

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners: George Omas, Chairman;
 Tony Hammond, Vice Chairman;
 Ruth Y. Goldway; and
 Dawn A. Tisdale

Evolutionary Network Development
Service Changes

Docket No. N2006-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

(Issued April 4, 2006)

The United States Postal Service is requested to provide the information described below to assist in developing a record for the consideration of the Postal Service's request for an advisory opinion. In order to facilitate inclusion of the required material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers at our hearing. The answers are to be provided within 14 days.

1. This question concerns what role changes in service performance plays in the END models.
 - a. Is service performance considered in the optimization model?
 - i. If so, how is it measured?
 - ii. Is it a variable, a constraint, or an output?
 - iii. If it is a constraint, under what circumstances can it be relaxed?
 - iv. What weight is given to service performance in the optimization model?

- b. Is service performance considered in the simulation model?
 - i. If so, how is it measured?
 - ii. Is it a variable, a constraint, or an output?
 - iii. If it is a constraint, under what circumstances can it be relaxed?
 - iv. What weight is given to service performance in the simulation model?

- 2. This question concerns how and when consideration of critical entry times enters into the END models.
 - a. Are critical entry times considered in the optimization model?
 - i. If so, are they variables, constraints, or output?
 - ii. If they are constraints, when can they be relaxed?
 - iii. What weight is given to critical entry times in the optimization model?

 - b. Are critical entry times considered in the simulation model?
 - i. If so, are they variables, constraints, or output?
 - ii. If they are constraints, when can they be relaxed?
 - iii. What weight is given to critical entry times in the simulation model?

- 3. This question seeks clarification on how service standards are considered in the AMP process.
 - a. Are upgrades and downgrades in service standards considered in the aggregate or by ZIP Code pair? For example, if 20,000 pieces in each of two ZIP Code pairs get a downgrade in service and 50,000 pieces in one ZIP Code pair get an upgrade in service, would this result be considered an upgrade or downgrade in service for the AMP as a whole? Please explain fully.

- b. During each stage of the AMP review (i.e., facility level, district level, and headquarters level) what weight is given to service performance changes in deciding whether to approve or reject an AMP? Please explain fully.
 - c. Are specific guidelines used consistently across all AMPs that balance expected changes in service performance against the dollar amount saved? For example, a degradation in service for X number of pieces is acceptable as long as Y amount of dollars are saved.
 - d. How are changes in the time the mail gets to the delivery unit arising from consolidating mail facilities considered in the AMP process?
 - e. How are changes in cut-off times and critical dispatch times considered in the AMP process?
4. The following discussion is taken from a report to The President's Commission on The United States Postal Service.¹

Data Requirements

In order to develop a Logistics Network Optimization Model for the USPS, a significant amount of data and understanding of the current postal delivery system is necessary. The following type of data is needed by Distribution Center:

- 1. Cost, revenue, and volume data by 3-digit zip code
- 2. Distribution Center Capacity data such as:
 - a. Number and volume of trucks presenting in-bound mail to each center
 - b. Tons of mail in-bound to the center
 - c. Center capacity of mail sorting equipment
 - d. Size of population serviced by each center
 - e. Volume of mail per unit of population serviced by each center
 - f. Number of employees assigned to each center

¹ *Analysis of the Postal Service's Logistics Network and Development of a Network Optimization Model*, presented by Advanced Systems, AT&T Government Solutions, Vienna Virginia, August 2003.

3. Inter-distribution center mail flow information:
 - a. Distance in miles between centers
 - b. Ton-miles of mail arriving from other centers
 - c. Cost per ton-mile for moving mail to each zip code serviced

 4. Detailed variable cost data by center
 - a. Postmasters
 - b. Supervisors & Technicians
 - c. Clerks & Mail handlers
 - d. City Delivery Carriers
 - e. Etc.

 5. Fixed cost data by center
 - a. Facility costs
 - b. Utilities overhead
 - c. Depreciation of truck fleet
 - d. Depreciation of other capital equipment
- a. Please discuss in detail how the data inputs into the END optimization model either differ or are the same as the inputs above.
 - b. Please provide any documentation, such as a model requirements report, related to data requirements for the END models.

Dawn A. Tisdale
Presiding Officer