

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 VALPAK INTERROGATORIES (VP/USPS-T1-6 THROUGH 13, 14(d) and 15)
(April 25, 2006)

The United States Postal Service hereby submits the response of witness Shah to the following interrogatories of Valpak, filed on April March 23, 2006: VP/USPS-T1-6 through 13, 14(d), and 15. The interrogatories are stated verbatim and followed by the responses. Objections were filed to subparts (a-c) of VP/USPS-T1-14 on April 18, 2006.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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

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.

RESPONSE:

(a)(i) Please review the definition of “service standard” already provided in USPS Library Reference N2006-1/1, at (hard copy) page 107.

(ii) In light of PRC Op. C98-1, postal policy is to regard those “service standards” with service guarantees as “service commitments.”

(iii) A “service guarantee” is an explicit promise to refund postage in the event of a failure to meet an applicable service commitment.

(iv) As is the case in the referenced DMM section, the term “service objective” is a commonly used synonym for “service standard.”

(b) Other terms that are commonly used in lieu of “service standards” include: “service expectations” and “delivery standards.” There is no postal catalogue listing every commonly used synonym. Notwithstanding the response to subpart (a)(ii), many postal employees find it difficult to break

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

RESPONSE to VP/USPS-T1-6 (continued):

the habit of using such terms as “delivery commitments” or “service commitments” in reference mail classes other than Express Mail.

(c) Service standards.

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

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).

RESPONSE:

(a) The latest RPW volume for each class is used within the models along with the latest billing determinants and mail characteristic studies which describe where and at what preparation level mail is entered into the network.

(b) See the response to VP/USPS-T1-6.

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

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.

RESPONSE:

- (a) The service standards would not change under these circumstances.

However, depending on the expected duration of such a strike, it is possible we would attempt to discuss alternatives at the time of acceptance.
- (b) There are currently no such requirements, but we would expect that the disposition of such mail would be discussed with our customers.
- (c) Yes, they are modeled.
- (d) No.

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

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.

RESPONSE:

- (a) Confirmed.
- (b) Confirmed. See USPS Library Reference N2006-1/1, at (hard copy) page 107.
- (c)(i) The latter is current. The former is obsolete.
- (ii) The END models use service standards as a constraint against which the model evaluates a given network's performance.

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

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.

RESPONSE:

- (a-c) I am informed that this is the case.
- (d) Not confirmed. I am informed that, while it does not use the highlighted terms, DMM section 243.3.1.1 references “service standards” by use of the common synonym “service objectives.”

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

RESPONSE to VP/USPS-T1-10 (continued):

- (e-f) Yes, the END Model uses the service standards for all mail classes, as published in the USPS Service Standards CD-ROM. A copy of the FY 2006 Q1 CD-ROM was filed as USPS Library Reference N2006-1/2.

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

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.

RESPONSE:

- (a) Confirmed
- (b) No, the network redesign should have no impact on Express Mail operations.
- (c) The AMP process assumes there will be no changes to Express Mail; i.e. that it will still be handled as it was previously.

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

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?

RESPONSE:

- (a) Confirmed.
- (b) Confirmed, but the service standard range should have been listed as 3-10 days.
- (c) This is well beyond the scope of my testimony, but I am informed that an effort has been made to be more informative. The content of most of former section 243.3.1.1 has been moved to new section 243.3.1.3. Information in former section 243.3.1.1 has been replaced with more detailed information in new sections 243.3.1.1 and 243.3.1.2.
- (d) I am informed that such inquiries would be answered on a case-by-case basis, depending on the particular questions asked.

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

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.

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

RESPONSE to VP/USPS-T1-13:

- (a) Not confirmed.
- (b)(i) There does not appear to be agreement between the Postal Service and Valpak regarding the last published ZIP Code Directory. I am informed by our National Customer Support Center in Memphis that they last published the Directory in 2004. The title of the chart in that edition refers to “Service Standards.” And, unlike for the other mail classes, there is no note pertaining to Standard Mail on that chart. Accordingly, it is not clear what chart is being referenced in subpart (a) of this interrogatory.
- (b)(ii) All published service standards for each mail class included in Library Reference USPS-LR-N2006-1/2 are used within the END simulation model.
- (c) 2004.
- (d-e) Please see the response to subpart (b)(i).
- (f) Not confirmed. It is entirely possible that not every use of the term “service commitment” in reference to Standard Mail has been eradicated from every current postal publication since Docket No. C98-1.
- (g)(i-ii) The END models attempt to maintain existing service standards to the greatest extent possible, however, there will be instances where the model will recommend changing current service standards to achieve an optimal network national solution. Any changes to existing services standards for any ZIP Code pairs would be evaluated as part of the AMP review process.

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

RESPONSE to VP/USPS-T1-13 (continued):

I am informed by witness Williams that the issues of service and cost are considered as a part of each AMP review and the decision-making process there.

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

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?

RESPONSE:

- (a-c) Objection filed.
- (d) It does neither.

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

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?

RESPONSE:

- (a-b) I am informed that there is no system in place for measuring service performance for Standard Mail on a systemwide basis and currently no plans for the development of such a system.
- (c) See the response to subpart (a). I am informed that, for mail classes which have service performance or time-in-transit measurement systems, monitoring of service performance is a routine management function unrelated to network redesign and that such monitoring will continue. See the response of witness Williams to VP/USPS-T2-6.