

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

EVOLUTIONARY NETWORK DEVELOPMENT  
SERVICE CHANGES, 2006

Docket No. N2006-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO ASSOCIATION OF PRIORITY MAIL USERS INTERROGATORIES  
(APMU/USPS-T1-1 AND 2)  
(April 25, 2006)

The United States Postal Service hereby submits the responses of witness Shahs to the following interrogatories of the Association of Priority Mail Users, filed on March 31, 2006: APMU/USPS-T1-1 and 2.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux  
Chief Counsel, Ratemaking

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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 UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF APMU**

**APMU/USPS-T1-1.** Please refer to page 14, lines 2-3 of your testimony where you state that “the Postal Service expects that service changes are likely to be most pronounced for First-Class Mail and Priority Mail.”

a. Please explain why the Postal Service expects First-Class Mail and Priority Mail to experience the most pronounced service changes from the contemplated network realignment.

b. On the basis of all experience the Postal Service has had to date with its END models and the AMP process (e.g., as with the 10 modifications in LR-N2006-1/5), please state whether the preponderance service changes will be service improvements or service downgrades. In your response, please treat all earlier cut-off times for meeting existing service standards for Priority Mail as a service downgrade.

**RESPONSE:**

- a. This statement is based on the likelihood that most AMPs will occur between facilities that are relatively close proximity to one another. Zone-based products will generally experience less pronounced changes, since the service standards for these products are distance-based. The changes that do occur will typically involve destination SCFs that happen to be located on the fringes of two different zones. In most cases, we would expect to see a balance between upgraded SCFs and downgraded SCFs because some SCFs will be closer to the gaining facility than they are to the losing facility.
- Service standards for Package Services mail are based on BMC area boundaries. It is safe to assume that most AMPs will not result in BMC service area changes. Accordingly, it is not expected that there will be many changes here either.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF APMU**

**RESPONSE to APMU/USPS-T1-1 (continued):**

Changes in overnight area affecting Priority Mail, First-Class Mail, and local area Periodicals can be expected to be most pronounced. However, it is impossible to predict the magnitude since it cannot be predicted which AMP proposals will be developed by the field.

Deviations from these general expectations will no doubt occur in certain instances.

- b. END modeling cannot be used to predict whether the preponderance of 3-digit ZIP Code pair service changes that result from Area Mail Processing decisions will be upgrades or downgrades. Nor can it be used to determine whether decisions will be made to adjust cut-off times. I am informed that the 10 AMP decisions in Library Reference N2006-1/5, which only involve consolidations of originating operations that have no adverse service standard impacts, should not be regarded as a representative of the range of systemwide impacts.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF APMU**

**APMU/USPS-T1-2.**

- a. Please confirm that all Priority Mail currently has a service standard of either overnight, 2-days, or 3-days. If you do not confirm, please explain what other service standard exists.
- b. Please confirm that, after any service changes in the existing network contemplated by the Postal Service have been implemented, all Priority Mail will have a service standard of either overnight, 2-days, or 3-day s, and that none will be 4-days or more. If you do not confirm, please explain.
- c. Will the Priority Mail service changes contemplated by the Postal Service in its network realignment have any effect in either increasing or reducing the “tail of the mail” with respect to Priority Mail that is not delivered within the stated service standard? That is, will the cumulative effect of the network changes discussed in your testimony have the predictable result of increased consistency in the delivery of Priority Mail? Please explain.
- d. Will the Priority Mail service changes contemplated by the Postal Service have any effect in either increasing or reducing attributable costs for Priority Mail (e.g., mail processing, transportation, delivery)? Please explain.
- e. Will greater emphasis on shape-based processing result in Priority Mail flats being processed with (i) First-Class flats, or (ii) Periodicals, or (iii) Standard flats? If so, how will the Postal Service prevent degradation of expedited service that Priority Mail flats are supposed to receive?
- f. Will greater emphasis on shape-based processing result in parcel-shaped Priority Mail flats being processed with (i) First-Class parcels, (ii) Periodicals, (iii) bundles of Standard Mail, and/or (iv) other parcels? If so, how will the Postal Service prevent degradation of the expedited service that parcel-shaped Priority Mail is supposed to receive?
- g. Please explain the extent to which the Postal Service contemplates maintenance of separate handling and a separate “network” for expedited items, as well as the extent to which the Postal Service contemplates merging expedited mail (Express Mail and Priority Mail) with items of the same shape from other classes of mail.
- h. Do either the END optimization models or the END simulation models make explicit provision for handling and transportation required to meet the service standards of expedited mail (i.e., Express Mail and Priority Mail)? Please explain.

**RESPONSE:**

- a. Confirmed.
- b. Confirmed.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF APMU**

**RESPONSE to APMU/USPS-T1-2 (continued):**

- c. After network changes are assimilated among all affected plants, it is expected that there will be an increase in the overall consistency of mail processing and delivery due to consolidation over a larger geography. This should result in a shorter service performance “tail”.
- d. Our intention is for these changes to reduce costs within mail processing and transportation. The economies will generally result from greater efficiencies associated with the consolidation of mail processing facilities and elimination of redundancies within the transportation network. It is beyond the scope of my expertise and my testimony how such costs may be classified for ratemaking or other purposes.
- e. The merging of like-shaped products will mostly occur downstream from the destination processing facilities, a point after which the service standards can be considered essentially the same for all mail, except Express Mail which has specific time of day delivery targets. The extent to which other opportunities may be identified as network implementation occurs, these opportunities will be evaluated based on their capability to support the service standards of the class of mail with the more expedited standards involved in the merged mail flow.
- f. The concept of a parcel-shaped flat in this question is not clear. Please see the response to subpart (e).
- g. Please see the response to subpart (e).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF APMU**

**RESPONSE to APMU/USPS-T1-2 (continued):**

- h. Yes, expedited products are processed separately at origin and transported and processed at destination to meet existing service standards.