignment plan relied on a specific set of decision rules to determine when an estimated level of cost savings justified an estimated degree of service degradation, it would be helpful for the Commission to know what those decision rules were. Neither the objectives of Evolutionary Network Development nor the Area Mail Processing review procedures include any cost-based decision rules for use in determining whether proposed service upgrades or downgrades are justifiable.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO.1**

Question 4

In performing its evaluation of the goals of the Postal Service's network realignment program and the processes by which those goals are implemented, what aspects of the process should the Commission consider?

- a. With respect to the AMP process, should the Commission evaluate
 - (i) the plausibility of the assumptions used?
 - (ii) the objectivity of the decision rules?
 - (iii) the quality of the data and the accuracy of the methods by which service and cost impacts are measured?
 - (iv) the accuracy of this process in predicting the impacts of consolidations that have already been implemented?

- b. With respect to the END model,
 - (i) Is it necessary or helpful to know how it identifies an optimal network configuration, what alternatives have been considered, and what constraints are built into the model?
 - (ii) Is it necessary or helpful to know how it simulates the impact of changes in the existing network?
 - (iii) Do the Postal Service witnesses rely sufficiently on the END analysis to obligate the Postal Service to comply with the Commission's rules of practice concerning computer analyses?¹

¹ See 39 CFR § 3001.31(k)(3). That rule requires that computer analyses that support record evidence be sufficient to replicate and validate the computer program used. Requirements include "a general description of the program that includes the objectives of the program, the processing tasks performed, the methods and procedures employed, and a listing of the input and output data and source codes (or a showing ... as to why such codes cannot be so furnished)"

RESPONSE

- (a) (i)-(iii) Yes.

- (iv) The AMP review process is not used to predict outcomes, but to establish operational changes to be implemented, with the expectation that certain identified operational and related efficiency goals

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO.1**

can be achieved. The AMP post-implementation review process is then used to measure the degree to which the goals of a particular consolidation proposal have been achieved. Assuming the goals are valid and achievable, local management and employee commitment to the goals of an AMP decision play a role in the degree of success achieved. The validity of any post-implementation review designed to measure the impact of an AMP decision depends on the degree to which AMP changes can be isolated from other routine operational changes that may occur at the local level.

The Postal Service would not object to an attempt by the Commission to assess, *a priori*, the reasonableness of the AMP review procedures, including the provisions for post-implementation review process, as described and illustrated by the AMP Guidelines in USPS Handbook PO-408, USPS Library Reference N2006-1/3. Given the relatively limited purpose review under § 3661, however, it would be unrealistic to expect that the Commission could or should ascertain the “accuracy” of the AMP process with respect to any particular operational change. As noted, the effects of the changes could be difficult to measure within the reasonable time frame contemplated under § 3661. Furthermore, § 3661 was not enacted for the purpose of establishing any process for ongoing Commission oversight of postal management decision-making.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO.1**

(b)(i)-(ii) Such information may be helpful without being necessary.

(iii) No.

The END optimization model is employed by the Postal Service to design its future network configuration. It is impossible to discuss the service standard changes that trigger the Postal Service's § 3661 obligation to seek an advisory opinion in this docket without acknowledging that those changes are a consequence of network design decisions suggested by the optimization model. However, it should be emphasized that the optimization model is not used to propose service standard changes or to make service standard change decisions. In fact, as a part of the network redesign process, the model holds current 3-digit ZIP Code pair service levels constant. Proposals and decisions to change service standards for particular 3-digit ZIP Code pairs are made as part of the AMP review process. As should now be self-evident, while the AMP review process seeks to implement the objectives of the optimization model, it does not constitute computer analysis to which Rule 31(k)(3) applies. The testimony of witness Pranab Shah (USPS-T-1) provides a summary description of the optimization model, but does not include END model computer analysis in support of the Postal Service's Request.

Furthermore, the Postal Service does not rely on simulation model outputs as inputs in the AMP feasibility studies. The Postal Service has

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO.1**

not asked the Commission to review and evaluate the specific results of any local change subjected to the AMP review process. Library References N2006-1/5 and N2006-1/6 have been provided to illustrate how the process is expected to be applied. As part of the interactive and iterative process of conferring with counterparts at the local/District and Area Office level to identify an operational consolidation proposal to subject to the AMP review process, postal Headquarters uses simulation model outputs to minimize the selection of consolidation proposals for study that are likely to be infeasible. Simulation results are not relied upon as support for the actual feasibility studies conducted under the AMP process that provide a basis for consolidation determinations. Simulation modeling outputs are not inputs into and do not bias the outcome of the AMP review process.

The Postal Service disputes any assertion that it has offered END model computer analysis into evidence or is relying in any material way on such information as support for other evidence. Accordingly, the Postal Service does not consider that it is required to provide the materials identified by Rule 31(k)(3) for either the optimization or the simulation model.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO.1**

Nevertheless, subject to certain limitations identified below, at least a week before the April 28, 2006, END model technical conference scheduled for April 28, 2006 (about which the Postal Service gave notice on March 31, 2006), the Postal Service expects to file a detailed description of each model based upon the criteria of Rule 31(k)(3). As will become evident from that description, the END models rely upon some data inputs that are not only voluminous in nature, but which the Postal Service also considers to be commercially sensitive and privileged. An example is Origin-Destination Information System (ODIS) mail volume data for specific mail classes disaggregated to show volumes in transit between specific 3-digit ZIP Code pairs. In addition, not only do the models employ software obtained for use by the Postal Service through license, they also contain software developed exclusively for the Postal Service. The Postal Service considers some of the algorithms and software programs to be proprietary and commercially valuable and is currently pursuing copyright protection.

The Postal Service expects that the detailed descriptions of the models that it is preparing and the technical conferences that will follow will be very informative. In a manner that affords the necessary protection to the ongoing pre-decisional aspects of the network redesign process, the written descriptions and the technical conference should provide a clear understanding of the workings of each model and their relationship

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO.1**

to the AMP process through which changes in the service standards applicable to specific 3-digit ZIP Code pairs are proposed and determined.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO.1**

Question 5

In evaluating changes in service levels, should the Commission look only at changes in days to delivery for 3-digit ZIP Code pairs, or should it consider related changes such as cut-off times for depositing mail, and changes in delivery times, that might result?

RESPONSE

The Postal Service takes this opportunity to emphasize that change in local mail deposit cut-off times is not an explicit or implicit objective of the Evolutionary Network Development. However, on a local case-by-case basis, proposals for such changes can be a consequence of the balancing of the myriad factors that determine how mail must flow from origin to destination if certain delivery standards, particularly overnight standards, are expected to be met.

Other than standard operating policy regarding the evaluation of collection box pick-up times, the Postal Service has no mail processing policy related to Evolutionary Network Development regarding collection mail pick-up. Bulk mail acceptance cut-off times must be aligned with each facility's local operating plan to ensure that mail is available for processing before the Critical Entry Time of the operation that will process the mail. The Postal Service considers it appropriate for the Commission to evaluate whether it is an objective or an expected consequence of the Evolutionary Network Development initiative for the Postal Service, during the Area Mail Processing feasibility study process, to consider local changes in collection box pick-up times and retail/bulk mail window drop-off times which, if implemented, could be substantially nationwide in scope on a cumulative basis. And the Postal Service considers it appropriate for the

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO.1**

Commission and the parties to seek to consider any constraints or criteria the Postal Service will apply in deciding whether to implement any such cut-off changes. The Postal Service has no basis upon which to quantify the potential scope of any such changes, other than to express its expectation that they will be uncommon and sporadic, not rising to a level that would satisfy any definition of “substantially nationwide” in scope.

It should be clear that a significant component of the Evolutionary Network Development initiative will be the consolidation of some originating mail processing operations. Mail that is currently canceled in Plant A may, after an operational consolidation, be canceled in nearby Plant B, along with mail originating in Plant B’s service area. In order to ensure that mail originating in Plant A’s service area that has an overnight service standard can retain that level of service, available processing windows at Plant B must be considered, in conjunction with transportation between Plants A and B. During the AMP feasibility study process, options are examined. When must collection mail or retail/bulk window mail aggregated at Plant A be transported to Plant B for originating processing? When must that mail be transported back to Plant A in order to meet the applicable overnight delivery standard? What are the costs and pros and cons of different options? These pre-decisional considerations are part of the matrix of variables considered in the AMP feasibility study process.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO.1**

Only in a non-existent perfect world can all of the consequences of all such decisions to all customers be either positive or neutral.¹

In connection with its Evolutionary Network Development initiative in this proceeding, the Postal Service proposes no changes in the range of service standard days for any mail class. Nor does the Postal Service propose any change in the number of days per week on which customers receive mail delivery or retail/bulk mail window service, or the times of day during which access to such services is available.

With the exception of Express Mail, time of delivery each day is not a defining element of any postal service. Thus, generally, a postal customer's expectation is that the mail will be delivered by a specified delivery day, not by a specific time on that expected delivery day. There is no END-related national directive to change carrier delivery times or any expectation that changes in the location of some existing "back of the house" mail processing operations will permanently affect when carriers hit the street Monday through Saturday.

Changes in the time of day that a carrier delivers mail to specific addresses result from a variety of factors on a regular basis: fluctuations in mail volume for a particular destinating plant, station or route, weather impacts on transportation of mail between plants or from plants to carrier stations, implementation of carrier route adjustments, installation of new sorting equipment

¹ In only one of the 10 AMP operational consolidation feasibility studies in USPS Library Reference N2006-1/5 did this become a factor in the final decision – Olympia. In that case, it was determined to move the collection time for 161 of 738 boxes in Olympia from 5:00p.m. to 4:00p.m.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
DOCKET NO. N2006-1 NOTICE OF INQUIRY NO.1**

or sort schemes, routine changes in transportation. Some of these impacts on local delivery may be transitory or permanent. It is not outside the realm of possibility that implementation of all of the elements of some END-related local operational consolidations may -- whether or not in accordance with local operational plans -- cause mail to arrive at some carrier stations later in the early morning hours than before, causing some carriers to “hit the street” later in the day than has been the local custom, causing some customers to receive that day’s mail later in the day than they have ordinarily come to expect. Accordingly, the Postal Service does not regard local fluctuations to constitute changes in postal service within the scope of § 3661 or this proceeding.

Where time of day by which mail is delivered is not a specific element of the service offering, the Postal Service does not regard random local changes in the time of day by which some customers receive their mail to constitute a change in service within the scope of the Commission’s § 3661 review jurisdiction.²

² Any more than the national implementation of postal delivery point sequencing of mail – which that causes a reduction in carrier in-office time and results in carriers making deliveries earlier in the day -- constitutes a change in service under § 3661.