

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 1-12 OF CHAIRMAN'S INFORMATION REQUEST NO. 5**

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 5, issued on November 22, 2023. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. Please confirm the Optimized Collections Plan is part of an initiative listed in Library Reference USPS-LR-PI2023-4-NP1, Excel file "Cost_Initiatives_DFA_10YrForecastSteps_NP.xlsx."
 - a. If confirmed, please provide the Get It Right (GIR) initiative number of the initiative.
 - b. If not confirmed, please provide the name of the initiative that encompasses the Optimized Collections Plan, the GIR initiative number for this plan, and any workpapers or validation documentation associated with this plan.

RESPONSE:

Not confirmed. The Optimized Collections initiative was not part of the 2021 list of initiatives set forth in USPS-LR-PI2023-4-NP1. As noted in response to prior information requests in this docket, the DFA Plan is a living plan, and the specific initiatives being pursued to decrease transportation costs, create an effective processing network, and ensure efficient delivery operations are subject to ongoing cycles of evaluation and adjustment. As the Postal Service has moved forward with the Plan, the specific initiatives that are being pursued have evolved based on Postal Service management's improved understanding of the underlying conditions of our organization, and how to best correct those conditions using modern and precise operating practices.

Optimized Collections is a new initiative that is planned for implementation in FY2024 and in future years as a means to further organize and optimize our transportation network. Our local transportation network is currently characterized by a large number of underutilized and unnecessary trips, due to the fact that the Postal Service currently operates separate trips to pick-up and drop-off mail and packages from delivery units. This leads to underutilization and high costs, particularly on longer local transportation

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lanes that transport lower amounts of volume. Pursuant to this initiative, the Postal Service would for such lanes pick up originating volume entered the prior day on the same trip that is dropping off the destinating mail for delivery, based on application of the criteria discussed in Question 4. This will serve to reduce the overall number of transportation trips and stops, and to improve utilization, while still allowing the Postal Service to perform successfully within the existing service standards. In addition, eliminating these unnecessary and underutilized trips would also reduce our carbon emissions, and therefore align with our carbon reduction initiatives. Our current inefficient and costly transportation network is unsustainable, and taking these and other steps to address our transportation costs is a critical element of generating the overall level of savings that are needed from self-help operational initiatives in order to achieve financial sustainability.

Optimized Collections is part of the FY2024 GIR process (initiative number 264), but GIR materials related to the initiative are still being developed, and have not been finalized.

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2. Please refer to slide 5 of the USPS Presentation, which provides a list of locations for the Optimized Collections Plan. USPS Presentation at 6.
 - a. Please confirm the Optimized Collections Plan was implemented in Richmond, VA on October 28, 2023. If not confirmed, please explain.
 - b. Please confirm the four potential expansion locations for the Optimized Collections plan include Columbus, OH; Madison, WI; Oklahoma City, OK; and Santa Clarita, CA. If not confirmed, please explain.
 - c. If question 2.b. is confirmed, please provide a timeline for each of the potential expansion locations.
 - d. Please provide a list of any other locations for potential expansion and include the timelines for expansion locations.

RESPONSE:

(a) Confirmed.

(b) – (d) The Postal Service is actively planning to roll out Optimized Collections in Madison, WI, as well as in Green Bay, WI, and Milwaukee, WI. While the Postal Service intends to implement Optimized Collections in other areas (which could include those referenced in the question), no final decisions have been made regarding whether to do so, or the timeline for implementation.

In this regard, while the Postal Service intends to pursue a rapid pace of implementation in recognition of the critical importance of implementing this initiative (for the reasons discussed in the response to Question 1), the Postal Service is pursuing a deliberate, structured, and systematic implementation process for Optimized Collections. Prior to implementing Optimized Collections for any potential geographic area, the Postal Service engages in a comprehensive analytical exercise, employing the criteria discussed in more detail in response to Question 4, to identify which locations are appropriate for optimization, and the resulting changes to the transportation schedule

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that will be implemented. The Postal Service is currently engaged in this process for the three locations discussed above, which has not yet been completed; the Postal Service intends to complete the process later this month, with implementation planned to occur on January 8, 2024.

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3. For each location confirmed in the response to questions 2.a. and 2.b., and any additional locations listed in the response to question 2.d., please provide the information requested in sub-questions a. through c. If the information is not available for any locations, please explain:
 - a. Facilities affected by the Optimized Collections Plan
 - b. Collection pick-up times at each facility listed in question 3.a., before and after implementation of the Optimized Collections Plan
 - c. Impact on transportation of mail between processing centers and post offices

RESPONSE:

See USPS-LR-PI202304-NP5, which provides facility-specific information regarding the implementation of Optimized Collections in Richmond. As discussed in the response to Question 2, the analytical process for Madison, Green Bay, and Milwaukee, WI is still ongoing, and the Postal Service will provide such information when that process is completed.

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4. The following questions seek clarification on the criteria guiding optimization levels for different post offices and delivery units. Please refer to slides 5 and 6 of the USPS Presentation that provide the optimized level breakdown. *Id.* at 6, 7.
- a. Please discuss the criteria used to determine the following optimization levels:
 - i. Full Optimization (Single Stop – Drop Off/Pick-up Same Time)
 - ii. Hybrid-Optimized (Return Stop – Drop Off, Then Pick-up on Return)
 - iii. No Optimization (Exceptions)
 - b. Please explain in detail how volume and distance determine the optimization level in the network.
 - c. Please discuss the rationale, if any, behind excluding specific post offices from optimization.

RESPONSE:

(a) - (c) As noted in the response to Question 1, the purpose of Optimized Collections is to improve the efficiency of the transportation network by having the same transportation trip in certain circumstances both (1) drop-off destinating mail and packages for delivery, and (2) pick-up originating mail for transmission to the processing network, based on the application of the criteria below. Implementation of this initiative will serve to reduce the overall number of transportation trips and stops (and hence transportation costs), improve utilization, and reduce carbon emissions.

First, if the Postal Service chooses to implement Optimized Collections within a particular geographic area, only those locations that are more than 50 miles from the relevant processing plant (the Local Processing Center in the terminology of the new network structure) will be analyzed to determine whether implementation of Optimized Collections at that location is appropriate. Locations that are within 50 miles of the processing facility, and which therefore require shorter routes to pick-up and drop-off

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the mail and packages, will continue to receive separate afternoon pick-up transportation. (Note that while the Postal Service is planning to use a criterion of 50 miles for all future geographic areas, including in the locations planned for January implementation, the modeling exercise for Richmond which was completed when the initiative was being considered used a criterion of 25 miles, and the Postal Service implemented this approach based upon that modeling while also adding certain trips to make the initiative there more equivalent to a 50-mile criterion).

Second, for that subset of locations within a particular geographic area in which Optimized Collections is being applied, the Postal Service then determines whether to implement optimization for a particular location, and in what manner. This determination is generally based on volume. Locations with lower volume (1 container of originating volume per day on average) are generally subject to "Full Optimization," in which the pick-up and drop-off occurs at the same stop on a route; this serves to reduce both the number of trips, and the number of stops. Locations with higher volume (more than 1 container of originating volume per day on average) are generally subject to "Hybrid Optimization," in which the truck first drops off the destinating volume at all locations on the route on the outgoing leg of the trip, and then proceeds to pick up the originating volume at locations in line of travel of the return leg; this serves to reduce the number of trips.

The Postal Service may also choose to exempt locations from optimization entirely even if they are more than 50 miles from a LPC, based on operational and other

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considerations such as volume. The Postal Service exempts a location if it has a large amount of volume (7 or more containers of originating volume per day). If a location is exempted, afternoon collection trips will continue to occur.

It is important to note that these are the criteria and parameters that are currently being employed. The Postal Service is pursuing this initiative in a deliberate, structured, and systematic way, will monitor any impacts that occur, and may make adjustments as necessary and warranted.

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5. On slide 5 of the USPS Presentation, the Postal Service indicates that it is optimizing the network in “conjunction with logistics career insourcing initiative.” *Id.* at 6. Please describe the logistics career insourcing initiative and explain the connection between the logistics career insourcing initiative and the Optimized Collection Plan.

RESPONSE:

This refers to an initiative to convert Highway Contract Route (HCR) transportation, which is performed by contractors, to Postal Vehicle Service (PVS) transportation, which is performed by postal employees, for transportation lanes less than 350 miles. The Postal Service engages in modeling to determine the optimal trip schedules for local transportation lanes, which is also used to support HCR to PVS conversion decisions. The implementation of Optimized Collections is considered as part of that modeling exercise.

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6. Please explain whether—and if so—how the Optimized Collection Plan impacts Highway Contract Route and Postal Vehicle Service costs. Please provide relevant documentation in support of the response. If no such documentation is available, please explain.

RESPONSE:

As previously discussed, implementation of this initiative will significantly reduce the costs of the local transportation network, by eliminating unnecessary transportation trips and stops, and improving utilization of the trips that are run, and reducing carbon emissions. While the benefits to our transportation costs from taking these actions is clear, the Postal Service has not yet prepared comprehensive cost savings estimates regarding the initiative.

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7. Please discuss the specific timelines and milestones for the full implementation of the Optimized Collections Plan.

RESPONSE:

Please see the response to Question 2. Similar to our other initiatives discussed in this docket, the Postal Service is pursuing this initiative in a deliberate and systematic fashion. Implementation has occurred in one geographic area, and active planning is currently occurring for the locations referenced in Question 2, with implementation currently planned on January 8. While the Postal Service intends to implement optimized collections in other areas this fiscal year at a rapid pace given how essential this initiative is (for the reasons discussed previously), these deliberations remain ongoing, and no final determinations have been made.

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8. Please discuss how the Optimized Collections Plan will impact the service performance of First-Class Mail. With the response, please include the percentage of Single-Piece First-Class Mail that would be impacted and explain how it will be impacted. Additionally, please discuss the Postal Service's expectations of how the length of time between customer drop-off or carrier collection of Single-Piece First-Class Mail and the first processing (start-the-clock) scan for those same mail pieces will be impacted by the Optimized Collections Plan.

RESPONSE:

The purpose of the Optimized Collections initiative is to improve the efficiency of the local transportation network under the existing First-Class Mail service standards that were implemented following publication of the DFA Plan. The Postal Service is not changing the "start-the-clock" for First-Class Mail, or changing the application of the current service standards.

The Postal Service does not anticipate material impacts to First-Class Mail service performance from implementation of this initiative. As an initial matter, the Postal Service currently delivers a significant portion of First-Class Mail in advance of our service standards, which reduces risk to our service performance in implementation of this initiative. Moreover, implementation of this initiative will further enhance our operational practices and therefore our ability to improve our service performance generally, including for all First-Class Mail. Under our existing processes, much of our Single-Piece First-Class Mail volume is dispatched from originating delivery units in the evening, creating a compressed volume arrival profile into the processing facility that can put a significant amount of volume at risk of not being processed on time to meet the scheduled dispatch. After implementing Optimized Collections, larger volumes of

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mail and packages will be available for processing in a late morning or afternoon window, spreading the volume arrival profile into the originating processing facility and removing some processing demand from peak operating hours, thus more effectively utilizing our overall processing capacity within our plants. In addition, while some First-Class Mail would receive originating processing later than it would have been processed in a pre-optimization environment, the Postal Service will continue to assess all aspects of our network and make appropriate adjustments (e.g., network transportation schedules may be adjusted to take advantage of the earlier originating processing window), and otherwise continue to improve the precision of our operating practices throughout the network to ensure strong First-Class Mail service performance under the existing standards.

While short-term impacts to service performance during the execution process may occur, the Postal Service will monitor any impacts that occur, and may make adjustments as necessary and warranted.

In terms of affected volume, it is important to note that this cannot be determined for any particular geographic area until after determinations are made regarding which specific locations will be subject to optimization, based on application of the criteria discussed in Question 4, including whether to create exceptions for a particular location based on operational and other considerations, such as volume. Volume information regarding the percentage of Single-Piece First-Class Mail at facilities in the Richmond region that

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were subject to optimized collection is being calculated and will be provided to the Commission soon.

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9. Please confirm that the Optimized Collections Plan provides a differentiation in mail services between residents in less densely populated areas, situated at a relatively large distance from S&DCs, and those in more densely populated areas near an S&DC. If confirmed, please explain how this aligns with the requirements outlined in 39 U.S.C. § 403, specifically regarding the prohibition of undue or unreasonable discrimination among users of the mail. If not confirmed, please explain.

RESPONSE:

Not confirmed. As an initial matter, the implementation of Optimized Collections is predicated on distance from a LPC, not a S&DC. It is far from clear that the Optimized Collections Plan—either at its limited current stage of implementation, or at a later stage, when it is implemented more broadly—does or will differentiate between customers situated in densely populated areas and customers situated in less densely populated areas. First, a customer's distance from an LPC does not necessarily correspond to the population density of the location in which that customer resides. Second, and more importantly, and as discussed in the response to Question 8, the Postal Service does not anticipate adverse impacts to the reasonable expectations embodied in the service standards that apply to all customers: under the Optimized Collections Plan, "day 0" (i.e., start-the-clock) will not change, and we do not anticipate material impacts to First-Class Mail service performance from this initiative.

The Commission analyzes 39 U.S.C. § 403(c) according to a three-part test. For a violation of this statute to occur, certain mailers must be offered less favorable rates or terms and conditions than other mailers; those mailers must be similarly situated; and there must be no rational or legitimate basis for the Postal Service to apply the more favorable rates or terms. See, e.g., PRC Opinion on The Service Standard Changes

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Associated with First-Class Package Service, Docket No. N2021-2, at 61 (September 29, 2021). As noted above, the Postal Service does not anticipate adverse impacts to the reasonable expectations embodied in the service standards that apply to all customers; thus, the Postal Service does not foresee altered rates, terms and conditions for any mailers under the Optimized Collections Plan. Second, even assuming *arguendo* that customers situated at varying distances from LPCs would receive differing levels of service within the rates, terms and conditions which will nevertheless continue to apply uniformly, customers residing in different geographical locations are often not “similarly situated”; as such, they may have access to differing types and degrees of service—for example, the delivery modes available to them, the number of Postal Service retail units within their vicinity, the availability of late hours at those retail units, etc.—without falling victim to “undue or unreasonable discrimination” within the meaning of 39 U.S.C. § 403(c). Third, should any such hypothetical differences in service arise, the efficiency gains and cost savings that the Optimized Collections Plan will produce would supply a legitimate basis within the meaning of 39 U.S.C. § 403(c).

It further bears mentioning that the Optimized Collections Plan has thus far been implemented on a limited scale, and that the Postal Service is pursuing this initiative in a deliberate, structured, and systematic way, will monitor any impacts that occur, and may make adjustments as necessary and warranted, including to the extent needed to ensure continued compliance with all legal requirements.

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10. Please explain how the Postal Service intends to balance efficiency with equitable service provision with regard to the Optimized Collections Plan.

RESPONSE:

It is unclear what authority serves as the basis of this question in connection with the concept of “equity” in the context of providing service (as opposed to equitable concepts in setting rates, which are found in 39 U.S.C. §§ 101(d), 404(b), and 3622(d)(1)(E)). To the extent that this question is predicated on considerations of equity embodied in the former version of 39 U.S.C. § 101(f) which predated the passage of the Postal Service Reform Act, Pub. L. No. 117–108, 136 Stat. 1127 (2022), the obligation to consider equity applied only to selecting *modes* of transportation. Specifically, former U.S.C. § 101(f) provided:

(f) In selecting modes of transportation, the Postal Service shall give highest consideration to the prompt and economical delivery of all mail and shall make a fair and equitable distribution of mail business to carriers providing similar modes of transportation services to the Postal Service. Modern methods of transporting mail by containerization and programs designed to achieve overnight transportation to the destination of important letter mail to all parts of the Nation shall be a primary goal of postal operations.

Putting aside the fact that subsection 101(f) was since amended in material ways and no longer includes the term “equitable,” we note that mode selection is not at issue here because local transportation is involved, and there is not a choice between air and surface modes in this particular context (with possible limited exceptions where service is by local water vessel). Thus, the Optimized Collections Plan does not concern selecting modes of transportation. To the extent, however, that the question is intended to refer to “equity” as a proxy for the prohibition against undue or unreasonable discrimination in 39 U.S.C. § 403(c), and to balance that consideration against the Postal Service’s legitimate interests in reducing costs or increasing efficiency, then as

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explained in the response to Question 9 above, the Postal Service does not expect the Optimized Collection Plan to cause postal customers to receive less favorable service than other similarly situated postal customers. The Postal Service does, however, anticipate that the Optimized Collection Plan will reduce mail delivery costs and enhance efficiency by eliminating unnecessary, duplicative transportation, which also serves to reduce carbon emissions.

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11. Please discuss the steps the Postal Service has taken and the strategies to be employed to communicate the changes and potential impacts of the Optimized Collections Plan to affected communities and customers, particularly in rural areas. In the response, please include whether publicized collection information, including the pick-up times printed on collection boxes, will be updated at the affected locations to reflect the changes due to the Optimized Collections Plan.

RESPONSE:

The Optimized Collections initiative changes the Postal Service's local transportation schedule when originating mail is picked up from a retail facility or delivery unit to be taken to the processing network. The Postal Service does not plan for the initiative to impact the schedule for removing mail from collection boxes, and therefore does not plan for the pick-up times on collection boxes to change. As noted above in the response to Question 8, it does not change the "start-the-clock" date, or the applicable service standards. The Postal Service will continue to monitor impacts and will communicate any changes to customers as appropriate.

The Postal Service believes that the term "Optimized Collections" has been misunderstood by some stakeholders and does not accurately capture the operational processes that are contemplated through this initiative. For those reasons, we intend to refer to the initiative as "Local Transportation Optimization" in the future.

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12. The Postal Service reported an increase in high volume mail theft incidents from mail receptacles including blue collection boxes: 38,500 in FY 2022 and more than 25,000 in the first half of FY 2023.¹
- a. Please confirm that the Optimized Collections Plan increases the accumulation of mail in collection boxes due to the planned decrease in pick-ups. If not confirmed, please explain.
 - b. Please confirm that the Optimized Collections Plan increases the amount of time for mail to be sitting in collection boxes. If not confirmed, please explain.
 - c. If either question 12.a. or question 12.b. is confirmed, please explain how the Optimized Collection Plan addresses the increased risk due to accumulation of mail or increased time in collection boxes, given the surge in mail security challenges.

RESPONSE:

Not confirmed. As noted in the response to Question 11, the optimized collection initiative does not affect the schedule for removing mail from collection boxes.

¹ See USPS News Release, May 12, 2023, available at <https://about.usps.com/newsroom/national-releases/2023/0512-usps-postal-inspection-service-roll-out-expanded-measures-to-crack-down-on-mail-theft.htm>.