

N2024-1: Postal Service Response to Commission Recommendations

This document replicates the Commission’s chart of recommendations in the appendix to the advisory opinion and is intended to provide specific responses to the PRC’s recommendations. A more complete rebuttal of the Commission’s advisory opinion is provided separately.

For ease of review, the Postal Service uses the PRC’s format and structure, including replicating the first column from the PRC’s appendix. The Postal Service response is provided in the second column.

PRC’s Regional Transportation Optimization (RTO) Recommendations

PRC’s RTO Recommendations	Postal Service Response
<p>The Commission recommends that the Postal Service better prepare for its announced changes, including creating RTO-specific plans and models, before rolling out the RTO initiative on a nationwide basis.</p>	<p>Agree – We are already working on RTO-specific plans to use during implementation.</p> <p>We used the LTO models as a proxy to conservatively estimate the cost savings from RTO for purposes of the advisory opinion request, and they were never intended to govern implementation of RTO. That said, the Postal Service notes this is not a classroom exercise. We are planning for the RTO rollout. As we implement, we will adjust further our plans as needed and mitigate temporary service impacts to the extent they arise.</p>
<p>The Commission urges the Postal Service to begin tracking metrics, such as the average number and length of nationwide layovers, before implementing RTO so that it has a baseline to which it can compare the success of the initiative.</p>	<p>Agree – We will track transportation changes and cost savings using appropriate metrics, including enabling comparison to baseline.</p> <p>Cost savings and quality service are our targets. When evaluating the success of the RTO initiative, as well as the RDPC/LPC initiative, we will look at the overall network performance and savings on a nationwide basis, including the various sources of savings: local transportation, network transportation, processing, and facilities. There will be tradeoffs throughout the process based on what we determine is best for each region. The ability to adjust as operationally appropriate, rather than engage in strict compliance with our models, is necessary – this is not a classroom exercise.</p>

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<p>The Commission recommends that, at relevant RTO Post Offices, the Postal Service extend the time customers have to deposit mail by collecting from blue collection boxes, lobby drops, and Self-Service Kiosk parcel receptacles closer to the morning dispatch time.</p>	<p>Partially agree – Tying transportation schedules and collection schedules runs counter to RTO's objectives. The service standard changes allow for flexibility in the local transportation schedules. However, as acknowledged in our briefing, we will make appropriate business decisions regarding whether to move mail dropped at a Post Office after-hours with the next dispatch, consistent with our overall strategy and in alignment with our existing practices.</p>
<p>The Commission notes that to maximize cost savings, instead of static thresholds, the Postal Service could leverage its extensive facility-level data to develop and rely on thresholds for specific Regional Processing and Distribution Centers (RPDCs) or even develop non-threshold methods for determining RTO designations.</p>	<p>Disagree – We plan to maintain the 50-mile threshold for each RPDC for administrability reasons, among others, as opposed to RPDC-specific thresholds or thresholds based on drive times in specific geographic areas. There will be exceptions based on operational considerations.</p> <p>This recommendation appears to be a criticism that the Postal Service did not develop region-by-region implementation plans for the purpose of the Advisory Opinion process (rather than during implementation, as planned), again demonstrating that the PRC is treating this as a classroom exercise, rather than a practical implementation strategy. We are implementing RTO based on nationally applicable principles, but the specific design of any particular regional transportation network is necessarily based on the specifics of the region and the embedded infrastructure, which is why planning occurs on a region-by-region.</p>
<p>While the rollout of RTO requires successful implementation, the Commission recommends the Postal Service explore ways to categorize RPDC facilities and apply category-based thresholds to potentially increase the benefits of optimization and reduce the scope of downgrades without complicating implementation.</p>	<p>Disagree – See above.</p>

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PRC's RTO Recommendations	Postal Service Response
<p>The Commission recommends that the Postal Service supplement its business judgment regarding a 50-mile threshold with more data-based analysis to explore different methods for determining RTO designations, such as one based on travel time, and measure the benefits of RTO against the service impacts.</p>	<p>Disagree – See above.</p> <p>The 50-mile driving distance threshold used for RTO (as measured by the industry standard PC Miler software) corresponds directly to, and thus provides a reliable proxy for, drive times. This is because any hypothetical drive-time designations would of necessity assume a mile-per-hour constant, just as current business rules do. Furthermore, the Postal Service did engage in analysis to reach the 50-mile criteria. During the LTO pilot phase, multiple driving distance thresholds were considered, tested, and assessed; ultimately, a 50-mile threshold centered on RPDCs was determined to represent an optimal a trade-off between volume impacts, cost savings potential, and operational feasibility. Further, this approach supports administrability, communicability, and change management.</p> <p>In addition to a reduction in local transportation costs, the operational benefit of RTO is that mail and packages are dispatched to the network earlier. When balancing the service impacts of RTO it is critical to keep this in perspective – as it enhances Leg 2 speeds. Limiting the scope of RTO would mean that we lose both speed and cost savings.</p>

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<p>The Commission recommends that the Postal Service resolve the contradiction of advocating for a regional approach while still allowing certain Local Processing Centers (LPCs) to retain cancellation operations.</p>	<p>Disagree – There is no contradiction. Basing RTO on distance from RPDC while maintaining local turnaround at certain LPCs represents a balance of considerations. This may also be based on a misunderstanding – the PRC appears to assume we are bypassing origin LPCs as part of the operational path. This step is linearly connected to our RPDC processes and is not contradicting the network efficiency of consolidating via single nodes.</p> <p>LPC cancellations are intended to mitigate service impacts under RTO—specifically, to enable more 2-day turnaround service than would otherwise be feasible to offer. As indicated in the docket, due to the financial and efficiency gains from the proposed service standard changes, and in recognition of specific concerns raised by stakeholders that value local turnaround service, the Postal Service identified 16 LPCs that would maintain some originating processing operations. As also indicated in the docket, this list of LPCs is not exhaustive. A number of additional such facilities that will maintain certain originating processing operations were recently announced, with potentially more such facilities to be announced in the near future. This includes LPCs in states that otherwise would not have cancellation operations, thus expanding on the local turnaround service more than originally planned.</p>
<p>The Commission recommends the Postal Service minimize the use of exceptions in implementing its initiatives by developing and implementing a systematic approach to capture the interactions between RTO and the network design.</p>	<p>Partially agree – While we do intend to minimize exceptions, the existence of exceptions does not indicate a “lack of systematic approach.” The limited exceptions will be based on operational considerations (such as the need for an afternoon pickup based on high volumes and/or space constraints) and we expect them to be minimal. It is essential that we have flexibility to engage in mitigation efforts where operationally and financially appropriate.</p>
<p>The Commission agrees with the National Postal Policy Council (NPPC) recommendations to tie RTO implementation to the operational launch of the servicing RPDC into operation in a specific region, and not nationwide all at once.</p>	<p>Partially agree – RTO will be rolled out on a region-by-region basis but will not necessarily be tied to the activation of the RPDC. RTO serves two purposes – optimizing transportation in Leg 1 and improving arrival profiles in Leg 2 to speed up the network volume. There is no need for the formal activation of an RPDC to gain the benefits from optimizing Leg 1 transportation. Moreover, each region activation will have some impact on networkwide outcomes. There is no way to -or reason to – implement in an isolated manner.</p>

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PRC's RTO Recommendations	Postal Service Response
<p>The Commission recommends that the Postal Service learn from its negative experience implementing Dynamic Routing Optimization (DRO) to inform its preparation for implementing RTO.</p>	<p>Disagree – DRO is not relevant to these initiatives.</p> <p>As explained throughout the docket, however, we are leveraging our experience gained during the LTO pilots to improve implementation plans for RTO.</p>
<p>The Commission encourages the Postal Service to create a thorough implementation plan to facilitate the strong execution of its RTO initiative and set up relevant timelines.</p>	<p>Agree – We are already undertaking this effort as part of our implementation plan.</p>
<p>The Commission recommends a more measured approach to implementation strategy based on the Postal Service's experience with Local Transportation Optimization (LTO) pilots where "compressed" timelines created issues. This might include a testing period with RTO pilots.</p>	<p>Partially agree – There were a number of factors at play that impacted the success of the LTO pilots, many of which we could only "learn by doing." We are leveraging our experience gained during the LTO pilots to improve implementation plans for RTO. We are also rolling out RTO on a region-by-region basis.</p>
<p>In order to establish an accurate representation for the potential impacts of RTO, the Commission recommends that the Postal Service initiate an RTO pilot before rolling the initiative out nationwide.</p>	<p>Disagree – We already pursued an LTO pilot and our experience through that pilot informed our decisions and led to the evolution into RTO. LTO constitutes the same fundamental operational practices as RTO, in terms of designing a more logical regional transportation network that eliminates afternoon trips; RTO simply de-constrains additional sites and therefore provides a greater optimization opportunity. We are not going to also pilot RTO to assess whether to pursue it – but we are rolling out on a region-by-region basis that will allow us to adjust plans as needed to improve implementation.</p>
<p>The Commission recommends that the Postal Service address concerns regarding outdated and inappropriate source data and assumptions to improve the internal validity of the LTO Model going forward.</p>	<p>Partially agree – We used the LTO model as a conservative estimate for cost savings, not for operational implementation of RTO. There is no reason to update the LTO models themselves. We are implementing an RTO-specific approach and will use RTO-specific inputs for modeling and planning.</p>

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PRC's RTO Recommendations	Postal Service Response
<p>The Commission recommends that the Postal Service develop a model that accurately reflects the nature of transportation under RTO as the LTO Model results cannot serve as an adequate proxy. Such a model should ideally include cost and service impact data from RTO pilots in which RPDC activations and other network changes are introduced along with RTO.</p>	<p>Disagree – The LTO model was an appropriate proxy for cost savings purposes. The purpose of incorporating the concept of operational legs into our service standards is to permit a separation between our collection operations and our processing operations, so there is not an impact on service beyond the designation of RTO offices. That said, as noted above, we will use RTO-specific plans when implementing the transportation changes.</p>
<p>The Commission recommends the Postal Service conduct further preparation before beginning the RTO initiative to improve its likelihood of achieving implementation success, including finalizing the list of post offices eligible for RTO, creating a detailed project implementation plan for RTO beginning with a RTO pilot, and creating a model to estimate RTO transportation cost savings specifically.</p>	<p>Partially agree – These efforts are already underway. We are not going to pilot RTO, but we are rolling out on a region-by-region basis that includes detailed plans for each region that we will develop in advance and that we can adjust as needed to improve implementation.</p>

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PRC's Leg 2 Transportation Recommendations

PRC's Transportation Recommendations	Postal Service Response
<p>The Commission strongly recommends that the Postal Service develop a comprehensive and integrated model to capture and analyze the interaction of all elements of the network (e.g. facility location selection, Leg 1 transportation, Leg 2 transportation, and mail processing) to observe and understand the overall impact on performance and cost savings.</p>	<p>Disagree – This recommendation is predicated on the PRC's unreasonable position regarding the need for comprehensive models that dictate all decision-making moving forward. It ignores the robust modeling, operational planning and execution processes we have and will undertake. It also ignores that we are working within our existing infrastructure as necessitated by cost and operational constraints.</p>
<p>The Commission recommends the Postal Service develop a stochastic network model, which will allow for more variability in the modeled network and provide more detailed outputs which can better inform the placement and designation of RPDCs.</p>	<p>Disagree – The modeling approach used by the Postal Service allows us to build a logical, capturable, and conservative cost target aligned to the very real operating constraints of our network. The deterministic approach identifies capturable upside that aligns to the realities of what the organization can absorb, whereas a stochastic model—which is not aligned to the labor, facility, and schedule constraints that the Postal Service operates in daily—does not. Given that the Postal Service intends to repurpose existing infrastructure, to schedule regularly recurring transportation trips, and to make adjustments where warranted based on an array of operational factors, including volume fluctuations, it is unclear what additional value a time-consuming, labor-intensive “stochastic” model would provide.</p>

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PRC's Processing Efficiencies Recommendations

PRC's Processing Efficiencies Recommendations	Postal Service Response
<p>The Commission strongly recommends that the Postal Service use more rigorous methods or models to prove its estimates instead of just relying on its business judgment when adjusting how RPDCs and LPCs function.</p>	<p>Disagree – This is based on a flawed and false premise. We are not “just relying” on business judgment. We have robust and rigorous models and decision-making processes that comprehensively utilize data, and which incorporates business judgment as appropriate for effective operations. We are also rolling out each region based on comprehensive operational planning.</p>
<p>The Commission encourages the Postal Service to review and analyze its facility-level data to ensure that the productivity improvements are achievable and that the proposed operational changes will have their intended effect.</p>	<p>Partially agree – We did analyze facility-level data to set achievable improvements, and each plant has its own operating plan based on plant-specific profiles, but the overall goal is greater standardization across facilities with clear operational targets and consistent performance as opposed to the wide variation that existed in the legacy network. This will allow us to achieve the cost savings, operational precision, and revenue growth anticipated in the plan.</p>
<p>The Commission recommends the Postal Service evaluate its implementation procedures to minimize issues that arise during the process.</p>	<p>Agree – We are already undertaking this effort as part of our implementation plan. We are constantly working towards continuous improvement.</p>
<p>The Commission urges the Postal Service to model the arrival profiles under RTO in order to better plan for the subsequent changes to operations.</p>	<p>Partially agree – We continually review arrival profiles and operational schedules as part of the robust operational planning and execution processes that we are using for implementation and will make adjustments as appropriate. One of the benefits of RTO is that it makes it easier to predict and schedule volume arrival profiles.</p>
<p>The Commission urges the Postal Service to adopt more rigorous methodologies to ensure that the proposed changes will provide all the benefits described, including to study and incorporate data and lessons from past RPDC implementations.</p>	<p>Partially agree – While this recommendation is based on the flawed and false premise that we lack highly rigorous operational planning and execution processes, we continuously evaluate past performance and improve processes accordingly.</p>
<p>The Commission encourages the Postal Service to provide specific metrics, related to each change, for assessing the success of its initiatives.</p>	<p>Agree – We will track changes and cost savings using industry-appropriate metrics and standards.</p>

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PRC's Effects on Service Recommendations

PRC's Effects on Service Recommendations	Postal Service Response
<p>In light of the Commission's analysis concerning the disparate negative impacts on Market Dominant mail, the Commission strongly advises the Postal Service to closely monitor the impact of its proposed changes to the service standards on Market Dominant mailers and customers and to modify its plans and take immediate mitigation measures if service impacts are greater than expected.</p>	<p>Partially agree – We disagree that there are any disparate impacts beyond those associated with the distance from the origin RPDC. Within that context, we will monitor the impacts of proposed changes on service performance (not service standards, which does not seem to make sense in this context). We already have teams in place monitoring service performance and making adjustments as necessary (e.g., adjusting schedules or transportation modes to mitigate service impact during transition). Timely mitigating deviations is a fundamental part of our implementation strategy.</p>
<p>In order to minimize negative service performance impacts, the Commission concludes that the Postal Service must identify and learn from its mistakes as quickly as possible and not overlook or ignore systemic challenges in its determination to implement the proposed network and operational changes.</p>	<p>Agree – Although this recommendation is self-evident. Continuous improvement is embedded in our daily business. It is inappropriate and condescending for the PRC to imply that we do not.</p> <p>Moreover, as explained above, to further facilitate effective operational implementation, the Postal Service plans to stage implementation of the service standard changes. This will allow the Postal Service to mitigate service impacts, address change management, and mitigate unnecessary costs, while analyzing data regarding the impact of the changes on Leg 1 in order to adjust our operational planning regarding Leg 2 operations to the extent warranted, and therefore help ensure that we are well positioned to implement the Leg 2 service standard changes.</p>

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PRC's Service Performance Measurement (SPM) Recommendations

PRC's SPM Recommendations	Postal Service Response
<p>Should the Postal Service determine to move forward with implementing the change, the Commission strongly encourages the Postal Service to seek out ways to clearly communicate with customers this change and how it affects postmarking and delivery expectations for mailpieces.</p>	<p>Agree – We intend to initiate a rulemaking in the Federal Register regarding postmarking. We will also communicate the service standard changes to customers.</p>
<p>The Commission urges the Postal Service to clearly and transparently communicate the impacts of proposed service standard and service performance measurement changes when those changes impact the underlying service received by customers.</p>	<p>Agree – We are already planning to clearly and transparently communicate the changes to customers. Moreover, one of the essential objectives of these initiatives is to provide more precise service standards and expectations.</p>
<p>Given the change has not been transparently presented, the Commission strongly encourages the Postal Service to seek out ways to clearly communicate this change with customers, including how it affects the expected cancellation date and delivery expectation for mailpieces and in its presentation of expected service in its proposed 5-Digit to 5-Digit ZIP Code lookup tool.</p>	<p>Agree – We agree with the actual recommendation, but strongly disagree with the flawed premise upon which it is purportedly based that we have not been transparent. That said, we plan to clearly communicate the changes with customers.</p>
<p>The Commission recommends that the Postal Service develop, test, and present to the Commission and the public a measurement system capable of accurate, reliable, and representative service performance measurement at the 5-Digit ZIP Code level before moving forward with its proposed service standard changes.</p>	<p>Partially agree – We will follow all regulatory requirements, including those related to timing, regarding changes to our Service Performance Measurement plan.</p>

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PRC’s Local Changes, Customer Communications, and Election Mail Recommendations

PRC’s Local Changes, Customer Communications, and Election Mail Recommendations	Postal Service Response
<p>The Commission finds that the Postal Service should make more of an effort to educate mailers on the significant changes being made and suggests that the Postal Service mail flyers to affected residences or place notices in PO Boxes.</p>	<p>Partially agree – We will clearly communicate the changes to customers.</p>
<p>With the determination that the Postal Service’s current handling of election mail is reasonable, the Commission recommends that the Postal Service generate a plan to address election mail in future elections for the final state of the RTO and LTO initiatives with consideration given to the unique rules of each state’s election board.</p>	<p>Partially agree – The Postal Service will continue to provide election officials and voters who choose to use the mail as part of the electoral process with a secure, efficient, and effective means of doing so. Also, we intend to initiate a rulemaking in the Federal Register regarding postmarking. However, the Postal Service has not, and will not, develop plans that are specific to each individual state’s rules, as that would effectively convert our integrated nationwide system into one that is fragmented on a state-by-state basis.</p> <p>Moreover, this recommendation demonstrates a misunderstanding of the Postal Service’s current practices and state election laws. It is based on the PRC’s observation that “many states have specific rules for the handling of election mail that might preclude that mail from traveling out of state and there exist 10 states in the contiguous United States that will not have an RPDC located within them.” The Postal Service is unaware of any state election law that prohibits mail from traveling out of state, and notes that mail routinely crosses state lines in the legacy network. Moreover, election officials routinely send ballots via mail to voters living out of state so they can vote absentee. Many also rely on mail service providers in different states to prepare and mail ballots.</p>

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PRC’s Financial/Cost Savings Recommendations

PRC’s Financial/Cost Savings Recommendations	Postal Service Response
<p>The Commission suggests that the Postal Service apply a more robust approach, grounded in quantitative evidence and real-world testing, when determining capture rates to meet the standards of reliability necessary for sound capture rate and financial projections.</p>	<p>Disagree—The capture rates that were used in this proceeding are more than sufficient to set forth a conservative estimate of projected cost savings. It is not necessary to set forth different capture rates at this time. We will monitor and track cost savings as appropriate as we move forward with operational execution, where we will seek to capture all potential savings.</p>
<p>Should the Postal Service proceed with implementing these initiatives, the Commission recommends that it closely monitor their progress to ensure that cost savings are realized and balanced with the maintenance of high-quality service standards.</p>	<p>Agree – Although this recommendation is essentially self-evident and already a part of our implementation plan, and we will certainly monitor and track cost savings as appropriate.</p>
<p>The Commission encourages the Postal Service to validate its capture rates with empirical data, conduct scenario-based modeling to assess outcomes under varying conditions, and establish clear timelines and milestones to improve accountability and transparency in achieving its cost savings goals.</p>	<p>Partially agree – We will monitor and track cost savings as appropriate as we engage in operational execution. Capture rates are intended to account for the unknown and to set forth a reasonable and conservative achievable cost savings estimate.</p>

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PRC's Service Standards Objectives and Factors Recommendations

PRC's Service Standards Objectives and Factors Recommendations	Postal Service Response
<p>The Commission strongly advises the Postal Service to consider its obligations under 39 U.S.C. § 101(a) and (e), and reconsider the impact of its proposed changes to the service standards, particularly on rural areas and the rural citizens and businesses who rely most heavily on the Postal Service.</p>	<p>Disagree – For the reasons covered in our request and briefing, the Postal Service has fully considered and satisfied our statutory obligations. The PRC's suggestion to the contrary is based on an incorrect interpretation of the statutory policies.</p> <p>The PRC fails to engage with efforts identified by the Postal Service to mitigate the already limited impact of the changes on rural communities. Specifically, the plan maintains the existing service standard day ranges for First-Class Mail and USPS Ground Advantage, meaning no mail will have a standard of more than 5 days, and our service within these ranges will be more predictable and reliable. The plan also provides 2-3-day turnaround service within a region and within certain local areas. The PRC further disregards the plan's improvements for mail and packages overall in Leg 2, and specifically ignores the neutral, or improved, impact on the delivery of mail to rural communities. In other words, individuals living in rural areas will benefit from the expansion of the Leg 2 bands which will enable mail and packages to travel farther from the origin plant to more distant destination plants in terms of their receipt of important mail (including checks and medicines) that originate in a ZIP Code not covered by RTO. Also important to note, these changes do not alter our retail or delivery services: they do not alter access to, or services provided at, Post Offices; nor do they change the service standards for Leg 3 (from processing operations to delivery). These are all factors critical to our balancing of considerations.</p>
<p>The Commission strongly advises the Postal Service to take into consideration the concerns expressed in this docket as it continues to develop and implement the proposed changes.</p>	<p>Agree – See the Federal Register notices and our filings in the PRC docket.</p>

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PRC's Service Standards Objectives and Factors Recommendations	Postal Service Response
The Commission advises the Postal Service to closely monitor and measure the implementation of its planned changes to determine whether they actually achieve the objectives outlined above or whether some of the negative the impacts projected by the Commission and concerned parties actually come to fruition.	Agree – Although this recommendation is essentially self-evident and already a part of our implementation plan, and we will certainly monitor and track our progress.