

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

PUBLIC INQUIRY ON CHANGES ASSOCIATED
WITH THE DELIVERING FOR AMERICA PLAN

Docket No. PI2023-4

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 1-5 OF CHAIRMAN'S INFORMATION REQUEST NO. 3**

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 3, issued on September 1, 2023. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. In the DFA Plan, the Postal Service states that “total volume [is] expected to decline by 36 percent and total pieces per delivery [is] expected to decline to 1.7 [pieces]” by FY 2030. DFA Plan at 9. The Postal Service also projects that in FY 2030, “total mail volume (excluding packages) will be approximately 75 billion pieces, a decrease of 37 percent (approximately 45 billion pieces)” from FY 2020. *Id.* at 42. It notes that “[t]his decrease is attributed to continued adoption of digital alternatives to business transactions, advertisement and communications, and is consistent with the trend . . . experienced over the last decade.” *Id.*
 - a. Please confirm that these projections have not changed since the DFA Plan was initiated in March 2021. If not confirmed, please provide the updated volume projections for FY 2030 and discuss whether the Postal Service revised, modified, or developed new initiatives based on the updated volume projections, including whether these projections have any impact on the Postal Service’s planned changes to its network of facilities.
 - b. Please confirm that the Postal Service will update these projections in its 3-year update pursuant to 39 U.S.C. § 2803(b). If not confirmed, please explain.

RESPONSE:

- a. Confirmed. While the Postal Service presents updated volume projections annually in the Integrated Financial Plan, those projections reach only through the coming fiscal year. The DFA plan’s volume projections for FY 2030 have not as yet been updated.
- b. The Postal Service plans to examine these projections as part of developing the 3-year update of the Delivering for America Plan (issued pursuant to 39 U.S.C. § 2802(b)), and may update the projections as necessary and appropriate to account for changed circumstances.

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2. Please confirm that Function 4 workhours, as provided in Response to CHIR No. 2, question 3,¹ refers to workhours related to customer service activities at Post Offices, stations, and branches, including window services, vending equipment, PO Box distribution, and unit distribution.
- a. If not confirmed, please describe all activities included in Function 4.
 - b. If confirmed, please also confirm that the reduction in Function 4 workhours in the Athens area, referred to in Response to CHIR No. 2, question 3, is due to the transfer of unit distribution workhours² from Post Offices, stations, and branches to the Athens sorting and delivery center (S&DC).
 - c. If question 2.b. is confirmed, please also confirm that the same period last year (SPLY) comparison provided in the F4 data does not include equivalent workhours at the Athens S&DC.

RESPONSE:

Confirmed in part.

- a. A full description of Function 4 activities is provided in the table below.

Function 4: Operations — Customer Services

41	<p align="center">Unit Distribution — Automated/Mechanized</p> <p>All non-supervisory work hours used at stations, branches, and associate offices involved in the automated/mechanized distribution of letters, flats, and parcels.</p>
42	<p align="center">Business Return Service</p> <p>All non-supervisory work hours used at stations, branches, and associate offices for activities associated with the identification of Merchandise Return Service and Business Reply Mail (BRM) by permit number, counting, weighing, and rating, dispatch, customer account maintenance and other tasks associated with the processing of this service.</p>

¹ See Library Reference USPS-LR-PI2023-4-NP2, August 22, 2023, PDF file “Athens SDC Call Center and F4 data.pdf,” at 1 (F4 data).

² Unit distribution workhours refers to any workhours attributed to the automated, mechanized, or manual distribution of mail to carrier routes.

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	Also includes work hours associated with the staging, scanning, and dispatching of Parcel Return Service (PRS) packages. Do not charge hours used in the incidental handling of this type of workload to this operation, these should be charged to the operation in which the incidental handling occurred.
43	<p align="center">Unit Distribution — Manual</p> <p>All non-supervisory work hours used at stations, branches, and associate offices for manual distribution of all mail types to carrier routes and box sections. Includes allied distribution activities including setup/stage, pull down, spreading of mail, and the distribution of carrier route sorted bundles. Excludes distribution of mail to Post Office boxes.</p>
44	<p align="center">Post Office Box Distribution</p> <p>All non-supervisory work hours used at stations, branches, and associate offices for manual distribution of all mail types to Post Office boxes, dedicated box mail distribution cases, and detached Post Office box units.</p>
45	<p align="center">Window Service</p> <p>All non-supervisory work hours used at stations, branches, and associate offices in serving customers at windows, firm callers, general delivery customers, and other activities in support of retail operations. Includes work hours used in serving customers in the lobby and other activities in support of retail operations (lobby assistant). Also includes work hours used by SSA to perform in person proofing for the candidates that will be hired by Census.</p>
46	Unassigned
47	<p align="center">Administrative & Clerical (CAG H–L Offices)</p> <p>All non-supervisory work hours used at stations, branches, and associate offices in Customer Services activities in CAG H–L offices only.</p>

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48	<p>Administrative & Clerical — Customer Services</p> <p>All non-supervisory work hours used at stations, branches, and associate offices for scanning of all mail types using handheld scanner, delivery of Express Mail by non-carrier employees, dispatch activities, processing of Premium Forwarding Service (PFS) or reshipments. Also included are hours used in support of delivery service, such as working Postage Dues, Insured, COD, Customs, serving the carrier cage; performing markup activities in units other than Computerized Forwarding System (CFS) sites, miscellaneous office work and record keeping, standby time, steward's duty time, travel time, and meeting time.</p>
49	<p>Computerized Forwarding Systems</p> <p>All non-supervisory work hours used at Computerized Forwarding Systems (CFS) sites for processing of all non-machinable letters, machinable and non-machinable flats, CLOSS rejects, and flat PARS rejects on a flat forwarding terminal or non-mechanized terminal. Both forwardable, non-ACS and ACS RTS mail flows are included.</p>

b. Function 4 workhours in the Athens S&DC, as compared to the Athens facility and all of the facilities whose delivery functions have now been combined into the S&DC, have been reduced due to the increased automation and sorting capabilities of the Athens S&DC. The S&DC facility enables more packages to be sorted on a machine rather than manually.

c. Comparison to SPLY is a like-for-like view of work hours prior to and after the launch of the Athens S&DC for all of the affected facilities, which includes work hours previously performed at the Athens facility that became the S&DC and all of the facilities whose delivery functions have now been combined into the S&DC.

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It bears noting that the full array of benefits expected of the S&DC initiative will not emerge simultaneously with the creation of a single S&DC. S&DCs will play an important part in a larger sequence of interrelated, mutually reinforcing enhancements to our processing, transportation and delivery networks. For instance, transportation optimization will be achieved with integrated regional rollouts (including RPDCs and LPCs, together with the streamlined transportation nexus connecting those facilities with the S&DCs). The revenue benefits from the enhanced same day and next day reach will accrue through continued implementation of USPS Connect, and the marketing of the new entry points powered by the network transformation. Finally, environmental benefits due to the fact that S&DCs will facilitate electrification will occur after deployment of the electrified vehicle fleet and its associated charging infrastructure. As explained in our response to ChIR No. 1 in this docket³, service excellence and financial sustainability depend on the concerted pursuit of the DFA plan in its entirety, with all its interrelated elements.

³ See, e.g., Docket No. PI2023-4, Responses of the United States Postal Service to Questions 1-5 Of Chairman's Information Request No. 1, Question 1, July 19, 2023.

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3. Please refer to the graph of aggregate package calls at the Athens S&DC provided in Response to CHIR No. 2.⁴ Please provide an SPLY comparison of this graph.

RESPONSE:

Please see USPS-LR-PI2023-4-NP3, filed in association with this response.

⁴ See Library Reference USPS-LR-PI2023-4-NP2, August 22, 2023, PDF file "Athens SDC Call Center and F4 data.pdf," at 2.

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4. The Postal Service states that “as we systematically advance the DFA Plan’s core strategies, we will refine, defer, or choose not to implement certain of the initiatives discussed in the 2021 document. Consistent with that approach, the Postal Service has opted not to pursue the referenced retail initiatives at this time.” Response to CHIR No. 2, question 4.
- a. Of those initiatives originally listed in the DFA Plan and accounted for in calculations of the \$34 billion cost savings,⁵ please specify which other initiatives (besides retail initiatives) the Postal Service is not currently pursuing.
 - b. Please also describe any new DFA initiatives not listed in the DFA Plan and Cost Initiatives Forecast that the Postal Service is currently pursuing.

RESPONSE:

a. In furtherance of the DFA plan’s overall strategic vision, the Postal Service is pursuing initiatives to decrease transportation costs, make delivery operations more efficient, and realign our processing network to meet the needs of the American public. Unlike the retail initiatives mentioned in response to ChIR No. 2, Question 4, which the Postal Service is not currently pursuing, the Postal Service continues to pursue initiatives consistent with, and supportive of, those goals with regard to our transportation, processing, and delivery networks. As noted in response to prior Chairman Information’s Requests in this docket, the Plan is a living plan, and those initiatives, while in effect, remain subject to updates and adjustments. This occurs pursuant to the Postal Service’s strategic planning process, which the Postal Service described in response to a recent Government Accountability Office report.⁶ Specifically, a phased and iterative approach underlies the formulation of all initiative milestones and metric target plans: each fiscal year, plans are established with a

⁵ See Library Reference USPS-LR-PI2023-4-NP1, July 19, 2023, Excel file “Cost_Initiatives_DFA_10YrForecastSteps_NP.xlsx” (Cost Initiatives Forecast).

⁶ See GAO Report GAO-23-105297 (Aug. 21, 2023), Appendix III at 2.

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planning horizon of 12 to 18 months to track milestones, metrics, and schedule changes over the life cycle of the project; throughout the year, plans are adjusted as necessary using the structured change management process; and at the beginning of the next fiscal year, the entire plan is reevaluated and established for the next 12- to 18-month horizon based on the accomplishments in the prior fiscal year.

b. As noted in response to subpart a. above, the Postal Service continues to pursue initiatives to decrease transportation costs, create an effective processing network, and ensure efficient delivery operations. Though, as further noted, these initiatives are subject to ongoing cycles of evaluation and adjustment, they remain embedded in the DFA plan's overall strategic vision. The initiatives that comprise that vision, and the benefits they have already begun to yield, are discussed at length in the DFA plan's second year progress report⁷ and in the responses submitted to ChIR No. 1 in this docket⁸; they include a significant reduction in transportation expenses due to the shift from air to ground, as well as a reduction in workhours over the last two years. Overall, and as previously discussed, the Postal Service's goal remains to achieve cost reductions of \$34 billion.

⁷ The report can be found at <https://about.usps.com/what/strategic-plans/delivering-for-america/assets/usps-dfa-two-year-report.pdf>.

⁸ See, e.g., Docket No. PI2023-4, Responses of the United States Postal Service to Questions 1-5 Of Chairman's Information Request No. 1, Question 3, July 19, 2023.

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5. The Postal Service states that it “has not yet prepared comprehensive cost savings estimates regarding the refined network plan” and has not analyzed “the extent to which service performance will improve.” Response to CHIR No. 2, question 5.d. Given that is the case, please explain on what basis does the Postal Service make the claim that “the network transformation efforts are designed to enable the Postal Service to more reliably achieve [its] existing service standards, while also enhancing operational precision and efficiency, and reducing costs significantly.” See *id.* Please also define what the Postal Service considers “significant” when describing cost reductions.

RESPONSE:

The Postal Service comprehensively explained the basis for this statement in its response to CHIR No. 1, Question 1, at pages 7-17. That response discusses the deficiencies of the current network, the design principles underlying the transformation of the Postal Service’s processing and delivery networks, and how those design principles will improve the operation of the network. The necessary consequence of applying those design principles to the network will be more reliable service and reduced costs. The response also noted that the Postal Service is pursuing a deliberate, structured, and systematic implementation process to ensure that those benefits are ultimately achieved.

The Postal Service does not have a specific quantitative number in mind when using the term “significant,” other than that the transformation of the processing and delivery networks are essential components of achieving the overall level of savings that needed from self-help operational initiatives in order to achieve financial sustainability.