



POSTAL REGULATORY COMMISSION

Washington, DC 20268-0001

Office of the Chairman

April 7, 2023

The Honorable Steve Womack
Chairman, Subcommittee on Financial
Services & General Government
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

The Honorable Chris Van Hollen
Chairman, Subcommittee on Financial
Services & General Government
Committee on Appropriations
United States Senate
Washington, DC 20510

The Honorable Steny Hoyer
Ranking Member, Subcommittee on
Financial Services & General Government
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

The Honorable Bill Hagerty
Ranking Member, Subcommittee on
Financial Services & General Government
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Chairman Womack, Ranking Member Hoyer, Chairman Van Hollen, and Ranking Member Hagerty:

As adopted by the Joint Explanatory Statement accompanying the Consolidated Appropriations Act, 2022, the House of Representatives Report 117-79 states:

First-Class Service Standards.—The Committee is concerned about further changes to the service standards for market-dominant mail products, particularly the Postal Service's recent proposal to extend first-class service standards to as long as five days. The Committee believes this change would further erode public confidence in the USPS. The Committee directs the PRC to analyze the feasibility of restoring service standards for market-dominant products that were in effect on July 1, 2012, including an examination of the resources and structural and operational changes needed, and the impacts on market growth and revenue. If service standards are decreased from their January 2021 levels, the PRC shall also conduct a similar analysis of the costs and benefits of restoring USPS service and performance levels to their January 1, 2021, levels. The PRC shall report to the Committee on its findings within 1 year of enactment of this Act.



H. Rep. No. 117-79 at 100 (Jul. 1, 2021).

The Postal Regulatory Commission retained consultant J.P. Klingenberg to conduct the study and produce the attached report. The study responds to the questions posed in the Committee report and is a step in understanding the structure of the Postal Service's networks, prior reductions in service standards, and correlations between those reductions and other changes in the postal sector. Insufficient data on the causes of changes in postal operations and the mail market, however, makes it difficult to draw definitive policy conclusions from Mr. Klingenberg's research in a responsible fashion.

Among other tasks, the report attempts to estimate the feasibility of reverting service standards for a minimal subset of mail to the standards in effect in 2012. This estimate is incomplete because of the lack of reliable data on how service standards changes may or may not cause changes in operating costs, operating efficiency, or demand for mail volume. A complete understanding of the feasibility of reversion to old service standards for a broader swath of mail would require using sufficient analytical tools and data to identify causal links (in addition to correlation) between service standard changes and variations in service performance, costs, efficiency, and demand for mail. There is at present insufficient data to determine causation for the 2012 – 2021 service standard changes and correlated developments in postal operations and the mail market.


In addition, the Postal Service is presently implementing large-scale operational changes under the Delivering For America plan which are superseding previous changes to its networks that occurred from 2012 to 2021. The plan includes centralizing processing operations into Regional Processing and Distribution Centers and Local Processing Centers, while consolidating delivery operations from Post Offices into large Sorting and Delivery Centers, thereby extending delivery route distances. Going forward, the Commission will prioritize evaluating the impact of these ongoing operational changes. The Commission is working to obtain and organize the resources and data necessary to support this important analysis.

The Commission offered the opportunity for public and stakeholder input on the attached report, and those comments may be found at the end of this report.

Sincerely,

A handwritten signature in black ink that reads "Michael Kubayanda". The signature is written in a cursive, flowing style.

Michael Kubayanda
Chairman



3/30/2023

Postal Regulatory Commission
Attn: Margaret Cigno
901 New York Avenue NW
Washington, DC 20268

Dear Ms. Cigno,

I am pleased to present the Report on the Feasibility of Restoring Service Standards pursuant to H. Rep. No. 117-79.

Please contact me with any questions on the report.

Warm regards,



JP Klingenberg



Report on the Feasibility of Restoring Service Standards

Prepared by JP Klingenberg

Fiscal Year 2023

March 30, 2023

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Executive Summary

The Postal Regulatory Commission has been asked to analyze the feasibility of restoring service standards for market-dominant products that were in effect on July 1, 2012, and the impact restoring service standards would have on Postal Service revenues. From 2012 to 2022, the Postal Service downgraded the days-to-delivery service standard for over 80 percent of First-Class Mail. The Postal Service made significant changes to when and where letter mail processing operations occur, closing 21 facilities and consolidating its network and operations by 60 percent. The Postal Service reassigned mail processing operations from 249 facilities and changed the operating window across its network.

Restoring the service standards in effect on July 1, 2012, would require purchasing or moving mail processing equipment to 249 re-assigned facilities and staffing those facilities. Because the Postal Service achieved higher levels of efficiency and service performance results in 2012 than it has achieved since, a restoration of the service standards in place in 2012 might increase productivity and decrease annual operating expenses. However, there would be significant one-time expenses related to restoring the network and operating windows in place prior to the service standard changes, as well as major operational disruptions.

Ascertaining the impact of service standards on market growth and revenue is a very difficult process that historically has not resulted in reliable estimates. Similar to previous work attempting to link service and demand for postal products, this report did not find a reliable way to draw a direct connection. However, this report finds a correlation between a decrease in service and loss of volume over the past decade.

Finally, the Postal Service made additional changes to service standards in 2021. Similar to the Postal Service's network redesigns of the past decade, the cost of restoring service to 2021 levels would depend on the Postal Service's ability to successfully implement changes.

Background

Congressional Request

This report was developed in response to the 2022 Appropriations Bill, which required the following report from the Postal Regulatory Commission:

“...to analyze the feasibility of restoring service standards for market-dominant products that were in effect on July 1, 2012, including an examination of the resources and structural and operational changes needed, and the impacts on market growth and revenue. If service standards are decreased from their January 2021 levels, the PRC shall also conduct a similar analysis of the costs and benefits of restoring

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USPS service and performance levels to their January 1, 2021, levels. The PRC shall report to the Committee on its findings within 1 year of enactment of this Act.”

The Postal Service defines service standards as “[s]tated delivery performance goals for each mail class and product that are usually measured by days for the period of time taken by [the Postal Service] to handle the mail from end-to-end (that is, from the point of entry into the mailstream to delivery to the final destination).”¹ The Postal Accountability and Enhancement Act (PAEA) required that service standards were to be established “by regulation” and “in consultation with the Postal Regulatory Commission.” 39 U.S.C. § 3691(a). The Postal Service was permitted “from time to time thereafter by regulation [to] revise” these standards. The PAEA also required the Postal Service to develop a “plan for meeting those [service] standards,” within which it was to “establish performance goals” for its delivery performance. PAEA § 302(a), (b)(1), 120 Stat. at 3219. The Postal Service uses 3-Digit ZIP Codes to define geographic areas for service standards. The 3-Digit ZIP Codes range from 005 for the area around Holtsville, New York to 999 for Ketchikan, Alaska.² These 3-Digit ZIP Codes are used to identify locations and set the service standard for each Origin/Destination pair (O/D pair). For example, mail that is sent from 3-Digit ZIP Code 005 to 3-Digit ZIP Code 999 has an O/D pair of 005999. This mail is going from New York to Alaska, so it has the longest service standard in First-Class Mail, 5 days. As detailed in this report, there are over 800,000 O/D pairs.

From 2012 to 2022, the Postal Service frequently changed the service standards for Market-Dominant products, downgrading the service standard for nearly 80 percent of these pairings. In four instances, the Postal Service implemented changes on a substantially nationwide basis after it filed a request for an Advisory Opinion from the Postal Regulatory Commission. Only 22 percent of all O/D pairs have the same service standard at the beginning of 2023 that they had at the beginning of 2012.³

The Postal Service has repeatedly made the determination over the past decade that its “long-term fiscal solvency ... requires that very significant additional measures be taken to align postal operating costs with expected revenues.”⁴ The Postal Service has identified the service standards as a source of constraints that require it to operate a network with excess capacity that drives up costs. The Postal Service has stated that operational changes coupled with changes to the service standards will enable it to reduce this excess capacity and subsequently lower costs.⁵

¹ United States Postal Service Publication 32, Glossary of Postal Terms, July 2013, available at http://about.usps.com/publications/pub32/pub32_terms.htm (Postal Service Glossary of Postal Terms).

² A reference guide that details the location for each 3-Digit ZIP Code can be found at: [List of ZIP Code prefixes - Wikipedia](#).

³ The technical appendix details the source of the information used to calculate the change in service standards from 2012 to FY 2022 for each O/D pair.

⁴ Docket No. N2012-1, USPS-T-1 at 3. See also United States Postal Service, Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence, March 23, 2021, available at [Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence - about.usps.com](#). See also Docket No. N2014-1 Advisory Opinion at 25-26. See also Docket No. N2022-1 Advisory Opinion at 10. See also Docket No. N2012-2 Advisory Opinion at 9-14.

⁵ See Docket No. N2012-1, USPS-T-1. “When fully implemented, this will result in a large reduction in requisite network capacity and associated mail processing costs.”

This report quantifies the number of service standards that were changed from 2012 to 2022, as well as the volume of mail to which those service standards apply. The report summarizes the changes to the Postal Service's mail processing and transportation network as they relate to the significant service standard changes that occurred in 2012 and 2022, and the service performance results the Postal Service achieved under the re-defined standards. This report also provides context for the Postal Service's rationale for the changes that occurred at the nationwide level over this time frame. Identifying the changes to the Postal Service's networks that have occurred over the past decade concurrent with service standard changes is a key step in determining what structural and operational changes would be needed to re-establish the standards that were in place in 2012. Determining the resources that would be necessary to operate with the restored standards is a more difficult exercise, as explained below.

2012 Service Standard Change – Elimination of Overnight Service for Single-Piece First-Class Mail

As a general principle, the Postal Service sets service standards in line with the operational capacity of its mail processing, transportation, and delivery networks. The service standards that were originally established following the implementation of the PAEA were reflective of the networks and operations in place at that time. In 2012, the Postal Service stated that it could no longer operate a network designed to achieve overnight delivery of Single-Piece First-Class Mail. The Postal Service stated that it needed to redesign its operations to achieve higher cost efficiencies considering declining mail volumes.⁶ The Mail Processing Network Rationalization (MPNR) was “a fundamental realignment of the mail processing network to utilize capital assets and personnel more efficiently over the long-run, while also meeting its obligation to provide regular and effective levels of mail service.”⁷

The Postal Service explained that a starting point for this network redesign was the removal of the service standard constraint of overnight delivery of First-Class Mail. As described by the Postal Service, service standards are an operational constraint when redesigning its network. The Postal Service asserted that in order to capture the projected financial benefits of realigning its networks,⁸ it needed to modify the service standards for First-Class Mail, Standard Mail, Periodicals, and Package Services. The changes to service standards eliminated all overnight delivery service for single-piece First-Class Mail and downgraded the service standard for much of First-Class Mail from 2-day delivery to 3-day delivery. The Postal Service implemented the service standard changes it proposed as part of MPNR in two phases. The first phase occurred on July 1, 2012, and ended overnight delivery for intra-Sectional Center Facility (SCF) mail. The second phase was implemented on January 5, 2015, and ended overnight service for all Single-Piece First-Class Mail.⁹

⁶ Docket No. N2012-1 Advisory Opinion at 41-43.

⁷ Docket No. N2012-1, Testimony of David Williams (USPS-T-1) at 9.

⁸ The Postal Service operates separate networks for processing, transportation, and delivery.

⁹ See GAO Report “GAO-14-828R Postal Delivery” at 1.

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Presorted First-Class Mail and Periodicals were required to meet new mailing requirements, including new accelerated entry times, to maintain eligibility for overnight service or face extended service times. Standard Mail and Package Services were also affected but to a much lesser extent.

The Postal Service was facing unprecedented and extremely challenging financial circumstances when it made the 2012 changes. The Postal Service's cumulative losses over the 5 years from FY 2007 to FY 2011 amounted to \$25.3 billion.¹⁰ In the FY 2011 Annual Compliance Determination (ACD), the Commission found that a primary reason for the Postal Service's losses was the overly optimistic Retiree Health Benefits Fund prefunding requirement. The Commission also found that the combination of the price cap and the continuing volume decline of First-Class Mail prevented the Postal Service from generating sufficient funds from mail users to cover its institutional costs, noting that if First-Class Mail volume had remained at its 2006 level, the Postal Service would have generated an additional \$5.2 billion in contribution in FY 2011.¹¹ The Postal Service defaulted for the first time on a payment to the United States Treasury in August of 2012.¹²

The Postal Service estimated that it would achieve \$1.6 billion in savings from the combination of the mail processing facility consolidations and operating window changes.¹³ This savings was expected to be a result of the combined effects of increasing the volume processed at plants on the rationalized network (scale effects), and dramatically wider processing windows. However, the Postal Service was not able to identify what portion of its savings estimate was due to each of these effects.¹⁴

In the intervening years, the Postal Service consolidated mail processing activities. As detailed in the "Structural Changes" section, the Postal Service used 417 facilities to process 3-Digit ZIP Code assignments for letter-shaped mail in FY 2012. By FY 2022, it had condensed that number to 168, a reduction of 249 facilities. The Postal Service also made significant changes to the operating window that defines how and when mail processing facilities perform sortation activities. A key question regarding the precise amount of resources that would be required to restore the service standards that were in place in 2012 is the extent to which the Postal Service was able to achieve higher efficiency with the re-designed mail processing network and new operating window. If the Postal Service has indeed achieved higher efficiency with the consolidated network and new operating window, restoring the 2012 service standards by reverting to the larger network and narrower operating window in place prior to the 2012 service standard changes would require considerably more annual resources than current operations. Restoring the 2012 service standards, in that case, would require the one-time expense of rebuilding the

¹⁰ Docket No. N2012-1 Advisory Opinion at 13.

¹¹ Docket No. ACR 2011 Annual Compliance Determination at 5.

¹² [USPS will default on mandated payment](#).

¹³ A mail processing facility is a facility where "[a]n integrated group of subfunctions [are] required to sort and distribute mail for dispatch and eventual delivery. The principal subfunctions are culling, edging and stacking, facing and canceling, sorting, tying, pouching, bundling, sacking, and traying." See [Postal Terms \(usps.com\)](#).

¹⁴ Docket No. N2012-1 Advisory Opinion at 28. The Postal Service noted that it was unable to project the proportion of Presorted First-Class Mail that would meet the new entry requirement for overnight service. In FY 2022, approximately 9 percent of Presorted First-Class Mail that was mailed met these requirements.

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network and reinstating the old operating windows, and the additional annual resources needed to attain those service standards.

Conversely, if the Postal Service was not able to achieve higher efficiency with the consolidated network and new operating windows, that would imply that the changes the Postal Service made were not cost-effective, so reversing those changes should not lead to increased annual operating costs. If restoring the 2012 network and operating window did not increase annual operating costs, the resources required to restore the 2012 service standards would be limited to the one-time costs of rebuilding the network and restoring the operating windows in place prior to the 2012 service standard changes.

Analyses by the GAO and the USPS Office of the Inspector General,¹⁵ as well as this analysis by the Postal Regulatory Commission, have been unable to identify significant savings from the 2012 network consolidations and operating window changes. Likewise, efforts to identify separate savings related to the network consolidations versus the operating window changes have not resulted in concrete findings. As detailed in the “Operational Window” section, the unit costs for First-Class Mail have increased since 2012, and the productivity of mail processing operations have declined.

The 2012 service standard change resulted in the elimination of overnight service for First-Class Mail and the shift of portions of 2-Day mail to a 3-Day standard. The following table details the projections that the Postal Service provided in its request for an Advisory Opinion for the portions of First-Class Mail that would be affected by the new service standards.

Table 1
Postal Service Projection of Before and After MPNR Percentage of Total Volume of Each First-Class Mail Domestic Product with Service Standard of 1-, 2- or 3-5-Days

	OVERNIGHT 		2-DAYS 		3-5-DAYS 	
	Q4 FY 2011 (%)	MPNR Projected (%)	Q4 FY 2011 (%)	MPNR Projected (%)	Q4 FY 2011 (%)	MPNR Projected (%)
Single-Piece Letters/Postcards	58.0	0.0	26.6	63.8	15.1	36.2
Presorted Letters/Postcards	37.7	0.0	37.3	30.4	24.7	69.6
Flats	36.9	0.0	31.4	58.6	30.3	38.9

¹⁵ [GAO-14-828R, U.S. Postal Service: Information on Recent Changes to Delivery Standards, Operations, and Performance Operational Window Change Savings. Report Number NO-AR-19-001. \(uspsaig.gov\)](#)
[U.S. Postal Service Processing Network Optimization, Report Number NO-AR-19-006. \(oversight.gov\)](#)

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Source: Docket No. N2012-1 Advisory Opinion at 58

With the consolidation of mail processing activities and facilities, the Postal Service re-defined the range of First-Class Mail that would receive 2-Day service in a manner that required additional air transportation. When it proposed these changes, it stated that “to move the mail over longer distances, and achieve the proposed service standard commitments, the Postal Service anticipates increasing the use of air mode in place of highway mode.”¹⁶ The Postal Service projected an increase in air transportation costs of \$125 million per year.

Following the implementation of the 2012 service standard and mail processing network changes, service performance results significantly declined. In FY 2012, before the changes were implemented, the Postal Service on-time service performance result for First-Class Mail with a 2-Day service standard was 95.6 percent and 3-5 Day service standard was 93.2 percent.¹⁷ In FY 2015, with the 3-5 Day service standard applying to a higher portion of the mail, the service performance result for 2-Day had declined to 94.0 percent, and 3-5 Day service performance had declined to 77.3 percent.¹⁸ From FY 2016 to FY 2020, service performance results fluctuated, with 3-5 Day service performance reaching a high-water mark of 86.6 percent on-time in FY 2017 but remaining well below the FY 2012 results.¹⁹ By FY 2021, the service performance result for First-Class Mail 2-Day had declined to 87.4 percent on-time and 3-5 Day had declined to 64.6 percent on-time.²⁰

The Postal Service’s stated goals for the 2012 service standard and mail processing network changes were to increase efficiency and achieve reliable service. However, it did not achieve either goal.

2021 Service Standard Change - Reduction of Air Transportation

In 2021, the Postal Service proposed changing the service standards for First-Class Mail by moving portions of the mail from 2-Day service to 3-Day service and portions from 3-Day service to 4- and 5-Day service. The Postal Service implemented these service standard changes on October 1, 2021.²¹ The purpose of these changes was to reduce air transportation, which the Postal Service argued was expensive and suffered from poor service performance. The Postal Service produced detailed service performance data showing that mail that was transported via air had lower service performance results than mail transported via surface transportation only. The Postal Service estimated that the change in service standards would allow it to make transportation mode changes that

¹⁶ Docket No. N2012-1 Advisory Opinion at 116.

¹⁷ Docket No. ACR 2012 Annual Compliance Determination at 52.

¹⁸ Docket No. N2021-1 Advisory Opinion at 75.

¹⁹ Docket No. N2021-1 Advisory Opinion at 75.

²⁰ Docket No. ACR 2021 Annual Compliance Determination at 145.

²¹ [USPS® 2021 Service Standards Changes](#).

would lead to annual costs savings of \$279.6 million, but a decline in demand due to the service standard changes would decrease overall contribution by \$110.1 million, resulting in estimated net savings of \$169.5 million per year.²² However, the Commission noted issues with the Postal Service's calculations and was not able to corroborate this estimate.

The Postal Service was still in the process of implementing the operational changes that the change in service standards allowed during FY 2022, so it is not possible to fully evaluate the operational success of this program at this time. The financial results show that the Postal Service significantly increased its expenditure on surface transportation and continued to grow its expenditure on air transportation in FY 2022.

Analysis of the Feasibility of Restoring the 2012 Service Standards

This section contains an analysis of the “feasibility of restoring service standards for market-dominant products that were in effect on July 1, 2012, including an examination of the resources and structural and operational changes needed, and the impacts on market growth and revenue.” Although service standards have changed for all market dominant classes, this report focuses on First-Class Mail because the service standard changes were more pronounced for First-Class Mail. Additionally, users of First-Class Mail have fewer opportunities to adapt to new service standards because rates are uniform across geographic areas. This section is divided into three main subsections that detail the changes to service standards that the Postal Service has made over the past decade and the resources needed to restore the 2012 service standards. This section also includes a hypothetical analysis of restoring overnight service standards for a portion of First-Class Mail and a discussion of the difficulty in determining the impact of restoring service standards on market growth and revenues.

First, the size and scope of the service standard changes is analyzed by comparing the service standards for First Class Mail that were in effect on July 1, 2012, to those at the end of FY 2022. This also includes a quantification of the volumes that were entered with both the July 1, 2012, service standards and the FY 2022 service standards and the geographic profile of both sets of mail volumes.

This comparison shows that, on average, the service standard has been downgraded by approximately 1 day for both Single-Piece and Presort First-Class Mail. Approximately 78 percent of all Origin and Destination combinations now have a service standard that has increased by an additional day, and only 22 percent of O/D pairs have the same service standard in 2022 that was in place in 2012. Nearly all First-Class Mail would need to have their current service standards upgraded to meet the July 1, 2012, standards.

²² Docket No. N2021-1 Advisory Opinion at 20.

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Of the 49 billion pieces of First-Class Mail entered in FY 2022, approximately 36 billion pieces have longer service standards than they would have under the 2012 service standards.²³ If the 2012 service standards were restored, 36 billion First-Class Mail pieces, as well as the Periodicals and USPS Marketing Mail that have been impacted, would need to be processed, transported, and delivered at least one day faster than the service standard in place in FY 2022 required. This is the size and the scope of the change that would be necessary to restore the 2012 standards.

Second, the structural changes that would be needed to achieve the 2012 service standards are discussed. The changes to the Postal Service's mail processing network from 2012 to 2022 are quantified for the geographic areas impacted and the volumes that originate in those locations. In 2012, the Postal Service had 417 facilities in its mail processing network with 3-Digit ZIP Code assignments for letter-shaped mail.²⁴ By FY 2022, the Postal Service had significantly consolidated its network, and there were 168 facilities with 3-Digit assignments for letter-shaped mail. A discussion of the interplay of facility location, assigned 3-Digit locations, and transportation is provided.

Third, the operational changes that would be needed to restore 2012 service standards are discussed. The operating window that was in effect in FY 2012 is compared to the operating window that was in effect in FY 2022. In order to achieve overnight and 2-day service, the Postal Service would need to set its operating windows closer to those that were in effect in 2012. The focus is upon two key timeframes within the operating window: (1) the Critical Entry Time (CET) – the latest time possible that mail can enter a specific operation; and (2) The Cutoff Time (CT) - the latest time that an operation can be completed in order for downstream operations to meet their operating requirements.

Each of these three sections details changes the Postal Service has made over the past decade. In general, restoring the 2012 service standards would require restoring critical aspects of the network and the operational window that were in effect at that time. This section also offers a simple hypothetical for restoring overnight service for Single-Piece First-Class Mail that originates and destines in the same 3-digit ZIP Code and is processed by the same facility as was assigned in 2012. This operational hypothetical details small changes the Postal Service could undertake that would cost between \$30

²³ Approximately 16 percent of the FY 2010 average daily volume (ADV) by O/D pair was entered and delivered for a combination that did not have a service standard change. Approximately 9 percent of First-Class Presort mail was subject to a 1-day service standard in FY 2022, as detailed in Docket No. ACR 2022 Response to CHIR No. 1, question 2, file "ACR22_ChIR1_Q2-FCMVol.xlsx". While these pieces were delivered with the same service standard as was in place in 2012, the current business rules require this mail to be entered by the Critical Entry Time (CET) that is earlier than the CET that was in place in 2012. Combined, these two sources of volume for which the service standard has not changed are 25 percent. It is possible that there is overlap between these two estimates, but the overlap cannot be calculated with the available information. At a minimum, the service standard for 75 percent of First-Class Mail, by volume, has changed.

²⁴ An important change to the Postal Service's mail processing network that was a part of the post-2012 change was the creation of three separate mail processing networks by shape. There is a network for Letter processing, a network for Flat processing, and a network for Parcel processing. The Letter network is dependent upon the variety of automated Barcode Sorting technology to provide Delivery Point Sequencing (DPS) for Letters. The Flat network is dependent on the Advanced Flat Sorting Machine and Flat Sequencing Systems (FSS) sorting technology for Flats. The Parcel network is dependent on the Automated Parcel Bundle Sorter and Automated Package Processing System. While the service standards are the same, the distribution technology has its own unique network of Processing Centers. There is some level of overlap across these three networks. Approximately 80 percent of the facilities with letter assignments are also part of the Flat and Parcel networks.

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million and \$60 million per year and achieve overnight delivery for 3 billion pieces, or 30 percent of Single-Piece First-Class letters.²⁵

This section also includes a discussion of the impact of restoring service standards on market growth and revenue. Ascertaining the impact of service standards on market growth and revenue is a very difficult process that historically has not resulted in reliable estimates. There are several reasons for this: service is multi-dimensional and means different things to different users; the postal market is dynamic, and user needs change over time; lack of available alternatives influences demand regardless of service; willingness to pay for service varies among users and circumstances; and technological advances make it difficult to recapture lost volume. In Docket No. RM2017-3 the Commission contracted with Copenhagen Economics. The Copenhagen Economics report found that posts (and their regulators) have been unable to quantify the relationship between quality of service and demand.

Consistent with the findings of that study, this report finds that it is not possible to accurately estimate the impact of the 2012 service standard change on Postal Service volumes, nor is it possible to provide an accurate estimate of the impact that restoring the service standards would have on volume. This report reviews service performance results and volume changes for Single-Piece First-Class Mail, which show that volume has declined nearly 50 percent from FY 2012 to FY 2022 concurrent with a persistent decline in service performance results. There is no information currently available to determine how likely volume growth would be if the Postal Service increased service standards and service performance results.

Given the size and scope of the changes to the current network and operations that would be necessary to support overnight service, it is not feasible to provide a reasonable estimate of the annual costs to the Postal Service of restoring the overnight service standards. Because the service standards would need to change for approximately 75 percent of First-Class Mail, the Postal Service would need to operate a much larger network with tighter operational windows. The complexity of these combined changes would be unprecedented, and the outcomes unpredictable. As discussed below, the Postal Service predicted a 22 percent increase in productivity due to the network and operational window changes. However, the productivity of the Postal Service's mail processing operations did not increase in the ensuing decade. In fact, the Postal Service has implemented a series of service standard changes in an effort to increase productivity and lower costs, but the network it operated with the 2012 service standards was more efficient, as measured by productivity, than any year of the ensuing decade. It is possible that returning to that network design and operational approach would lead to an increase, rather than a decrease, in productivity.

²⁵ As detailed in the "Flats Operational Hypothetical Appendix," the network and operations of flats is different than the letter operations, and additional complexities mean that providing overnight service for Single-Piece First-Class Mail flats would likely incur a larger expense for a much smaller amount of mail. As detailed in this appendix, the estimate of the Single-Piece First-Class Mail Flats that are entered in the same service area as the destination 3-Digit ZIP Code is approximately 180 million pieces in FY 2022. The Postal Service would likely need to perform special runs of both the incoming primary and incoming secondary flat operations, as well as have the carriers manually sort the flats into sequence at the DDU. Achieving overnight service for 180 million Single-Piece First-Class Mail Flats would cost between \$46 million and \$88 million per year.

Finally, each of these components are summarized. Restoring the service standards that were in effect on July 1, 2012 would require service standards to be upgraded for over 36 billion pieces of First-Class Mail. This would require significant changes to the Postal Service's mail processing network (possible re-opening, re-staffing, and reinstallation of letter mail processing equipment for over 249 facilities), transportation network, and mail processing operations.²⁶ It is unclear whether this change would lead to volume growth. However, we determined that a partial restoration is feasible whereby the Postal Service could quickly implement a small change in operations that would allow for the overnight delivery of 3 billion Single-Piece First-Class letters.

Size and Scope of Change

The Postal Service has repeatedly downgraded the service standards across all Market Dominant classes from July 1, 2012, to FY 2022. Restoring the service standards to the 2012 levels would require significant operational and network changes. Examining the size and scope of the volume that experienced downgraded standards in FY 2022 provides an understanding of why the change in service standards would have a far-reaching effect. Although the service standards have changed for all Market-Dominant classes of mail, for illustrative purposes this report will focus on the size and scope of the changes to First-Class Mail because those changes were more pronounced and because users of First-Class Mail have fewer opportunities to adapt to new service standards.

Users of USPS Marketing Mail, Periodicals, and Package Services receive discounts for entering their mail at Postal Service facilities close to the destination. Thus, when the Postal Service changes the facility assignment for a given area, the users of these classes have significant economic incentive to enter their mail at the new facility. The effect of the service standard changes is much harder to quantify for classes where mailers are provided discounts for performing presortation and dropshipping. In contrast, the Postal Service offers uniform rates for Single-Piece First-Class Mail across the country. Consequently, these mailers do not have the same economic incentive to change behavior. As discussed elsewhere in the report, Single-Piece First-Class mailers are the most affected by facility closures and service standard changes because they are often unable to change where the mail is entered.

This report provides two approaches to understanding the size and scope of the service standard changes for First-Class Mail. The first approach examines the effects on Origin and Destination ZIP Codes individually, and the second analyzes the average impact across all ZIP Codes. The Postal Service defines its service areas using 3-Digit ZIP Codes. For each originating 3-Digit ZIP Code, there is a service standard for every possible destinating 3-Digit ZIP Code, including for mail that will be delivered in the same 3-Digit ZIP Code where it is entered (referred to as turnaround mail). This can be illustrated using a map of the

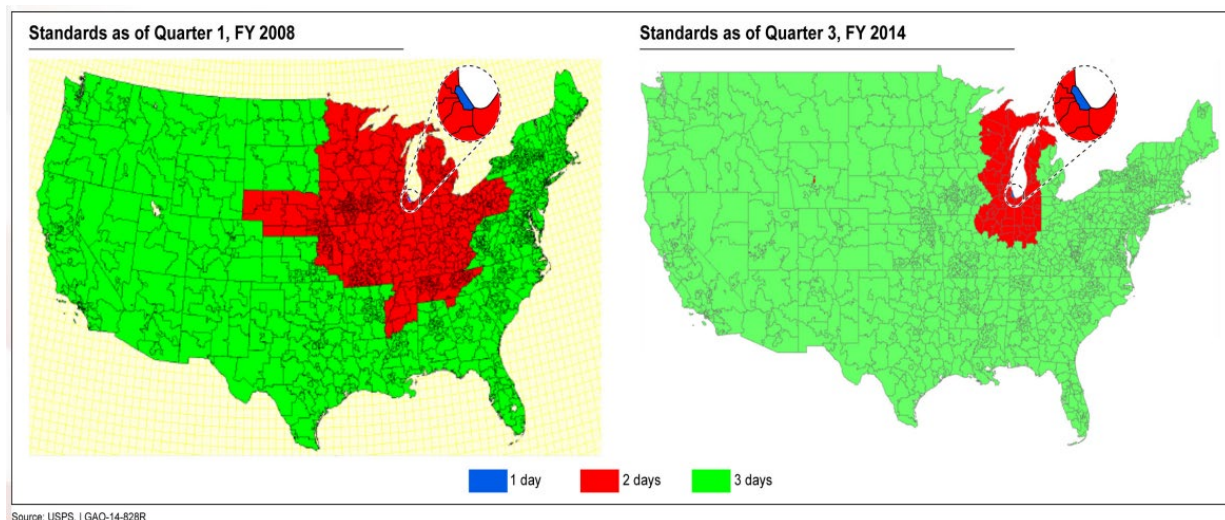
²⁶ Mail processing equipment [MPE] is defined as “[m]achinery and related apparatus used to perform mail distribution and other functions such as canceling and culling. MPE includes automated and mechanized machinery as well as manual distribution cases.” See [Postal Terms \(usps.com\)](https://usps.com).

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contiguous United States. As an example, the following figure presents the service standards for First-Class Mail originating in Chicago, Illinois' 3-Digit ZIP Code 606. The two maps show the service standards that were in effect in FY 2008 Quarter 1, well before the Postal Service began its service standard changes, and in FY 2014 Quarter 3, after the first round of the MPNR service standard changes but before the elimination of overnight delivery for Single-Piece First-Class letters.²⁷

The blue area in the circular inset represents the geographic area of the 606 3-Digit ZIP Code.

Figure 1
Map of First-Class Service Standards for FY 2008 Quarter 1 and FY 2014 Quarter 3
for 3-Digit ZIP Code 606 (Chicago, Illinois)

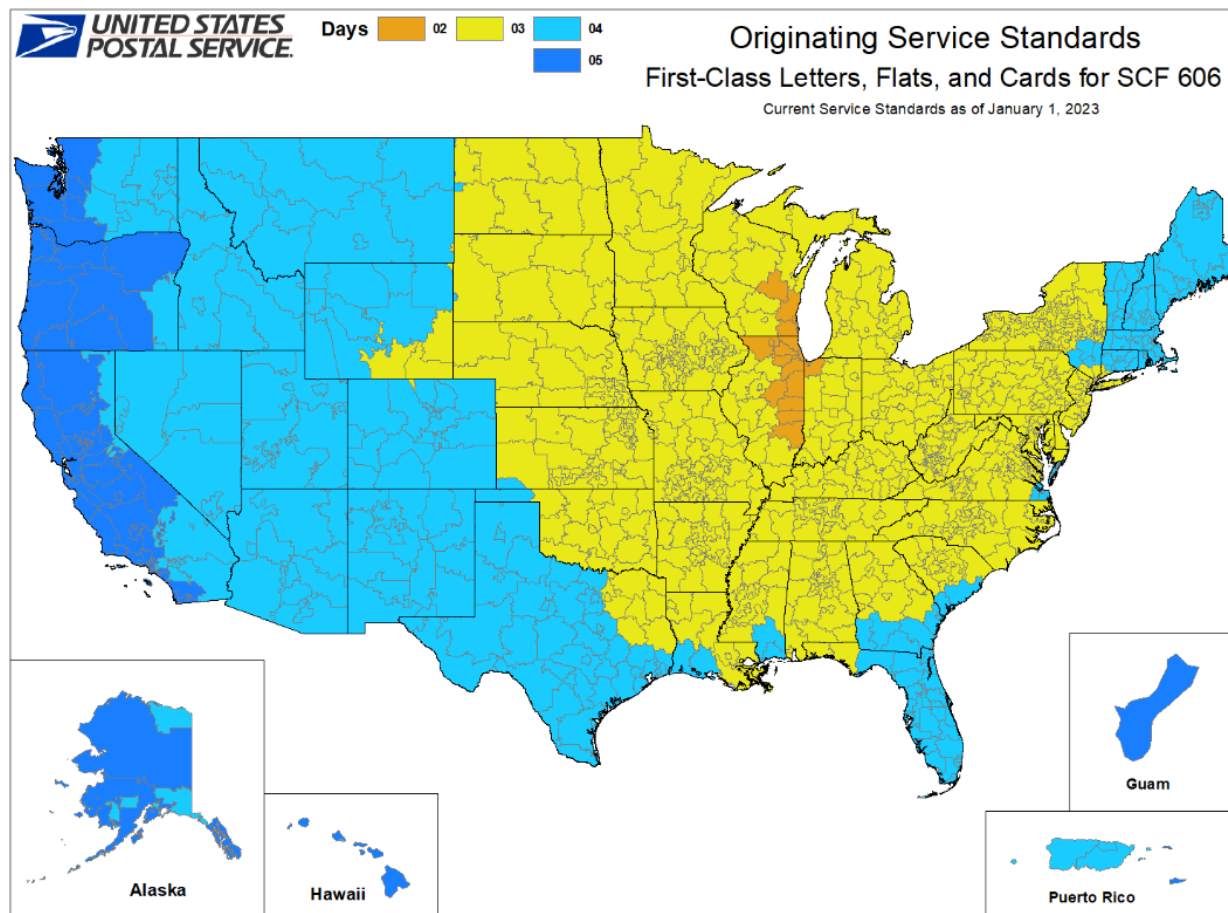


These maps highlight the effect of facility consolidation, operating window changes, and transportation network changes on service standards. In both 2008 and 2014, local turnaround mail that was entered and delivered within the 606 3-Digit ZIP Code area had an overnight service standard. In 2008, the 2-Day delivery range included Pennsylvania and Nebraska and areas as far south as Mississippi. By 2014, the 2-Day service standard range had significantly shrunk to the area within approximately 150 miles of downtown Chicago.

The following map details the service standards for First-Class Mail for the 606 3-Digit ZIP code as of January 1, 2023.









²⁷ The Postal Service implemented the service standard changes it proposed as part of MPNR in two phases. The first phase occurred on July 1, 2012, and ended overnight delivery for intra-SCF mail. The second phase was implemented on January 5, 2015, and ended overnight service for all Single-Piece First-Class Mail. See GAO Report "GAO-14-828R Postal Delivery" at 1.

Figure 2
Map of First-Class Service Standards for FY 2023
Quarter 3 for 3-Digit ZIP Code 606 (Chicago, Illinois)



The FY 2023 map highlights three major changes: the elimination of overnight service, a greatly reduced 2-day service area, and the addition of the 4- and 5-day areas for the west coast, Texas, and the eastern corners of the contiguous United States. Of the 930 different 3-Digit ZIP Codes with service standards in 2012, there were 250 3-Digit ZIP Codes with a 2-Day service standard for First-Class Mail entered in the 606 area. As of January 2023, there are only 37 3-Digit ZIP codes that have a 2-Day service standard for mail entered in the 606 area. The service standards for 223 3-Digit ZIP Codes have been downgraded from 2-Day to 3-Day, and the service standards for 325 3-Digit ZIP Codes have been downgraded from 3-Day to 4- or 5-day. The following table details the number of 3-Digit ZIP Codes by number of days to delivery for the 3-Digit ZIP Code 606.














Table 2
Comparison of Service Standards for Destination
3-Digit ZIP Codes from Origin 3-Digit ZIP Code 606²⁸

1-Day		2-Day		3-Day		4-Day		5-Day	
2012	2022	2012	2022	2012	2022	2012	2022	2012	2022
									
3	0	676	25	236	566	0	251	0	75
% Change		% Change		% Change		% Change		% Change	
						--		--	
-100%		-96%		140%		--		--	

Like this illustrative example shows, the service standards for the majority of 3-Digit O/D pairs have been downgraded from 2012 to FY 2022. While a few 3-Digit O/D pairs that had a 2-Day service standard in 2012 still have a 2-Day standard, and some O/D pairs from Origin 3-Digit 606 that had a service standard of 3-Days in 2012 continue to be 3-Days in 2022, many more O/D pairs had their service standard downgraded from 2-Day to 3-Day and from 3-Day to 4- or 5-Day.

The following table details how Service Standards have changed from 2012 to FY 2022 for all of the O/D ZIP Code pairs.

Table 3
Analysis of the Change in Service Standard for Each
Origin/Destination Pair from 2010 to FY 2022

2010 Service Standard	2022 Service Standard										Total	
	1-Day	%	2-Day	%	3-Day	%	4-Day	%	5-Day	%		
1-Day		0%	8,189	88%	1,084	12%		0%		0%	9,273	100%
2-Day		0%	14,057	8%	168,323	92%	809	0%	215	0%	183,404	100%
3-Day		0%	244	0%	176,265	27%	323,299	50%	141,760	22%	641,568	100%
4-Day		0%		0%		0%		0%	12,824	100%	12,824	100%
5-Day		0%		0%		0%		0%	1,837	100%	1,837	100%

Another quantitative approach for evaluating the change in service standards for 3-Digit ZIP codes by O/D pair is to evaluate the average service standard for all O/D ZIP Code

²⁸ This table, and all tables detailing service standards by O/D Pair, exclude the service standards for the “NY Military”, “FL Military”, and “SF Military” ZIP Codes, as these are used for mail destined at military bases for further transportation.

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pairs. The following table details the average service standard by O/D pair for all 3-Digit ZIP Codes in 2012 and FY 2022.²⁹

Table 4
Average Service Standards, in Days, Calculated using O/D Pairs

FY 2012	FY 2022
2.712 Days	3.720 Days

This analysis shows that the average service standard has increased by more than 1 day from 2012 to FY 2022 for First-Class Mail across all ZIP Codes.

The magnitude and scope of the service standard change is similarly evident when the volume that is entered into the system is analyzed. Incorporating average daily volumes by 3-Digit ZIP Code provides another way to understand how both the operations of the Postal Service and the users of the mail are impacted by service standard changes. The maps above for the 3-Digit ZIP Code 606 show the United States to scale, but each destinating 3-Digit ZIP Code receives a different amount of mail from a given origin each day. The following table contrasts the service standard in effect in FY 2010 by 3-Digit ZIP Code and the average daily volume entered for each destination ZIP Code from the 606 3-Digit Origin ZIP Code.

Table 5
Analysis of FY 2010 First-Class Mail Average Daily Volume that Originated in the 3-Digit ZIP Code 606³⁰

Service Standard	Number of O/D Pairs	Percent of O/D Pairs	FY 2010 First-Class Average Daily Volume	FY 2010 Percent of First-Class Volume
1-Day	3	0.3%	392,924	27.5%
2-Day	261	29.4%	584,327	40.9%
3-Day	618	69.5%	450,350	31.5%
4-Day	6	0.7%	2,259	0.2%
5-Day	1	0.1%	167	0.0%
Total	889		1,430,028	
Average Service Standard	2.71-Day		2.04-Day	

²⁹ The technical appendix details the source of the information used to calculate the change in service standards from 2012 to FY 2022 for each O/D pair.

³⁰ There are 915 Origin/Destination pairs in Table 2 above, as compared with 889 in this table. The difference in the number of O/D pairs is because 26 O/D pairs did not have any volume in FY 2010.

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As detailed in this example using mail that originated in the 606 3-Digit ZIP Code in FY 2010, mail destined for 3-Digit ZIP Codes³¹ with an overnight service standard represented less than 0.3 percent of the O/D pairs for 606 but 27.5 percent of the volume. Conversely, the majority of the 889 different O/D pairs had a 3-Day service standard (69.5 percent), but these 3-Digit destinations accounted for only 31.5 percent of the volume entered. The difference between the average service standard by O/D pair and by volume is significant, with the average service standard by volume being nearly a day less than the average service standard by O/D ZIP Code pair.

The same approach can be used to evaluate the change in average service standards for all of the volume entered in a year. The following table evaluates the 2012 service standards using the FY 2010 volume distribution³² and the FY 2022 service standards using the FY 2022 volume distribution.

Table 6
Average Service Standards, in Days, Calculated using Volume by O/D Pair³³

All First-Class Mail Weighted by Volume		Single-Piece First-Class Mail Weighted by Volume		Presort First-Class Mail Weighted by Volume	
FY 2012	FY 2022	FY 2012	FY 2022	FY 2012	FY 2022
1.907	3.094	1.693	2.595	2.147	3.328

This analysis shows that the average service standard for mail pieces entered by user into the Postal Service increased by nearly a day for Single-Piece First-Class and over a day for First-Class Presort from 2012 to FY 2022. The increase of 0.9 days is more than a 50 percent increase in the average service standard for Single-Piece First-Class Mail entered in FY 2012.

The two prongs of the analysis show that restoring the 2012 service standards would have a substantial effect on mailers and require substantial effort by the Postal Service.

Structural Changes

As detailed in the background section, the Mail Processing Network Rationalization implemented by the Postal Service following Commission Docket No. N2012-1 had two major components, a reduction in the number of mail processing facilities in the Postal Service's mail processing network and a change in the operational windows at the remaining facilities. Much of the change in service standards resulted from the closing and consolidation of mail processing facilities. Mail can only be delivered with an overnight service standard if it is entered close enough to a Postal Service mail processing facility for it to be processed with the next day's delivery mail. The significant reduction in the number

³¹ Including the mail entered in 3-Digit ZIP Code 606 that destined in 3-Digit ZIP Code 606.

³² The FY 2010 Average Daily Volume was used by the Postal Service in Docket No. N2012-1 to model the FY 2012 network and is the best available data to simulate the volumes mailed at the service standards in effect in 2012.

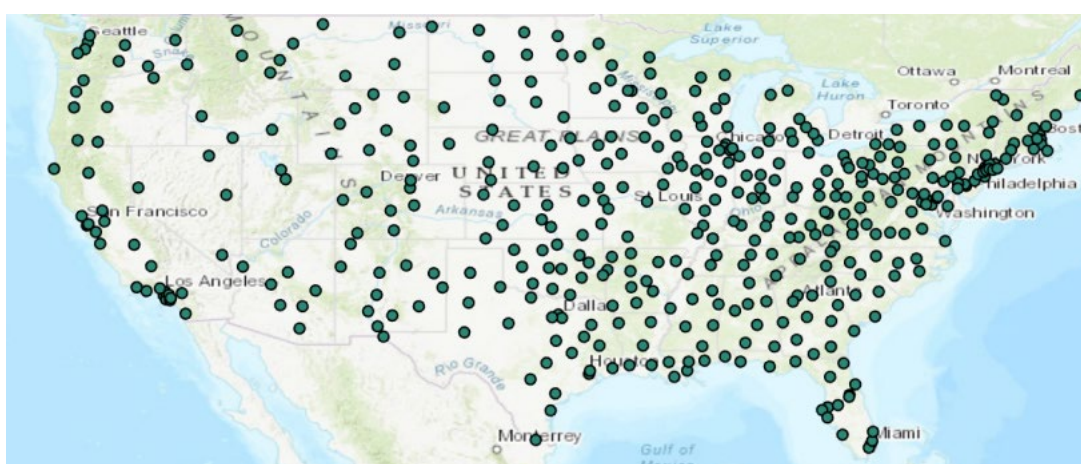
³³ The technical appendix details the source of the information used to calculate the average change in service standards from 2012 to FY 2022 for each O/D pair.

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of mail processing facilities had the direct effect of making overnight delivery of mail entered near the closed facilities impossible. As long as those facilities remain closed, it will be impractical for the Postal Service to attempt to deliver mail with an overnight service standard that originates in the areas they served.

In FY 2012 the Postal Service operated a mail processing network with 417 letter mail processing facilities that had 3-Digit ZIP Code letter assignment. The map below shows where those facilities were located in the continental United States.

Figure 3
Map of the FY 2012 Postal Service Mail Processing Network,
Facilities with 3-Digit ZIP Code Assignments for Letters

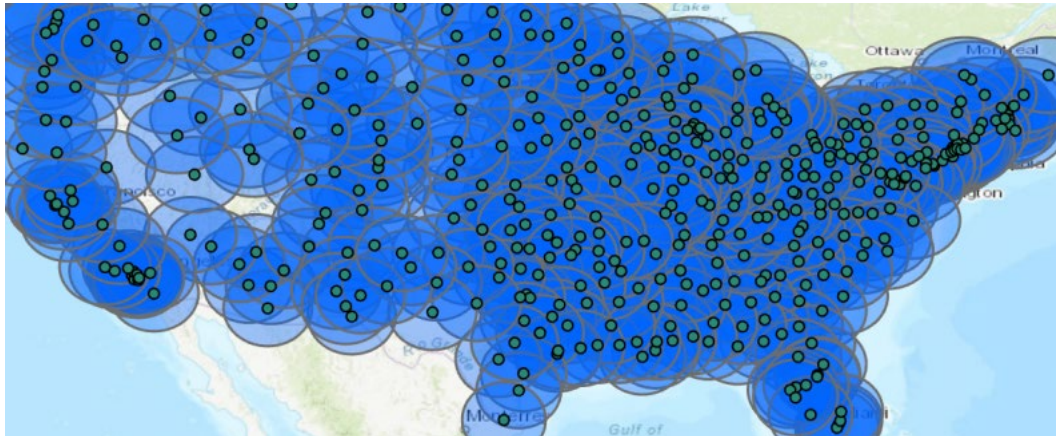


Another way to understand the geographic distribution of the letter mail processing facilities is to see the overnight service area overlayed with the facilities. The map below shows the same letter mail processing facilities with a 139.5-mile³⁴ circle around the facility, which approximates the overnight service area for each of those facilities.³⁵

³⁴ The Postal Service uses an average transportation vehicle speed of 46.5 miles per hour for its transportation modeling. As of January 1, 2022, the drive time constraint from the origin SCF to destination SCF for the 2-Day Service Standard is 3 hours. The 139.5-mile circle is representative of the modeled 3 hours of transportation at 46.5 miles per hour. Docket No. N2021-1 Advisory Opinion at 139.

³⁵ Overnight service is feasible for delivery units within a 3-hour drive of the facility. In urban areas this is considerably less than 139.5 miles, and in some rural areas, this is more than 139.5 miles. The 139.5-mile circle is an illustrative example.

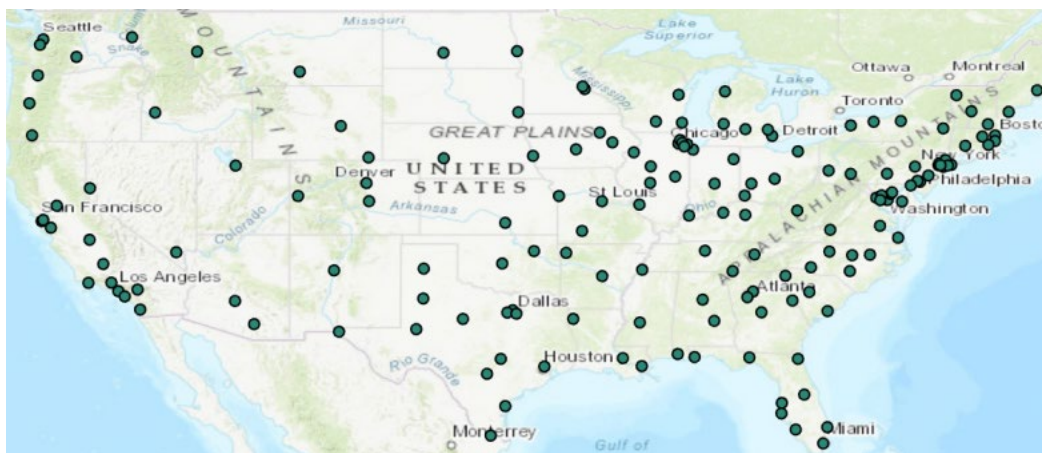
Figure 4
Map of the FY 2012 Postal Service Mail Processing Network, Facilities with 3-Digit ZIP Code Assignments for Letters, with Circles to show Service Area



This map shows that nearly the entire country could achieve overnight delivery by a Postal Service letter mail processing facility. Reducing the quantity of letter mail processing facilities had a secondary effect on the 2-day service window. As illustrated by Figure 1 above, prior to FY 2012 the 2-Day service for the 606 3-Digit ZIP Code included areas as far east as Pennsylvania, as far south as Mississippi, and as far west as Nebraska. This was possible because of the interwoven transportation links between letter mail processing facilities.

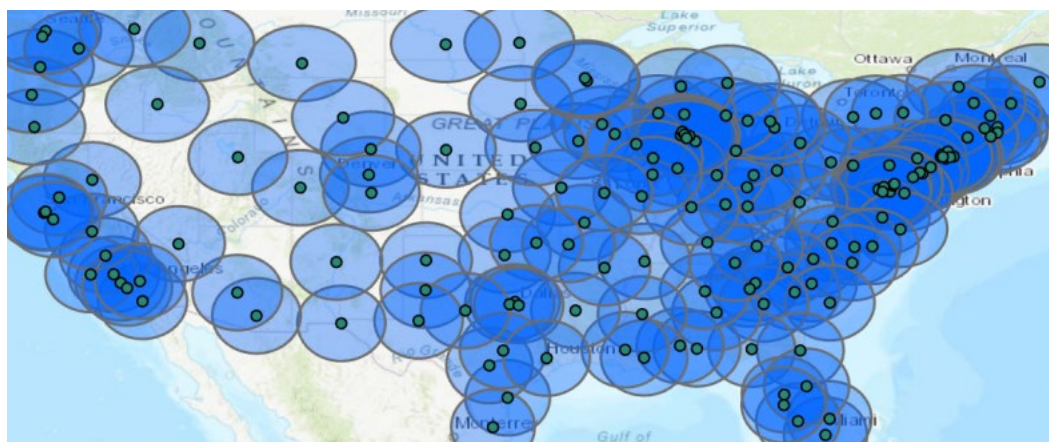
In FY 2022 the number of Postal Service letter mail processing facilities with 3-Digit ZIP Code letter assignments was 168, a decrease of 249 (60 percent) from FY 2012. The 3-Digit ZIP Codes that had their letter mail processing assignments moved from a shuttered facility are no longer eligible for overnight service, because the mail from those locations has to be transported to a letter mail processing facility that in many cases is hundreds of miles from where the mail is collected or dropped off. Figure 5 presents a map of the Postal Service's letter processing network in FY 2022.

Figure 5
Map of the FY 2022 Postal Service Mail Processing Network,
Facilities with 3-Digit ZIP Code Assignments for Letters



The map in Figure 6 overlays the 139.5-mile service radius with the FY 2022 facility network.

Figure 6
FY 2022 Postal Service Mail Processing Network, Facilities with 3-Digit ZIP Code
Assignments for Letters, with Circles to show Service Area



This map shows that portions of the United States west of the Mississippi river are not within a 139.5-mile radius of any Postal Service letter mail processing facility. And while the majority of the East Coast continues to have a letter mail processing facility within a 3-hour drive, the number of locations that have a facility within a 1-hour drive has greatly diminished.

Figure 7
FY 2012 Postal Service Mail Processing Network, Facilities with 3-Digit ZIP Code Assignments for Letters and 3-Digit ZIP Codes, State of Nebraska

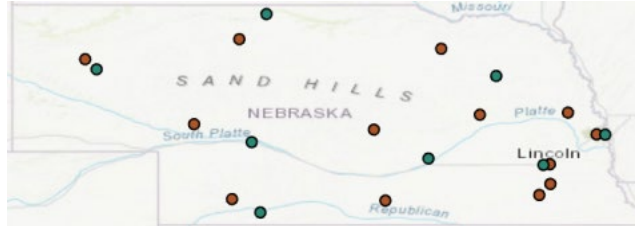
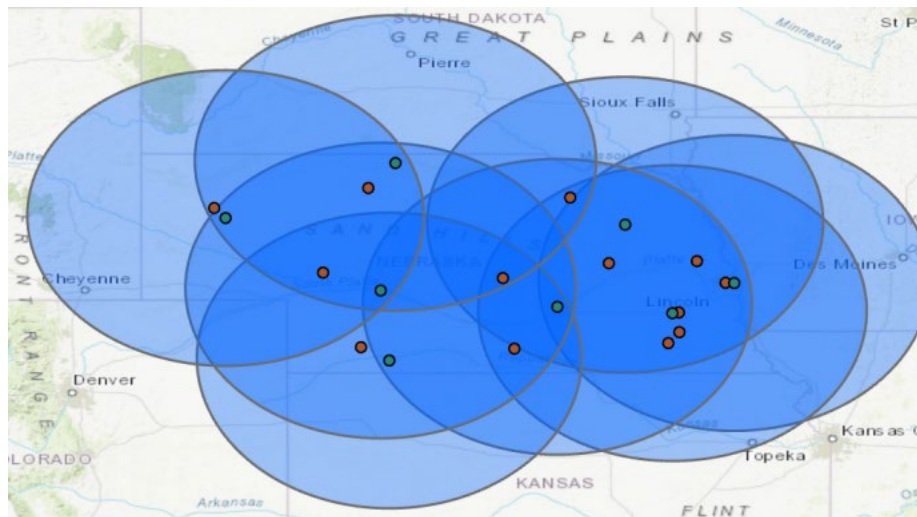


Figure 7 shows the Postal Service letter mail processing facilities in Nebraska in FY 2012 as a green dot and marks the geographic center point of each 3-Digit ZIP Code with a red dot. The map shows that each letter mail processing facility was located close to the center of one or more 3-Digit ZIP Codes. The proximity of the letter mail processing facilities to the 3-Digit areas they served can be further illustrated using the 139.5-mile service area circles, as shown in Figure 8.

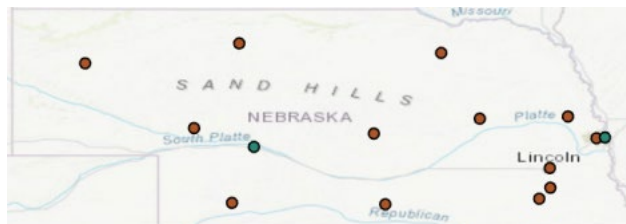
Figure 8
FY 2012 Postal Service Mail Processing Network, Facilities with 3-Digit ZIP Code Assignments for Letters and 3-Digit ZIP Codes, State of Nebraska with Service Area Circles



This map shows that the center of each of the 3-Digit areas (indicated by the red dots) was within the overnight service area of at least one Postal Service letter mail processing facility. Most of the state could be served by multiple letter mail processing facilities, allowing for overnight delivery for most of the volume entered in Nebraska that was destined for Nebraska.

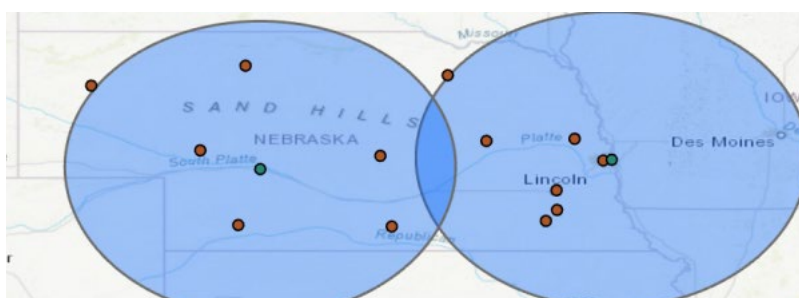
The Postal Service's letter mail processing facility consolidations decreased the number of mail processing facilities in the state of Nebraska with letter assignments. In FY 2022, there were two facilities in the state with 3-Digit ZIP Code letter assignments, as shown in Figure 9.

Figure 9
FY 2022 Postal Service Mail Processing Network, Facilities with 3-Digit ZIP Code Assignments for Letters and 3-Digit ZIP Codes, State of Nebraska



The state of Nebraska is approximately 430 miles from East to West and 210 miles from North to South. There are 14 different 3-Digit ZIP Codes within the state of Nebraska. The decrease in letter mail processing facilities means that the remaining two letter mail processing facilities have to cover this entire area and an average of 7 different 3-Digit ZIP Code assignments each day. In FY 2012, each of the 8 letter mail processing facilities in Nebraska averaged approximately 2 different 3-Digit ZIP Code assignments per facility. Figure 10 presents a map of the 139.5-mile service area of the two facilities with 3-Digit ZIP Code letter assignments in FY 2022.

Figure 10
FY 2022 Postal Service Mail Processing Network, Facilities with 3-Digit ZIP Code Assignments for Letters and 3-Digit ZIP Codes, State of Nebraska with Service Area Circles



As shown in Figure 10, most of the state is still within the 139.5-mile service area of a letter mail processing facility, but there is minimal overlap and the center points of many of the 3-Digit ZIP Codes are on the outer reaches of the circles.

From an operational perspective, this means that turnaround Single-Piece First-Class collection mail from the western edge of the state must travel to the center every day for cancellation and processing. Once the letter mail has been sorted into delivery point sequence it must be transported back to the western edge of the state for delivery. There is

not enough time between the carriers returning with the collection mail at 6 P.M. and going out for delivery again the next day at 8 A.M. to allow for the transportation and sortation of the local turnaround mail needed for overnight delivery in the areas located at the edges of the 139.5-mile circles.

As this example demonstrates, the structural changes to the Postal Service's letter mail processing network have a direct effect on what service standards are possible. To analyze these impacts, it is useful to distinguish the 3-Digit ZIP Codes with assignments that were changed by letter mail processing facility closures from those where the assigned facility remained the same. For the 3-Digit ZIP Codes where the assigned letter mail processing facility was the same in both FY 2012 and FY 2022, restoring the 2012 service standards would be possible. For the 3-Digit ZIP Codes where the assigned letter mail processing facility for either the origin of the mail piece or the destination of the mail piece was not the same in both FY 2012 and FY 2022, restoring the 2012 service standards would likely be impossible.

Each letter mail processing facility that is assigned the origin or destination processing for a specific O/D pair is used to define the service standard for that mail. If the letter mail processing facility that was assigned the origin processing for a specific O/D pair has closed, that assignment will have been re-assigned to another facility that is in almost all cases further away from the origin 3-Digit ZIP Code than the closed facility was. Similarly, if the letter mail processing facility that was assigned the destination processing for a specific O/D pair has closed, that assignment will have been re-assigned to another facility that is in almost all cases farther away from the destination 3-Digit ZIP Code than the closed facility was. The added distance to either the beginning or the end of the processing means that it is unlikely that the distance between the origin and destination facilities will fall within the requirement for overnight service. As detailed in Figures 8 and 10, the number of facilities with overlapping 139.5-mile service radius has significantly decreased from 2012 to 2022. The following table details the distribution of 3-Digit ZIP Codes for these two categories.

Table 7
3-Digit ZIP Codes with and without Facility Assignment Changes, 2012 to 2022

Total 3-Digit ZIP Codes	3-Digit ZIP Codes Where Facility Assignment Did Not Change	3-Digit ZIP Codes Where Facility Assignment Changed
916	499	417

In order to restore service standards to 2012 levels, a structural change would be required for 417 of the 916 3-Digit ZIP Codes, over 40 percent.

The Postal Service removed the automated letter mail processing equipment from 249 facilities that were no longer assigned 3-Digit letter processing in FY 2022. Of these 249

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facilities, the Postal Service still owned or leased 228 as of the end of FY 2022,³⁶ and continued to use many of these locations for delivery and/or retail operations. The Postal Service could potentially replace the automated mail processing equipment in these 228 facilities, although the cost of doing so is not clear.³⁷

The full restoration of the 2012 service standards might require repurchasing or rebuilding the 21 facilities that the Postal Service no longer owns or leases.³⁸ However, these 21 facilities processed only 3 percent of the originating mail volume in FY 2010. Therefore, restoring the 2012 service standards for approximately 97 percent of mail volumes would not require the capital costs of building new facilities.

Even though the Postal Service would not have to undertake significant capital expenditures to re-open 228 facilities for mail processing, the size and scope of that structural challenge would be significant. The primary challenge of restoring the 2012 service standards would be acquiring and configuring letter mail processing automation equipment for these facilities. It is unclear whether the Postal Service currently owns sufficient automation equipment to stock these facilities. From a human resource perspective, managing, staffing, and operating 228 or 249 additional locations would be a major challenge for the Postal Service. Assigning the letter processing workload to the facilities that were used in FY 2012 would require eliminating positions at current facilities and creating new positions at new facilities. If the Postal Service is able to shift the workload efficiently, it is possible that the number of workhours for letter mail processing would decrease. If the Postal Service was unable to re-assign the workload efficiently, the result of this workload re-assignment could be an overall increase in headcount and workhours.

The information reviewed for this report shows that there have been major structural changes to the Postal Service's mail processing network over the last decade. The FY 2022 facilities data show that the Postal Service has not liquidated the vast majority of the facilities where mail processing operations were removed, making it possible to re-open those facilities without the capital costs of building or buying new facilities. However, the mail processing equipment needed is no longer in place, so there would likely be substantial one-time costs. There is no relevant historical information to use as the basis to estimate the cost or time required. In addition, the Postal Service may need to increase its workforce to staff the mail processing operations which would increase annual operating costs.

³⁶ See Docket No. ACR2022 Response to CHIR No. 12, Question 6. The response to the question lists 21 facilities that were non-operational in FY 2022. These are the locations where the Postal Service no longer owns or leases a facility that had a 3-Digit ZIP Code letter mail processing assignment in 2012. The response also lists 226 locations that were still operational in FY 2022, but no longer had a 3-Digit ZIP Code letter mail processing assignment, as they did in FY 2012. There are 2 additional facilities that were not part of the question that were still operational in FY 2022 with flat or parcel mail processing assignments that no longer had letter mail processing assignments, as they did in FY 2012. The 226 still operational facilities are added to those 2 facilities for the full list of 228 facilities that no longer have 3-Digit ZIP Code letter mail processing assignments but are still operational in FY 2022.

³⁷ There is also the possibility that mail processing equipment was decommissioned or "cannibalized" for parts in the remaining infrastructure. This may result in the need to contract with manufacturers to produce automated processing equipment for both letters and flats. This could be a significant capital investment.

³⁸ As detailed by the USPS Office of the Inspector General in 2016, "the Postal Service has sold properties or discontinued leases worth about \$139.7 million." [Mail Processing and Transportation Operational Changes. Report Number NO-AR-16-009 \(uspsoig.gov\)](#) at 27.

Operational Window

The operational window defines when the mail is available for processing, which is where bottlenecks that can impact service performance usually occur. The pre-FY 2012 mail processing plan, in conjunction with the mail processing network facility locations, was designed to meet the then-existing service standards. In order to achieve overnight and 2-Day service targets, the Postal Service must get mail in and out of facilities in less than 12 hours. The 12-hour processing window is generally defined as 1800 to 0600. Outgoing processing begins with Cancellation / Initial Primary Sort and concludes with Incoming Primary / Secondary sort and/or Delivery Point Sequencing (DPS) prior to dispatch to the Destination Delivery Unit (DDU).³⁹ Such a process would require a shift from the current Batch Processing methodology to a near Continuous Flow process. Overnight mail, generally speaking, has to be dispatched for local delivery the morning following its collection. Similarly, 2-day mail needs to be dispatched to the destinating SCF (or transportation hub) by mid-morning to allow time to drive to the next processing facility by the Critical Entry Time for the Incoming Primary / MMP operation.

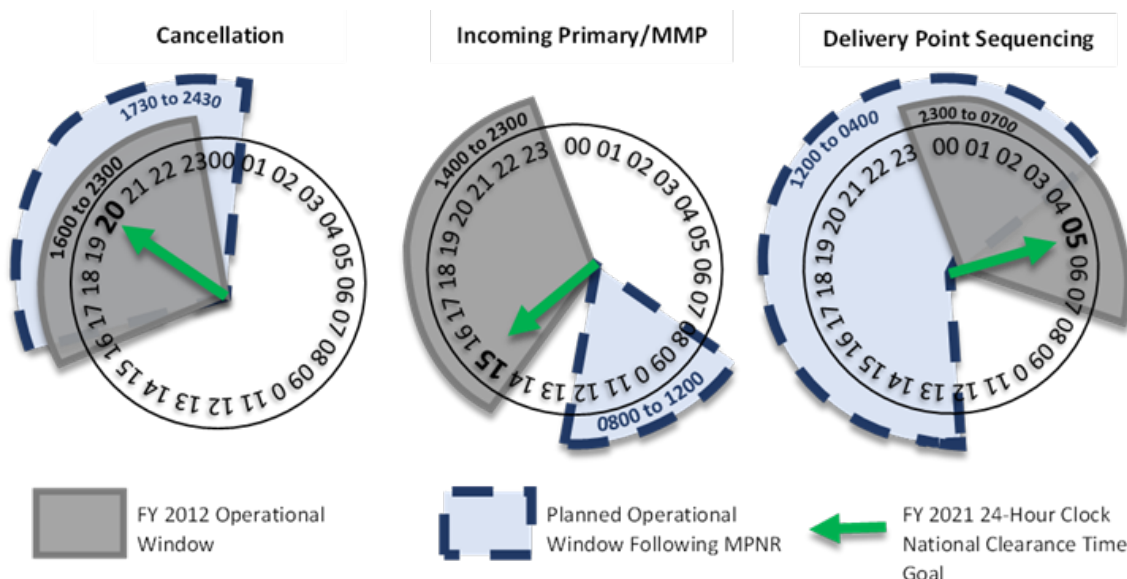
The service standards in place in FY 2022 do not include an overnight standard for Single-Piece First-Class Mail. The only overnight standard within First-Class Mail is for presorted mail that is entered at the destination facility by the facility-specific CET on the day before delivery.⁴⁰ The operating window that is in place to support the current service standards allows for mail to spend more time at the facility before undergoing each of the processing steps.

Figure 11 details the operational flow and timelines for letter processing. This figure highlights the difference in operating window between the pre-FY 2012 environment, the Postal Service's plan for the MPNR and Operating Window Change, and the FY 2022 environment.

³⁹ This 12-hour processing window describes the processing flow for letters. The processing flow for flat-shaped mail involves bundle sorts for presorted mail and may involve the FSS machine for mail that Destimates to an FSS Facility. Similarly, the parcel flow has different steps than the letter processing flow.

⁴⁰ The day-zero CET is facility-specific. The general guidance provided by the Postal Service in Docket No. N2012-1 suggests a noon CET. Docket No. N2012-1 Advisory Opinion at 50.

Figure 11
Operational Window for Selected Letter Operations



The Operational Windows used in letter operations prior to the FY 2012 Operational Window Changes were built around the concept of nearly continuous operations. The mail flowed directly from one operation to the next in the processing flow, with minimal time in between. The Incoming Primary / MMP⁴¹ operation would run simultaneously with the cancellation operation, with the recently collected mail moving directly out of cancellation into the appropriate ongoing incoming sort.⁴² The windows were designed for a sortation changeover around 2300 each night, allowing full delivery point sequencing of the incoming letters in time for dispatch to carriers the next morning. The key design concept for this operational plan is that the mail is flowing from one operation to the next without significant time gaps in between operations.

The key design concept of mail processing operations in the post-MPNR environment is to do one operation at a time for an extended period of time. Instead of switching the DBCS machines between outgoing primary, incoming primary / MMP, and incoming secondary / DPS within 3 or 4 hours, the current operating plan is designed to process all mail that will go through a specific operation before the next processing step begins.

This design has a specific impact on overnight mail, as the incoming primary or MMP sort cannot happen the same night as the mail is brought into the processing facility. The interaction between the timing of the collection mail arriving at the facility and the beginning and ending times of the operations (the Critical Entry Time and Clearance Time)

⁴¹ Incoming Primary and Incoming MMP operations serve the same purpose - they are used to sort mail generally from the 3-Digit Level to the 5-Digit level. The Postal Service used the Incoming Primary operational codes frequently in the pre-FY 2012 environment. In recent years, significantly more volume was processed in the Incoming MMP operation than the Incoming Primary operation. Different facilities will use different operational codes, but the purpose of the operations is very similar.

⁴² The Postal Service would also dispatch outgoing mail to be processed at other facilities around this time.

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is the cause and effect for service standards and service performance results. Because of the Clearance Time for the Incoming Primary / MMP operation, collection mail that has been cancelled sits until the next day when the outgoing and incoming primary operations start up, at which point it flows with the presorted mail.

As long as the current operating windows are in effect and no special runs are put into place to allow for different service levels, the Postal Service will not be able to meet the 2012 service standards. Restoring the 2012 service standards would require changing the design of mail processing operations from the current approach of moving all mail through one operation at a time to the continuous flow approach that was used prior to FY 2012 that kept mail moving across the different operations required for quick delivery.

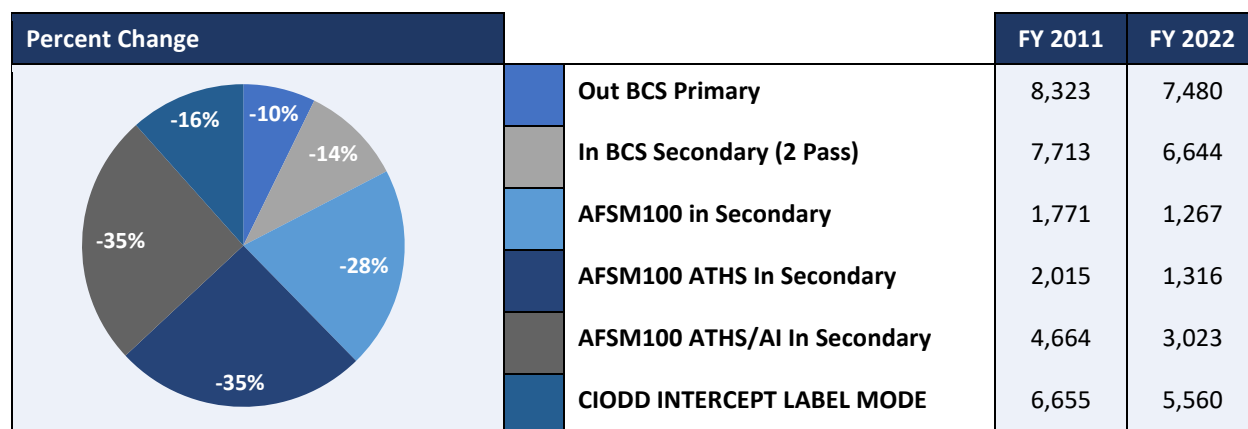
The stated purpose of this change in operational window was to increase productivity. However, the Postal Service has not experienced an increase in mail processing productivity following the implementation of the new operational windows. Since the implementation of revised service standards, the Postal Service has not achieved any of the improvement that was originally claimed as part of the justification for the change. The USPS OIG has repeatedly determined that the Operational Window Change (OWC) did not lead to the predicted productivity increases. In 2016, the OIG summarized the purpose of this change, stating that the “OWC was projected to save over \$805 million annually through increased mail processing productivity, decreased premium pay, additional delivery point sequencing of mail, less mail sorting at fewer facilities, and use of more efficient mail sorting machines. The OWC also required changes in mail transportation.” The OIG found that “the Postal Service did not achieve projected savings associated with the OWC. Management could provide support for achieving only 10 percent of the projected annual OWC savings presented to the Postal Regulatory Commission in 2011 of over \$805.5 million,” further noting that the savings may have been offset by increases in transportation “of over \$200 million ... in FY 2015. The Postal Service attributes \$130.2 million of increased transportation costs to the OWC.”⁴³

As discussed in the background section, the Postal Service projected productivity improvements of between 17 and 22 percent, by operation. In 2019, the USPS OIG determined that Automated Letter productivity decreased by 6.7 percent from FY 2014 to FY 2017 and Automated Flat Productivity decreased by 15.5 percent over the same time frame.

The following table compares the productivity for key activities in both letter and flat processing from FY 2011, before the OWC, to FY 2022.

⁴³ [Mail Processing and Transportation Operational Changes, Report Number NO-AR-16-009 \(uspsoig.gov\)](#) at 1, 2.

Table 8
Productivity Changes for Selected Activities



These operations represent the most commonly used operations, with the highest pieces handled. Across these operations, productivity is down between 10 and 35 percent. No matter what time frame is reviewed, mail processing productivity has declined since the operational window change was implemented.

Another approach to evaluating the cost effectiveness of the MPNR changes implemented by the Postal Service is to evaluate the unit attributable costs of First-Class Mail. The following table details the total and unit cost of Single-Piece and Presort First-Class products from FY 2011 to FY 2022 across the functional areas of mail processing (CS 3), transportation (CS 8 and 14), and facilities cost (CS 11 and 15).

Table 9
Cost Changes for First-Class Mail, FY 2011 to FY 2022

	FY 2011	FY 2022	Percent Change
Single-Piece First-Class Cost Segment 3 Cost	\$2,440,186	\$1,796,255	-26%
Single-Piece First-Class Volume	25,846,765	12,817,615	-50%
Single-Piece First-Class Cost Segment 3 Cost/Piece	\$0.094	\$0.140	48%
Presort First-Class Cost Segment 3 Cost	\$1,504,693	\$1,405,837	-7%
Presort First-Class Volume	44,494,498	34,992,301	-21%
Presort First-Class Cost Segment 3 Cost/Piece	\$0.034	\$0.040	19%
Single-Piece First-Class Cost Segments 8 and 14 Cost	\$358,369	\$409,863	14%
Single-Piece First-Class Volume	25,846,765	12,817,615	-50%
Single-Piece First-Class Cost Segment 8 and 14 Cost/Piece	\$0.014	\$0.032	131%
Presort First-Class Cost Segment 8 and 14 Cost	\$524,594	\$710,136	35%
Presort First-Class Volume	44,494,498	34,992,301	-21%
Presort First-Class Cost Segment 8 and 14 Cost/Piece	\$0.012	\$0.020	72%
Single-Piece First-Class Cost Segments 11 and 15 Cost	\$703,469	\$527,924	-25%
Single-Piece First-Class Volume	25,846,765	12,817,615	-50%
Single-Piece First-Class Cost Segment 11 and 15 Cost/Piece	\$0.027	\$0.041	51%
Presort First-Class Cost Segment 11 and 15 Cost	\$443,568	\$453,574	2%
Presort First-Class Volume	44,494,498	34,992,301	-21%
Presort First-Class Cost Segment 11 and 15 Cost/Piece	\$0.010	\$0.013	30%

Across each of these functional cost centers unit costs for both Single-Piece and Presort First Class are up significantly. The unit mail processing cost (cost segment 3) of Single-Piece First-Class has increased by 48 percent, and the unit transportation cost has increased by over 131 percent. Despite the 50 percent reduction in Single-Piece First-Class volume, the Postal Service spent more money, in absolute terms, on the transportation of Single-Piece First-Class Mail in FY 2022 than it did in FY 2011.

This analysis does not support the conclusion that reverting the operational window to the design approach of continuous processing that was in place before the implementation of MPNR would have a negative impact on productivity or cost effectiveness.

Operational Hypothetical - Restoring Overnight Service for Local Letters

In 2012, the Postal Service implemented a Network Rationalization plan and Operating Window Change⁴⁴ and in turn revised CETs and CTs in Operating Plans throughout the network. Prior to 2012, the Postal Service provided overnight and 2-Day service to the majority of First-Class Mail. In FY 2012, 41.5 percent of all First-Class Mail had an overnight service standard and 26.6 percent had a 2-Day standard. Combined, 68.1 percent of all First-Class Mail had an overnight or 2-Day standard in FY 2012.⁴⁵

At that time, First-Class Mail that originated within a broadly defined 139.5-mile radius was provided overnight service. This general description reflects an approximate travel time of 3 hours from the origin Post Office / 5-Digit ZIP to the centralized processing center. The variation of the geographic scope of the overnight service area from one centralized processing center to another was a reflection of travel time capability from origin office to centralized processing center, as well as the processing capability of the centralized processing center.

The 2-Day service area was broadly defined by a transport window that allowed for approximately 16 hours of travel time from the origin centralized processing center to the destinating processing center. Adding together the time allotment from the origin Post Office / 5-Digit ZIP and, in turn, the Origin Processing Center to the Destinating Processing Center, there was an approximate 750-mile radius for 2-Day Service. The service standard changes implemented in 2012 essentially changed overnight to 2-Day and 2-Day to 3-Day service.⁴⁶

As explained in the “Background” section, the full restoration of the service standards in effect on July 1, 2012, would affect all market dominant products. This would include First-Class Mail, USPS Marketing Mail, and Periodicals. The analysis in this section focuses on the changes necessary to restore the service standards for Single-Piece First-Class Mail only. As discussed in the “Background” section, Commercial Bulk First-Class and Periodicals mailers adjusted their operations to the changes in the Postal Service’s network distribution and operating window. To restore the 2012 service standards for all products with the same CET as Single-Piece First Class Mail, the Postal Service would need to return to the network size and operational windows in effect in 2012.

This section contains an analysis of how much overnight service could be restored with minimal operational change and thus focuses on the feasibility of restoring the 2012 service standards for Single-Piece First-Class Mail letters only. Single-Piece First-Class

⁴⁴ The Postal Service’s Mail Processing Network Rationalization is referred to as MPNR throughout this document, and the Operating Window Change is referred to as the OWC.

⁴⁵ The technical appendix details the source of the information used to calculate the change in service standards from 2012 to FY 2022 for each O/D pair.

⁴⁶ With the changes to service standards implemented following Docket No. N2021-1, there are origin-destination pairs with a 2-day service standard in FY 2012 that had a 4-day service standard in FY 2022.

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letter mailers generally have a limited ability to adjust their entry point to the Postal Network. From a functional perspective, therefore, this product and shape combination is the “sweet spot” of smaller volume, which allows for more operational flexibility as well as isolating service changes for the mailers with the most limited ability to respond to a different environment.

It is possible to separate the ways that O/D 3-Digit ZIP Code pairs that have been impacted by the distinct changes have affected service standards. The following table identifies the four distinct types of impact that the MPNR changes had on Origin-Destination (O/D) pairings.

Table 10
Vectors of Changes from the Mail Processing Network Rationalization

	Origin Facility Closed		Destination Facility Closed		Transportation Changes		Operating Window Change	
Origin Assignment Changed	✓	Yes	⊗	No	✓	Yes	✓	Yes
Destination Assignment Changed			✓	Yes	✓	Yes	✓	Yes
Both Assignments Changed	✓	Yes	✓	Yes	✓	Yes	✓	Yes
No Assignment Change, but Origin and Destination Facility are Different	⊗	No	⊗	No	✓	Yes	✓	Yes
No Assignment Change and Origin and Destination are the Same Facility	⊗	No	⊗	No	⊗	No	✓	Yes

For three groups, Origin Assignment Changed, Destination Assignment Changed, and Both Assignments Changed, the facilities that processed the mail to meet the overnight and 2-Day service standards have been closed. Restoring service standards to 2012 levels for those three groups would be very difficult or impossible without re-opening facilities at significant cost, as discussed in the “Structural” section.

For the fourth group, No Assignment Change, the operating window change is the only vector of change that leads to service standard changes. This section identifies the processing steps that have different operating windows in FY 2022 as compared to FY 2012 and evaluates the possible costs of implementing operational changes that would allow the 2012 service standards to be restored for this group of Origin-Destination 3-Digit ZIP Codes.

Section 1: Eligible Volume

The FY 2010 and FY 2022 First-Class Average Daily Volume by Origin-Destination 3-Digit ZIP Code pairs allow for an understanding of what volumes fit into each of these four groups both before and after the changes the Postal Service has undertaken over the past decade. The following table details the breakdown of the FY 2010 and FY 2022 Single-Piece First-Class Mail volume with an overnight service standard for each of these 4 categories.⁴⁷ These two volume data points provide a range of the volume that would be impacted by a change in operations to restore overnight service for portions of Single-Piece First-Class Mail letter volume.

Table 11
3-Digit ZIP Code Facility Assignment Changes, FY 2010 to FY 2022

	Average Daily Volume			
	FY 2010		FY 2022	
	1-Day Service Standard	Total Volume	1-Day Service Standard	Total Volume
First-Class Single-Piece Volume	55,671,627	103,159,605	19,220,016	36,997,983
		Percent of Total Volume		Percent of Total Volume
Origin Facility Closed	2,995,900	3%	142,532	0%
Destination Facility Closed	5,209,727	5%	4,872,275	13%
Both Facilities Closed	10,791,696	10%	415,737	1%
Both Facilities Open	36,673,322	36%	13,789,471	37%
Same Facility for Origin and Destination	30,575,573	30%	11,303,231	31%
Total	55,670,644	54%	19,220,016	52%

Both the FY 2010 and FY 2022 data sets provide a similar estimate of the amount of Single-Piece First-Class Mail that would be eligible for overnight service under the 2012 service standards.⁴⁸ If the 2012 service standards were in effect, 53 percent of FY 2022 Single-Piece First-Class Mail would have an overnight service standard.⁴⁹ Further analyzing this

⁴⁷ As detailed in the “Size and Scope of Change” section, the FY 2010 Origin-Destination 3-Digit ZIP Code Average Daily Volume data is the most complete and accurate information available for analysis in this report of the Origin 3-Digit ZIP Code for Single-Piece First-Class Mail. The FY 2022 Origin-Destination 3-Digit ZIP Code Average Daily Volume data is the most current information available. Due to changes to the methods for collecting this data used in FY 2022, volume information for each 3-Digit ZIP code is not available and is impacted by whether the volume is entered in the same ZIP Code as an open processing facility.

⁴⁸ There are differences between the FY 2010 and the FY 2022 methodologies and sources for the collection of volume information at Origin 3-Digit ZIP Codes. For the FY 2010 data set, the volume information was collected in a way that clearly linked the volume to the Origin 3-Digit ZIP Code. For the FY 2022 data set, the volume collection appears to be more closely related to the Origin processing facility than the Origin 3-Digit ZIP Code.

⁴⁹ The percentage of the total Single-Piece First-Class Mail volume with an overnight service standard calculated using the FY 2010 ADV file is 54 percent and the percentage of the total Single-Piece First-Class Mail volume calculated using the FY 2022 Average Daily Volume file is 52 percent; this averages to 53 percent. In the FY 2010 Average Daily Volume file, the percentage of the total Single-Piece First-Class Mail volume with an overnight service standard where both the origin and destination facility are still open (in many instances they are the same facility) is 35.6 percent. In the FY 2022 Average Daily Volume file, the percentage of the total Single-Piece First-Class Mail volume with an

information for the FY 2022 3-Digit Assignment matrix by facility⁵⁰ allows this to be further disaggregated into the percentage of volume with an overnight service standard where the facilities that process this mail have not changed from FY 2012. The analysis of both the FY 2010 Average Daily Volume file and FY 2022 Average Daily Volume file point to the same answer, approximately 36 percent of Single-Piece First-Class Mail letters are currently processed at the facility/facilities that provided overnight service in 2012.

One final vector of change in the changes the Postal Service has made over the past decade is the transportation links between letter mail processing facilities. In the 2012 operational plans of the Postal Service, overnight service was provided for some First-Class letter mail that destined in the service area of a different letter mail processing facility than the facility that performed the originating processing. These letter mail processing facilities were generally located in close proximity to each other and had frequent intra-SCF transportation trips throughout the processing window. The combination of the processing windows and transportation lanes allowed this overnight service. Following the discontinuation of the overnight service standards for First-Class Mail letters, the frequency and importance of these short intra-SCF trips has diminished. A full restoration of the service standards would capture all of this mail.

However, for the purposes of this hypothetical, the amount of Single-Piece First-Class Mail letters that could have overnight service restored is limited to the mail with origin and destination processing at the same letter mail processing facility. This eliminates the need for and expense of the intra-SCF transportation. Both the FY 2010 and FY 2022 Average Daily Volume data identify that approximately 30 percent of Single-Piece First-Class Mail letter volume would be eligible for overnight service under these conditions.

In FY 2022, the total volume of Single-Piece First-Class Mail was 12.4 billion pieces. As detailed above in Table 11, the estimate of the volume of local turnaround mail that originates in the service area of the same SCF that serves the destination area is 30 percent. Using this estimate, the Postal Service could make small operational changes to deliver 3.7 billion letters with an overnight service standard. The operational changes that would be necessary to achieve these results as well as a projection of the associated costs are detailed below.

Section 2: Processing Flow Explained

The “Operational Window” section explains the processing flow and what would need to change for the full 2012 service standards to be applied to all mail. This section identifies discrete changes that would be needed to restore overnight service for Single-Piece First-Class Mail letters that originate and destinate in the service area of the same letter mail processing facility. As detailed in this section, these changes can be applied with minimal

overnight service standard where both the origin and destination facility are still open (in many instances they are the same facility) is 37.2 percent. This averages to 36 percent.

⁵⁰ Provided in Docket No. ACR 2022 Response to CHIR No. 1 Question 3.

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cost and operational disruption while restoring service to 2012 levels for a significant portion of Single-Piece First-Class letter Mail.

The following figure shows a simplified version of the mail flow for collection letters.

Figure 12
Single-Piece First-Class Mail Letters Diagram



There are five essential steps for achieving overnight service: Transportation to the SCF for processing, Cancellation, Incoming Primary, Delivery Point Sequencing (DPS), and Transportation to the DDU for delivery. Four of these five activities occur in a time frame in the Postal Service's current operational plans and goals that would allow for overnight service. For the reasons discussed below, the only activity that would require a deviation from the current operational plan in order to achieve overnight delivery for Single-Piece First-Class Mail that originates and destines in the same 3-Digit ZIP Code is the Incoming Primary. As further detailed, the average daily volume that would have to be processed on this operation would allow for this action to have a minimal disruption with a large service benefit.

Section 3: Analysis of Whether a Change to the Operational Window is Required for Overnight Service, or Whether the Current Operational Window Allows for Overnight Service

The 30 percent of Single-Piece First-Class Mail letters that is entered and will be delivered in the service area of an SCF goes through the same operations no matter how quickly it is delivered.⁵¹ The additional time for service performance is driven by the time between operations. The Postal Service's current operating plans continue to have the goal of processing incoming collection mail the day it is collected. While the Postal Service eliminated the nation-wide goals in the "24 Hour Clock" and moved to facility specific goals using Site-Specific Operational Plans (SSOPs) in FY 2022, it continued to have national clearance time goals through FY 2021 for all plants in its network.

COLLECTION:

The Postal Service's "24 Hour Clock" national clearance time goal for the cancellation operation from FY 2016 to FY 2021 ranged from 9 pm to 9:30 pm. This means that at every mail processing facility in the Postal Service's network, the Clearance Time goals highlight that the Postal Service aimed to have all collection mail transported to the originating SCF and through the cancellation processing operation by 9:30 pm. This is not significantly later than the cancellation operation clearance time goal that existed before the operational window change implemented with the MPNR in 2012.⁵²

The evaluation of the clearance time goal is useful for understanding whether the cancellation operation is an operational driver for the service standard of 2-days for local turnaround Single-Piece First-Class Mail letter mail. The process for moving local mail to the SCF remains unchanged, and the Postal Service continues to have a national goal of carriers returning by 6 pm.⁵³ In turn, these carrier centers and DDUs continue to

⁵¹ For mail that originates and destines at different facilities, the number of operations and transportation legs can change as the number of facilities in the network changes. For example, mail that moves across the country will go through more operations, the more facilities it is transported to as it moves across the country.

⁵² According to witness T-4, Neri, in Docket No. N2012-1, the pre-MPNR goal was 9:30 P.M.

⁵³ Cite. 24-hour clock and SSOP and OIG reports.

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expeditiously transport the mail and parcels collected that day to the SCF. At the letter mail processing facilities, the Cancellation operations start in the afternoon. Without changing current operations and automated processing via the AFCS and AFCSII,⁵⁴ the Postal Service would be able to move local turnaround mail to the next processing operation in time for overnight delivery.

INCOMING PRIMARY / MMP

After the local turnaround mail is cancelled and separated through the AFCS, the next mail processing operation it goes through is the incoming primary. This is the operation that separates the local mail into the specific delivery codes that will allow for it to be sequenced for delivery via the DPS. Prior to the MPNR facility and window changes, the incoming primary occurred in the evenings between the operating window of the cancellation operation and the DPS operation. The incoming primary operation for letters is performed using the Delivery Bar Code Sorter (DBCS), which is the same machine that is used to perform the DPS operation for letters.

As the Postal Service decreased its mail processing footprint by reducing the number of letter mail processing facilities, it extended the operational window for the DPS operation. *See Background section.* Because the DBCS machines were being used for incoming primary sortations starting earlier in the day and there was limited floor space for the letter sorting machines, the operational window for the incoming primary was moved to the morning shift. This means that the incoming primary sortation for letters no longer occurs directly after the clearance time for the cancellation operation.

Under the Postal Service's current operating plans, local turnaround mail that completes cancellation sits in mail processing facilities for approximately 12 hours until the incoming primary operation starts the next morning at 9 A.M. This is the operational hurdle that leads to this mail being delivered with a 2-Day standard instead of an overnight standard.

The Postal Service currently processes all First-Class Presort Letters, Single-Piece First-Class Letters, and all Marketing Mail Letters together in the incoming primary operation. In FY 2022, the Postal Service processed over 32 billion letters through the incoming primary and MMP operations.⁵⁵ The universe of mail that would be eligible for overnight service is 3.7 billion pieces, or approximately 10 percent of the total volume that needs to be processed through an incoming primary sort in a given year.

In order to achieve overnight service for this local turnaround mail, the Postal Service would need to run a separate incoming primary operation for the mail that has been separated in the cancellation operation that evening and run that operation before the DPS

⁵⁴ The Postal Service uses two versions of the Advanced Facer Canceller System (AFCS) to process collection mail. AFCS separates local turnaround mail from the mail that needs to go to the outgoing primary to be sorted to other SCFs.

⁵⁵ The estimate for the 32 billion total pieces fed for the Incoming Primary and Incoming MMP operations is USPS-LR-FY22-23 file "YRScrub.xlsx". The incoming MMP operation is functionally similar to the incoming primary operation in that it separates mail in preparation for a incoming secondary sortation. The incoming MMP operation is a slight variation on the incoming primary operation because it uses the additional bins in the DBCS to allow for some of the mail that is not going to an incoming secondary to be sorted for transportation to other facilities.

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operation for the delivery zones for that mail have been completed. As discussed below, the clearance time for the DPS is between 4 and 6 A.M., depending on the facility. And since the single-piece mail has completed the cancellation operation by 9:30 P.M., there is sufficient time to operate the incoming primary to meet the overnight standard.

The total volume that would require an incoming primary at each facility is small enough that only one or two DBCS machines would need to be set aside for a few hours to complete the incoming primary sorts. Another way of evaluating the volume of Single-Piece First-Class letters that would be eligible for the expedited treatment is to disaggregate the 3.7 billion yearly pieces into an average daily volume for each letter processing facility. There are usually 302 operating days in the Postal Service's year, and there are 167 facilities that have 3-Digit destination processing assignments in FY 2022. The yearly volume of 3.7 billion is equivalent to an average daily volume of 12 million pieces and an average daily volume per facility of approximately 74 thousand pieces.⁵⁶ The throughput of the DBCS is 38,000 pieces per hour.⁵⁷ This would require, in theory, one DBCS machine running for 2 hours at each letter mail processing facility. Even if volume distributions were uneven and peaks for collection mail were high, this could mean, at maximum, 4 machines running for 3 hours.

DELIVERY POINT SEQUENCING (DPS)

After the incoming primary operation sorts the mail to the appropriate 5-Digit level, letter mail is sorted to the carrier route and delivery sequence via the DPS operation. Under the current operating plan, the turnaround mail that starts incoming primary sortation at 9 A.M. completes the incoming primary or MMP sort by the clearance time of approximately 12 P.M.⁵⁸ and sits at the SCF until the DPS operation for that delivery zone is started. From the proposed operating plan provided by the Postal Service in Docket No. N2012-1, the DPS operation at the SCF starts at 4 P.M., but that is for the 3-Digit ZIP Codes that are far away from the facility. As discussed above, Figure 13 presents a map of the mail processing facilities in the state of Nebraska and its corresponding 3-Digit destination ZIP Code assignments.

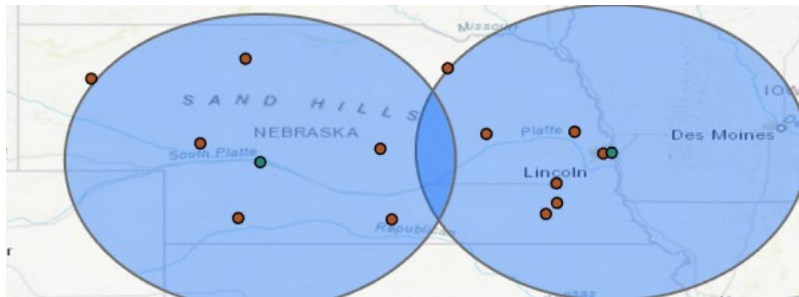
⁵⁶ $[(12,405,736,000 * 30\%)/302]/167=73,793$ (rounded down).

⁵⁷ Docket No. N2012-1 file "Public_No ON Analysis All Workload_FY2009.xls" tab "Process Steps of Interest" cell E30.

⁵⁸ See "24 Hour Clock" from FY 2016 to FY 2021.

Figure 13

**Map of the FY 2022 Postal Service Mail Processing Network,
Facilities with 3-Digit ZIP Code Assignments for Letters and 3-Digit ZIP Codes,
for the State of Nebraska with Service Area Circles**



As shown in this map, moving West to East, the North Platte, Nebraska Facility has five 3-Digit ZIP Codes within its service area circle. This facility will start the DPS operation for the farthest ZIP codes first to allow for the trucks to those Destination Delivery Units (DDU) to leave the plant earlier.⁵⁹ For the closest ZIP codes, the DPS operations do not start until after midnight.

Once again, from an operational perspective, this allows for sufficient time between the cancellation operation and the start of the DPS operation to allow for an incoming primary sort. In the current operational plan, the local turnaround mail sits in the facility for 12 hours between cancellation and the incoming primary and another 12 hours between the end of the incoming primary and the start of the DPS operation. Eliminating these combined 24 hours when the mail sits between operations would allow the Postal Service to increase delivery times by one day.

All of the letter mail needs to be processed on the DPS operations, so this would not require an additional action to increase the speed of delivery. Designing an operational plan that targets one day delivery for local turnaround mail would not incur any additional operations or cost beyond the incoming primary operation discussed above.

TRANSPORTATION TO THE DDU FOR DELIVERY

Once letter mail has been sequenced for delivery in the DPS, it is moved within the facility for dispatch back to the DDU for delivery. Under the operational plan outlined in this report, the local turnaround mail would be processed with the DPS mail for its specific delivery zone one day earlier than the current operating plan, but once it has been processed through that operation the mail would be treated as it is today, both from an operational perspective and a cost perspective.

⁵⁹ A destination delivery unit is the final stop before delivery for mailpieces.

It is possible that if the Postal Service had an overnight service standard target for this mail there would be instances where the mail did not flow smoothly through operations and was unable to be processed with other mail in the DPS operation in time. This happens under the current operating plan with the additional 24 hours of time in the processing facility. As a matter of last resort, the Postal Service can dispatch the letters with a service standard for delivery that day to the DDU without the incoming primary sort for manual sortation at the DDU by the carriers.

Section 4: Estimated Cost

The only additional action required for an operational plan that would allow for overnight delivery of local turnaround mail is the special run of the incoming primary sort.

The unit cost of an incoming primary sort is 1.075 cents per processed piece.⁶⁰ The turnaround local Single-Piece First-Class Mail that would receive overnight service under this hypothetical would receive the same sort, but it would be on a different run. It is possible that the set up and tear down costs would be higher and additional people would need to be staffed to ensure that it runs efficiently and effectively. It is possible that the night pay premium for the operation running between 9 P.M. and 2 A.M. would increase the cost of this exceptional operation. All these factors suggest that the cost of the special run would be double or triple the current average cost of the incoming primary sort.

If the cost of the special run of the incoming primary is double or triple the current cost of this operation, the additional cost would be an additional 1 to 2 cents per piece receiving this treatment. The estimated volume that would meet the conditions necessary to receive the service upgrade is 3 billion pieces. Implementing a process that would cost 1 cent per piece for 3 billion pieces would cost \$30 million. Thus, the estimated cost of providing overnight delivery service for local turnaround mail is \$30 to \$60 million.

Section 5: Summary

As detailed in this section, a significant portion, approximately 30 percent, of Single-Piece First-Class Letter mail is local turnaround mail. These pieces originate and destinate in the service area of the same SCF. They do not require many processing or transportation operations. Prior to the Operating Window change implemented by the Postal Service this mail had an overnight service standard. Reviewing the current operational plan of the Postal Service shows that a minor change in the timing of one operation would allow the Postal Service to restore the service standard that was in effect in FY 2012 for 3 billion pieces at an estimated annual cost of \$30 to \$60 million per year. This would be the largest feasible increase in service standards with relatively little annual cost and operational disruption.

⁶⁰ From Docket No. ACR2022 LR-FY22-10 file "USPS-FY22-10.xlsx" tab "BMM COST" cell K33.

Impact on Market Growth and Revenue

The congressional request includes the direction to analyze the “impact on market growth and revenue” for restoring the service standards that were in effect on July 1, 2012. The impact of a change in service standards or service quality on volume and revenue is exceedingly difficult to quantify. This section will provide a summary of analysis on the relationship between volume and service quality provided by the Postal Service when it developed MPNR and a report provided to the Commission as part of Docket No. RM2017-3, the “ten-year review” of the regulatory system under PAEA. This section will also provide discussion of the volume changes for Single-Piece First-Class and Presort mail from when MPNR began implementation in FY 2012 to FY 2022.

As part of the materials filed in Docket No. N2012-1 in advance of the implementation of MPNR, the Postal Service developed a nationwide survey to estimate the change in volume associated with the change in service standards. The Postal Service estimated a volume decline associated with the service standard change of 1.7 percent of volume and nearly \$500 million in contribution. However, at that time, the Postal Regulatory Commission determined that the results of the analysis were not statistically reliable and was unable to replicate the results of the Postal Service’s analysis. *See* Docket No. N2012-1 Advisory Opinion at 136-146.

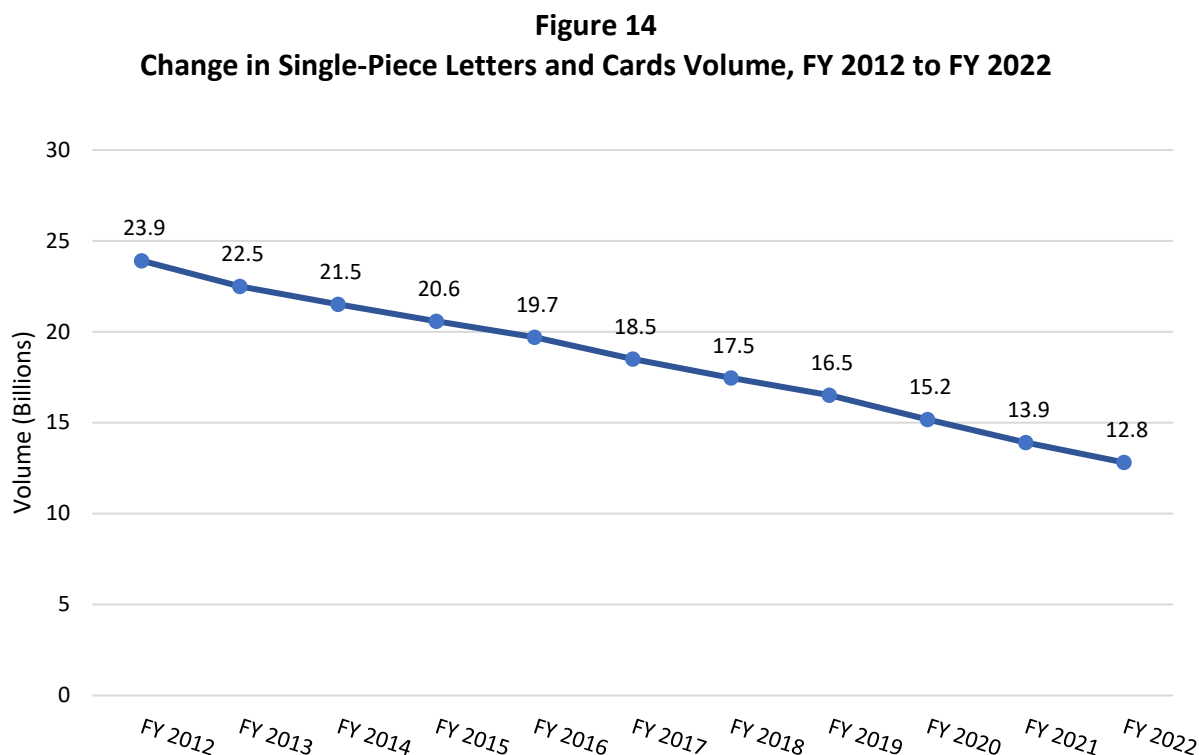
Reviews by the OIG and GAO have not led to reliable quantitative estimates of the volume impact of the service standard changes, either.⁶¹

For the Docket No. RM2017-3 “ten-year review” of the regulatory system under PAEA, the Commission hired Copenhagen Economics to develop a report on how postal operators across the world have worked to link price caps and service quality. Quantifying the potential financial impact of restoring the FY 2012 service standards requires an understanding of what postal customers are willing to pay for various levels of service. The Copenhagen report evaluated service levels for postal operators across the globe and service quality requirements set by the regulators of those posts. The general finding of the Copenhagen report is that posts across the world have found it difficult to effectively use quantitative analysis to determine the level of service demanded by customers. There is no generally accepted method or approach for identifying how much volume or customer satisfaction will change due to changes in service quality, including speed of delivery. Copenhagen concluded, “While it would be optimal to base the link between quality and prices on postal users’ incremental willingness to pay for quality, this is often very difficult in practice. A more pragmatic approach is one where allowed price increases are set at a level that provides ‘sufficient’ incentives, but without a link to willingness to pay. In fact, we find that many regulators already apply this more pragmatic approach[.]” Copenhagen Report at 6-7.

⁶¹ [GAO-14-828R, U.S. Postal Service: Information on Recent Changes to Delivery Standards, Operations, and Performance Operational Window Change Savings, Report Number NO-AR-19-001. \(uspsoig.gov\)](#)
[U.S. Postal Service Processing Network Optimization, Report Number NO-AR-19-006. \(oversight.gov\)](#)

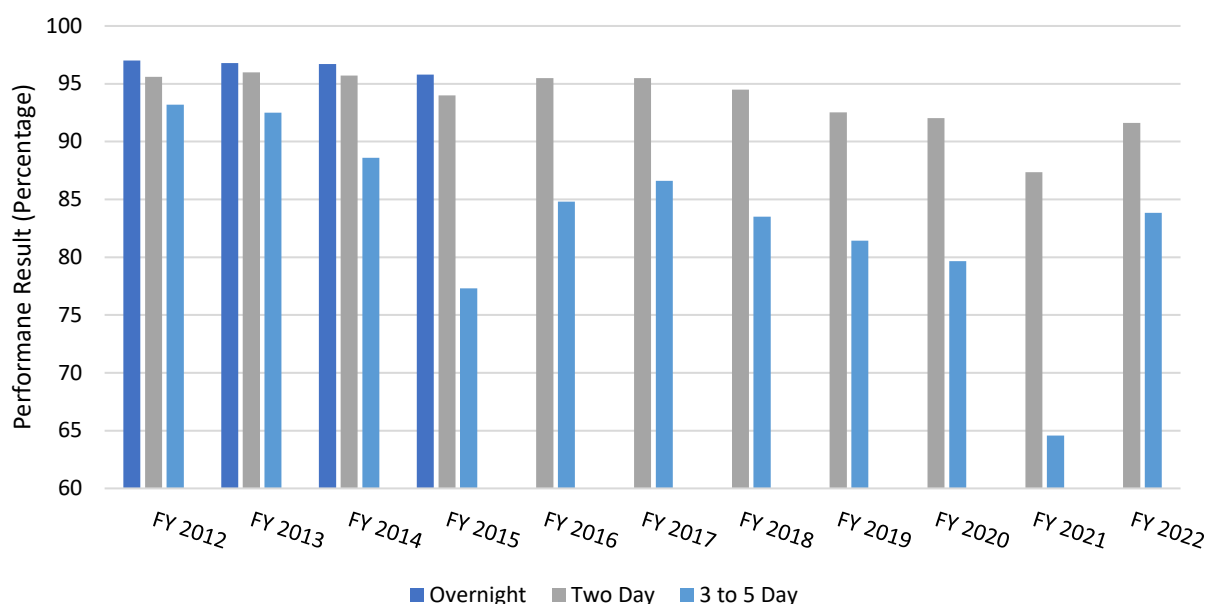
Feasibility of Restoring Service Standards

In the context of this uncertainty regarding how to measure the impact of service quality on volume, some historical data can be instructive. The following figure details the Single-Piece First-Class Letters and Postcards volume from FY 2012 to FY 2022.



From FY 2012 to FY 2022, Single-Piece First-Class Letters and Postcards volume steadily declined from 23.9 billion to 12.8 billion pieces, a decline of nearly 50 percent. As discussed in the “Size and Scope of Change” section, the service standards for this product increased by approximately 1 day over this time period. Despite the downgrades in service standards, the Postal Service consistently failed to meet its service performance target for this product over this time frame. The following figure details the service performance results for this product over this time frame.

Figure 15
Single-Piece First-Class Letters and Cards Service Performance Results, FY 2012 to FY 2022



In summary, providing an estimate of how demand for the Single-Piece First-Class product would change if the 2012 service standards were restored is not feasible. However, it is clear that demand for this product has significantly decreased over the same time period as a decrease in service standards and service performance. It is possible that providing customers with a higher quality product would positively impact demand, but there is no precise link between the level of service and the possible change in demand.

Resources / Costs and Benefits

The Mail Processing and Transportation networks that the Postal Service is operating in FY 2022 are drastically different than those it operated in FY 2012 prior to the service standard change and the implementation of MPNR. The operating plans and mail processing equipment distribution are not designed to move the mail quickly. Estimating the resources required to re-open 228 facilities, design and build 21 facilities, redesign transportation routes, and change the operating plan at every mail processing facility has no historical precedent. Therefore, there is no reliable method of estimating a specific cost to restore the service standards in place in 2012.

The Postal Service estimated it would save over \$1.6 billion by consolidating facilities and changing the operating windows. However, it is clear that the consolidated and redesigned network is more expensive to operate than the network design that preceded it. From this perspective the restoration of the service standards could lead to lower operating costs in the longer-term, which could outweigh the considerable one-time implementation costs.

As outlined in this report, it would be possible for the Postal Service to achieve overnight service for 3 billion pieces of Single-Piece First-Class letter mail with one small operational change for a relatively low cost of \$30 to \$60 million per year.

Analysis of the Feasibility of Restoring the 2021 Service Standards

This section contains an analysis of the feasibility of restoring service standards for Market-Dominant products that were in effect on January 1, 2021, including an examination of the resources and structural and operational changes needed, and the impacts on market growth and revenue.⁶²

In 2021, the Postal Service proposed a change to the service standards for First-Class Mail, as detailed in the infographic below.⁶³ The Postal Service implemented these service standard changes on October 1, 2021.⁶⁴

⁶² The Congressional direction states “If service standards are decreased from their January 2021 levels, the PRC shall also conduct a similar analysis of the costs and benefits of restoring USPS service and performance levels to their January 1, 2021, levels.”

⁶³ Docket No. N2021-1 Advisory Opinion at 13.

⁶⁴ [USPS® 2021 Service Standards Changes](#)

Figure 16
Changes to Service Standards Effective October 1, 2021

1	<ul style="list-style-type: none">• Intra-SCF domestic Presort mailpieces properly accepted at the SCF before the day-zero Critical Entry Time (unchanged*)
2	<ul style="list-style-type: none">• Intra SCF single-piece domestic mailpieces where the SCF is also the origin P&DC/F of the combined drive time between the origin P&DC/F, destination ADC, and destination SCF is 3 hours or less• Inter-SCF domestic mailpieces, if the combined drive time between the origin P&DC/F, destination ADC, and destination SCF is 3 hours or less
3	<ul style="list-style-type: none">• Intra-SCF and inter-SCF mailpieces within the 48 contiguous states where the combined drive time between the origin P&DC/F, destination ADC, and destination SCF is more than 3 hours, but does not exceed 20 hours
4	<ul style="list-style-type: none">• Inter-SCF mailpieces within the 48 contiguous states where the combined drive time between origin P&DC/F, destination ADC, and destination SCF is more than 20 hours but does not exceed 41 hours• Certain mailpieces origination and/or destinating in non-contiguous areas**
5	<ul style="list-style-type: none">• Mailpieces for which the drive time within the 48 contiguous states between origin P&DC/F, destination ADC, and destination SCF exceeds 41 hours• All other mailpieces to non-contiguous United States destination

The key changes implemented at the beginning of FY 2022 were the change in service area for 2-day service standards from 6 hours' drive time to 3 hours' drive time and the addition of 4- and 5-Day standards for mail that both originated and destined within the contiguous United States.

The Postal Service argued that the service standards that were implemented following Docket No. N2012-1 required substantial air transportation, and this mode of transport proved to be both ineffective and costly. Part of the MPNR was closing facilities that could act as middle points for surface transportation lanes.⁶⁵ The transportation network in use before the implementation of MPNR often relied on multiple facilities to act as intermediary mail processing and consolidation points, and surface transportation hubs on longer distance surface transportation lanes. Mail was traveling a short distance to another facility to be consolidated with other mail in preparation for a long surface trip; however,

⁶⁵ Docket No. N2012-1 Advisory Opinion, Appendix H at 35.

Feasibility of Restoring Service Standards

when service standards changed to a 2-day and 3-day standard under MPNR, the Postal Service needed to transport the mail from the origin facility to the destination facility quickly. Achieving 2-day service standards for mail that destines within 6 hours of the origin SCF required the Postal Service to employ substantial point-to-point transportation for, at times, very low volume. Docket No. N2021-1 USPS-T-1 at 18.

The consolidation of plants and achievement of the service standards in effect following Docket No. N2012-1 required the Postal Service to use costly air transportation effectively. However, the Postal Service was not able to achieve this goal. Air transportation requires more touch points, which increases complexity and the likelihood of errors. Docket No. N2021-1 USPS-T-1 at 11. In FY 2021, the 24-Hour Clock data reveal that, on the national level, the Postal Service failed to transport mailpieces to air transit suppliers on-time 11.3 percent of the time.⁶⁶ The Postal Service notes that a failure to meet transportation deadlines negatively impacts its ability to meet service standards. Docket No. ACR2021 FY 2021 ACD at 112. When a mailpiece misses its scheduled transportation window, “extraordinary measures at substantial cost, such as extra transportation along with clerk and carrier overtime at the delivery point[,]” are needed to meet its service standard.⁶⁷ The combination of low service performance scores for mail that was transported by air and the high cost for this transportation method led the Postal Service to implement service standard changes that allowed it to decrease its reliance on air transportation. The Postal Service implemented these changes because it found that surface transportation is more reliable and cost-effective than air transportation.⁶⁸ Mail volumes transported using surface modes show better on-time performance than mail volumes transported by air. Docket No. N2021-1 USPS-T-1 at 9. The following table details how service performance differed by transportation method from FY 2019 to FY 2021.

Table 12
Service Performance Results Disaggregated by Volume Transportation Method

First-Class Mail								
FY 2019			FY 2020			FY 2021 3QTD		
Air	Surface	Diff	Air	Surface	Diff	Air	Surface	Diff
89.40%	92.02%	2.62	87.72%	90.85%	3.13	81.17%	88.81%	7.64

Source: USPS-T-1 at 9.

The Postal Service estimated that the change in service standards would allow it to make a transportation mode change that would lead to annual cost savings of \$279.6 million, but a decline in demand due to the service standard changes would decrease overall contribution by \$110.1 million, resulting in estimated net savings of \$169.5 million per year.⁶⁹ However,

⁶⁶ Docket No. ACR2021, December 29, 2021, Library Reference USPS-FY21-29, Excel file “FY21 FCM Q4 24 hr clock.xlsx,” tab “Q4 FY21 EOY.”

⁶⁷ Docket No. ACR2018, Responses of the United States Postal Service to Questions 1-9 of Chairman’s Information Request No. 13, February 21, 2019, Question 2 (Response to CHIR No. 13).

⁶⁸ Docket No. N2021-1, United States Postal Service Request for an Advisory Opinion on Changes in the Nature of Postal Services, April 21, 2021, at 7 (Request).

⁶⁹ Docket No. N2021-1 Advisory Opinion at 20.

the Commission noted issues with the Postal Service's calculations and was not able to corroborate this estimate. The Commission stated:

The Commission finds that, although the methodology used to calculate cost savings for this service standard change may be theoretically sound, the Postal Service's computation of the estimated cost savings raises potential issues related to the use of FY 2020 as a base year for cost savings, the absence of estimated mail processing costs, and the overall impact on the financial viability of the Postal Service. The Commission finds that the amount of estimated annual cost savings, even if fully realized, does not indicate much improvement, if any, to the Postal Service's current financial condition and the estimated cost savings from extending the service standard would be eliminated by additional costs associated with the growth in packages. Therefore, it is not clear that the tradeoff between financial viability and maintaining high-quality service standards is reasonable. Because the Postal Service has not effectively shown that the baseline model meshes with the current operational reality, it is infeasible to compare the modeled routings with the current costs, and inaccurate to develop a numerical estimate of the cost savings from the potential new surface transportation network. The Commission agrees that there is potential to increase surface transportation efficiency and capacity utilization. For this initiative to be a success, the Postal Service will need to reconfigure its surface transportation network to build efficient trips with multiple stops and hubs. However, the extent to which that will occur, and the amount of cost reductions that would be concurrently achieved, will be a function of implementation.

Docket No. N2021-1 Advisory Opinion at 4.

Determining the feasibility of restoring the service standards that were in effect on January 1, 2021, is a more direct analysis than the similar exercise for the 2012 service standards. The Postal Service's network has not yet been transformed by these service standard changes. The Postal Service continued to use substantial air transportation in FY 2022. It may be that after additional time for implementation, the Postal Service will not have the ability to switch back to air transportation to move mail between facilities, but that is not yet the case. The following sections describe the changes made by the Postal Service to implement the new operational approach and changes that would be required to restore the service standards to the 2021 levels.

Operational Changes Needed

The operational change associated with the 2021 service standard change is switching the mode of transportation from air to ground. The Postal Service utilizes two primary modes of transportation to move mail volumes: surface transportation and air transportation. The surface transportation network consists of Postal Vehicle Service (PVS) and Highway

Carrier Route (HCR) operations. PVS drivers are Postal Service employees who transport mail between facilities that are less than 300 miles apart, also known as the short-haul network.⁷⁰ HCR suppliers may transport mail over the short-haul network; however, they generally provide transit for the long-haul network, which connects postal facilities more than 300 miles apart. Docket No. N2021-1 USPS-T-3 at 4.

The air transportation network uses passenger and cargo planes to transport mail volumes between processing plants. *Id.* at 5. The Postal Service assigns mail to the air network based on time and cost. For example, if the mail volume is insufficient to justify the cost of surface transportation, or if surface transportation is too time-consuming to allow the Postal Service to meet applicable service standards, then the Postal Service transports that volume by air.⁷¹

The operational decision is focused on the assignment of mail to the surface network or the air network. Because the Postal Service has not stopped using the air network, if service standards were restored to the FY 2021 level, the major operational change would be the decision matrix used by facilities assigning more mail to the air network than the surface network. Similarly, the Postal Service is in the process of implementing a more connected surface transportation network, leveraging hubs to move the mail by surface transportation across the country. If the Postal Service needed to move more mail by air to meet the restored service standards, it is possible it would need to again redesign the surface transportation network.

Structural Changes Needed

The Postal Service does not own or operate the air network or the long-haul surface transportation network. Both of those operations, and the capital stock needed to operate them, are run by contractors. The cost savings outlined by the Postal Service primarily involve purchased transportation. No structural changes would be required to restore the 2021 service standards.

Impact on Market Growth and Revenue

In Docket No. N2021-1, the Postal Service produced an econometric demand model to estimate the causal relationship between delivery time and mail volume (or demand). The Commission determined “that the Postal Service cannot conclude with any statistical confidence what will happen to First-Class Mail and Periodicals mail volume as a result of an increase in days to delivery. The econometric analysis submitted by witness Thress cannot speak to the causal relationship between delivery times and mail volume. Accordingly, the Commission recommends not using this model to estimate the impact of

⁷⁰ Docket No. N2021-1, Direct Testimony of Stephen B. Hagenstein on Behalf of the United States Postal Service (USPS-T-3), April 21, 2021, at 4 (USPS-T-3).

⁷¹ Docket No. N2021-1, Direct Testimony of Robert Cintron on Behalf of the United States Postal Service (USPS-T-1), April 21, 2021, at 25 (USPS-T-1). Cintron argues that the Postal Service uses air transportation to transport the mail rather than putting it on a truck, even if it is just a few cubic feet. Although the unit cost of air transportation is higher than the unit cost of surface transportation on average, if the truck is almost entirely empty, the unit cost of a particular trip can be higher for surface than for air transportation.

the proposed service changes on volume.”⁷² As discussed in the section above on the market growth and revenue impact of restoring the 2012 service standards, there is no method currently available for accurately estimating the volume impact of service quality changes.

Resources Needed

The Postal Service estimated that the operational changes that would be implemented following the 2021 service standard change would lead to \$279.6 million in yearly savings.⁷³ Attaining this level of savings would require the Postal Service to achieve a level of effectiveness in surface transportation that may be difficult. As detailed below, the Postal Service did not achieve a reduction in surface transportation costs. The Commission was not able to endorse the savings estimate produced by the Postal Service in Docket No. N2021-1. Because this service standard change involves the tradeoff between a high-cost transportation mode and a potentially lower cost transportation mode, the cost of undoing that change and restoring the service level is the cost difference between the two modes of transportation. Thus, the resources required to restore the service standards in place on January 1, 2021, would be the cost savings the Postal Service is able to achieve in implementing its proposal.

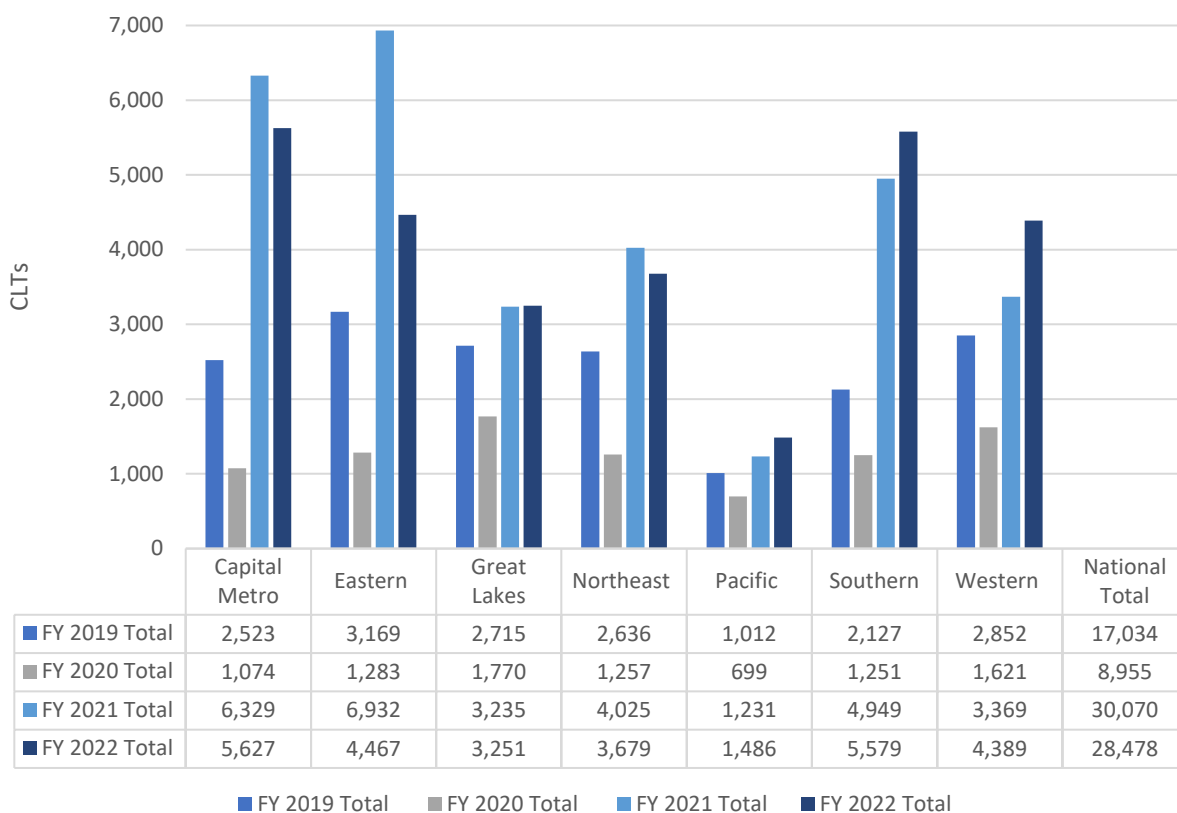
The Postal Service designed its 2021 service standard change as a tradeoff between speed and reliability with the benefit of reduced costs. The modeling approach used by the Postal Service relied on the assumption that it would be able to transport the mail by surface with fuller trucks that would result in fewer miles and lower costs while also increasing reliability. As detailed in the Commission’s Advisory Opinion, significant issues with the accuracy of the modeling approach suggest that the Postal Service will have difficulty achieving the higher level of reliability and cost savings. See Docket No. N2021-1 Advisory Opinion at 114-146.

Not only is capacity utilization an issue with the surface transportation network, so is timely deliveries. Although surface transportation is historically more reliable for efficient transport of mail, the surface network faces issues transporting volumes on time. For example, critically late trips (CLTs) are surface trips that arrive more than 4 hours late. The following graph illustrates the number of CLTs for First-Class Mail on HCRs for FY 2019, FY 2020, FY 2021, and FY 2022. The FY 2022 totals show slight improvement compared to FY 2021 totals; however, the FY 2022 totals remain greater than FY 2019 and FY 2020.

⁷² Docket No. N2021-1 Advisory Opinion at 160.

⁷³ Docket No. N2021-1 Advisory Opinion at 20.

Figure 17
First-Class Mail CLTs for HCRs, by Area and Nation, FY 2019 – FY 2022



Source: Docket No. ACR2022, December 29, 2022, Library Reference USPS-FY22-29, Excel file "CLT FY22 11.30.2022.xlsx," tab "PRC Template FY 22;" Docket No. ACR2021, December 29, 2021, Library Reference USPS-FY21-29, Excel file "FY21 FCM Q3 CLT.xlsx," tab "FY21;" Docket No. ACR2020, December 29, 2020, Library Reference USPS-FY20-29, Excel file "FY20 FCM Q3 CLT Natl Area Dist.xlsx," tab "4.c.3 CLT;" Docket No. ACR2019, December 27, 2019, Library Reference USPS-FY19-29, Excel file "FY19 ACR FCM Q1-2-4-5 EOY.xlsx," tab "Q4."

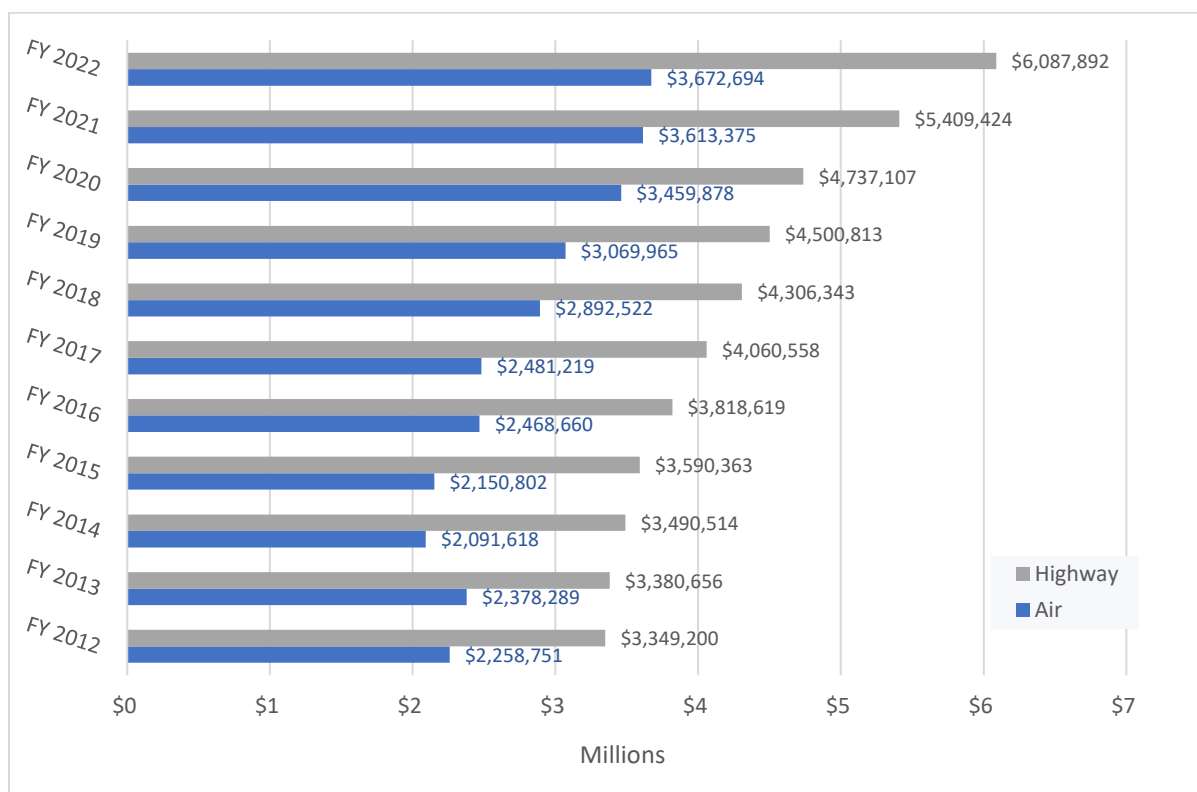
Transportation costs, segmented by transportation mode, for FY 2012 through FY 2022 are detailed in the following figure. As shown, air transportation costs increased year over year, excluding FY 2013 to FY 2014. Although the transportation changes implemented in Docket No. N2021-1 were intended to lead to a decrease in use of air transportation, the cost of air transportation increased from FY 2021 to FY 2022. From October 2021 to September 2022, the percentage of First-Class Mail volume using air transportation decreased from 24 percent to 12 percent, respectively.⁷⁴ Additionally, the total First-Class Mail origin-destination pairs using air transportation decreased from 54 percent at the beginning of FY 2022 to 38 percent at the end of FY 2022. Docket No. ACR2022 Response to CHIR No. 8, Question 3. Although the air transportation network struggles with on-time performance, the Postal Service continues to spend considerable resources on the air network and will continue to do so when time constraints prevent the surface transportation network from being used.

⁷⁴ Docket No. ACR2022, Responses of the United States Postal Service to Questions 1-3 of Chairman's Information Request No. 8, February 6, 2023, Question 3 (Response to CHIR No. 8).

Feasibility of Restoring Service Standards

The surface transportation network also observes a year over year increase in costs. The stronger reliance on surface transportation, from Postal Service decisions in Docket No. N2021-1, increased surface transportation costs from FY 2021 to FY 2022. Operational decision-making impacts cost.

Figure 18
Transportation Cost for Air and Surface, FY 2012 – FY 2022



Source: Docket No. ACR2022, December 29, 2022, Library Reference USPS-FY22-2, Excel file "FY22Public Cost Segs and Comps.xlsx," tab "CS14;" Docket No. ACR2021, December 29, 2021, Library Reference USPS-FY21-2, Excel file "FY21Public Cost Segs and Comps.xlsx," tab "CS14;" Docket No. ACR2020, December 29, 2020, Library Reference USPS-FY20-2, Excel file "FY20Public Cost Segs and Comps.xlsx," tab "CS14;" Docket No. ACR2019, December 27, 2019, Library Reference USPS-FY19-2, Excel file "FY19Public Cost Segs and Comps.xlsx," tab "CS14;" Docket No. ACR2018, December 28, 2018, Library Reference USPS-FY18-2, Excel file "FY18Public Cost Segs and Comps.xlsx," tab "CS14;" Docket No. ACR2017, December 29, 2017, Library Reference USPS-FY17-2, Excel file "FY17Public Cost Segs and Comps.xlsx," tab "CS14;" Docket No. ACR2016, December 29, 2016, Library Reference USPS-FY16-2, Excel file "FY16Public Cost Segs and Comps.xlsx," tab "CS14;" Docket No. ACR2015, December 29, 2015, Library Reference USPS-FY15-2, Excel file "FY15.Public Cost Segs and Comps.xlsx," tab "CS14;" Docket No. ACR2014, December 29, 2014, Library Reference USPS-FY14-2, Excel file "FY14.2.Public Cost Segs and Comps.xlsx," tab "CS14;" Docket No. ACR2013, December 27, 2013, Library Reference USPS-FY13-2, Excel file "FY13 Public.CS&CRpt.xlsx" tab "CS14;" Docket No. ACR2012, December 28, 2012, Library Reference USPS-FY12-2, Excel file "FY12.Public CS&CRpt.xlsx," tab "CS14."

As detailed above, restoring the January 1, 2021, service standards is operationally and structurally feasible. If the Postal Service's estimates are accurate, the restoration of those standards would increase costs by \$279.6 million,⁷⁵ increase First-Class Mail volume by 1.72 percent,⁷⁶ and decrease overall contribution by \$110.1 million for a net financial loss

⁷⁵ Docket No. N2021-1.

⁷⁶ Docket No. N2021-1 Witness Thress Testimony (USPS-T-5) at 36.

Feasibility of Restoring Service Standards

of \$169.5 million. As noted, the Commission was unable to replicate those figures in the course of Docket No. N2021-1, and the Postal Service has not provided information to date on the actual savings and lost volume due to the implementation of the service standards and concurrent operational changes.

From a policy perspective, choosing to restore the 2021 service standards and the service performance level the Postal Service was able to achieve for those standards has an unclear cost/benefit result, as noted by the Commission in its Advisory Opinion in Docket No. N2021-1. The Commission provided the following guidance:

Based on these findings, the Commission provides the following recommendations to the Postal Service for consideration before implementing its plan, the Postal Service should:

- Communicate realistic performance targets. Because the Postal Service has yet to monitor, evaluate, and assess these new service standards in the field, it should consider a 95 percent on-time target as aspirational, due to the highly dynamic factors involved in the postal mail network; the Postal Service should regularly update and publicly communicate realistic targets throughout its implementation.
- Monitor implementation to balance savings and service. The Postal Service should ensure cost savings are realized but balanced with and not prioritized over maintaining high-quality service standards.
- Monitor implementation to drive transportation efficiency. The Postal Service should closely monitor the implementation of its plan to determine whether the new potential surface transportation network actually increases efficiency and capacity utilization.
- Gauge customer satisfaction specifically for its proposed changes. The Postal Service should monitor customer satisfaction going forward, particularly for customer and mailer segments that may be most impacted by the change.
- Allow transparency into ongoing feedback and consider changes due to that feedback. The Postal Service should be more transparent in the feedback it receives from stakeholders and keep its plan flexible to the needs of customers, stakeholders, and the general public.
- Limit the use of econometric demand analyses for purposes in which it does not provide meaningful results. The Postal Service should not rely upon its filed econometric analysis to estimate the impact of the proposed service changes on volume.

As the Commission noted, the service standard changes that occurred in FY 2022 were designed to improve the service performance results for the mail that most frequently missed its service standard and had high costs to transport. It will be up to the Postal

Service to implement operational changes that achieve the reliability and cost savings projected in its plans.

Conclusion

From 2012 to FY 2022 the Postal Service downgraded the days to delivery service standard for over 80 percent of First-Class Mail, as measured by both geographic locations (O/D pairs) and volume. The Postal Service made significant changes to when and where mail processing operations occur, consolidating its network by 60 percent. However, the Postal Service still operates retail or delivery activities at 228 of the 249 facilities, so only 21 locations would have to be completely replaced. Restoring the service standards in effect on July 1, 2012, would require significant capital expenditures because it would require moving letter mail processing equipment and staffing 249 re-assigned facilities. Because the Postal Service achieved higher levels of efficiency and service performance results in FY 2012 than it has achieved since, it is not clear whether a restoration of the service standards in place in 2012 would cause annual expenses for operating the network to increase or decrease. Similar to the Postal Service's network redesigns of the past decade, the cost of restoring service to FY 2021 levels would depend on the Postal Service's ability to successfully implement change.

Technical Appendix

Origin and Destination 3-Digit ZIP Code Pair and Service Standard Change Analysis

This report relies on 4 files to generate the analysis of volume and service standards for each of the 3-Digit ZIP Codes for FY 2012 and FY 2022.

For the FY 2012 analysis, the volume by 3-Digit ZIP Code is from Docket No. N2012-1 USPS-LR-N2012-1/13. For the Postal Service's MPNR model, it used volume data from 2010 as an approximation for the 2012 volume. This full and comprehensive data set provides an accurate count of the First-Class volume in FY 2010. While First-Class volume for FY 2010 did not perfectly match the volume for FY 2012, the differences are relatively minor. The Service Standards for the beginning of FY 2012, prior to implementation of the changes associated with MPNR, are found in Docket No. N2012-1 USPS-LR-N2012-1/62.

For the FY 2022 analysis, the volume by 3-Digit ZIP Code is from Docket No. ACR 2022 Responses to Chairman's Information Request No. 1, question 2, file ACR22_ChIR1_Q2-FCMVol.xlsb. The Service Standards for the end of FY 2022 are from Docket No. ACR 2022 Responses to Chairman's Information Request No. 1, question 1, file ACR22_Q1 - MD SS 3D Pair.xlsx.

For both the FY 2012 and FY 2022 files the Volume for each unique Origin and Destination pair was matched with the service standard for the applicable year for the O/D pair using SAS.

FY 2012 and FY 2022 Letter Mail Processing Network Maps

This report relies on 3 files to generate the letter mail processing 3-Digit ZIP Code assignments and network maps, including the 139.5 mile radius maps for each of the letter mail processing facilities for FY 2012 and FY 2022.

For the FY 2012 network, the assignment of 3-Digit ZIP Codes to letter mail processing facilities data are located in Docket No. N2012-1 USPS-LR-N2012-1/15. The facility latitudes and longitudes data are located in Docket No. N2012-1 USPS-LR-N2012-1/52. The file in USPS-LR-N2012-1/52 contained the data necessary for mapping for 96 percent of the letter mail processing facilities in the USPS-LR-N2012-1/15 file.

For the FY 2022 network, the assignment of 3-Digit ZIP Codes to letter mail processing facilities data and the facility location data are found in Docket No. ACR 2022 Responses to Chairman's Information Request No. 1, question 4, file "3-Digit Destinating Matrix.xlsx."

Flats Operational Hypothetical

This report details how the Postal Service could make a small operational change to its letter mail processing to achieve overnight delivery for 3 billion Single-Piece First-Class letters for between \$30 million and \$60 million per year, between 1 and 2 cents per piece. This would be the most cost-effective change in terms of increasing service standards for the most pieces for the lowest cost. However, it would mean that the service standards for some letter shaped First-Class Mail would be upgraded as compared to flat shaped mailpieces. The network and operations of flats is different than the letter operations, and additional complexities mean that providing overnight service for Single-Piece First-Class Mail flats would likely incur a larger expense for a much smaller amount of mail. Due to the differences in operations and volume, it would not be as cost effective to upgrade the service standards for local turnaround Single-Piece First-Class flats. But with similar changes this upgrade would be possible.

There are two significant differences between letters and flats. First, the Postal Service does not assign all of the 3-Digit ZIP Code assignments the same mail processing facilities for letters and flats. 145 mail processing facilities are assigned 3-Digit ZIP Codes for both letters and flats, and 15 mail processing facilities are assigned 3-Digit ZIP Codes for just flats.⁷⁷ The differences in the mail processing network may mean that for the 15 mail processing facilities with flat assignments but not letter assignments the cancellation operations are performed differently, with the possibility that Single-Piece First-Class flats need to be cancelled at facilities with letter assignments and then transported to the flat mail processing facility. The differences in letter and flat assignment in FY 2022 was not a common feature in the FY 2012 network, so fewer 3-Digit ZIP Code flat assignments match the FY 2012 assignment as compared to the letters assignment. This means that fewer flats are considered local turnaround in FY 2022 as a portion of all Single-Piece First-Class flats. In FY 2022, Single-Piece First-Class Flats that are entered in the same service area as the destination 3-Digit ZIP Code was approximately 180 million pieces.

The second difference between letters and flats is how each shape is processed. The process for sorting the letters into delivery point sequence is very quick and efficient. As detailed in the report, the Postal Service is able to perform the Incoming Secondary and DPS operation for letters via the DBCS for a 3-Digit ZIP Code in between 2 and 6 hours each night, depending on the operational windows in place. The Postal Service is not able to perform the Incoming Secondary and DPS operation for flats with the same operational efficiency or in this same time frame.

In order to upgrade the service standards for local turnaround Single-Piece First-Class letters, the Postal Service has to perform the work necessary to have that mail ready for the Incoming Secondary operation when that particular ZIP Code is being performed. As explained in the report, this would require a special run of the relatively inexpensive

⁷⁷ All of the information on FY 2022 3-Digit ZIP Code assignments is from the file "3-Digit Destinating Matrix.xlsx." provided in Docket No. ACR 2022 Responses to Chairman's Information Request No. 1, question 4.

Feasibility of Restoring Service Standards

Incoming Primary / MMP sort. After that operation is performed in a timely fashion, the upgraded letters are able to be processed with the remaining mail at no additional cost. In order to upgrade the service standards for local turnaround Single-Piece First-Class flats, the Postal Service would have to perform comparatively more work to get the mail in delivery point sequence.⁷⁸ The key difference between the processing steps for letters and flats is that the Incoming Secondary and Delivery Point Sequencing are two separate operations for flat shaped mailpieces. In order to achieve overnight delivery of flats, the Postal Service would have to perform a special operation for both the Incoming Primary and Incoming Secondary for flats. If the local turnaround pieces were able to be processed via automation in these operations, the unit cost of these special operations would be 10.5 cents per piece.⁷⁹ Additionally, these pieces would require manual sortation by the carriers to delivery sequence. In FY 2022 the average casing cost for Single-Piece First-Class flats was 15 cents per piece.⁸⁰

The final aspect of flats that are more complex than letters is the average daily volume by facility. The total volume of Single-Piece First-Class flats that would be eligible for overnight service based on the O/D pair and flat mail processing facility criteria is 180 million pieces. This amounts to 596 thousand pieces, on average, across the 302 operating days per year. This means that each of the 932 3-Digit ZIP Codes with flat mail processing assignments would have an average daily volume of approximately 639 Single-Piece First-Class flat shaped mailpieces to upgrade to overnight service via special operations on a nightly basis. It is unlikely that this volume would support an automation Incoming Primary run for many 3-Digit ZIP Codes and it would certainly not be cost effective for an automation Incoming Secondary run for many 5-Digit ZIP Codes. It is possible that the Incoming Primary and Incoming Secondary operations would need to be performed via manual sortation, which is significantly more expensive than automation sortation. In FY 2022, performing a manual Incoming Primary and Incoming Secondary sortation for a First-Class Flat cost 34 cents per piece.⁸¹

If the Postal Service is able to process the eligible Single-Piece First-Class flats via automation, upgrading service would cost approximately 25.5 cents per piece. If the Postal Service processed the eligible Single-Piece First-Class flats manually, upgrading service would cost approximately 49 cents per piece. Achieving overnight service for 180 million Single-Piece First-Class flats would cost between \$46 million and \$88 million per year.

⁷⁸ Even if the local turnaround mail is in a ZIP Code that is serviced by an FSS, it is very unlikely that mail flow from the cancellation operation to the FSS operation for delivery the next morning. At most locations the CET for the FSS is 12 P.M., far earlier in the day than the clearance time for the cancellation operation.

⁷⁹ As detailed in Docket No. ACR2022 USPS-LR-FY22-11 file "USPS-FY22-11.FCM.xlsx" tab "3D Auto Cost" cell J59 the unit cost of an incoming primary sort for a First-Class flat processed via the AFSM was 6.624 cents per processed piece in FY 2022. As detailed in cell J66, the unit cost of an incoming primary sort for a First-Class flat processed via the AFSM was 3.931 cents per processed piece in FY 2022. The combined unit cost of these operations via the AFSM was 10.555 cents per processed piece. As with the estimate for the cost of overnight service for turnaround Single-Piece First-Class letters, this analysis assumes that the cost of the special operation is double the normal cost.

⁸⁰ See Docket No. ACR 2022 USPS-LR-FY22-19 file "UDCModel22.xlsx." tab "3.SummaryBY" cell O14. This unit cost is for both cased flats and for FSS flats, which do not have to be cased.

⁸¹ As detailed in Docket No. ACR2022 USPS-LR-FY22-11 file "USPS-FY22-11.FCM.xlsx" tab "3D Auto Cost" cell J63 the unit cost of an incoming primary sort for a First-Class flat processed manually was 8.571 cents per processed piece in FY 2022. As detailed in cell J70, the unit cost of an incoming primary sort for a First-Class flat processed manually was 25.877 cents per processed piece in FY 2022. The combined unit cost of these operations via the AFSM was 34.448 cents per processed piece.

Public Comments

Congress of the United States
Washington, DC 20515

February 21, 2023

Mr. Michael M. Kubayanda
Chairman
Postal Regulatory Commission
901 New York Ave N.W. Suite 200
Washington, D.C. 20268

Dear Chairman Kubayanda,

I write to share concerns regarding the recent proposed changes to the United States Postal Service's (USPS) delivery standards and provide alternative ways to improve the USPS.

Congress passed, and the President signed into law, the Postal Service Reform Act of 2022 (PSRA), which has already improved USPS's financial health. Specifically, it is estimated this legislation will save the Postal Service \$107 billion over the next ten years. In fact, the USPS announced it experienced a net profit of \$59.7 billion in the third quarter of 2022.¹ Now is not the time to reduce delivery standards and increase prices on customers. USPS customers have already experienced the negative effects of increased in-transit time targets for delivery. In 2012, the USPS adjusted its service standards and shifted away from air transit and towards ground transit for long-distance deliveries. According to the Congressional Research Service, approximately 40% of First-Class Mail took one to two days longer to reach its destination compared to the previous policy.² Further standard changes that result in "additional transport time for long-distance package deliveries" and the enablement for "additional package volume to be transported by surface transportation" rather than by air transportation would have significant consequences for the USPS.³ Implementing these drastic changes would hurt the USPS's service delivery outcomes, raise costs on customers, undercut the USPS's competitive advantage and harm its long-term viability.⁴

Given the reforms and financial improvements included in the PSRA, I would urge caution in any proposed changes that could further erode the USPS's service. Preserving the competitive advantage of maintaining a six-day delivery window remains a bipartisan priority for Congress.

¹ <https://www.govexec.com/management/2022/09/usps-could-lose-its-relatively-new-authority-raise-rates-above-inflation-under-new-bill/376898/>

² <https://crsreports.congress.gov/product/pdf/IN/IN11776#:~:text=New%20Service%20Standards%20as%20of,Mail%2C%203-10%20days>

³ https://about.usps.com/what/strategic-plans/delivering-for-america/assets/DFA_FCP_Factsheet.pdf

⁴ <https://www.npr.org/2021/10/07/1044205288/states-complaints-postal-service-cutbacks;https://federalnewsnetwork.com/agency-oversight/2021/09/usps-about-to-implement-slower-delivery-for-mail-small-packages-despite-regulators-concerns/#:~:text=The%20Postal%20Service%20is%20about%20to%20implement%20slower,received%20pushback%20from%20Congress%2C%20mailers%2C%20unions%20and%20customers.>

Before any service cuts are finalized, the USPS should explore additional services compatible with the present and the future. USPS should expand co-location services with local governments, non-profits, and the private sector to fully maximize government space, equipment and services and expand mail services for rural areas.⁵ The Postal Service should continue to identify innovative services such as passport services and money orders to increase revenue opportunities.⁶ The USPS has an opportunity to provide 21st century solutions for a 21st century world, and an expansion of services secures a win-win for both the USPS and its customers.

We must ensure that rate hikes do not return the Postal Service to a service of the privileged. Thank you for your attention to these issues, and I look forward to continuing to partner with the Postal Regulatory Commission to ensure the continued success of the USPS.

Sincerely,



Gerald E. Connolly
Member of Congress

⁵ <https://www.bbc.com/news/uk-wales-politics-43211336>

⁶ <https://pe.usps.com/text/dmm100/other-products-services.htm>



February 24, 2023

Via Electronic Mail (stakeholderinput@prc.gov)

Honorable Erica Barker
Secretary
Postal Regulatory Commission
901 New York Avenue NW, Suite 200
Washington, D.C. 20268-0001

Re: Stakeholder Consultation for Congressionally Requested Study on First-Class Mail Service Standards

Dear Ms. Barker:

Please accept this letter setting out the comments of the United States Postal Service regarding the study that the House Committee on Appropriations requested in connection with the Consolidated Appropriations Act, 2022. H.R. Rep. No. 117-79, at 100 (2021). The Committee on Appropriations in its report expressed concerns regarding the Postal Service's proposal to change the service standards for First-Class Mail (FCM), the subject of then-pending Docket No. N2021-1. The committee requested that the Commission study the costs and benefits of maintaining the service standards that were in place at the time. Moreover, the committee also requested that the Commission examine the costs and benefits of returning to the FCM service standards that were put into place on July 1, 2012, which corresponds to when Phase I of the Postal Service's previous Network Rationalization initiative was implemented.

As the Commission is aware, the Postal Service implemented new service standards for FCM and certain Periodicals on October 1, 2021, pursuant to our 10-year strategic plan, *Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence* ("the Plan"). The Plan is designed to address the Postal Service's longstanding financial, operational, and service performance challenges, and to create an organization that achieves the fundamental goals of service excellence and financial sustainability. The reasons for the service standard changes, and how they are an integral part of achieving the goals of the Plan, were extensively addressed by the Postal Service in Docket No. N2021-1, as well as in the rulemaking proceeding conducted by the Postal Service to change our service standard regulations. See 86 Fed. Reg. 43,941 (August 11, 2021).

As the Postal Service has explained, the prior service standards, which required the Postal Service to provide 1-3 day delivery of FCM throughout the continental United States, could not be achieved in a reliable or cost-effective manner. The Postal Service had not achieved our service performance targets for years (particularly with respect to mail subject to a 3-day standard), and was required to rely on more expensive and less reliable air transportation over less expensive and more reliable surface transportation for a significant percentage of FCM, despite the clear advantage of surface transportation in many instances for the reasons noted above. By adding one or two days to the current service standards for FCM, the Postal Service is able to convey a greater volume of mail by surface transportation, thereby achieving a better balance of on-time reliability, operational precision, and cost-effectiveness. Specifically, we noted that:

- In terms of reliability, the new standards, unlike the prior standards, can realistically be achieved on a consistent basis, meaning they set forth meaningful expectations upon which our customers can rely. The ultimate goal of the Plan is to reach at least 95 percent service performance across all product categories; the new standards are a necessary step towards ultimately achieving that target, in conjunction with other elements of the Plan to enhance operational precision and efficiency.
- In terms of operational precision and efficiency, the additional transportation time allowed by the new standards enables the Postal Service to transfer volume from air transportation to surface transportation, and also gives the Postal Service greater ability to deploy best practices to create more efficient surface transportation routes and increase capacity utilization. The standards therefore facilitate the creation of a more optimized, coast-to-coast surface transportation network, which would also enable further operational initiatives and result in fewer carbon emissions.

Moreover, the Postal Service also explained that the scope of the changes was limited, in that most FCM would stay at its current standard, and overall, most FCM would still be subject to a standard of 3 days or fewer, consistent with the prior standards within the contiguous United States. For the minority of volume that would experience a shift in service standard, the standard would change by only 1 or 2 days (with most of such volume experiencing a 1- day change), but such volume would be delivered in a much more reliable manner.

In its Advisory Opinion, issued on July 20, 2021, the Commission carefully reviewed the proposed changes and determined that they were, in principle, rational and not inconsistent with the policies of the statute. Postal Regulatory Commission (PRC) Advisory Opinion Docket No. N2021-1 at 65. In particular, the Commission found that the basic premise of using surface transportation instead of air transportation to increase service reliability while increasing efficiency is reasonable. The Commission recognized that the new standards should enhance service reliability as compared to the prior standards, given that air transportation is less reliable than surface transportation, the new standards targeted mail that had the poorest service performance results under the prior service standards, and additional transportation time could decrease network stress and pinch points. The Commission further noted that the Postal Service had shown that customer satisfaction depends on providing reliable service. Finally, the Commission also recognized that the new standards, if successfully implemented from an operational perspective, would enable the Postal Service to improve the efficiency and capacity utilization of the surface transportation network.

The Commission also noted that achievement of these benefits required successful implementation, and did raise concerns as to whether the Postal Service would be able to do so. It therefore made various recommendations as to how the Postal Service should implement the changes. The Postal Service ultimately chose to move forward, because we were confident in our ability to execute the proposed changes, and that we would be able to achieve the anticipated service, operational, and financial benefits. While the Postal Service noted in our August 11, 2021 final rule that we did not concur with a number of aspects of the Advisory Opinion, we largely agreed with the Commission's recommendations, and stated that we would be following them as the revised standards were implemented. 86 Fed. Reg. 43941, 43942.

Consistent with these representations, the Postal Service has in fact implemented the operational changes enabled by the new service standards in a careful and deliberate manner, and has closely monitored the results to ensure that the promised reliability and efficiency benefits materialize. Since October 1, 2021, the Postal Service has been methodically shifting FCM volume from air to surface transportation.¹ This has led to improved truck utilization and cost savings, which will only

¹ Data showing the specific shifts that have occurred have been filed with the Commission in the FY 2022 Annual Compliance Report (ACR) docket. See USPS Response to Chairman's Information Request No. 8, Question 3, Docket No. ACR 2022.

increase as the Postal Service continues to transition FCM volume to surface transportation consistent with the new standards.²

From a service perspective, the Postal Service has achieved significant increases in service reliability since the new standards were put in place: as also discussed in the FY 2022 ACR docket, FCM service performance results for FY 2022 showed substantial improvement, against target, year-over-year, and quarter-over-quarter. USPS Annual Compliance Report, Docket No. ACR2022, at 50-54. For the first time in many years, the Postal Service met its service performance targets for many categories of FCM, including for all categories of Presort Letters and Card.³ While it is not possible to isolate the specific effects of the new standards on these service improvements, the new standards undoubtedly contributed to them, and enabled the Postal Service to implement network improvements that also facilitated more reliable service. In addition, and as the Postal Service has provided to the Commission in its first report required by Section 207 of the Postal Service Reform Act (PSRA) data confirms that the limited scope of the changes has proven true, given that the average delivery times for FCM have not changed materially. See *Delivering for America: Responses of the United States Postal Service to the Reporting Requirements Specified in the Postal Service Reform Act of 2022, FY 2022 3rd and 4th Quarter*, at 17 (Dec. 2, 2022) (hereinafter "PSRA Section 207 Report").⁴

In addition to these immediate operational and service improvements, the new standards play an integral role in achieving additional elements of the Plan to enable the design and implementation of a more integrated, efficient, and reliable postal processing, transportation, and delivery network. For instance, the creation of an optimized surface transportation network for the delivery of FCM enabled by these standards underlies the service standard changes that have been implemented for First-Class Package Service (FCPS), Retail Ground, and Parcel Select Ground. See Docket Nos. N2021-2 (FCPS); N2022-1 (Retail Ground and Parcel Selection Ground). These service offerings are now being consolidated into a single ground product, which the Postal Service has recently proposed to re-name as USPS Ground Advantage, in order to enhance the competitiveness of the product in the marketplace. PRC Docket Nos. CP2023-113 and CP2023-114.

Moreover, and as discussed in the Postal Service's first PSRA Section 207 Report, the operational improvements enabled by these standards will also facilitate the creation of a more optimized mail processing and delivery network:

We have embarked on a multi-year, multi-billion-dollar modernization program to build a best-in-class processing and delivery operations network connected by a fully optimized surface and air transportation fleet. In FY 2023, we will begin implementing region-by-region modernization efforts to transform our legacy network into a network of standardized Regional Processing and Distribution Centers (RPDCs) and Local Processing Centers (LPCs). We will also begin to deploy new Sort and Delivery Centers (S&DCs) in targeted regions, which will combine delivery operations from smaller delivery units into larger, standardized, optimally located delivery units. The new S&DCs will feature advanced parcel automation, charging infrastructure for electric delivery vehicles, and optimized transportation to and from processing facilities.

See PSRA Section 207 Report at 22.

² In that regard, the national average load percentage improved in FY 2022 from prior years, to 42.9 percent. See FY 2022 ACR, folder USPS-FY22-45 ("Public SV Data_FY18_FY22").

³ Consistent with the Commission's Advisory Opinion, the Postal Service is setting interim targets as we implement all of the elements of the Plan necessary to achieve 95 percent performance. See, e.g., *Fiscal Year 2023 Performance Targets for Market Dominant Products* (Nov. 29, 2022), available at <https://www.prc.gov/docs/123/123577/USPS-FY23Targets-11-29-22.pdf>.

⁴ This report was provided in unredacted form to the Commission. The redacted version is available at <https://www.prc.gov/dockets/document/124453>.

While the Postal Service has made substantial progress towards achieving the goals of the Plan since it was issued, much progress remains to be made. The Postal Service has not yet achieved financial stability, and substantial self-help initiatives to increase operational precision, reduce costs, and increase revenue remain to be implemented. These initiatives fundamentally depend, as noted above, on the optimized surface transportation network enabled by the Postal Service's FCM service standards. Turning back the clock to the prior unattainable and unaffordable service standards would simply diminish service reliability and prevent the Postal Service from creating a more efficient and cost-effective transportation network. Most fundamentally, it would preclude the Postal Service from achieving the goals of the Plan to achieve service excellence, operational precision and efficiency, and long-term financial sustainability after many years of poor service performance and persistent net losses.

It is therefore clear that the costs of returning to the prior service standards outweigh any conceivable benefits, and there is no rational justification for taking such a course of action. Indeed, the Commission found the standard changes to be logical and rational, so long as they were successfully implemented, and given that the evidence shows that they are being implemented successfully, there is no basis to draw a contrary conclusion.

Moreover, the actions taken by the Congress as a whole demonstrate a very different perspective from that of the committee's narrow, misplaced concerns about the FCM standards. Far from expressing concerns about the Plan, Congress in the PSRA enacted reforms that either directly implement, or complement and reinforce, the initiatives laid out in the Plan to transform the Postal Service. Of particular relevance to these service standard changes, Congress amended 39 U.S.C. § 101(f) to expressly incorporate the factors of consistency, reliability, and operational efficiency among the statutory policies that govern the design of the transportation network. See PSRA Section 208. These are the very factors that motivated the Postal Service's service standard changes, meaning this PSRA provision directly endorses the Postal Service's efforts to optimize our surface and air transportation networks. In addition, Congress also added reporting requirements concerning the Plan that include "updates on the reliability, efficiency, and cost effectiveness of the transportation network, including the manner in which ground transportation is utilized over air transportation for types of market-dominant products and competitive products." See PSRA Section 207(b)(8). See also PSRA Section 207 Report at 16-17 (responding to this requirement by noting the implementation of the FCM changes, and the benefits thereof).

Also misguided is the committee's notion that there may be any rational basis to restore the FCM standards that were in place on July 1, 2012, which presumably underlies its request that the Commission explore the costs and benefits of such a change. This date corresponds to the effective date of the Phase I standards issued pursuant to the Postal Service's Network Rationalization initiative; these standards were in place until the Postal Service implemented Phase II on January 5, 2015 (which, in turn, remained in place until the Postal Service implemented the changes discussed above).

The reasons for these changes were the subject of extensive rulemaking proceedings conducted by the Postal Service, as well as Commission Docket No. N2012-1. As discussed therein, Network Rationalization was predicated on the fact that the FCM standards in place at the time – which included a significant amount of FCM volume receiving an overnight delivery standard, including single-piece FCM – prevented the Postal Service from responding effectively to the significant decline in FCM volume that had occurred after the enactment of the Postal Accountability and Enhancement Act. The changes limited (in Phase I) and then eliminated (in Phase II) the overnight standard for single-piece First Class Mail, and also moved a substantial portion of FCM from a 2-day standard to a 3-day standard. By promulgating the changes, the Postal Service was able to better align mail processing capacity with declining FCM mail volume, and eliminate excess capacity by consolidating a substantial number of mail processing facilities.

In its Advisory Opinion in Docket No. N2012-1, the Commission recognized that the overall goals of Network Rationalization made sense, but stated that it could not conclude that it was actually necessary to implement the Phase II standards in order to achieve those goals; the Commission

therefore encouraged the Postal Service to maintain overnight delivery to the greatest extent possible. PRC Advisory Opinion Docket No. N2012-1 at 6. The Postal Service considered the Commission's views, and while the implementation of Phase II was slightly delayed, ultimately we made the decision to move forward with the Phase II standards, consistent with our statutory authority.

Regardless of the views that the Commission may have held at the time, there is no rational basis to conclude that it would be beneficial to return to the Phase I standards. As an initial matter, returning to those standards would have all of the deleterious consequences discussed above, because it would necessarily require a reversal of the October 2021 service standard changes as well. In addition, the Postal Service would not only have to reverse those changes (and thereby return to a 1-3 day standard for FCM within the contiguous United States), but would also have to reinstate an overnight standard for intra-SCF single-piece FCM, and expand the scope of mail subject to a 2-day standard. This would require that the Postal Service significantly restructure our mail processing and transportation networks,⁵ leading to a substantial increase in operating costs, reduction in operating efficiency, and diminishment of service reliability. Several years ago, in response to proposed legislation that would encourage a return to these standards,⁶ the Postal Service estimated that doing so would require up to \$2 billion in one-time costs to restore unneeded network capacity, and up to \$1.5 billion in annual costs thereafter.⁷ Considering the changes that have occurred since then, the costs of returning to the standards today would likely be higher still. Adopting this course of action makes absolutely no sense. Customers have long been able to adjust to the lack of overnight delivery for single-piece FCM. Moreover, the reasons for the change to the standards in the first place has not abated: FCM volume has declined by 29.2 percent since FY 2012, with single-piece FCM declining by 46.4 percent. The end result of returning to these standards would be a Postal Service that is incapable of achieving its mission in a financially stable manner, and which would instead persist in a state of financial and operational distress.

The Postal Service is focused on moving forward with implementation of the self-help elements of the Plan to increase efficiency, reduce costs, and grow revenue to enable us to meet the country's evolving mailing and shipping needs in a financially self-sufficient manner. With full implementation of the Plan, we will be in a strong position to serve the nation effectively long into the future. While there have been significant successes to date, we require continued support from Congress, the Commission, and our internal stakeholders to successfully implement the Plan, which we consider to be in full alignment with Congress's enactment of the PSRA. While we understand the Commission's interest in fulfilling the request of the committee regarding these topics, the Commission should also recognize that the committee's apparent interest in turning back the clock to the prior unattainable and unaffordable FCM service standards is fundamentally counterproductive and would simply perpetuate, rather than help solve, the Postal Service's long-standing service performance, operational, and financial challenges.

Respectfully submitted,



Thomas J. Marshall

⁵ The FCM standards dictate operational decisions on matters such as the number and location of facilities, the specific mail processing operations within those facilities, the operating plans at those facilities necessary to process the mail by the requisite clearance times, the machines and employees that are deployed to achieve those operating plans, and the transportation routes that are utilized to move mail between facilities.

⁶ See, e.g., H. Res. 60, 116th Cong. (2019).

⁷ The CBO also earlier noted, in response to legislation proposed in 2015 that would have required a return to the service standards, that "we expect that it would cost well over \$1 billion for USPS to attempt to fully comply with the amendment." See Congressional Budget Office Letter to Senator Tom Carper (July 13, 2015), available at <https://www.cbo.gov/publication/50387>.

Before the
Postal Regulatory Commission
Washington, D.C. 20268-0001
Submitted to: stakeholderinput@prc.gov

Requested Commentary -- First-Class Mail Service Standards
U.S. House of Representatives
Joint Explanatory Statement, Consolidated Appropriations Act, 2022
Report 117-79 at 100 (July 1, 2021)

Statement of Position of the Lexington Institute
(February 24, 2023)

The Lexington Institute is pleased to offer the following analysis and suggestions in conjunction with the Postal Regulatory Commission's February 8, 2023 [press release](#) seeking input on first-class mail standards for a report you are providing to Congress.

Some of this information was also part of our June 11, 2021 [statement of position](#) on Docket No. N2021-1, wherein the Postal Regulatory Commission (PRC) considered the U.S. Postal Service's (USPS's) proposal to lengthen targeted delivery times, thereby degrading service standards, on approximately 39 percent of first-class mail.

We urge the PRC to provide Congress with information beyond what is obtained from the press release request. Congress should also receive key relevant parts of your work done on Docket No. N2021-1 and related insights from any consulting firm studies pertaining to the 2021 delivery standards.

Prompt, timely mail service has always been important to the American people. And the American people strongly desire such service today, as reflected in the more than 100,000 comments the PRC received pertaining to Docket No. N2021-

1. Furthermore, Members of Congress frequently hear about the need for prompt mail service and the major disruptions stemming from slow mail service.

The central question that must be addressed is not what the mail delivery standards should be. USPS has never met the revised standards beginning in 2014 and faces little consequence, other than public criticism, for not doing so. As such, the standards matter little.

The central question to address is: What would be the cost for USPS to return to its July 1, 2012 delivery performance? At that time, USPS had a one-day standard for delivery of much of its first-class mail, a standard which was soon-after scuttled.

In the 1970s, nearly half of America's mail was delivered the next day.

In 1974, the [Comptroller General reported](#) to Congress that USPS was sorting half of its mail manually. However, the standard for one-day overnight delivery of mail was met 90 percent of the time. This was for delivery within sectional centers and adjoining sectional sectors. Two-day delivery was for other mail within a 600-mile radius and three-day delivery for all other first-class mail.

Over the past 50 years in America, nearly everything has become faster-paced. Except for mail delivery.

It may be that returning to the 2012 delivery times would be onerously expensive and not in the national interest. But we do not know that, because reliable financial data has not been provided, at least in the public domain.

There is no evidence to suggest that in 2021 USPS had assessed the costs to meet the 2012 standards. Furthermore, the savings from the degraded standards (i.e., longer delivery times) were minimal.

As stated several times in the PRC's July 20, 2021 [Advisory Opinion](#), USPS estimated these savings at \$169.5 million annually, which is less than 0.25 percent, or 1/400th, of its annual costs.

Respectfully, the PRC should urge Congress to require that USPS study and document the cost to meet the 2012 mail standards. Congress should also require USPS to state expected average mail delivery times for each of the next eight years, as USPS's Delivering for America plan continues to be implemented.

If USPS cannot make a significant return to faster mail delivery times or state a clear plan to do so in the next six months, Congress should consider eliminating USPS's monopoly on the mailbox. This would provide USPS's customers with more choice, while putting competitive pressure on USPS to innovate and operate more efficiently.

The first step in this process would be an evaluation from the Congressional Research Service about the pros and cons of doing so.

Prompt on-time mail service has always been important to the American people and it remains essential, especially for those in rural areas, senior citizens, the poor, and the disabled. While more prompt delivery standards are nice, what really matters is making sure mail is delivered sooner, and that USPS provides a blueprint to get there quickly.

Thank you for your consideration.

Respectfully,

/s/ *Paul F. Steidler*
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American Postal Workers Union, AFL-CIO

1300 L Street, NW, Washington, DC 20005

February 24, 2023

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Coordinator, Western Region

The Honorable Michael Kubayanda
Chairman
Postal Regulatory Commission
901 New York Avenue, NW Suite 200
Washington, DC 20268

Reference: Stakeholder Consultation Regarding Study on First-Class Service Standards

Dear Chairman Kubayanda,

We are writing in response to the Postal Regulatory Commission's February 8, 2023 invitation for stakeholder input on First Class Service Standards. It would be helpful if the Postal Regulatory Commission provided an outline of the study currently underway, to allow for more effective and relevant comments.

As we prepared this report, the facts of previous service degradations clearly spoke for themselves: the current and developing USPS network could provide greatly improved service with limited targeted investments. Reestablishing the 2012 network is not required to improve service standards similar to the 2012 standards. In Docket No. N2012-1, robust evidence indicated that the network could be substantially reduced while still providing the service standards in effect at that time. In its advisory opinion, the PRC correctly noted that "the vast majority of mail processing savings that the Postal Service expects to attain can be captured without significantly changing service. These savings could be captured without incurring a significant risk of lost revenue from reduced service."¹

The USPS OIG would later find that the MPNR initiative would fail to deliver the promised cost savings. To justify the plan, USPS had estimated it would save \$1.61 billion in FY 2016 and FY 2017. In reality, according to the OIG, USPS only saved about one-twentieth (5.6%) of their projected savings.² The OIG's finding, coupled with the PRC's 2012 analysis which found that USPS' could capture their projected savings without significantly changing service,³ strongly suggests that restoring a fast and reliable Postal Service will be economically feasible.

¹ Postal Regulatory Commission. Advisory Opinion on Mail Processing Network Rationalization Service Changes. Docket No. N2012-1. September 28, 2012. Page 26. Online: https://www.prc.gov/docs/85/85269/advisory_opinion_%20pdf%20_09282012.pdf pg. 26

² Office of the Inspector General, United States Postal Service. "Operational Window Change Savings." Report Number NO-AR-19-001. October 15, 2018 Page 3. Online: <https://www.uspsoig.gov/sites/default/files/reports/2023-01/NO-AR-19-001.pdf>

³ Postal Regulatory Commission. Advisory Opinion on Mail Processing Network Rationalization Service Changes. Docket No. N2012-1. September 28, 2012. Page 26. Online: https://www.prc.gov/docs/85/85269/advisory_opinion_%20pdf%20_09282012.pdf pg. 26

It is reasonable to conclude that increased performance would lead to increased revenue for the Postal Service. In 2012, the PRC warned that slowing down the mail could drive business away. "Cost savings may be offset by reduced contribution to the bottom line from volume loss by mailers who no longer believe the level of service provided meets their postal needs..."⁴ With this in mind, it is certainly worth investigating what positive impact restoring service speeds would have on USPS' volume and revenue.

Similarly, the PRC should look at the lowest combined cost to both mailers and the Postal Service.⁵ This concept has long been used by both the Postal Service in setting prices and the PRC in evaluating efficient component pricing, but is equally valuable in the consideration of service standards. The costs and benefits to mailers under a set of service standards should be considered consistent with 39 USC § 3691b and c. It would be of particular value for the PRC to identify any cost savings and benefits that faster service standards would have to the public and mailers and determine if a faster mail service would have a positive effect on volume. Would it offer opportunities for marketing and new services?

Rather than focusing on how USPS could restore its 2012 network, APWU urges the PRC to analyze the feasibility of restoring service standards for market-dominant products to the 2012 service standards. To that end, APWU strongly encourages the PRC to analyze the USPS network to identify ways USPS could improve its service standards and performance with minimal investments in the network beyond those USPS is currently committing. The study should consider which facilities, if reopened or repurposed, would provide the greatest level of service performance improvement. APWU also suggests that the PRC pay special attention to facilities that are already operational and would possess the lowest costs for achieving faster delivery standards.

It would also be worth studying how USPS' plans for overnight delivery of packages in local and regional areas would affect restoring service standards for first-class mail. This investment in the network may enable USPS to restore both overnight delivery and a larger geographic range for the two-day delivery of letters.

Previous cost estimates by the Congressional Budget Office on restoring USPS to its 2012 standards have failed to quantify the metrics outlined above.⁶ If the PRC conducts a thorough analysis that takes into account the failure of previous service standard slowdowns to save USPS money, projected mail volumes USPS would likely receive if their service was more timely, the cost savings the general public would receive, and the ability of USPS to selectively reopen facilities with the lowest costs and highest benefit to the network, the actual cost of restoring USPS to a previous level of service will be low.

⁴ Ibid. Pages 2-3.

⁵ United States Postal Service. Postal Accountability and Enhancement Act § 302 Network Plan. June 2008. Page 14. Online: <https://about.usps.com/postal-act-2006/postal-service-networkplan.pdf>

⁶ Congressional Budget Office. "Letter to the Honorable Tom Carper providing additional information about the estimated costs of the amendment. as approved by the House Committee on Appropriations on June 17, 2015." July 13, 2015. Online: https://www.cbo.gov/publication/50387?utm_source=feedblitz&utm_medium=FeedBlitzEmail&utm_content=812526&utm_campaign=Hourly_%272015-07-15_09%3a00%3a00%27

Finally, we would be remiss if we failed to point out that even if the analysis outlined above, which makes the business case for robust service standards, did not exist, USPS' core mission is to "bind the nation together," by providing "prompt, reliable, and efficient service to patrons in all areas."⁷

Management's continued march toward slower mail service runs afoul of this core mission. Any PRC analysis should take into account how a restoration of service standards would enable USPS to better meet its core mission.

Recommendations:

The research outlined above suggests two primary areas of study focus:

1. Examine service improvements in steps

Detractors of a fast and reliable Postal Service often focus their complaints on the cost of restoring USPS' network. This is a red herring. As suggested by previous PRC studies outlined above, if USPS would focus on restoring service via targeted investments, rather than fully restoring its former network, much of the former quality of service could be restored. We would urge the PRC to answer these questions in their research:

- a) What can the Postal Service do today, without making changes to the network, which would provide faster service?
- b) Which facilities, if reopened, would have the greatest effect on service performance and result in the lowest capital and operational costs?
- c) If investments were made to restore certain facilities, what impact would that have on delivery speeds?
- d) What investment and operational costs would result if USPS fully restored delivery standards [not the network] to 2012 standards?

2. Study impacts of restoring service standards on mailers and consumers

Historically, when USPS slowed mail service, customers, both large and small, would use the mail less. As the PRC considers the costs and benefits of restoring previous mail service, any analysis must consider the positive impact an increase in performance would have on revenue. Consumers may begin using the service more regularly, or at the very least, not be driven away from the service because letters, bills, and news publications do not arrive in a timely fashion. With this in mind, APWU urges the PRC to consider:

- a) Whether mailers would use USPS more if the service was faster, more reliable, and they could count on their bills, correspondence, greeting cards, and publications arriving in a timely manner?
- b) What impact might faster standards have on the steady reduction in mail volume?

⁷ USPS. Our mission. Online: https://about.usps.com/strategic-planning/cs09/CSPO_09_002.htm#:~:text=The%20Postal%20Service's%20mission%20is,business%20corresponde%20of%20the%20people.

- c) Would increased mail speed slow the diversion to electronic payments?
- d) Would improved mail speed provide marketing opportunities to small businesses?
- e) Would a faster mail service reduce the frequent complaints of late payments and service shut-offs that have arisen since the latest service standard changes?
- f) How would future volume losses be mitigated with better service standards?

APWU looks forward to another opportunity to comment on a draft study.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Dimondstein". The signature is fluid and cursive, with a large initial "M" and a long, sweeping underline.

Mark Dimondstein
President

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

PRC STUDY ON FIRST-CLASS MAIL SERVICE STANDARDS

**COMMENTS OF THE
NATIONAL ASSOCIATION OF PRESORT MAILERS
(February 24, 2023)**

The National Association of Presort Mailers (NAPM) respectfully submits these comments in response to the Postal Regulatory Commission (PRC) Feb. 8, 2023, invitation for stakeholders to provide input on the issues around First-Class Mail Service standards identified by the House of Representatives Report 117-79.

NAPM's members include businesses that manufacture mail and/or provide services related to mail for business customers electing to use mail for their communication needs. Our members also offer businesses services related to parcels, and our members have diversified over the years so that today they provide a long and growing list of communication, transaction and shipping services to the business community. Our membership also includes mailing supply chain vendors and solutions providers, as well as mail "owners" (end-user businesses).

Our mail service provider members act as the "facilitators" that enable businesses to use the USPS' products and services easier and cheaper with better customer experience and USPS service performance. Our members provide "total solution capabilities," from printing, packaging, addressing, integrating omni-channel solutions, tracking, and more to enable the mail user to attain the greatest value mail offers them for their communications, business transactions, integrated marketing, and eCommerce business needs. Our members produce the most cost effective, efficient, and profitable mail for the USPS by commingling mail from multiple business customers into streamlined IMb Full-Service or Seamless mailings that help reduce the USPS' costs, provide them with extensive mail data to support a host of USPS programs and services, and more. Our members interact and provide services for tens of thousands of businesses across the United States.

Our mail service provider members have longstanding close relationships with business mail owners using USPS mailing or shipping services. All of our MSP members provide First-Class Mail services to their customers and many provide delivery monitoring/tracking services as well. USPS service performance is critically important to these customers, and our members do everything they can to ensure their customers have access to the best USPS service performance possible. This includes preparing and separating First-Class Mail in accordance with Customer Supplier Agreements

(CSAs) developed in partnership with the Postal Service to achieve optimal service performance. These CSAs are updated as the USPS makes changes to its transportation schedules, processing facilities or other operational changes. NAPM's MSP members comply with the USPS' requested CSA changes at their own cost in order to improve First-Class Mail service performance for their customers. Our members work with their business customers on automated mailpiece designs, compliance with IMb Full-Service, mail containerization and entry in order to achieve the best service performance possible.

The USPS' service performance scores are testament to how the work our members do improves service performance – First-Class Mail Presort performance is always better than service performance for First-Class Mail Single Piece. The USPS in 2021 even began establishing higher performance targets for First-Class Mail Presort than for Single Piece.

Our comments included herein focus on:

- Our view of the nature of this study and that our comments are directed to Congress;
- Our belief that Congress needs to fully and clearly define the role of the Postal Regulatory Commission (PRC) as it pertains to USPS service standards and service performance and consider improvements for the future;
- Our stakeholder input that improvements need to be made in the processes and methodologies used by the Postal Service and the Postal Regulatory Commission (PRC) to better understand and forecast mail volume and revenue changes resulting from service standard changes and service performance issues.
- Our stakeholder input on restoring service standards or performance to what existed in a prior period.

I. The Nature of the PRC Study and Our Response

As noted by the PRC in its invitation for stakeholders to provide input, as adopted by the Joint Explanatory Statement accompanying the Consolidated Appropriations Act, 2022, the House of Representatives Report 117-79 states:

“First-Class Service Standards.—The Committee is concerned about further changes to the service standards for market-dominant mail products, particularly the Postal Service's recent proposal to extend first-class service standards to as long as five days. The Committee believes this change would further erode public confidence in the USPS. The Committee directs the PRC to analyze the feasibility of restoring service standards for

market-dominant products that were in effect on July 1, 2012, including an examination of the resources and structural and operational changes needed, and the impacts on market growth and revenue. If service standards are decreased from their January 2021 levels, the PRC shall also conduct a similar analysis of the costs and benefits of restoring USPS service and performance levels to their January 1, 2021, levels. The PRC shall report to the Committee on its findings within 1 year of enactment of this Act.”

The PRC’s invitation to stakeholders to provide input does not provide any additional information beyond the legislative request outlined above. In addition, the Commission routinely conducts extensive analyses on USPS service performance through the Annual Compliance Determination (ACD) process as well as other proceedings. The Commission also provides extensive analysis through its Nature of Service proceedings which are triggered by a USPS proposal to change service standards. The Commission conducts a proceeding in these cases which culminates in a non-binding Advisory Opinion on the USPS’ proposed service standard changes.

It appears that the House Committee has instructed the PRC to conduct two analyses – the first on the feasibility of restoring service *standards* for market-dominant products that were in effect on July 1, 2012 “including an examination of the resources and structural and operational changes needed, and the impacts on market growth and revenue,” and second – because the USPS did decrease its First-Class Mail service standards from their January 2021 levels (through PRC proceeding N2021-1), “a similar analysis of the costs and benefits of restoring USPS service and performance levels to their January 1, 2021, levels.” Accordingly, NAPM provides the below comments on each analysis as well as overall comments.

II Service Standards vs Service Performance

The House Committee Report instructs the PRC to analyze potential restoration of service *standards* that were in effect July 1, 2012, but then for the second analysis, refers to “restoring USPS service and performance levels to their January 1, 2021, levels.” While some may use the terms standards and performance interchangeably, they are two different things with significantly different costs and impacts. It is not clear whether the House Committee is asking for analysis on restoring service *standards* to a prior level, or service *performance* to a prior level.

Service *standards* are the goals set by the USPS on how long a particular category of mail should take to be delivered. Service *performance* is whether the USPS meets the service standard goal. For example, the USPS may have a service standard for First-Class Mail of 2-

day delivery, but its actual service performance may be 92% meaning it only achieves the 2-day standard 92% of the time in a given period. Restoring service standards to a prior level does not necessarily equate to restoring service performance to any prior level because they are separate and distinct. If one assumed that the USPS was meeting its service standards 100% of the time, then restoring/increasing service standards would inherently result in improved service performance. But that is not the case.

The USPS each Fiscal Year publishes “targets” for on-time performance against its service standards. The USPS did not meet any of its First-Class Mail service targets (to deliver on-time in keeping with service standards) between FY2015 and FY2021 with performance for some First-Class Mail categories being significantly less than target, and it only met a few First-Class Mail category service targets between FY2012 and FY2015. Accordingly, service *standards* and *targets* often do not equate to actual USPS service *performance*. If the House Committee is in fact asking for analyses of restoring only service standards to a prior period, that could easily be accomplished but it would not necessarily result in improved service performance. Changing service standards to be shorter than they are today would result either in the USPS’ performance scores dropping lower if no other behavior was changed, or the USPS would have to improve its performance to match the restored standards.

In addition, if the House Committee is looking for analysis of service *performance* for one period vs an earlier period, that becomes a complicated process unless the PRC has at its disposal the data on specific 3-digit Origin/Destination pairs’ service (actual number of days to delivery) for one Fiscal Year compared to another. Because the USPS changed First-Class Mail service standards in 2012/2014 and again in 2021, and performance is a measure against the standard, it means that comparing performance scores from one period to another is not an apples-to-apples comparison. For example, some 3-digit Origin/Destination pairs prior to 2012 had an overnight service standard for First-Class Single Piece mail, and the USPS’ performance represented a percentage of on-time delivery to that standard. After the second phase of implementation in 2014, however, the same 3-Digit Origin/Destination pair would have a 2-day service standard for First-Class Single Piece Mail and the USPS’ performance represented as the percentage of on-time delivery to that standard. You could not compare the 2 service performance scores because the service standards changed.

In House Committee Report 117-79, the Committee said it “is concerned about further changes to the service standards for market-dominant mail products, particularly the Postal Service’s recent proposal to extend first-class service standards to as long as five days.” “The Committee believes this change would further erode public confidence in the USPS,” it said.

Should these statements be interpreted to mean the PRC should perform an analysis between the USPS achieving 100% on time service performance for First-Class Mail with service standards pre-2021 and the USPS achieving 100% on time service performance for the same mail with post-2021 service standards, that would be a more clear analysis that the PRC could undertake and stakeholders could comment on, but it would not be a realistic reflection of the actual impacts.

The reality is that if the First-Class Mail service *standards* were changed to their pre-2021 levels (or any other year with shorter service standards), absent any other change, the only impact would be the USPS' service performance scores would decline.

III PRC's Role in Reviewing Service Standard Changes

39 U.S.C. § 3661 outlines the rules around the PRC's role in terms of changes to USPS service standards. Under those rules, the USPS must submit to the PRC a proposal, within a reasonable time prior to the effective date of the proposal. The PRC then reviews the proposed changes to service standards, including opportunity for hearing on the record, and subsequently issues a non-binding "opinion" to the Postal Service concerning its proposed changes to service standards.

Assuming the Committee is aware of the statutorily defined role for the PRC in cases where the USPS proposes to change service standards, it is puzzling for the Committee to ask the PRC to perform analyses on the feasibility of undoing the changes that it already issued an Advisory Opinion on. Perhaps the Committee needs to explore making changes to the PRC's role or processes around reviews of USPS service standard change requests.

The current PRC role is to issue a non-binding "opinion" only – perhaps the Committee should explore a different role for the regulator in these instances, since it appears to be questioning the impacts of service standard changes made by the USPS since 2012, yet process was followed as it currently exists in regulation and statute -- the PRC reviewed and then issued an Advisory Opinion on the USPS' service standard change proposals in 2012 and 2021. Although the PRC in both cases made extensive recommendations, the action was non-binding for the USPS so no changes were required and the USPS implemented its service standard changes in both instances.

In addition, currently there is no backward-looking process or analysis the PRC or the USPS Office of Inspector General (OIG) is tasked with to assess the impacts of prior USPS service standard changes which could be used as part of its review for future requests.

Since the House Committee's request implies concerns with the service standard changes the USPS has implemented, a better approach might be to review and strengthen the existing PRC role and processes versus analyzing the impacts of returning to a prior state at significant cost. In N2021-1, PRC Chairman Michael Kubayanda in a separate statement of views on the proceeding noted the Commission's role in these proceedings is restricted to issuing an Advisory Opinion. He stated, in part,

"The Commission's mandate here is to produce just that—an opinion. While the Commission takes this job seriously, there is a gap between the expectations of stakeholders and what the law permits the Commission to do. If a more decisive role for the Commission is desired, Congress should consider changing the law to allow for such a role for the Commission."

Also in presenting a statement of separate views in the N2021-1 proceeding, PRC Commissioner Ashley Poling said,

"The Postal Accountability and Enhancement Act (PAEA) provided increased regulatory oversight of service issues because Congress worried that the Postal Service would degrade service in order to cut costs and comply with the price cap, but unfortunately, existing regulation has clearly not been enough. While there are a number of places where more regulatory oversight over service issues could benefit the American people, this proceeding makes it evident that one of the first places Congress should look legislatively is at the current Advisory Opinion process. This process was held over from the Postal Reorganization Act-era with little updating in the PAEA. It requires a tremendous amount of resources from the Commission to understand, analyze, and provide actionable feedback on a nationwide service change, and yet the Postal Service has no obligation to provide a thorough analysis or even respond to the Commission's opinion... Although I am cognizant and respectful of the delineation between the Commission's role as the regulator and the Postal Service's role as the operator, the last 20 years of history have shown that if Congress values maintaining high-quality service and continues to see the Postal Service as the vital public service it was intended to be, some revisions to the Advisory Opinion process are desperately needed."

We believe that it would be more productive for the House Committee to explore changes to the existing regulatory and statutory process around USPS service standard changes than to attempt to revert to service standards or performance in a prior period that would result in significant negative impacts in terms of cost and disruption.

IV Better Analysis Needed on Business Customer Impacts

As part of the 2012 PRC proceeding, the USPS had submitted analysis and testimony on anticipated cost savings as well as projected lost volume/revenue. The PRC attempted to validate the USPS' projections as well as perform some of its own modeling and estimates. Much of the results were published by the PRC in its 240-page Advisory Opinion (N2012-1), including a significant section on attempts to estimate customer volume loss as a result of the service standard changes. The PRC in its Advisory Opinion said,

“The Commission recognizes the inherent difficulty of forecasting future mailing behavior and the effects of potential changes in service on future volumes and appreciates the Postal Service's efforts to answer these important questions. Unfortunately, these efforts did not result in reliable estimates of how mail volumes are likely to respond to the proposed service changes.”

In the USPS' N2021-1 proposed service standard changes proceeding, the PRC Public Representative said “the potential for mailer behaviors to change seems to represent a significant blind spot in the Postal Service's analysis of [its] proposal.” The PRC said the Public Representative “explained that the Postal Service has not conducted analysis on the cost of the changes to mailers, or how these costs might affect their motivations.” The USPS responded “to criticism of its market research on the impact of the proposed standards on customers, stating that ‘neither Title 39 nor the Commission's rules require [it] to submit customer surveys (or any other particular kind of evidence),’ the PRC stated in its Advisory Opinion. “Further,” the PRC said, “although capturing data on specific groups may be challenging, the Postal Service has not conducted any research on segmented groups of mailers in order to conclude that the most affected mailers will behave as mailers in general behave. The Postal Service also has not conducted research to demonstrate the degree to which customers value speed of delivery.”

The PRC said in its N2021-1 Advisory Opinion that “the Postal Service cannot conclude with any statistical confidence what will happen to First-Class Mail and Periodicals mail volume as a result of an increase in days to delivery.”

The statements from the PRC and from the Postal Service in these service standard change proceedings clearly illuminate the need for improved processes to estimate potential business customer volume impacts as a result of service standard changes. Although it may at times be difficult to separate the driving factors behind volume reduction if there is recent price

change increase or other factor that could also impact mailer volumes, clearly a better process is needed. These analyses on customer impacts should also explore service performance differences between levels of workshare and mail that is not workshare. As NAPM has advocated for in prior comments to the Commission, the creation of an Industry Public Representative with knowledge and contacts within the industry could provide expertise in developing these processes.

The House Committee should instruct the Postal Service and the Commission to develop a better process and methodology to estimate volume and revenue impacts from service standard changes. Lacking any acceptable methodology or process used in past proceedings, it would be difficult for the PRC to analyze the impact on mail volumes and revenue from restoring prior service standards or performance levels. The House Committee should instruct the USPS and PRC to work collaboratively to develop such methodology or research parameters.

V Analysis of Restoring Service Standards to Those in Effect on July 1, 2012

As stated above, some assumption will need to be made on exactly what the House Committee Report language means in terms of the desired analysis. For the first analysis, the Committee references restoring service *standards* to their pre-July 1, 2021, state.

Between July 1, 2012, and January 1, 2021, the USPS changed First-Class Mail service standards one time (N2012-1) as part of its Network Rationalization initiative, accomplished in two phases (2012 and 2014). The USPS proposed significant changes to First-Class Mail, Periodicals, Package Services and Standard Mail (now “Marketing Mail”) service standards as part of the initiative, including elimination of overnight service for First-Class Mail Single Piece, new stricter entry rules for First-Class Mail Presort and Periodicals with overnight service standards, and changes to its Operating Window Clock (OWC) that resulted in Critical Entry Time (CET) changes adding a day to some First-Class service standards. The PRC in its Advisory Opinion (N2012-1) recapped the USPS’ proposed changes:

“In general, 45 percent of all First-Class Mail will no longer receive overnight service, and the majority of First-Class Mail previously receiving 2-day service will be deferred to 3-day. Within First-Class Mail, 3-digit ZIP Code origin-destination pair service standards would be modified to change overnight delivery to 2-day delivery, and to change a large portion of 2-day delivery to 3-day delivery.”

NAPM's Mail Service Provider members largely process and present First-Class Mail as presort, not Single Piece, and most of our members do not process Periodicals, so we focus our comments on the 2012/2014 changes that impacted First-Class Mail Presort, which was the change for some First-Class Mail from 2-day service standard to 3-day service standard to support the USPS consolidation/optimization of its mail processing network facilities.

The Postal Service is currently beginning an initiative to modernize and redesign its processing network to reflect the changes in its product mix as well as reducing its transportation costs. It is unlikely that the redesigned network would be able to support service standards at the pre-2012 service standard levels for First-Class Mail, which would mean that to return to that prior state – where the USPS was not meeting the service standards much of the time anyway – would require it to embark on a different type of network redesign.

Since the USPS is already far into the process of moving First-Class Mail from air transportation to ground transportation and has already started redesigning its network based on new service standards that largely utilize ground transportation, it would require significant change all that would be involved to support moving some First-Class Mail from 3-day service back to 2-day service. How would this impact the capital investments the Postal Service has already made to support its redesign of the network and change to surface transportation vs. air? During and following the pandemic, the air network became unstable and unreliable as well as more costly. Though some improvements have been seen since that time, the increasing costs of utilizing air transportation compared to surface transportation would further drive up postage prices were the USPS have to revert to reliance on air.

NAPM members work through commingle to combine mailings from many businesses, achieving greater 5-digit density while barcoding and streamlining the mailings. Through these efforts, they are able to provide their business mailing customers with more consistent service for First-Class Mail with 3-day service standards as well as being able to track, identify, and resolve service issues through barcoding, data, and visibility.

Mailing customers with concerns about the 2012/2014 changes to First-Class Mail service standards have either already moved to alternate forms of communication if needed to service consumers, or they have moved their mail into programs such as commingle to achieve better service performance. Would reverting to service standards from the pre-2012 period change either of these outcomes? In addition, the significant costs for the USPS to return to the pre-2012 service standards for First-Class Mail would further drive up postage prices which would result in more businesses to explore alternatives and further accelerate movement of First-Class Mail out of the mail.

VI Analysis of Restoring Service Standards to Those in Effect January 1, 2021

The USPS in March 2021 informed the PRC of its intent to change service standards for First-Class Mail and Periodicals. The PRC conducted the required statutory review and analysis of the proposed changes in proceeding N2021-1, noting in its Advisory Opinion that it analyzed the estimated impact of proposed changes to service standards on the USPS' service performance, the Postal Service's financial condition, transportation network, customer satisfaction, and mail volume. In July 2021 the PRC issued its non-binding Advisory Opinion concerning the USPS' proposed service standard changes, including recommendations for USPS consideration before implementing the changes.

As stated above concerning any restoration of service standards or performance to a prior state, undoing the First-Class Mail service standard changes the USPS made in 2021 would also be expensive and disruptive, and would accelerate volume declines in First-Class Mail from resulting postage price increases.

If the USPS is successful with its network redesign, it should result in more consistent First-Class Mail delivery performance, reducing the "tail of the mail," where delivery is delayed by a number of days. Improving First-Class Mail consistency would help NAPM member customers better plan their mail manufacturing production and delivery functions, and set delivery expectations. While NAPM does not support further changes to service standards without a better process for understanding the impact on business mail customers, we do not believe that turning back the clock on service standards would be constructive and could be achieved without great expense and disruption.

VII Conclusion

In closing, NAPM appreciates Congress' interest in the views of stakeholders in the postal ecosystem, and we appreciate the Commission's response in inviting stakeholder views. Our comments are intended to be constructive and help those tasked with oversight of the Postal Service better understand the needs and concerns of our members, as well as the impacts price changes have on their businesses.

We encourage the House Committee to be forward-looking in its approach to address concerns around First-Class Mail service standards and performance, and to focus on the existing regulatory and statutory processes and constraints with an eye toward making improvements. NAPM is committed to working with the Postal Service, the Commission, and Congress on changes that help

keep mail in the mail but balance cost and service to reflect the needs of business users of mail.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Robert Galaher", written in a cursive style.

/s/

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**Delivering Postal Advocacy,
Resources and Results**

February 24, 2023

Postal Regulatory Commission

901 New York Ave. NW., Suite 200

Washington DC 20268

Postal Regulatory Commission,

As adopted by the Joint Explanatory Statement accompanying the Consolidated Appropriations Act, 2022, the House of Representatives Report 117-79 states:

First-Class Service Standards. The Committee is concerned about further changes to the service standards for market-dominant mail products, particularly the Postal Service's recent proposal to extend first-class service standards to as long as five days. The Committee believes this change would further erode public confidence in the USPS. The Committee directs the PRC to analyze the feasibility of restoring service standards for market-dominant products that were in effect on July 1, 2012, including an examination of the resources and structural and operational changes needed, and the impacts on market growth and revenue. If service standards are decreased from their January 2021 levels, the PRC shall also conduct a similar analysis of the costs and benefits of restoring USPS service and performance levels to their January 1, 2021, levels.

In considering the feasibility of restoration of the July 1, 2012 standards or the January 1, 2021 levels, it is important to remember that actual service performance is at best influenced by prevailing standards. Since the passage of the Postal Accountability and Enhancement Act (PAEA), which gave oversight authority to the Commission, the Postal Service's measured service performance has consistently been below existing standards. Throughout that period, there have been no consequences for the Postal Service's failure to achieve results consistent with published standards.

There is no evidence available to suggest that the Postal Service has expended fewer resources to deliver First-Class Mail since the relaxation of standards in October 2021. One might reasonably conclude therefore that returning to the standards in force in January 2021 would not require any additional resources. The Postal Service's proposal to relax standards was predicated on eventual savings that presumably would not be attainable if the Postal Service elected to attempt to comply with the revived standards.

To understand the effect that returning to an earlier set of standards would therefore require knowledge of the effort that the Postal Service would feel compelled to expend to comply with those standards. Unfortunately, that is a difficult question to answer. Undoubtedly, postal management works in good faith to provide good service and would feel some compulsion to perform well. However, external stakeholders would be unable to quantify the financial, or performance impacts of those efforts.



**Delivering Postal Advocacy,
Resources and Results**

The Postal Service's request to change service standards in March 2021 was described as necessary to reflect an attainable level of service standards with greater reliability. This was based on the Postal Service's determination that a ground transportation network would be more reliable and economical than the then existing network that relied more heavily on air transportation.

PostCom noted at the time that the Postal Service was free to enact any operational changes that it chose; operational decisions being influenced by, but not determined by service standards. For example, as the Postal Service has reported, it uses extraordinary procedures to ensure greater service performance for election mail that has the same nominal standards as all of the mail in the categories used to send election mail.

Of course, had the Postal Service chosen to make its desired operational changes without first having lowered standards, the reported results would have appeared worse in official reporting. One assumes that customers are now experiencing that reduced level of service even though the Postal Service is now able to report relative improvement in performance scores because of the changes implemented in October 2021.

PostCom's members share the Committee's concerns regarding public perceptions of the Postal Service. Service performance is likely a significant factor in shaping public perception, as is affordability. Restoring service standards to any bygone level would likely result in significantly increased costs, because there are no incentives extant for the Postal Service to control costs; the Commission having severely weakened the price-cap controls put in place by PAEA. Moreover, adding costs would reduce cost coverages and perhaps expose additional products to the supplemental rate authority applicable to non-compensatory products.

The mere establishment of service standards is unlikely to result in any detectable improvement in performance because there remain no consequences for underperformance and no effective regulations in place to enforce existing standards. PostCom appreciates the Committee's focus on this effort but believes a focus on more effective regulation, which PostCom is prepared to avidly support, would likely produce better results.

Sincerely,

Michael Plunkett
President & CEO, Association for Postal Commerce

Public Comments – First-Class Mail

2/25/23	Raymond Wigton	There are basic things that I think are of great value to all Americans. First class mail is one of the core values of all of us. I don't want any action taken by the USPS that would deteriorate the speed of first class mail delivery. This is very important to me and to my family.
2/24/23	Kelly Busalacchi	<p>Our organization has serious concerns about the ongoing erosion of postal service standards. The legal standard of “prompt, reliable, and efficient” mail delivery has long been, and continues to be, critical to the country’s democratic, social and economic fabric.</p> <p>The slowing of the mail that occurred in 2012 began the process of eroding public confidence in the Postal Service and fell far short of the cost savings postal management promised at the time. The additional slowdown experienced in 2021 only furthered this trend.</p> <p>The start of the pandemic laid bare the essential role the Postal Service continues to play for millions across the country. Whether mail-in ballots, prescription medicines or other essential communications and goods, a reliable postal system is still critical to the country. As consumers increasingly expect faster delivery, the postal slowdown is unjustifiable.</p> <p>We urge the Commission to recognize the value of “prompt, reliable, and efficient” Postal Service in its report to Congress and work with postal management and congressional leaders to ensure the American public have the speedy mail service we all deserve.</p>
2/24/23	William Bachmann	I request that current service standards which, slow mail and cause long lines at retail windows, be reinstated to those prior to 2012. At that time the PMG explicitly compared aspects of USPS to Walmart; the current PMG has followed in the same vein. To be clear, postal service was established in colonial times and enshrined in the Constitution as a <i>public service</i> , not a private business. And while many forms of communication have been invented since then, the Postal Service is the only one answerable to the public, not stockholders. Therefore, I further request that USPS be viewed by you as a necessary public service.
2/24/23	Virgilio	<p>As a postal consumer, I have serious concerns about the ongoing erosion of postal service standards. The legal standard of “prompt, reliable, and efficient” mail delivery has long been, and continues to be, critical to the country’s democratic, social and economic fabric.</p> <p>The slowing of the mail that occurred in 2012 began the process of eroding public confidence in the Postal Service and fell far short of the cost savings postal management promised at the time. The additional slowdown experienced in 2021 only furthered this trend.</p> <p>The start of the pandemic laid bare the essential role the Postal Service continues to play for millions across the country. Whether</p>

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		<p>mail-in ballots, prescription medicines or other essential communications and goods, a reliable postal system is still critical to the country. As consumers increasingly expect faster delivery, the postal slowdown is unjustifiable.</p> <p>I urge the Commission to recognize the value of “prompt, reliable, and efficient” Postal Service in its report to Congress and work with postal management and congressional leaders to ensure the American public have the speedy mail service we all deserve.</p>
2/24/23		<p>As a stakeholder, I have serious concerns about the ongoing erosion of postal service standards. The legal standard of “prompt, reliable, and efficient” mail delivery has long been, and continues to be, critical to the country’s democratic, social and economic fabric.</p> <p>The slowing of the mail that occurred in 2012 began the process of eroding public confidence in the Postal Service and fell far short of the cost savings postal management promised at the time. The additional slowdown experienced in 2021 only furthered this trend.</p> <p>The start of the pandemic laid bare the essential role the Postal Service continues to play for millions across the country. Whether mail-in ballots, prescription medicines or other essential communications and goods, a reliable postal system is still critical to the country. As consumers increasingly expect faster delivery, the postal slowdown is unjustifiable.</p> <p>I urge the Commission to recognize the value of “prompt, reliable, and efficient” Postal Service in its report to Congress and work with postal management and congressional leaders to ensure the American public have the speedy mail service we all deserve.</p>
2/24/23	Gail Morman	<p>Our organization has serious concerns about the ongoing erosion of postal service standards. The legal standard of “prompt, reliable, and efficient” mail delivery has long been, and continues to be, critical to the country’s democratic, social and economic fabric. The slowing of the mail that occurred in 2012 began the process of eroding public confidence in the Postal Service and fell far short of the cost savings postal management promised at the time. The additional slowdown experienced in 2021 only furthered this trend. The start of the pandemic laid bare the essential role the Postal Service continues to play for millions across the country. Whether mail-in ballots, prescription medicines or other essential communications and goods, a reliable postal system is still critical to the country. As consumers increasingly expect faster delivery, the postal slowdown is unjustifiable. We urge the Commission to recognize the value of “prompt, reliable, and efficient” Postal Service in its report to Congress and work with postal management and congressional</p>

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		leaders to ensure the American public have the speedy mail service we all deserve.
2/24/23	Jed Pauker	<p>The erosion of postal service standards began after its conversion from an agency governed by a Presidential Cabinet official into a quasi-corporate concern. That erosion rapidly accelerated in the new Postal Service - an agency required to operate with no profit intent - after the 2006 Postal Accountability and Enhancement Act imposed impossible challenges that roiled the nation and whose damage was only partly addressed by the 2022 Postal Service Reform Act.</p> <p>USPS management practices in recent years have deepened concerns. The legal standard of "prompt, reliable, and efficient" mail delivery has long been, and continues to be, crucial to our nation's democratic, social and economic fabric. Slowing of the mail that occurred in 2012 escalated the erosion of public confidence in the Postal Service, and the initiative fell far short of the cost savings promised by USPS management. The 2021 slowdown furthered this trend.</p> <p>While the Covid pandemic illuminated the essential role the Postal Service continues to play for hundreds of millions of Americans, it also reminded us that Postal workers and their safety are essential to our national well-being. Whether it be for mail-in ballots, prescription medicines or other time-critical communications and goods, our postal system's timely and reliable delivery of materials remains critical to our United States. As constituents expect increasingly rapid deliveries, the Postal Service must excel, not delay. Understanding the agency's unique marketplace position and its lasting value for Americans as a still-trusted agency, we urge the Commission to recognize the importance of a "prompt, reliable, and efficient" Postal Service - both in its report to Congress and in its work with postal management and Congressional leaders, to ensure that Americans can rely on the speedy mail service our Founders knew that all of us deserve.</p> <p>Thank you for your consideration.</p>
2/24/23	Wayles Browne, treasurer, Group 73 of Amnesty International	<p>I coordinate communications for a small non-profit organization (a local branch of Amnesty International USA). We use mail very extensively in our work: we send newsletters to our members, we send letters to state and Federal officials with requests, and we write to foreign governments and their ambassadors in Washington with statements and calls to intervene in cases of violations of human rights. That makes a thousand or more items per year. Our local group long ago stopped trying to use bulk mailing because there were delays in delivering it. Since then we have always used First Class mail.</p> <p>We need delivery of First Class mail to be prompt, reliable and efficient. Please strongly oppose any and all plans that would</p>

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		<p>allow any First Class mail to take five days for delivery. It should reach all parts of our country within three days.</p> <p>When you send your report to the House of Representatives as required by the statement accompanying the Consolidated Appropriations Act, I would very much appreciate it if you would share the report with me at the address below.</p> <p>Thank you in advance. Yours sincerely,</p>
2/24/23	Timothy Hall, USPS retired Detroit District Area Local American Postal Workers Union	<p>DeJoy has got to be stopped! He is destroying the postal service! No more slowdowns of mail service!</p> <p>I retired from the post office in 2013. In those days almost the whole United States was within two-day delivery range from my home in Detroit. Now that is all flushed down the toilet of time. We often have no idea how much time a delivery will take, even from nearby!</p> <p>Stop this greedy businessman! He has business interests that conflict with the post office's duties. Why is he even allowed to sit in that position!</p> <p>Stop him!!</p>
2/24/23	Valerie Morishige	<p>The PRC must recognize the value of “prompt, reliable, and efficient” Postal Service in its report to Congress & work to ensure the American public have the speedy mail service we all deserve and can rely on!</p>
2/24/23	Mary Margaret Bartley	<p>Hi! Mail service is essential and 6 days a week is IMPORTANT! Please keep it alive...so important for USA people and please get rid of the person in charge of the postal service as he has done a terrible job and is highly invested in companies that compete with the postal service! Thank you in advance for doing your jobs and protecting people in the US! Dr. Bartley</p>
2/24/23	Vickie Lucero	<p>THE USPS is one of the most affordable ways Americans can efficiently send and receive mail-in ballots, prescription medicines, farm animals, run their businesses and other essential communications and goods.</p> <p>It is an important employer and postal workers help keep track of their customers in remote rural areas.</p> <p>A reliable postal system is still critical to a great country and De Joy is only interested in privatizing it to profit the already wealthy and greedy.</p>
2/24/238	Sharon Davlin	<p>I and the majority of Americans are fed up with delays to the USPS 1st class mail service. Everybody knows that some people in power want to ruin the USPS so it can be privatized (and bring large profits to the select few).</p> <p>The overwhelming majority of American voters cannot understand how Mr. DeJoy is still Postmaster and is still slowing delivery of everything from prescription medications to Social Security checks and birthday presents.</p>

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		I urge you to reject DeJoy's proposed changes the 1st Class Mail delivery. As the pandemic showed, the USPS plays an essential role in American lives.
2/24/23	Jim Sharkey	Please refrain from diminishing first class mail standards America needs a prompt reliable Postal Service, especially in post-pandemic America Thank you
2/24/23	Dr. Donna Hoffmeister	I have serious concerns about the ongoing erosion of postal service standards. The legal standard of “prompt, reliable, and efficient” mail delivery has long been, and continues to be, critical to the country’s democratic, social and economic fabric. The slowing of the mail that occurred in 2012 began the process of eroding public confidence in the Postal Service and fell far short of the cost savings postal management promised at the time. The additional slowdown experienced in 2021 only furthered this trend. I urge the Commission to recognize the value of “prompt, reliable, and efficient” Postal Service in its report to Congress and work with postal management and congressional leaders to ensure the American public have the speedy mail service we all deserve.
2/24/23	jeff kipilman	the PRC must recognize the value of "prompt, reliable and efficient" postal service. we all need speedy mail service no more mail slowdowns
2/24/23	Mary McMurray	Dear PRC Members, Please save our Postal Service from the severe cutbacks and unnecessary changes proposed by Mr. DeJoy. We are senior citizens who depend on the U.S. Mail for many lifelines.
2/24/23	Lamont T. Pearson, Jr.	Good Afternoon, Please see attached letter sent on behalf of General Counsel Thomas J. Marshall regarding Stakeholder Consultation for Congressionally Requested Study on First-Class Mail Service Standards.
2/24/23	Chuck Zlatkin	The New York Metro Area Postal Union, the largest local in the American Postal Workers Union, represents workers in Manhattan, the Bronx, and two large facilities in New Jersey, has serious concerns about the ongoing erosion of postal service standards. The legal standard of “prompt, reliable, and efficient” mail delivery has long been, and continues to be, critical to the country’s democratic, social and economic fabric. The slowing of the mail that occurred in 2012 began the process of eroding public confidence in the Postal Service and fell far short of the cost savings postal management promised at the time. The additional slowdown experienced in 2021 only furthered this trend. The start of the pandemic laid bare the essential role the Postal Service continues to play for millions across the country. Whether mail-in ballots, prescription medicines or other essential

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		<p>communications and goods, a reliable postal system is still critical to the country. As consumers increasingly expect faster delivery, the postal slowdown is unjustifiable.</p> <p>We urge the Commission to recognize the value of “prompt, reliable, and efficient” Postal Service in its report to Congress and work with postal management and congressional leaders to ensure the American public have the speedy mail service we all deserve.</p>
2/24/23	Bob Rossi	<p>I am a senior citizen and I have serious concerns about the ongoing erosion of postal service standards. The legal standard of “prompt, reliable, and efficient” mail delivery has long been, and continues to be, critical to the country’s democratic, social and economic fabric. But it seems that this is eroding quickly.</p> <p>The slowing of the mail that occurred in 2012 began the process of eroding public confidence in the Postal Service and fell far short of the cost savings postal management promised at the time. The additional slowdown experienced in 2021 only furthered this trend. I can no longer get newspapers and magazines in good time, more mail is getting misdelivered where I live, and I have had to stop delivery of medications.</p> <p>The start of the pandemic laid bare the essential role the Postal Service continues to play for millions across the country. Whether mail-in ballots, prescription medicines or other essential communications and goods, a reliable postal system is still critical to the country. As consumers increasingly expect faster delivery, the postal slowdown is unjustifiable. I'm paying much more money for much less service, including increases in my Post Office Box cost.</p> <p>I urge the Commission to recognize the value of “prompt, reliable, and efficient” Postal Service in its report to Congress and work with postal management and congressional leaders to ensure the American public have the speedy mail service we all deserve.</p>
2/24/23	Jamie Partridge, Organizer Communities and Postal Workers United	<p>To the Postal Regulatory Commission,</p> <p>Our organization has serious concerns about the ongoing erosion of postal service standards. The legal standard of “prompt, reliable, and efficient” mail delivery has long been, and continues to be, critical to the country’s democratic, social and economic fabric.</p> <p>The slowing of the mail that occurred in 2012 began the process of eroding public confidence in the Postal Service and fell far short of the cost savings postal management promised at the time. The additional slowdown experienced in 2021 only furthered this trend.</p> <p>The start of the pandemic laid bare the essential role the Postal Service continues to play for millions across the country. Whether mail-in ballots, prescription medicines or other essential communications and goods, a reliable postal system is still critical</p>

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		<p>to the country. As consumers increasingly expect faster delivery, the postal slowdown is unjustifiable.</p> <p>We urge the Commission to recognize the value of “prompt, reliable, and efficient” Postal Service in its report to Congress and work with postal management and congressional leaders to ensure the American public have the speedy mail service we all deserve.</p>
2/24/23	Jason Miller	<p>I have serious concerns about the ongoing erosion of postal service standards. The legal standard of “prompt, reliable, and efficient” mail delivery has long been, and continues to be, critical to the country’s democratic, social and economic fabric.</p> <p>The slowing of the mail that occurred in 2012 began the process of eroding public confidence in the Postal Service and fell far short of the cost savings postal management promised at the time. The additional slowdown experienced in 2021 only furthered this trend.</p> <p>The start of the pandemic laid bare the essential role the Postal Service continues to play for millions across the country. Whether mail-in ballots, prescription medicines or other essential communications and goods, a reliable postal system is still critical to the country. As consumers increasingly expect faster delivery, the postal slowdown is unjustifiable.</p> <p>I urge the Commission to recognize the value of “prompt, reliable, and efficient” Postal Service in its report to Congress and work with postal management and congressional leaders to ensure the American public have the speedy mail service we all deserve.</p>
2/24/23	Scott Klinger	<p>Dear Members of the Postal Regulatory Commission,</p> <p>Thank you for seeking public comment on further reductions in USPS 1st Class Delivery Standards. I write to urge you to oppose further deterioration in delivery standards.</p> <p>I live in Gardiner, Maine, 40 miles north of Portland, Maine. We are served by the mail processing facility in Scarborough ME.</p> <p>In my opinion, USPS is grossly failing to meet its legal commitment to “prompt, reliable, and efficient”. Like many others in America, we have regularly gone days at a time with no mail deliveries. We have had Christmas cards mailed in the first week of December, which arrived in late January. We have watched tracked Priority Mail packages sit in sorting facilities days at a time, and arriving in a week, not the promised 2-3 days. It commonly takes three days to mail a letter to a vendor in my town of 5,000 (the local post office will no longer cancel a stamp and take it to a sorting station, instead it must go to the sorting plant, where it sits for days before returning to the post office where it began. In whose mind is this efficient?</p> <p>At other times we have watched tracked mail take circuitous and inefficient routes. Mail from Washington D.C. to Maine routed through North Carolina. One first-class envelope with tracking</p>

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		<p>went from Norfolk VA to Gardiner ME via Chicago. It took 13 days. These are not aberrations, these are what passes for normal services under the current Postmaster General.</p> <p>The public has been asked to pay a lot more for ever-deteriorating service, and now you are asked to consider further weakening of delivery standards.</p> <p>I hope you will go back and re-read the leadership that USPS has provided to America -- the Pony Express delivered mail from coast to coast in ten days, a standard that USPS often fails in 2023. Mail used to be mailed in New York in the morning and delivered in Boston the same afternoon for no extra charge.</p> <p>I urge you to oppose new attempts to slow deliveries further, and instead demand that the PMG meet the standards already in place, and to move mail more quickly, not more slowly.</p> <p>It seems like the only mail in the system that moves swiftly is Amazon packages -- they are more often than not arrive early, while other mail sits around and ages, frustrating our household and many others who depend on USPS to help us communicate with friends and family, to pay our bills, and receive our news.</p>
2/24/23	Kathleen Siviter	NAPM appreciates the opportunity to provide input on the PRC Study on First-Class Service Standards per House Committee Report 117-79. Our comments are attached. Please let us know if you have any questions!
2/24/23	Casey Chandler	Extending First Class Service standards to 5 days is unacceptable! The PRC must recognize the value of “prompt, reliable, and efficient” Postal Service in its report to Congress & work to ensure the American public have the speedy mail service we all deserve and can rely on!
2/24/23	Michael Plunkett President & CEO Association for Postal Commerce	Attached, please find comments of the Association for Postal Commerce (PostCom) in response to the Commission's invitation to provide input on the Joint Explanatory Statement accompanying the Consolidated Appropriations. Act, 2022. If you have any questions or require additional information, my contact information is provided below.
2/24/23	Mark Dimondstein, President American Postal Workers Union, AFL-CIO	Please find attached to this email a copy of the American Postal Workers Union’s input regarding the PRC study on first-class service standards. A hard copy will follow by mail.
2/24/23	Paul Steidler Senior Fellow – Lexington Institute	<p>Below and attached are comments from the Lexington Institute regarding the Postal Regulatory Commission’s report to Congress on first-class mail standards, as discussed in your February 8 news release.</p> <p>Thanks for your attention to this matter.</p>
2/22/23	Chuck Zlatkin	<p>I’m writing to you as a second generation postal worker.</p> <p>Between my father and me, we have worked for 73 years for the Postal Service. We both shared a deep understanding of the</p>

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		<p>importance of the Postal Service to the American people. From that experience, I believe it would be beneficial to those of us who depend upon a public Postal Service, and the Postal Service itself, to restore service standards for market-dominant products to the July 1, 2012 level. Senior Citizens, disabled veterans and small business owners have felt the negative effects of the current standards since they were implemented. They have not recovered from the diminished service and neither have we. Those who are able to afford alternatives have either left the Postal Service or soon will be leaving. We cannot afford further reductions in service and call upon you to facilitate the return of delivery standards to the July 1, 2012, level. The American people deserve to be served by the Postal Service and the Postal Service deserves to have all the tools it needs to make this service happen. Returning service standards to the July 1, 2012 level is one of the best tools that can be provided to make the Postal Service fulfill its mandate.</p>
2/22/23	<p>Tony Blair, Senior Support Services Technician San Joaquin County</p>	<p>Regarding Congressional direction to study restore market dominant service standards to July 1, 2012 levels; I fully support the position of Congress on this issue.</p> <p>As a twenty-eight year mailing industry professional, extending the service standard to five days would be detrimental to our citizens, taxpayers, vendors and employees.</p> <p>I work in local government and provide mail service to over thirty county departments. During the Covid-19 pandemic and post-pandemic our constituents have relied on the USPS more than ever before.</p> <p>Extending the service standard to five days would further delay when some of our employees receive their paychecks. It would further delay when property owners receive assessed value notices and property tax statements.</p> <p>Most importantly, extending the standard to five days would delay voters receiving and mailing their ballots for local, state and national elections.</p> <p>In my career, I have seen USPS personnel do some amazing things and provide invaluable services. I'm confident it can be done, especially with Congressional support.</p> <p>Please restore the service standard to July 2012 levels and help restore the public's confidence in government and how government services have a positive impact on the everyday lives of Americans.</p>
2/21/23	<p>Florence Summergrad</p>	<p>This is my 50th year working for the USPS. I have always been immensely proud of being a postal worker, both in the Bronx where I lived for many years, and, more recently, in Jersey City, NJ.</p> <p>The situation with mail delays has become critical. Instead of thanking me for my service, I hear complaints about how long it took a package or letter to arrive. I'm told about missed</p>

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		<p>birthdays, undependability of the arrival of needed medication, and late fees on bills. Meanwhile, to add insult to injury, the Postal Service puts out glowing reports of how well we are doing. Of course it is easier to meet low standards, rather than strive to live up to higher ones. Customers "get it." They see the difference in dependability since the delivery standards were lowered. And, no matter how "trivial" it may seem to wait an extra day or two, it means a lot to the person who expects good service. And, unfortunately, it is often more than a day or two.</p> <p>I'm sick of hearing tales of woe, or even jokes about how it would be faster to drive the piece of mail to the destination than to put stamps on it. We are letting people down but meeting the standards! There is something very wrong with that!</p> <p>Please, restore the 2012 delivery standards so we can be proud of the USPS again! We moved the election mail quickly and accurately. So we can do it! The American people need the PRC to do it.</p>
2/21/23	Annaliese Yukawa Legislative Assistant Rep. Gerald E. Connolly	Please see a letter attached from Rep. Gerald E. Connolly to Mr. Kubayanda to share concerns regarding the recent proposed changes to the United States Postal Service's (USPS) delivery standards. Thank you.
2/22/23	Cassandra E Black Assistant Director, NJI & NDC	<p>I'm writing to you because I believe it would be beneficial to those of us who depend upon a public Postal Service, and the Postal Service itself, to restore service standards for market-dominant products to the July 1, 2012 level. Customers have felt the negative effects of the current standards since they were implemented. People who pay bills by mail are getting service charges because their payments are being received late. People who depend upon the public Postal Service, especially senior citizens, small business owners, and disabled veterans who cannot use alternatives, continue to suffer with the current standards. People who receive income via the mail, including senior citizens and disabled veterans, are getting their checks later after the new delivery standards were imposed. We cannot afford further reductions in service. The U.S. Citizens deserve better. I call upon you to facilitate the return of delivery standards to the July 1, 2012, level.</p>
2/22/23	Natalie Anderson	<p>The currently delivery standards of the United States Postal Service are unacceptable and are greatly effecting everyday people in negative ways. In ways people are negatively effected such as:</p> <ul style="list-style-type: none"> • Mail delays have impacted negatively on small business owners because they are receiving payments later. • People who pay bills by mail are getting service charges because their payment are being received late. • People who receive income via the mail including senior citizens and disabled veterans are getting their checks later after

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		<p>the new delivery standards were imposed and are suffering because of this.</p> <ul style="list-style-type: none"> • Weekly publications who use the mail are finding their subscribers are receiving their mailed issues late which hurts advertisers who rely on prompt delivery to the readers. • People have had to mail invitations, announcements, etc. earlier to make sure that those they are writing to get them in timely manner. <p>Please return the United States Postal Service to it delivery standards to the July 1, 2012, level. We the people want our mail on time!</p>
2/22/23	Mishi A	<p>The currently delivery standards of the United States Postal Service are unacceptable and are greatly effecting everyday people in negative ways. In ways people are negatively effected such as:</p> <ul style="list-style-type: none"> • Mail delays have impacted negatively on small business owners because they are receiving payments later. • People who pay bills by mail are getting service charges because their payment are being received late. • People who receive income via the mail including senior citizens and disabled veterans are getting their checks later after the new delivery standards were imposed and are suffering because of this. • Weekly publications who use the mail are finding their subscribers are receiving their mailed issues late which hurts advertisers who rely on prompt delivery to the readers. • People have had to mail invitations, announcements, etc. earlier to make sure that those they are writing to get them in timely manner. <p>Please return the United States Postal Service to it delivery standards to the July 1, 2012, level. We the people want our mail on time! NO MORE LATE CHECKS!</p>
2/22/23	Natalie Anderson	<p>I'm writing to you because I believe it would beneficial to those of us who depend upon a public Postal Service, and the Postal Service itself, to restore service standards for market-dominant products to the July 1, 2012 level. Customers have felt the negative effects of the current standards since they were implemented. We have not recovered from the diminished service. People who depend upon the public Postal Service, especially senior citizens, small business owners, disabled veterans, cannot use alternatives, and continue to suffer with the current standards. Those who are able to afford alternatives have either left the Postal Service or soon will be leaving. We cannot afford further reductions in service and call upon you to facilitate the return of delivery standards to the July 1, 2012, level.</p>
2/21/23	ALBERTO VARGAS	<p>We need the overtime back asap 6 day work week at JAF station is the only way it will work its a big station with long hours 2 tours an late hours an tons of passport applications with not enough</p>

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		time everything is up late mail not boxed on time people either out ,vacation or otherwise not enough manpower on the norm PLEASE BRING BACK THE 6TH DAY AN 2HRS BEFORE START TIME OVERTIME
2/19/23	Carol Mesford	<p>Greetings,</p> <p>In 1980, I was proud to become a Letter Carrier with the USPS, recognizing my work as important and vital in peoples' lives. I did my best to provide excellent service to all my customers and felt a personal pride in the USPS as an organization. Much of the mail was touched by human hands long before I touched it on the way to the customers' mailboxes. Over the years, automation and fancy machines meant that I might be the first human to ever touch most of that paper. Let me be clear; I am all for progress and money saving measures. I am not pining for the horse and buggy days. However, I do not understand that the fancier our machines get, the SLOWER the mail gets! Why is this? With more advanced equipment and software, why are we not moving the mail FASTER? You should all be asking yourselves this same question.</p> <p>When we sorted and moved the mail by hand and with low tech machines, you could mail your niece a birthday card and it would be delivered THE NEXT DAY locally. Because we dumbed down the service standard, in 2012, now it takes two days to get a bill or letter across town. More frightening is the prospect of getting something from my house to Texas, California or New York, like paying my bills. That used to take 3 days when we worked the mail primarily by hand and low tech machines, 4 on the outside with a holiday or weekend. When I was on my route last year in early 2022, I was alarmed to see 5 to 13 days for letters to arrive. My customers were correct in worrying about the checks they mailed. I looked at POSTMARKs, not meter dates, for accuracy. This should be ALARMING to the PRC, as well. Don't go by what I say; the USPS has years of statistical data on delivery times. You will find that about 12 years ago, first class local overnight on-time deliveries were in the 90 's percentile, often in the high 90's. Because of the current unreliability of the USPS, I have done something I vowed never to do. I have paid some of my bills online. Two months ago, it took 9 days for my payment to the local electric company to get posted! Usually the check clears in 3-4 days. The electric company is not at fault. This is just one example. I am still a proponent of a strong USPS and I still use the Postal Service as often as possible, but now I can't trust the USPS to deliver my first class mail in a timely fashion. How sad is that for a 42 year dedicated Letter Carrier?</p> <p>As the PRC, your mission should be clear; DO NOT ALLOW THE USPS to SLOW DOWN THE MAIL EVEN FURTHER! In plain language, this is just plain bad business. I do not understand how</p>

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		<p>our very own logistics expert, PMG DeJoy, could think it's smart to make the USPS dumber and slower.</p> <p>USPS is in trouble. Alarm bells are ringing! Let's not lose even more customers by dumbing down the service standards. We should be the First Class World Class organization we are capable of!</p> <p>Thank you for listening and for your important work.</p>
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