

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

EVOLUTIONARY NETWORK DEVELOPMENT)
SERVICE CHANGES)

Docket No. N2006-1

VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS' ASSOCIATION, INC.
SECOND INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE
WITNESS PRANAB M. SHAH (VP/USPS-T1-6-15)
(April 11, 2006)

Pursuant to sections 25 and 26 of the Postal Rate Commission rules of practice, Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc. hereby submit interrogatories and document production requests. If necessary, please redirect any interrogatory and/or request to a more appropriate Postal Service witness.

Respectfully submitted,

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VP/USPS-T1-6.

Please refer to your testimony at page 13, lines 3-4, where you discuss “the preservation of current service standard definitions.”

- a. Please define the following service-related terms as they are currently used by the Postal Service and, if they are not synonymous, explain all critical differences between them:
 - i. **service standard**
 - ii. **service commitment**
 - iii. **service guarantee**
 - iv. **service objectives** (*see* DMM Section 243.3.1.1)
- b. Please identify and define any other service-related term currently used by the Postal Service.
- c. Please identify which of the above service-related terms are explicitly incorporated in (i) the END optimization models, and (ii) the END simulation models discussed in your testimony.

VP/USPS-T1-7.

- a. Your testimony, at page 4, lines 6-8, notes that “the volume of Standard Mail now exceeds First-Class Mail and the proportion of mail drop shipped into the postal network in downstream locations continues to increase.” Please explain the extent to which any of the END models mentioned in your testimony explicitly incorporate the volume, flows and service attributes of Standard Mail.

- b. Please identify how each of the following service-related terms apply to Standard Mail. That is, please identify and explain all critical differences between the following service attributes as they apply to Standard Mail, and identify which terms are explicitly incorporated in (i) the END optimization models, and (ii) the END simulation models discussed in your testimony.
- i. **service standard**
 - ii. **service commitment**
 - iii. **service guarantee**
 - iv. **service objectives** (*see* DMM Section 243.3.1.1)
 - v. any other service-related term identified in response to VP/USPS-T1-6(b).

VP/USPS-T1-8.

Please assume that the Postal Service encountered a problem (*e.g.*, a strike or work stoppage) obtaining regular ocean transport of Standard Mail to Hawaii or Alaska.

- a. Please explain how **service standards, service commitments, service guarantees, or service objectives** work with respect to Standard Mail in this hypothetical situation.
- b. Do the Postal Service's **service standards, service commitments, service guarantees, or service objectives** for Standard Mail require that alternative methods of transportation (*e.g.*, by air to Hawaii, or by air or truck to Alaska) be used in order to meet any of these standards, or may Standard Mail be

warehoused, for example, in California or Washington without a constraint imposed by any service requirement until regular ocean transport resumes?

- c. Are Alaska and Hawaii included in the END optimization models or the END simulation models mentioned in your testimony, or do those models focus exclusively on “the lower 48”?
- d. Do any of the END optimization models or the END simulation models mentioned in your testimony make any provision for alternative network capacity for transporting Standard Mail in the event of work stoppages that affect ocean transport of mail to Alaska and Hawaii? Please explain.

VP/USPS-T1-9.

- a. Please confirm that the Postal Service’s **former** *Glossary of Postal Terms* (dated January 1981) defines **service standards** as “Commitments on dependability and timeliness of mail service that the public can expect for each class of mail.”
- b. Please confirm that the Postal Service’s **current** *Glossary of Postal Terms* (<http://www.usps.com/cpim/ftp/pubs/pub32.pdf>) defines **service standard** as “A stated goal for service achievement for each mail class.”
- c. Please explain (i) the difference between the two definitions set out in preceding parts a and b, and (ii) how the current definition applies to (or is used in) the END models and the AMP process with respect to First-Class and Standard Mail. In particular, please explain whether service standards for First-Class and

Standard mail are incorporated in the objective functions, or included in the models as variables or constraints.

VP/USPS-T1-10.

- a. Please confirm that the Postal Reorganization Act of 1970, as amended, provides no **service standard, service commitment, service guarantee, service objective,** or any other service-related term with respect to Standard Mail. If you do not confirm, please explain.
- b. Please confirm that the Domestic Mail Classification Schedule (“DMCS”) contains no discussion of **service standards, service commitments, service guarantees, service objectives,** or any other service related-term for Standard Mail. If you do not confirm, please explain.
- c. Please confirm that the only reference to service regarding Standard Mail in the DMCS is Section 352, which provides that “Standard Mail may receive deferred service.” If you do not confirm, please provide citations to all other DMCS references to service for Standard Mail. If you do not confirm, please explain.
- d. Please confirm that with respect to Standard Mail the DMM is completely silent with respect to the existence of **service standards and service commitments.** If you do not confirm, please explain.
- e. Please state whether any of the END models mentioned in your testimony incorporate any explicit **service standards or service commitments** for

Standard Mail. If so, please indicate whether they are incorporated in the objective function or elsewhere, as constraints.

- f. Unless your answer to preceding part e is to the effect that the END models make no explicit provision of any kind for **service standards** or **service commitments** for Standard Mail, please explain the source of any service standards or service commitments for Standard Mail that are included in any of the END models mentioned in your testimony.

VP/USPS-T1-11.

- a. Please confirm that the only **service guarantee** offered by the Postal Service is for Express Mail, which promises a refund for pieces not delivered by the day and time guaranteed. If you do not confirm, please explain.
- b. Do any of the END optimization models or the END simulation models mentioned in your testimony make any explicit provision that takes into account the **service guarantee** offered to Express Mail? Please explain.
- c. Does the AMP process explicitly take into account the **service guarantee** offered to Express Mail? Please explain.

VP/USPS-T1-12.

- a. Please confirm that a previous version of the DMM in a section called **service objectives**, denied the existence of any **service guarantee** for Standard Mail.

The USPS does **not guarantee** the delivery of Standard Mail within a specified time. Standard Mail might receive deferred service. Local postmasters can provide more information. [DMM, Edition 58, August 10, 2003, Section D600.1.0.]

- b. Please confirm that the current DMM, in a section called **service objectives**, denies the existence of any **service guarantee** for Standard Mail.

Standard Mail may receive deferred handling. **Service objectives** for delivery are 2 to 9 days; however, delivery time is **not guaranteed**. [DMM, January 6, 2005, Section 243.3.1.1 (emphasis added)]

- c. Please explain the intention and effect of the change to the language now in DMM Section 243.3.1.1, from the previous version.
- d. What sort of service-related information did or will local postmasters provide mailers about Standard Mail service, if they are asked?

VP/USPS-T1-13.

- a. Please confirm that the last published edition of the National 5-Digit ZIP Code and Post Office Directory contains a one-page chart labeled “United States Postal Service SERVICE COMMITMENTS.”
- b. (i) Please state whether any of the service commitments indicated in the chart identified in part a currently are operative.

- (ii) Please identify which of the service commitments for the various classes of mail are included either in the END optimization models or the END simulation models mentioned in your testimony.
- c. Please indicate the most recent publication date of the Postal Service's National 5-Digit ZIP Code and Post Office Directory.
- d. Please confirm that the chart identified in part a indicates that the Postal Service has a "service commitment" to deliver Third-Class Mail (now referred to as Standard Mail) between the second and tenth day after acceptance.
- e. With respect to Third-Class Mail (*i.e.*, Standard Mail), (i) please confirm that the chart referred to in part a indicates in the "Notes" section that "Mail entered at the Destination P&DC has a 2 & 3 day commitment," and (ii) please explain whether and how this commitment may change as a result of the network realignment discussed in your testimony.
- f. Please confirm that the only discussion of **service commitments** for Standard Mail or for any class or subclass of mail in any Postal Service publication is in the National 5-Digit ZIP Code and Post Office Directory. If you do not confirm, please identify the other Postal Service publications where such a discussion can be found.
- g. (i) To what extent is the END optimization and simulation models, as well as the AMP process, constrained to honor the above-discussed **service commitments** for each class of mail, and to what extent are they allowed to recommend changes that systematically might alter those **service**

commitments or cause some mail to fail to achieve those **service commitments**?

- (ii) To what extent is cost minimization from network realignment being elevated over service commitments? Please explain.

VP/USPS-T1-14.

- a. Please confirm that Subpart B of the Commission rules which are applicable to requests for changes in rates or fees requires the Postal Service to identify “**any performance goals** which have been established for the classes and subclasses of mail.” Rule 54(n)(1) (emphasis added).

The Request must identify the **achieved levels of service** for those classes and subclasses of mail and mail services for which performance goals have been set. [Rule 54(n)(2) (emphasis added)]

- b. Please confirm that, in fulfillment of the requirement in part a, the Postal Service has consistently submitted as part of its request in omnibus rate case filings a chart entitled “United States Postal Service – **Service Standards**” that indicates a two- and three-day service standard for third-class or Standard Mail entered at Destination P&DC. (Emphasis added.) (See, *e.g.*, Rule 54(n) filings from Postal Service Requests in Docket Nos. R2000-1, R2001-1, and R2005-1.)
- c. Please confirm that the charts described in part b are virtually identical to those set forth in the National ZIP Code Directory, except that, since the Postal Service’s Rule 54(n) filings are required to identify “achieved levels of service,”

they add language indicating that “achieved levels of performance are shown in the Origin-Destination Information System (ODIS) Quarterly Statistics Reports....”

- d. Please explain how ODIS measures achieved level of service for Standard Mail. In particular, how does ODIS know when pieces of Standard Mail were entered?

VP/USPS-T1-15.

- a. Please identify and discuss all current methods by which the Postal Service measures service performance for Standard Mail.
- b. Please identify and discuss all plans for any new measurements of performance for Standard Mail.
- c. Please suppose that network redesign — *e.g.*, consolidation and realignment — results in degradation of service actually received by Standard Mail. Please explain how any performance measurement system that is either now in existence or contemplated for Standard Mail can be used to ascertain whether realignment changes in the postal network have improved or downgraded service. If the Postal Service does not have a credible performance measurement system for Standard Mail, how can mailers be assured that network realignment in fact is producing the “promised” or “expected” results? Does the Postal Service have any plans to use performance measurement as a means for providing accountability that network changes, after they are implemented, are giving expected results?