

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION

Before Commissioners:

Ruth Y. Goldway, Chairman;
Mark Acton, Vice Chairman; and
Robert G. Taub

DSCF Standard Mail Load Leveling

Docket No. N2014-1

ADVISORY OPINION ON
SERVICE CHANGES ASSOCIATED WITH
STANDARD MAIL LOAD LEVELING



Washington, DC 20268-0001
March 26, 2014

TABLE OF CONTENTS

	<i>Page</i>
I. EXECUTIVE SUMMARY	1
II. PROCEDURAL HISTORY	3
III. COMMISSION LEGAL AUTHORITY	6
A. Requests for Advisory Opinions.....	6
B. Requirements for Changes in Service Standards	7
C. Treatment of Briefs and Comments	8
IV. SUMMARY OF POSTAL SERVICE PROPOSAL.....	10
A. Postal Service Request.....	10
B. Linda M. Malone Testimony.....	12
C. Mark H. Anderson Testimony	16
V. BRIEFS AND COMMENTS	20
A. American Catalog Mailers Association.....	20
B. American Postal Workers Union, AFL-CIO	21
C. Association for Postal Commerce	21
D. Public Representative	22
E. Postal Service	24
F. Comments	27
VI. COMMISSION ANALYSIS.....	30
A. Introduction	30
B. The Postal Service should conduct a cost-benefit analysis	31
C. The Postal Service should assess the plan's impact on volume and co-mailing/co-palletization activities	36
D. The Postal Service should continue with additional field testing	39
E. The Postal Service should further analyze the plan's effect on service performance.....	45
F. The Postal Service should consider more extensive customer outreach .	50
G. Review of service standard objectives and factors	52
VII. CERTIFICATION	55

I. EXECUTIVE SUMMARY

The Commission finds that the Postal Service's Destination Sectional Center Facility (DSCF) Load Leveling Plan may provide a potential means of leveling DSCF Standard Mail daily delivery volumes. However, the limited testing is inconclusive regarding the effects of the plan on a nationwide basis. Accordingly, the plan appears to need further development. To that end, the Commission recommends certain actions for the Postal Service's consideration.

The Postal Service's initial assessment is that the Load Leveling Plan will facilitate workload equalization throughout the week for processing and delivery of DSCF entered Standard Mail. Load leveling is accomplished by changing the 3-day service standard to 4-days for DSCF Standard Mail entered after Critical Entry Times (CET) on Thursdays and before CET on Saturdays.

The Postal Service identifies potential benefits of the Load Leveling Plan as: a reduction in mail processing work hours and carrier overtime hours; earlier completion of carrier routes and return of mail collected on carrier routes; and an improvement in downstream operations and service for mail collected on carrier routes.

The Commission finds the Postal Service's initial assessment and identification of potential benefits shows some promise, but cautions this evaluation is based on limited test information and sometimes anecdotal accounts. The Commission urges the Postal Service to undertake a more rigorous cost-benefit analysis, additional field testing and service performance analysis, and volume impact studies before committing to a nationwide rollout of the Load Leveling Plan.

The Commission is also concerned that the Postal Service has not generated more support within the mailing community for its plan. A Mailers Technical Advisory Committee (MTAC) with representatives from 18 different companies was formed to consider options for workload equalization. The committee was unable to come to a consensus that the Load Leveling Plan is the appropriate solution that will smooth workloads across days of the week. The absence of significant support is an indication

that the Postal Service may not provide the level of service desired by its customers, and thus may negatively affect mail volumes.

The Commission provides the following recommendations to the Postal Service for consideration before proceeding with its plan:

- The Postal Service should perform a cost-benefit analysis at the national level to ensure that the Load Leveling Plan is cost effective, while providing the anticipated benefits;
- The Postal Service should assess the plan's impact on volume and co-mailing/co-palletization activities;
- The Postal Service should perform additional field testing, since the results of the limited testing may not be representative at the national level;
- The Postal Service should further analyze the plan's effect on service performance; and
- The Postal Service should conduct more extensive customer outreach to obtain a clearer understanding of mailers' questions and concerns.

II. PROCEDURAL HISTORY

On December 27, 2013, the United States Postal Service (Postal Service) filed a request with the Postal Regulatory Commission (Commission) indicating its intent to change the manner by which it processes and dispatches Standard Mail dropped off at Destination Sectional Center Facilities (DSCFs) on Fridays and Saturdays.¹ The Request indicates an intent to implement the change no earlier than March 27, 2014 (actual implementation date of April 10, 2014), which is 90 days after the filing of the Request.² The Postal Service states that “[t]his operational change will arguably result in a nationwide change in the nature of postal services within the meaning of 39 U.S.C. § 3661(b),” therefore, “as precautionary measure,” it requests an advisory opinion on the change. Request at 1.

The Request is accompanied by the direct testimony of two witnesses: Linda M. Malone (USPS-T-1) and Mark H. Anderson (USPS-T-2).³ Initially, two library references were filed in support of the Request.⁴

Witness Malone identifies the details of the Load Leveling Plan, including the basis for the plan, the process by which it was developed, and information regarding future implementation. USPS-T-1 at 4-8. She also describes the Postal Service’s consultations with mailers regarding load leveling issues and its collaboration with mailers in designing and conducting a test of the Load Leveling Plan in the service area of the South Jersey administrative district of the postal network (3-digit ZIP Code areas

¹ United States Postal Service Request for an Advisory Opinion on Changes in the Nature of Postal Services, December 27, 2013 (Request).

² *Id.* at 2. See Postal Service, 39 CFR Part 121, Service Standards for Destination Sectional Center Facility Rate Standard Mail, Final Rule, at 79 FR 12390 (March 5, 2014).

³ Direct Testimony of Linda M. Malone on Behalf of the United States Postal Service (USPS-T-1), December 27, 2013; Direct Testimony of Mark H. Anderson on Behalf of the United States Postal Service (USPS-T-2), December 27, 2013.

⁴ USPS-LR-N2014-1/1-Standard Operating Procedures: South Jersey District Destination SCF Standard Mail Load Leveling Operations Test, December 27, 2013; USPS-LR-N2014-1/2-Results of the South Jersey Destination SCF Standard Mail Load Leveling Operations Test, December 27, 2013.

080-084) (South Jersey Operations Test). USPS-T-1 at 8-11. She summarizes the results of the South Jersey Operations Test and describes the Postal Service's expectations regarding a national rollout of the Load Leveling Plan. USPS-T-1 at 11-16.

Witness Anderson discusses his observations concerning the effects of the South Jersey Operations Test and the expected impact that the Load Leveling Plan would have in the South Jersey District. USPS-T-2 at 2-4.

On December 30, 2013, the Commission issued Order No. 1932, which established Docket No. N2014-1 for consideration of the Request, noticed the proceeding in the *Federal Register*, set forth a procedural schedule, and appointed a Public Representative to represent the interest of the general public.⁵

The following 10 parties intervened in this proceeding: (1) the American Catalog Mailers Association (ACMA); (2) the American Postal Workers Union, AFL-CIO (APWU); (3) the National Association of Letter Carriers, AFL-CIO (NALC);⁶ (4) David B. Popkin (Popkin); (5) the Association for Postal Commerce (PostCom); (6) the Saturation Mailers Coalition (SMC); (7) Time Inc. (Time); (8) Valassis Direct Mail, Inc. (Valassis); (9) Valpak Dealers' Association, Inc.; and (10) Valpak Direct Marketing Systems, Inc.⁷

The procedural schedule set forth in Order No. 1932 provided an opportunity for participants to request a hearing on the record. No participant requested a hearing.

⁵ Notice and Order on Request for an Advisory Opinion on Changes in the Nature of Postal Services, December 30, 2013. (Order No. 1932); 79 FR 672 (January 6, 2014).

⁶ The NALC intervention included a request to accept the intervention one day out of time. The request was granted by Order No. 1974, Order Granting Request for Late Intervention, January 23, 2014.

⁷ American Catalog Mailers Association Notice of Intervention, January 17, 2014; Notice of Intervention of the American Postal Workers Union, AFL-CIO, January 16, 2014; Notice of Intervention of National Association of Letter Carriers, AFL-CIO, January 22, 2014; David B. Popkin's Notice of Intervention, January 6, 2014; Notice of Intervention of Association for Postal Commerce, January 17, 2014; Notice of Intervention of the Saturation Mailers Coalition, January 21, 2014; Notice of Intervention of Time, Inc., January 21, 2014; Notice of Intervention of Valassis Direct Mail, Inc., January 21, 2014; Valpak Dealers' Association, Inc. Notice of Intervention, January 21, 2014; Valpak Direct Marketing Systems, Inc. Notice of Intervention, January 21, 2014.

Accordingly, the hearing scheduled for February 11, 2014, was cancelled, and procedures were established to administratively enter witness testimony, written cross-examination, and associated library references into the record.⁸

Initial briefs were submitted by ACMA, APWU, the Postal Service, PostCom, and the Public Representative.⁹ Publishers Clearing House (PCH), Quad/Graphics, Inc. (Quad/Graphics), and World Marketing, Inc. (World Marketing) posted comments to the Commission's website.¹⁰

The Postal Service and the Public Representative filed reply briefs.¹¹ The Public Representative's reply brief included supplemental briefing material purportedly to address additional information filed by the Postal Service after the deadline for the initial briefs.

⁸ Presiding Officer's Ruling No. N2014-1/1, Presiding Officer's Ruling Canceling Hearing and Establishing Procedures, February 4, 2014; Presiding Officer's Ruling No. N2014-1/6, Presiding Officer's Ruling Granting Motions to Enter Material into Evidence, February 20, 2014. The record was not closed on February 20, 2014, because of the likelihood of future Postal Service filings. The record is effectively closed with the issuance of this Advisory Opinion.

⁹ Initial Brief of American Catalog Mailers Association, February 19, 2014 (ACMA Initial Brief); Brief of the American Postal Workers Union, AFL-CIO, February 20, 2014 (APWU Initial Brief); Initial Brief of the United States Postal Service, February 20, 2014 (Postal Service Initial Brief); Initial Brief of the Association for Postal Commerce, February 20, 2014 (PostCom Initial Brief); Initial Brief of the Public Representative, February 20, 2014 (Public Representative Initial Brief).

¹⁰ Publishers Clearing House Load Leveling Comments, January 27, 2014 (PCH Comments); Quad/Graphics, Inc. Comments, February 19, 2014 (Quad/Graphics Comments); World Marketing, Inc. Load Leveling Comments, January 24, 2014 (World Marketing Comments).

¹¹ Reply Brief of the United States Postal Service, February 27, 2014 (Postal Service Reply Brief); Reply and Supplemental Brief of the Public Representative, February 27, 2014 (Public Representative Reply Brief). The Public Representative Reply Brief was filed concomitantly with a Motion to Supplement Public Representative's Brief, February 27, 2014. This motion is granted.

The Postal Service filed a supplemental reply brief responding to the Public Representative's supplemental briefing material.¹²

III. COMMISSION LEGAL AUTHORITY

A. Requests for Advisory Opinions

The Postal Service is statutorily required to request an advisory opinion from the Commission for proposed changes in the nature of postal services on a nationwide or substantially nationwide basis:

When the Postal Service determines that there should be a change in the nature of postal services which will generally affect service on a nationwide or substantially nationwide basis, it shall submit a proposal, within a reasonable time prior to the effective date of such proposal, to the Postal Regulatory Commission requesting an advisory opinion on the change.

39 U.S.C. § 3661(b).

The Commission's Rules of Practice and Procedure require the Postal Service to file its request "not less than 90 days in advance of the date on which the Postal Service proposes to make effective the change in the nature of postal service involved."

39 C.F.R. § 3001.72.

¹² Supplemental Reply Brief of the United States Postal Service in Response to the Reply and Supplemental Brief of the Public Representative, March 6, 2014 (Postal Service Supplemental Brief). The Postal Service also filed a motion to strike portions of the Public Representative's Reply and Supplemental Brief, or, in the alternative, to treat certain material in the Public Representative's Reply and Supplemental Brief as argument or comment, not as record evidence. United States Postal Service Motion to Strike Portions of the Reply and Supplemental Brief of the Public Representative, March 6, 2014 (Motion to Strike). The Public Representative opposes the Motion to Strike. Public Representative's Opposition to the Postal Service's Motion to Strike Portions of the Public Representative's Reply and Supplemental Brief, March 12, 2014. The Commission shall treat the material identified in the Motion to Strike as argument or comment, not as record evidence. The Commission also grants the United States Postal Service Motion for Leave to File a Reply Brief in Response to the Reply and Supplement Brief of the Public Representative, March 6, 2014.

The Postal Service's Request is considered pursuant to 39 U.S.C. § 3661(c):

The Commission shall not issue its opinion on any proposal until an opportunity for hearing on the record under sections 556 and 557 of title 5 has been accorded to the Postal Service, users of the mail, and an officer of the Commission who shall be required to represent the interests of the general public. The opinion shall be in writing and shall include a certification by each Commissioner agreeing with the opinion that in his judgment the opinion conforms to the policies established under this title.

The Postal Service and the Public Representative express different views concerning the focus of an advisory opinion.¹³ The statute is silent on the breadth and depth of advice that the Commission may provide in its opinion to the Postal Service. The advisory opinion provided is intended to better inform the Postal Service in its decision making process, and perhaps provide a different perspective for the Postal Service's consideration.

B. Requirements for Changes in Service Standards

The Request asks the Commission to provide an advisory opinion on proposed changes to service standards that affect Standard Mail qualifying for a DSCF discounted rate.

The establishment of service standards is mandated by 39 U.S.C. § 3691, which requires the Postal Service, in consultation with the Commission, to establish by regulation a set of modern service standards for market dominant products. See 39 U.S.C. § 3691(a).¹⁴

¹³ Postal Service Reply Brief at 2-5; Public Representative Initial Brief at 5; Public Representative Reply Brief at 3.

¹⁴ Consultations between the Commission and the Postal Service concerning the initial establishment of service standards concluded on November 19, 2007. The Postal Service published final rules establishing service standards for most market dominant products on December 19, 2007. Postal Service, 39 CFR Parts 121 and 122, Modern Service Standards for Market-Dominant Products, Final Rule, at 72 FR 72216 (December 19, 2007), codified at 39 C.F.R. parts 121 and 122.

The Public Representative contends that consultation between the Postal Service and the Commission should have preceded the filing of the Request. The Public Representative argues that this would place the Postal Service in a better position to address the Commission's concerns in regard to an advisory opinion. Public Representative Initial Brief at 7.

The Postal Service contends that the Public Representative implies two required rounds of Commission review: a section 3691 consultation, followed by a section 3661 review of the same nationwide service change proposal. The Postal Service asserts that when it determines to file a section 3661 request, there is no additional statutory requirement for consultation under section 3691. Postal Service Reply Brief at 9.

While the Commission welcomes consultation with the Postal Service concerning any changes to service standards, the consultations advocated by the Public Representative as a precondition for the filing of a request for an advisory opinion appear to be unnecessary and obviated by the filing of the statutorily required request for an advisory opinion. With an advisory opinion, the Commission not only provides an opinion based on its expertise, but also considers the arguments of all participants to the proceeding.

C. Treatment of Briefs and Comments

The Commission's rules of practice and procedure permit three forms of voluntary participation in Commission proceedings. A person filing a notice of intervention pursuant to 39 C.F.R. § 3001.20 may intervene as a party to the proceeding. As a party, that person may participate in discovery and motions practice, file testimony, and submit briefs, among other rights and responsibilities.

A person may also intervene as a limited participator pursuant to 39 C.F.R. § 3001.20a. By practice, a limited participator may participate in discovery and motions practice, and submit briefs without being subject to discovery. A limited participator may

also submit testimony, but doing so subjects the limited participator to discovery, including cross-examination, concerning the testimony.

Finally, a person may participate in Commission proceedings as a commenter by submitting informal views or comments pursuant to 39 C.F.R. § 3001.20b. These views or comments are typically submitted by mail or electronically to the Secretary of the Commission. The Secretary of the Commission places all such submissions in a file that is subject to Commission and public review. The file is, however, segregated from the evidentiary record in the proceeding. *Id.* § 3001.20b(c).

Three commenters, Publishers Clearing House, Quad/Graphics, Inc., and World Marketing, Inc. filed comments in this proceeding. Consistent with rule 3001.20b(c), comments are not part of the official record, but rather are an informal statement expressing that commenter's views. As such, the comments are not afforded evidentiary weight, but may be considered as argument.

IV. SUMMARY OF POSTAL SERVICE PROPOSAL

A. Postal Service Request

The Postal Service proposes to change the manner in which it processes and dispatches Standard Mail that qualifies for a DSCF price. Request at 1. This proposal entails a change to the delivery expectation or delivery service standard for DSCF entered Standard Mail. Currently, most DSCF entered Standard Mail has a 3-day service standard independent of the day of the week the mail is entered.¹⁵ Under the Postal Service's proposal, the service standard would change to 4 days for DSCF Standard Mail entered before the CETs on Fridays and Saturdays only.¹⁶

The service standard would remain the same for mail entered on Sunday through Thursday.¹⁷ Table IV-1 illustrates the current service standards and those in effect after the proposed change:

¹⁵ Except for mail dropped at the SCF in the territory of Puerto Rico and destined to the territory of the U.S. Virgin Islands, or mail destined to American Samoa which has a 4-day delivery service standard. See 39 C.F.R. § 121.3(b)(2).

¹⁶ Technically, the only mail affected is mail entered between Thursday's and Friday's CETs, and between Friday's and Saturday's CETs.

¹⁷ Except for mail dropped on Fridays and Saturdays at the SCF in the territory of Puerto Rico and destined to the territory of the U.S. Virgin Islands, or mail destined to American Samoa. The service standard for this mail will increase to 5 days. Request at 7, n.18; see 79 FR 12390 (March 5, 2014).

**Table IV-1
Current and Proposed
Acceptance and Expected Delivery Days
for DSCF Standard Mail**

Acceptance Day	Expected Delivery Day	
	Current	Load Leveling Plan
Sunday	Wednesday	Wednesday
Monday	Thursday	Thursday
Tuesday	Friday	Friday
Wednesday	Saturday	Saturday
Thursday	Monday	Monday
Friday	Monday	Tuesday
Saturday	Tuesday	Wednesday

Source: Request at 4, 5.

The Postal Service explains that because of the relationship between mail entry patterns for DSCF Standard Mail and the current 3-day service standard, a disproportionate amount of DSCF Standard Mail (the “load”) is delivered on Mondays. Request at 1. The Postal Service expects that revised service standards will allow a more even distribution of mail volume delivered throughout the week (load leveling), thereby removing the disproportionate burden associated with Monday mail delivery. *Id.* at 1-2.

The Postal Service states that it has conducted an operations test of its Load Leveling Plan in the South Jersey Processing & Distribution Center service area located in Bellmawr, New Jersey. *Id.* at 5. The load leveling test applied the proposed delivery service standards to evaluate the impact of load leveling on mail processing and delivery operations. *Id.* at 6. The results of the test are explained in the testimony of witnesses Malone and Anderson.

The Postal Service concludes its Request with a recitation of what it contends is the statutory authority for addressing load leveling and implementing service standard changes. *Id.* at 7-9.

B. Linda M. Malone Testimony

Linda M. Malone serves as the Manager of Processing Operations in the Network Operations Department at Postal Service Headquarters. Her testimony focuses on three major areas: (1) the limited scope of the proposed change; (2) Postal Service consultation with members of the MTAC; and (3) an overview of the South Jersey Operations Test and its results.

Scope of the proposed change. Witness Malone explains that in FY 2013, DSCF Standard Mail represented approximately 62 percent of all Standard Mail, and 32 percent of overall mail volume. USPS-T-1 at 3. As indicated by Table IV-2, DSCF Standard Mail accepted on Thursday and Friday account for two of the three heaviest days for accepting such mail. She states that DSCF Standard Mail accepted on Thursday and Friday have Monday delivery expectations. Thus, she contends that a disproportionate share of DSCF Standard Mail is likely to have a Monday delivery expectation.

**Table IV-2
First Quarter FY 2013 Acceptance Volume
for Full-Service IMb Standard Mail**

Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday
376,666,955	65,844,518	523,250,091	357,873,348	372,754,828	434,116,970	942,278,125

Source: USPS-T-1, Table 2 at 4.

Witness Malone testifies that the proposed service change is limited in scope to only DSCF Standard Mail accepted on Fridays and Saturdays. USPS-T-1 at 4-5. This subset of mail will be subject to a 4-day delivery standard. She states that under this new service standard, DSCF mail entered on Friday would have a delivery expectation of Tuesday (currently Monday) and DSCF mail entered on Saturday would have a delivery expectation of Wednesday (currently Tuesday). She further explains that under the proposal, Wednesday will become the expected delivery day for DSCF Standard Mail entered on both Saturday and Sunday, although she asserts that this should not be

a problem given the relatively low volumes entered on those days, which account for the two lightest days for mail entry for the week. *Id.* at 5.

Witness Malone describes how the proposed service change would be implemented using the Postal Service's color code policy for processing Standard Mail. *Id.* at 6. The color code policy assigns specific delivery day color codes to containers of Standard Mail entering Sectional Center Facilities (SCFs) or Destination Delivery Units (DDUs). The color on any given container represents the expected delivery day for mail under the current service standard. She explains that under the Load Leveling Plan, the color code policy would be modified to reflect that mail accepted on a Friday (after the Thursday CET until the Friday CET) will be coded for Tuesday (rather than Monday) delivery, and mail accepted on a Saturday (after the Friday CET until the Sunday CET) will be coded for Wednesday (rather than Tuesday) delivery. *Id.* at 7-8.

Consultation with mailing industry representatives. Witness Malone states that in April 2013, senior postal management and members of the MTAC established a committee to determine potential solutions for equalizing mail delivery workloads throughout the week (MTAC Workgroup 157). The committee included Standard Mail, First-Class Mail, and Periodicals mailers, software vendors, and mail service providers. MTAC Workgroup 157 discussed several potential solutions to the disproportionate delivery volume on Mondays. *Id.* at 9-10.

The options discussed by the committee included what is now the Load Leveling Plan as well as the possibility of changing the current CET for Standard Mail dropped off at DSCFs on Friday and Saturday from 1600 hours to a significantly earlier time (such as 0800 hours). Under the latter option, mail accepted after 0800 hours on Fridays would be treated as Saturday-entered mail with a Tuesday delivery expectation, and mail accepted on Saturdays after 0800 hours would be treated as Sunday-entered mail with a Wednesday delivery expectation. *Id.* at 10. Witness Malone asserts that some mailers did not favor the option of implementing variable CETs because of the potential

to cause significant mail production and software changes to account for variations throughout the week. The Postal Service was also concerned that this option would run counter to Lean Mail Processing principles aimed at standardizing mail processing operations. *Id.* at 10-11. Ultimately, MTAC Workgroup 157 decided to test the Load Leveling Plan because of its simpler execution and more predictable standard CET. *Id.* at 11.

Witness Malone further testifies that, within the committee, mailer response to the Load Leveling proposal was mixed. Some mailers reacted more negatively to early (Saturday) delivery for mail currently delivered on Mondays than to a potential shift to Tuesday delivery. Other mailers expressed their preference for Monday delivery and indicated that they would adjust their mail production operations to enter mail on Thursdays to preserve a Monday delivery date. Some mailers requested the maintenance of current service standards, and other mailers raised concerns about the decreased impact a particular piece of mail might have if a high number of mailpieces were delivered to the same address on the same day. Still others were unaware that mail accepted by the CET on Friday currently has a delivery expectation of Monday. *Id.* at 9.

South Jersey Operations Test. Witness Malone explains that the initial test (South Jersey Operations Test) of the Load Leveling Plan occurred at the South Jersey Processing and Distribution Center in Bellmawr, New Jersey (South Jersey Plant) and lasted for two weeks.¹⁸ The test was conducted by changing the color code policy for DSCF Standard Mail accepted at the South Jersey Plant to ensure that all mail deposited after CET Thursday to CET Friday was coded for Tuesday deliveries and all mail deposited after CET Friday to CET Saturday was coded for Wednesday deliveries.

¹⁸ *Id.* at 12. Witness Malone indicates that a second test of the DSCF Standard Mail service change was underway in the Capital District. *Id.* at 16. On February 19, 2014, the Postal Service filed USPS-LR-N2014-1/18 concerning the Curseen-Morris and Southern Maryland DSCF Standard Mail Load Leveling Operations Tests.

Id. Deferrable mail subject to the test was stored by staging it at the plant either on the workroom floor or in secure trailers on the property. Each day, the plant dispatched to its post offices and other delivery units the DSCF Standard Mail scheduled for delivery on the following day as modified by the test procedures.¹⁹

Witness Malone reports modest reductions in mail processing workhours and substantial reductions in overtime hours (approximately 35 percent) were realized during the operations test. *Id.* at 14. She bases her conclusion on data obtained from the Management Operating Data System (MODS) that showed a modest reduction in mail processing workhours were achieved during the operations test and from the Delivery Operations Information System (DOIS) which indicated modest improvements in city carrier regular workhours and substantial reductions in overtime hours of approximately 35 percent. *Id.*

Witness Malone personally observed that delivery personnel were able to complete in-office tasks earlier on Mondays and begin their routes sooner in the day. This, in turn, allowed for the earlier completion of Monday deliveries and quicker dispatch of collection mail to the plant for collection and outgoing processing. *Id.* at 14-15. She notes that one of the metrics by which the Postal Service evaluates city carrier performance is a review of the number of carriers still on their routes after 1700 hours. Monday is typically the day of the week on which the highest proportion of carriers remains out delivering mail after 1700 hours. A review of the past 7 years shows that in every month, the percentage of carriers out after 1700 hours on Mondays exceeds the average daily percentage of carriers out after 1700 hours. During this period, Mondays' percentage is, on average, 44 percent greater than the percentage during the week. *Id.* at 16.

¹⁹ *Id.* at 13. Witness Malone provides a more detailed description of the test in USPS-LR-N2014-1/1.

Witness Malone also testifies that the late return of carriers has a ripple effect which negatively impacts other operations. Mail collected by letter carriers must be sent to originating plants to be cancelled, processed, and dispatched. Because of higher delivery volumes, carriers frequently return later from their Monday routes than they do on other days. *Id.* at 17. Late cancellation translates into late clearance of outgoing processing. Late outgoing processing can negatively impact the ability of a plant to tender mail to air transportation providers in a timely manner, which results in non-local mail missing its flights and being rolled over until the next day for transportation. Mail that has been “rolled over”, she notes, has a substantially increased risk of failing to meet service standards. *Id.* at 18.

Witness Malone concludes that the Load Leveling Test would lead to increased consistency in the timing of mail delivery by carriers throughout the week and improve local operations. *Id.* at 15. The Postal Service anticipates that a national rollout of the Load Leveling Plan will demonstrate the same positive operational results throughout the postal network, albeit to varying degrees. *Id.* at 16-17.

C. Mark H. Anderson Testimony

Mark H. Anderson is the District Manager for the South Jersey District where the Postal Service performed the South Jersey Operations Test from September 10, 2013, through September 26, 2013. His testimony discusses: (1) the postal demographics of the South Jersey District; (2) his quantitative and qualitative observations of the South Jersey Operations Test; and (3) the implications of the Load Leveling Plan on future operations in the South Jersey District.

Postal Demographics of the South Jersey District. Witness Anderson explains that the South Jersey District encompasses 63 percent of New Jersey and all of Delaware. USPS-T-2 at 1. He testifies that the District contains three mail processing plants, approximately 300 post offices, stations, and branches, 7,400 employees, 1,417,000 city delivery points, 506,300 rural delivery points, and 3,400 routes (city and

rural). According to witness Anderson, the South Jersey District accounted for approximately \$1.15 billion in total revenue for 2013. The communities served by the South Jersey District are diverse and range in size from the two state capitals of Trenton, New Jersey and Dover, Delaware, to more than 9,800 farms covering 790,000 acres. *Id.* at 2.

Observations on the South Jersey Operations Test. Witness Anderson asserts that the South Jersey Operations Test resulted in increased productivity. *Id.* at 3. He notes that carriers completed their routes and came back to their delivery units earlier, which resulted in collection mail reaching the South Jersey Plant earlier. He asserts that plant managers and supervisors were provided with an increased ability to manage staff, equipment, and transportation resources. *Id.*

Witness Anderson explains that the more balanced and predictable day-to-day volumes of Standard Mail allowed managers the ability to schedule resources more precisely to meet requirements in opening units and processing operations. The South Jersey Operations Test also confirmed, in his view, that managers could save weekend workhours in Delivery Point Sequencing (DPS) operations as a result of reduced staffing on Saturday night. *Id.* This occurred because of the ability to use available equipment capacity to absorb additional volume without a commensurate increase in staffing. He notes that the effects of the test were not only observed at the plant on the weekend. The shift in the delivery day also increased productivity on Monday and Tuesday nights. *Id.*

Witness Anderson also observed an improvement in the transportation of mail between the South Jersey Plant and delivery facilities. He states that this improvement is the result of better utilization of morning and afternoon dispatches. *Id.* at 4. This, in turn, reduced the plant workload and provided carriers and clerks at delivery locations more time to prepare mail for the next delivery day. The ability to stage mail on the

plant floor also improved visibility of volume to be processed the next day and reduced congestion on the tour 1 platform. *Id.*

Witness Anderson also observed similar increases in efficiencies for delivery operations. He cites the example of the Ocean City, New Jersey post office, where Monday overtime hours were reduced from 14 hours the week before the South Jersey Operations Test to 2 hours and 4 hours during the first and second weeks of the test, respectively. *Id.* He notes that there were nine carriers out past 1700 hours the Monday before the test, compared with zero carriers on both weeks of the test. *Id.* at 5. He contends that there were no volume increases later in the week as a result of the test, as carriers were able to return before 1700 hours and mail for the following day was prepared, which allowed carriers to begin and end the following day in a timely manner. The on-time arrivals also resulted in an earlier dispatch of collection mail to the South Jersey Plant for processing because transportation did not have to wait for late carrier returns. *Id.*

Witness Anderson states that the test results were even more significant for Voorhees, New Jersey – 100 fewer overtime hours were used during the first week of the test and 93 fewer hours for the second week. *Id.* Monday overtime hours were cut from more than 40 hours during the week prior to the test to less than 5 hours for each of the Mondays during the test. He states that no carriers returned after 1700 hours on Monday during both weeks of the test, which resulted in earlier processing for collection mail and processing for the next day's delivery, as well as increased customer satisfaction. *Id.*

Witness Anderson concedes that certain locations indicated that the increase in Tuesday Standard Mail volume resulted in increased Tuesday workload, although the quantitative results did not indicate a significant increase in workhours or late carrier returns on Tuesdays during the South Jersey Operations Test. *Id.* at 6. He states that the management in the South Jersey District will evaluate the qualitative information

received about Tuesday workload with the quantitative data to ensure balanced delivery loads. *Id.*

Implications for future operation and service. Witness Anderson contends that implementation of the Load Leveling Plan would result in increased productivity and cost savings throughout the South Jersey District. *Id.* at 7. For plant operations, he expects the benefits to include better and more consistent scheduling of career and non-career employees and reduced overtime hours, resulting in more effective processing at reduced costs. *Id.* For delivery operations, he believes the plan will significantly reduce carrier workload on Mondays (also resulting in reduced overtime) and increase the transportation efficiency of collection mail. He asserts that this will lead to an increase in processing plant productivity and efficiency of Standard Mail preparation and sortation. *Id.* He states that the combined effect will enhance delivery operations in the South Jersey District. *Id.* at 8.

V. BRIEFS AND COMMENTS

Briefs were filed by ACMA, APWU, the Postal Service, PostCom, and the Public Representative. Comments were filed by PCH, Quad/Graphics, and World Marketing.

A. American Catalog Mailers Association

ACMA supports low-cost mailer and mail-preparer operations, and sees the Load Leveling Plan as one possible solution to a load peaking problem. However, it has not fully assessed the costs to its members, and posits that other possible solutions to the problem may exist. Therefore, it urges “flexibility and ongoing assessment” as the Load Leveling Plan is rolled out. ACMA Initial Brief at 2. It acknowledges that many of its own members are able to make the required adjustments to their mailing habits if the Postal Service passes the cost savings along to provide moderate price savings and more promotional opportunities to stimulate catalog mailing. *Id.* at 5.

ACMA filed an appendix consisting of comments submitted in response to the Postal Service’s *Federal Register* notice. The appendix included a survey of its members concerning preferences for day of delivery. ACMA asserts that in follow-up discussions, members were not aware of a systematic study tying the day of in-home delivery with customer response rate. However, a majority of catalogers preferred their catalogs to arrive on a different day than their competitors. Common to all members surveyed was the desire for predictable arrival times for in-home delivery. *Id.* at 6.

ACMA notes that some mailers felt that the Postal Service engaged in less than optimal outreach and communication regarding the Load Leveling Plan. It states that the approach taken by the Postal Service treated the implementation of the proposal as a certainty despite limited tests with little real sharing of results and not enough discussion of implications across the supply chain. *Id.* at 7. It points to the need to improve communications and increase involvement of mailers for future proposals. *Id.*

ACMA feels more work is required to understand the impact of load leveling, and urges the Postal Service to roll out changes only after additional testing has occurred in which the mailing industry is a full participant. *Id.*

B. American Postal Workers Union, AFL-CIO

APWU opposes the Load Leveling Plan, arguing that the plan is one of a series of reductions in service and increase in costs by the Postal Service without a corresponding benefit to mailers. APWU Initial Brief at 1. It takes issue with the Postal Service's failure to conduct any cost savings or volume loss analysis in support of the proposal. *Id.* at 2. It states that the Postal Service does not know how much mail will be entered on a different day to preserve current delivery dates, *i.e.*, how much load leveling will actually occur. It argues that if mailers' comments are any indication, mailing habits may change to preserve target in-home delivery dates, which would obviate many of the benefits of the proposal. *Id.* at 3. Finally, APWU comments on the Postal Service's "lack of consideration for the needs and opinions of postal customers." *Id.*

C. Association for Postal Commerce

PostCom asserts the Load Leveling Plan does not properly account for mailers' need for delivery predictability. PostCom Initial Brief at 2. It is concerned that the new service standard does not reflect a commitment by the Postal Service to deliver mail on a specific day and may increase the instance of early deliveries. It asserts that this will reduce the ability of mailers to predict likely delivery dates and, in turn, decrease the value of mail as an advertising medium. *Id.* at 3.

PostCom predicts that the proposal will increase logistical costs for mailers who want to meet specific in-home dates as well as disruptions to commingling and co-palletization efforts. *Id.* These disruptions will not only result in higher costs for mailers, but will also increase transportation and labor costs for the Postal Service.

Id. at 4. PostCom contends that as mail no longer qualifies for dropship entry, it will move upstream to more costly operations. It criticizes the Postal Service for not providing estimates of workload or cost savings associated with the plan. *Id.*

PostCom argues that the Postal Service crafted its Load Leveling Plan to meet its own wishes, and not the needs of its customers. *Id.* As such, PostCom contends that the Postal Service's Request was filed prematurely. It notes that the Request was filed before agreement was reached within the MTAC Workgroup formed to discuss the Load Leveling Plan. It recommends that, in the future, the Postal Service improve testing of concepts and ideas so that all aspects of a proposal are analyzed before a major change. *Id.* at 5.

D. Public Representative

The Public Representative contends that the Postal Service's Request is premature and urges the Commission to hold the request in abeyance while a more thorough record is developed. Public Representative Initial Brief at 7. She states that, while isolated operations tests are occurring during the pendency of this proceeding, they do not provide insight into the impact of nationwide implementation. *Id.* at 8. She points out that both witnesses Malone and Anderson concede that the South Jersey Operations Test was not intended to provide information representative of the nation as a whole. *Id.* at 9. She opines that the operations test results were inconclusive on several issues, including whether load leveling really reduced city carrier overtime hours and the number of cancellation runs extending past the usual time. *Id.* at 10-12. She also notes that the Postal Service has not provided a timetable for nationwide implementation, has not considered how the Load Leveling Plan will interact with other ongoing network changes, and has not conducted an analysis of potential adverse effects.

The Public Representative contends that the Request is inconsistent with the Postal Service's ongoing obligation to utilize "best practices of honest, efficient, and

economical management” because it ignores the mailing industry’s prevailing best practices. *Id.* at 24-25. She states that best practices “unquestionably include study of the potential savings, revenue loss, and cost changes” along with a thorough analysis of customer needs and behavior, a study of potential volume loss, cost savings, changes in mailer behavior, and interactions with ongoing network changes. She adds that the lack of a comprehensive implementation plan and customer outreach signifies the Postal Service’s failure to operate under best practices. *Id.* at 25-26.

The Public Representative asserts record data reflect that the cost impact of the Load Leveling Plan is uncertain and points to several inconsistencies in the South Jersey Operations Test results suggesting an uncertain outcome if the plan is implemented nationally. *Id.* at 27. First, she highlights the Postal Service’s initial estimate of savings in city carrier and overtime hours, which credited a 4.9 percent savings to the effects of load leveling. However, when volume variability factors were incorporated into the estimate, the savings dropped to 1.75 percent.²⁰ *Id.* at 28-29. She states that regardless of the methodology used, carrier workhours increased by less than anticipated given the commensurate increase in mail volume. *Id.* at 29.

The Public Representative states that results on carrier street productivity, disaggregated by DDU by route, demonstrate a wide variance in daily productivity during the operations test. *Id.* at 33-39. She opines that if the “absorption factor” used by the Postal Service in Docket No. N2010-1 reflects operational reality, then the Load Leveling Plan will lead to higher costs because it will eliminate cost-reducing volume peaks. *Id.* at 39.

The Public Representative argues that the record fails to demonstrate the compliance of the Load Leveling Plan to the applicable policies of title 39. Public Representative Reply Brief at 3-6. She contends the Postal Service argument to the contrary is flawed and unsupported.

²⁰ See Tr. 1/98; USPS-LR-N2014-1/17.

The Public Representative relies on test results from the Southern Maryland Operations Test and the Curseen-Morris Operations Test to support her contention that the Load Leveling Plan may fail to achieve its intended goal and result in increased delivery costs for the Postal Service.²¹ *Id.* at 7. She maintains that, unlike the South Jersey Operations Test, both the Southern Maryland and Curseen-Morris Operations Tests failed to level Monday delivery volumes and resulted in a decrease in carrier street time productivity. *Id.* at 10-24. Her analysis of the data from these tests indicates an increase in carrier pay during the tests. *Id.* at 27. She asserts these results suggest “the impact of the Load Leveling Plan will vary substantially by location” and “South Jersey represents a best case scenario, rather than a reasonable expectation of the likely impact of nationwide implementation.” *Id.* at 16, 21.

Finally, the Public Representative contends the cross impacts of the Load Leveling Plan and Mail Processing Network Rationalization should have been considered because both programs have a significant impact on the mail processing network. *Id.* at 38-39.

E. Postal Service

The Postal Service emphasizes the limited scope of the proposed service change as well as the adverse consequences that result from the disproportionate Monday delivery workload. Postal Service Initial Brief at 3-5. It states that the South Jersey Operations Test “confirmed the hypothesis that implementing the experimental change in service standards would result in leveling the mail processing and delivery workload in the areas of the South Jersey P&DC.” *Id.* at 6. It anticipates the national rollout to yield similarly positive results “to a degree that will vary based on local circumstances.” *Id.* at 7. It maintains that, although the Load Leveling Plan did not generate unanimity among members of MTAC Workgroup 157, there was sufficient mailer outreach and notice of the proposed change to provide evidence of postal

²¹ USPS-LR-N2014-1/NP9, February 21, 2014.

management's commitment to giving due consideration to the concerns of affected mailers before deciding to implement the proposed service change. *Id.* at 7-8. It reiterates its contention that the proposal conforms to all applicable requirements of title 39, as discussed in its Request. *Id.* at 8-10. For these reasons, the Postal Service believes that the Commission should issue an advisory opinion that affirms the resulting changes in the nature of postal services conform to the policies of title 39. *Id.* at 11.

The Postal Service takes issue with the Public Representative's assertion that the record in this docket is incomplete. Postal Service Reply Brief at 4. It alleges it has provided all the information required by statute and Commission rules for the Commission to issue an advisory opinion on the service change. *Id.* at 2-5. It further states that the Public Representative's reliance on the "best practices of honest, efficient, and economical management" standard set forth in 39 U.S.C. § 3622(d)(1)(E) is misplaced because the statute applies only to the Commission's evaluation of postal price increases. *Id.* at 7. It also contends that if the Public Representative had concerns with the record being adequately developed in this docket, she could have pursued numerous avenues with the Presiding Officer's procedural schedule for discovery. *Id.* at 10.

The Postal Service reiterates that the results from the South Jersey Operations Test "demonstrate the potential for modest efficiencies in mail processing and more significant reductions in city carrier overtime workhours to be realized if implemented nationally." *Id.* at 12. It maintains that it provided ample opportunity for public comment on the proposal. *Id.* As for the Public Representative's criticism of the operations test results, the Postal Service states that it has not made any conclusions about "whether the Load Leveling Plan will achieve absolutely 100 percent of its intended effects throughout the postal network." *Id.* at 13. Rather, the goal of the ongoing operational testing is to "observe the multitude of issues that could arise from implementation of a common operational change at plants responsible for processing DSCF Standard Mail." *Id.* at 14. The Postal Service intends to use this information to further develop

nationwide implementation procedures for the service change. *Id.* It confirms that implementation timetable and communications plans are in place, although it argues there is no requirement for the communications material to be filed on record in this docket. *Id.* at 16.

The Postal Service also states that it did not conduct a formal cost savings and network impact analysis because this information is not required by section 3661, and the ability to gather such information is constrained by several factors, “including the complexity and feasibility of the undertaking, the time required, and the cost incurred to conduct such studies.” *Id.* at 18. It asserts that the Commission’s advisory opinion rules allow for flexibility as to what information the Postal Service is required to submit in support of a request. Unlike the requests filed in Docket Nos. N2010-1 and N2012-1, which were service changes driven by the potential for significant cost savings, the Load Leveling Plan is being sought “primarily for the purpose of organizing operational changes that will alleviate challenges resulting from a collision between current mail entry patterns and service standards that generate a disproportional Monday workload.” *Id.* at 20. Therefore, the Postal Service contends that “highly detailed cost analyses” such as those filed in Docket Nos. N2010-1 and N2012-1 are not required here. *Id.*

The Postal Service concludes its Reply Brief with an in-depth discussion concerning the evidentiary weight that should be afforded comments received by the Commission pursuant to 39 C.F.R. § 3001.20b and those received by the Postal Service (and later filed with the Commission) pursuant to its rulemaking process. *Id.* at 21-30. It notes that there has been no opportunity to cross-examine or rebut the veracity of these comments, and that the comments should not receive evidentiary status on par with testimony.

The Postal Service criticizes the Public Representative’s conclusion about delivered volume from the Cursean-Morris and Southern Maryland Operations Tests. It states that the Public Representative’s “analysis violates basic rules of statistical

analysis by combining dissimilar distributions....” Postal Service Supplemental Brief at 1-2. Specifically, the Public Representative includes weeks with Monday holidays (Columbus Day and Veterans Day), as well as an incomplete week (October 1-4, 2013). It contends that when holiday weeks and other dissimilar periods (such as the Christmas mailing season) are excluded from the analysis, the test results demonstrate load leveling effects consistent with, if not as pronounced as, the results of the South Jersey Operations Test. *Id.* at 3-4.

It also contends that the Public Representative’s emphasis on reductions in average street time productivity fails to disprove that load leveling will significantly reduce Monday delivery workhours, especially overtime. *Id.* at 5. Moreover, it states that the Public Representative’s focus on street time workhours is misguided because street time is “not as responsive to shifts in volume as carrier in-office time.”²² *Id.*

F. Comments

Quad/Graphics. Quad/Graphics argues that the Load Leveling Plan addresses a problem that has not been quantified, and could lead to many unintended and harmful consequences for mailers, service providers, and the Postal Service. Quad/Graphics Comments at 1. It states that its current production and distribution schedules are built around its clients’ desired in-home delivery dates. *Id.* at 2. As many of its clients require Monday delivery, staffing and transportation are adjusted accordingly. Quad/Graphics utilizes a flexible workforce to manage peak volume loads and suggests that the Postal Service consider doing the same as an alternative to implementing the Load Leveling Plan. *Id.*

Quad/Graphics is concerned about the potential for increased costs due to disruptions in the commingling and co-mailing processes. *Id.* It notes that the Postal

²² The Postal Service is effectively saying that if productivity is used as an analytic variable, it is most properly measured as delivery productivity, which includes both office and street times. This is the approach taken by the Commission.

Service has not conducted any impact analysis on this issue. Additionally, it states that the resulting inconvenience will give mailers more incentive to consider other channels for delivering their marketing materials. *Id.* It expresses disappointment with the MTAC Workgroup formed to consider the Load Leveling Plan because it was apparent to Quad/Graphics that the Postal Service intended to move forward with the plan regardless of feedback from the workgroup. It contends that industry was not satisfied with the results of the New Jersey Operations Test, and even though further testing was in process, no results for the additional testing had been published. *Id.* at 4. It also comments on the absence of any cost savings estimate in support of the plan. *Id.*

Publishers Clearing House. Publishers Clearing House expresses concern that the Load Leveling Plan may reduce the predictability of in home delivery, and thus lessen the value of mail. PCH Comments at 1. It contends the capabilities of the postal network should be adjusted to address market needs as opposed to the market being forced to adjust to the postal network, especially at a time when the Postal Service has more flexibility to hire non-career employees. *Id.* It discusses the “squeeze” the standard change will place on production schedules for mailers seeking the current delivery window, and how mailers adjusting their schedules to retain the same delivery window will lessen the effectiveness of the Load Leveling Plan. *Id.* at 2.

World Marketing, Inc. World Marketing opines that the Load Leveling Plan will have significant consequences for businesses that organize mail preparation activities around a targeted in-home delivery date. World Marketing Comments at 1. It notes that the operation tests performed by the Postal Service occurred during the busy fall season. It argues that the service standard changes may result in more early deliveries when mail volumes are lower (summer months). It contends that early deliveries could prove detrimental to a retail mail owner’s targeted weekend sales. *Id.*

World Marketing argues that the Postal Service is moving forward with limited regard to the views of its customers. *Id.* at 2. It points out that it is already difficult to

schedule mail entry appointments on Thursdays and Fridays via the Postal Service's Facility Access and Shipment Tracking (FAST) system, which may be exacerbated by the service change. *Id.* Mail entry on a Saturday or Sunday is a less desirable option because of the higher logistics and freight cost associated with these entry days. *Id.* Furthermore, the plan may adversely impact co-mailing activities, which may raise costs for the entire industry. *Id.*

VI. COMMISSION ANALYSIS

A. Introduction

After its decision to further explore the Load Leveling Plan, the Postal Service initiated a field test implementing the plan in the South Jersey District. The Postal Service viewed the results of this test as positive. The Public Representative viewed the results as inconclusive. The Postal Service also initiated field tests in Southern Maryland and Curseen-Morris. The Postal Service viewed the results of these tests as positive. The Public Representative contends the Southern Maryland and Curseen-Morris Operations Tests failed to achieve intended goals. The Postal Service states that testing will continue in one administrative district in each administrative area of the postal system. Tr. 1/22.

The Commission concludes that some beneficial load leveling was evident with the South Jersey Operations Test. However, the Commission notes that the Postal Service does not view the South Jersey Operations Test as representative of the mail processing and delivery network as a whole. Tr. 1/24. The results of the Southern Maryland and Curseen-Morris Operations Tests were more ambiguous about the potential benefits of the Load Leveling Plan. The Commission concludes that there is no evidence from any of the test results that are predictive of the likely effects of the Load Leveling Plan on a nationwide level.

Issues associated with peak load were identified and analyzed by the Commission as early as 1984.²³ More recently, in Docket No. N2010-1, the Commission identified the problem of disproportionately large Monday workloads as a cause for Postal Service attention.

²³ See Docket No. R84-1, Opinion and Recommended Decision, September 7, 1984; Docket No. R87-1, Opinion and Recommended Decision, March 4, 1988.

The Commission cautioned that the elimination of Saturday delivery could exacerbate an already existing Monday peak load problem.²⁴ In this opinion, the Commission continues to encourage the Postal Service to improve its operations by addressing peak load issues.

The Postal Service's Load Leveling Plan presents a potential means of leveling the daily delivery load of DSCF Standard Mail; however, the plan appears to need more development before being implemented on a nationwide basis. The limited field tests provide initial indications that the Load Leveling Plan may be implemented without significant disruption to existing operations (recognizing that for purposes of the South Jersey Operations Test the mail was tightly controlled)²⁵ and arguably demonstrate some ability to level mail volume throughout the week. Although the limited testing is inconclusive regarding the effects of the plan on a nationwide basis, the record in this docket supports further development and testing of the Postal Service's plan.

The remaining sections of this Advisory Opinion discuss recommendations for further development of the Load Leveling Plan. Among these recommendations, the Commission advises the Postal Service to: (1) perform a cost-benefit analysis; (2) assess the impact on volume and co-mailing/co-palletization activities; (3) perform additional field testing; (4) analyze its ability to meet or exceed service performance under the new service standards; and (5) conduct more extensive customer outreach.

B. The Postal Service should conduct a cost-benefit analysis

The Postal Service has not presented a cost-benefit analysis for the record, or otherwise developed data on the cost and volume implications of the Load Leveling Plan. The Postal Service's support for the Load Leveling Plan consists of what are

²⁴ Docket No. N2010-1, Advisory Opinion on Elimination of Saturday Delivery, March 24, 2011, at 2, 52 (Docket No. N2010-1 Opinion). The Commission observed that Monday was currently the heaviest delivered-volume day, with the highest productivity of any day of the week as measured by total pieces per hour.

²⁵ USPS-T-1 at 13; *see also* Tr. 1/7.

preliminary observations from limited testing. It does not attempt to quantify these observed benefits on a nationwide level, or examine what costs might be involved. The Commission recommends that the Postal Service undertake a cost-benefit analysis at the nationwide level to develop necessary information before proceeding with a nationwide rollout of the Load Leveling Plan.

When asked about actual productivity gains and costs savings during the South Jersey Operations Test and those estimated after implementation, the Postal Service stated that it had not conducted a formal cost savings analysis. Tr. 1/72. It did, however, state that “as productivity increases and both regular and overtime hours decrease, the Postal Service expects cost savings will result.” *Id.*

The Postal Service also states that it has not performed any analysis that would provide a basis for estimating mail processing or delivery workload reductions or cost savings resulting from Load Leveling on a systemwide basis. Tr. 1/24. The Postal Service has not fully studied the impact on the amount of mail processing equipment required to meet the new services standards. However, it opines that the impact will be minimal and that there could be some efficiency gains through better machine utilization. Tr. 1/39. The Postal Service expects that the Load Leveling Plan will increase the use of existing floor space at some plants, but will not require the Postal Service to acquire additional space. *Id.* However, no formal study has been undertaken.

Several parties criticize the Postal Service for failing to conduct a cost-benefit analysis of the Load Leveling Program.²⁶ The Public Representative, in particular, relies upon the absence of a cost-benefit analysis to assert that the Postal Service’s Request

²⁶ ACMA Initial Brief at 3; APWU Initial Brief at 1, 3; Public Representative Initial Brief at 18-22.

is “premature, incomplete, and devoid of documented evidence showing the potential benefits of nationwide implementation are likely and outweigh potential costs.”²⁷

While the Postal Service concedes that estimating mail processing or delivery workload reductions and/or cost savings may be feasible, it states that it is unlikely that the cost of conducting such an extensive study would be worthwhile, given the limited scope of the proposed service change. Tr. 1/89-90. It notes that the ability to gather detailed cost savings and volume impact analyses “can be constrained by a number of factors, including the complexity and feasibility of the undertaking, the time required, and the cost incurred to conduct such studies.” Postal Service Reply Brief at 18.

A cost-benefit analysis is necessary to properly inform the Postal Service during its decision making process prior to committing to the Load Leveling Plan. The higher the value, risk, or importance of an undertaking, the more emphasis that should be placed on a cost-benefit analysis, *i.e.*, the more informed management should be concerning the consequences of their actions, or inactions.

The Postal Service also argues that the focus of the Load Leveling Plan is not on cost savings, like the Mail Processing Network Rationalization (MPNR) initiative, but on operational improvement. Postal Service Reply Brief at 18-20. Thus, the Postal Service contends it is not necessary to provide the Commission with a detailed cost savings estimate with its Request.

The Commission understands the Postal Service’s position that the Load Leveling Plan is not based on any specific cost savings that may result. However, that does not obviate the need to perform a cost analysis. DSCF Standard Mail constitutes

²⁷ Public Representative Initial Brief at 1-2. The Public Representative also contends that the Postal Service should be held to a “best practices of honest, efficient, and economical management” standard. Public Representative Initial Brief at 24-6, *citing* 39 U.S.C. § 3622(d)(1)(E). The Postal Service persuasively counters the statutory basis of this contention by arguing that the Public Representative is relying on provisions applicable to exigent rate requests, and not the proposal before the Commission. Postal Service Reply Brief at 5-8.

approximately 62 percent of all Standard Mail, or roughly 32 percent of all mail volume. See USPS-T-1 at 3. Thus, the Postal Service's Load Leveling Plan would affect approximately one-third of the Postal Service's business, by volume. The importance of such a significant amount of the Postal Service's business appears to clearly call for the development of a cost-benefit analysis. If the implementation costs outweigh any potential benefits realized from the Load Leveling Plan, the Postal Service may want to reconsider its decision to proceed with the plan.

Identifying potential benefits is a good start to any cost-benefit analysis. The Postal Service has identified potential benefits. However, it has taken only limited steps to quantify the benefits for each of its operational tests. It has not presented any evidence indicating that it has quantified the potential benefits on a nationwide level. It has not presented any evidence that would place a monetized value on any of these benefits. These are necessary steps in performing a cost-benefit analysis.

The Postal Service should also give consideration to how current and future initiatives might interact with the Load Leveling Plan. The ongoing MPNR plan and Lean Mail Processing initiative, and the future intent to eliminate 5-day delivery, for example, may impact the analysis of the Load Leveling Plan.

The Postal Service contends that "[t]he opportunity to meet service expectations in the more efficient network that will emerge from MPNR will be enhanced by the implementation of load leveling, since it gives plant managers greater operational flexibility with respect to DSCF Standard mail during the same time of the week that there is more DSCF Standard Mail volume on hand to process." Tr. 1/59-60.

MPNR predominantly affects First-Class Mail volumes by shifting mail volumes within the First-Class Mail service standard delivery range. This has the potential to increase the First-Class Mail volume that must be delivered on a Monday, thus increasing the overall mail volume that must be delivered on a Monday. The Postal

Service should consider whether MPNR is exacerbating Monday peak loading to gain a better understanding of the problem it intends to solve with the Load Leveling Plan.

The impact of the ongoing Lean Mail Processing initiative appears germane to tracking the relative success of the Load Leveling Plan in relevant DSCF locations. As the Public Representative points out, the Lean Mail Processing program targets operations closely linked to the proposed service change, such as staging and color-coding. The success of the Load Leveling Plan in particular DSCFs is likely to correlate with whether Lean Mail Processing initiatives have been implemented in that facility. As such, keeping track of the interplay between these two initiatives may prove to be beneficial.

The Postal Service also has expressed an intent to move to 5-day delivery sometime in the future. Witness Malone is not aware of any study concerning the impact of 5-day delivery on the Load Leveling Test. Tr. 1/41-2. Five-day delivery will redistribute delivery mail volumes throughout the week. The Postal Service has presented no evidence that it has considered whether the peak load issues discussed in the Commission's opinion in Docket No. N2010-1 will be ameliorated or made worse by the Load Leveling Plan under a 5-day delivery scenario. If the analysis points to increasing peak load problems in this situation, the Postal Service may want to reconsider aspects of the Load Leveling Plan. Regardless, the Postal Service should be aware of this issue and any future costs to the postal system that may result.

At this point in the early development of the Load Leveling Plan, various potential costs that could have a negative effect on the Postal Service have been identified. These costs have not been thoroughly investigated. The Postal Service has identified several potential benefits. Yet, there has only been limited analysis to determine whether these benefits may be realized at the nationwide level. The Postal Service should further analyze each of these issues to develop the necessary inputs to a cost-benefit analysis. Only after the Postal Service is satisfied that the cost-benefit

analysis weighs in favor of proceeding with the Load Leveling Plan should it consider implementing the plan nationwide.

In the subsequent sections of this Advisory Opinion, the Commission discusses several other issues that could have negative impacts on postal service revenues, which should be considered as potential costs of the Load Leveling Plan. The Commission recommends that each of these items be analyzed and included in the cost-benefit analysis.

C. The Postal Service should assess the plan's impact on volume and co-mailing/co-palletization activities

The Postal Service has not assessed the potential for the Load Leveling Plan to affect mailer behavior in ways that could impact mail volume. At least three potential reactions by the mailers should be considered. In response to the Load Leveling Plan, mailers may: (1) leave the mail altogether, lowering overall mail volume; (2) change their mailing practices to preserve desired in-home dates, negating the load leveling intended by the plan; and (3) disrupt existing co-mailing/co-palletization activities, which could increase costs for both mailers and the Postal Service.

DSCF Standard Mailers could leave the mail altogether. Mailers have not indicated a high level of support for the Load Leveling Plan. In response to slower delivery service, potential increased costs, or both, mailers may, among other things, elect to reduce the volume of mail that is entered into the system.

The Postal Service has not estimated the Load Leveling Plan's impact on mail volume, revenue, or contribution. Tr. 1/8, 93. The Postal Service should assess the likelihood that the Load Leveling Plan may drive customers away from the mail. One potential way of doing so would be to conduct future operational tests over a longer period of time, giving mailers the option of opting out or changing their behavior in response to the new service standard. The Postal Service stated that this option was not provided to mailers during the South Jersey Operations Test. Tr. 1/46. By studying

mailer behavior in response to the extended operational tests, the Postal Service may be able to obtain more insight into mailer response to the Load Leveling Plan.

DSCF Standard Mailers could change mail entry patterns, obviating the positive effects of the Load Leveling Plan. The Postal Service has not analyzed how mailers may modify their mail entry days in response to the Load Leveling Plan. It has not undertaken any nationwide study or survey to assess the volume of DSCF Standard Mail that would be entered on a different day under the new service standard. Tr. 1/15. The Postal Service has also not determined how many DSCF Standard Mail mailers want Monday delivery. Tr. 1/9.

Without the above analysis, the Postal Service cannot estimate how much load leveling may actually occur. See APWU Initial Brief at 2. At one extreme, if the majority of mailers adjust their production schedules to preserve existing in-home delivery dates, very little load leveling will occur. This extreme is possible because in many instances, in-home delivery dates are driven by the requirement of the mail customer (as opposed to the mail preparer/provider), and probably will not be changed. PostCom Initial Brief at 2.

The Commission recommends that the Postal Service analyze the daily mail volume changes that might occur due to the Load Leveling Plan during extended operational tests. These operational tests should be designed to allow mailers to change their entry dates in response to the new service standard. This data will provide better information to the Postal Service on the percentage of mailers who might adjust production schedules to preserve in-home delivery days.

Potential disruption to co-mailing/co-palletization activities. The Postal Service has not presented evidence regarding the Load Leveling Plan's impact on co-mailing/co-palletization activities. Co-mailing and co-palletization are intended to improve the operational efficiencies of the Postal Service and reduce a mailer's postage costs. Co-mailing is the practice of merging individual mail pieces from multiple mailing

streams into a single mailing stream. This process improves delivery sortation, allows mail to be dropshipped further into the Postal System, and reduces both mailer and Postal Service costs. Generally, the opportunities for co-mailing increase with larger volumes of mail, which result in greater cost savings. Co-palletization is the combination and presentation together on pallets of mail from two or more different or separately generated production streams. This process provides similar benefits to the Postal Service and mailers.

PostCom succinctly describes some possible effects of the Load Leveling Plan on commingling/co-palletization activities.

As some mailers move their entry dates to match the new expected delivery dates, existing comingling and copalletization activities will be disrupted, likely resulting in a decrease in the overall level of copalletized and comingled mail....Mailers who change entry dates will no longer have the ability to qualify for comingle or copallet opportunities, thus increasing their cost, while the mailers that stay with current mail schedules see an increase in cost from lesser volumes that will be presorted or dropshipped deeper into USPS operations. The USPS could see an increase in cost as mail no longer meets qualification for dropship entry and mail moves upstream to more costly operations. This shift will result in additional transportation to transport mail downstream as well as increased labor costs associated with handling mail upstream.

PostCom Initial Brief at 3-4, see *also* ACMA Initial Brief at 6, World Marketing Comments at 2, Quad/Graphics Comments at 2-3.

The Commission recommends that the Postal Service analyze the effect of the Load Leveling Plan on co-mailing/co-palletization activities during extended operational tests. A lower volume of co-mailed/co-palletized mail may increase Postal Service costs. It also could lead to changes in operations to cope with the new mix of mail being co-mailed or co-palletized, or entered in a less efficient manner. These changes should be considered within the overall cost-benefit analysis of the Load Leveling Plan.

D. The Postal Service should continue with additional field testing

The Postal Service has presented data on load leveling tests performed in South Jersey, Curseen-Morris, and Southern Maryland. The Commission recommends that the Postal Service continue additional field testing for a more extended period of time to better understand the impact of the Load Leveling Plan on a nationwide basis.

The operational tests performed to date have provided preliminary results, but are not representative of what would occur on a nationwide level. The evidence on this record shows that the most successful test was performed in the South Jersey District. Operations at this facility were closely monitored and the test was tightly controlled by the Postal Service. Consequently, the results may not be indicative of other facilities during “normal” operations. The Postal Service does not regard the South Jersey District to be representative of the mail processing and delivery network as a whole. Tr. 1/24. Thus, it is important that the testing continue in facilities with varying characteristics.

South Jersey. The Postal Service’s proposal tested the mail processing time, delivery time, and overtime delivery hours saved in the South Jersey District by comparing a “non-test” period, which reflected results under existing standards for DSCF Standard Mail, to a “test” period, which reflected results under the proposed standards for DSCF Standard Mail. Since average weekly test period mail processing and delivery volumes were higher than non-test period volumes, the Postal Service normalized relevant workhours to reflect the additional time it would have taken to process and deliver higher test period volumes under non-test conditions. It did this by adding the product of non-test hours and the percentage volume difference between test and non-test periods to recorded non-test period mail processing, regular delivery, and overtime delivery hours.²⁸

²⁸ Similar analyses were provided for the Curseen-Morris and Southern Maryland Operations Tests in USPS-LR-N2014-1/NP8.

The Postal Service's normalization method assumes that mail processing and delivery times are 100 percent volume variable. Tr. 1/98. The Commission considers both mail processing and delivery times to vary with volume. In FY 2013, the cost-weighted average volume variability of office and street delivery time was 57 percent, and mail processing time was 94.1 percent variable with volume.²⁹ The Commission's analysis of mail processing and delivery savings from the three tests reflects these variabilities. In the case of South Jersey, the Commission applied these variabilities to the average weekly non-test hours required to process and deliver test period volumes. This resulted in lower non-test workhours, thereby reducing mail processing, regular delivery, and overtime savings, compared to the estimates provided by the Postal Service.³⁰

The Postal Service estimated that the Load Leveling Plan would save approximately 2,500 delivery hours and reduce delivery time by 5 percent assuming 100 percent volume variability. Using accepted FY 2013 volume variabilities to normalize non-test period hours, the Commission estimates that delivery hours would be reduced to approximately 1,800, a 2.3 percent reduction. Tr. 1/98. Similarly, the Postal Service states that the Load Leveling Plan would reduce overtime delivery hours by approximately 2,144, a 35 percent reduction. *Id.* The Commission's method determines that overtime hours would be reduced to approximately 2,000, a 33 percent reduction in overtime hours.

Although the Postal Service did not quantify productivity changes, the Commission calculated normalized, non-test period and test period, productivities to be 273 and 279 pieces per hour, respectively — a 2.5 percent productivity improvement.³¹

²⁹ See Docket No. ACR2013; Library Reference USPS-FY13-NP13.

³⁰ The Commission's analysis of the Postal Service's test results focuses on regular delivery operations, as did that of intervening parties, because the South Jersey Operations Test showed the reduction in delivery overtime hours was the primary source of quantifiable savings due to load leveling.

³¹ See USPS-LR-N2014-1/2, LR-2 – SJ F2 Results-FINAL.xls.

The Commission also tested whether the South Jersey Operations Test leveled load by comparing the standard deviation of daily volumes during the non-test and test periods. Standard deviations of average weekly test period volume fell to approximately 175,000 from approximately 501,000 during the non-test period.³²

The Public Representative performs several quantitative calculations, contending that the results of which call into question the beneficial effects the Postal Service testing showed in South Jersey. She examined monthly data on overtime hours in CY 2012 and CY 2013 that the Postal Service provided in response to POIR No. 1, question 10.³³ She raises several concerns after analyzing this information. First, she states that overtime hours were “lower in 2013 for eight of the twelve months as compared to the same month in 2012...including the three months both proceeding and following the South Jersey Operations test,” implying that the South Jersey plant has seen a reduction in overtime hours which is not related to the load leveling test. Public Representative Initial Brief at 10. She goes on to observe that “the reductions in overtime hours seen during the month that the operations test was conducted (as compared to the same month in 2013) are consistent with improvements seen in August 2013, October 2013, and November 2013 when no test was conducted.” *Id.*

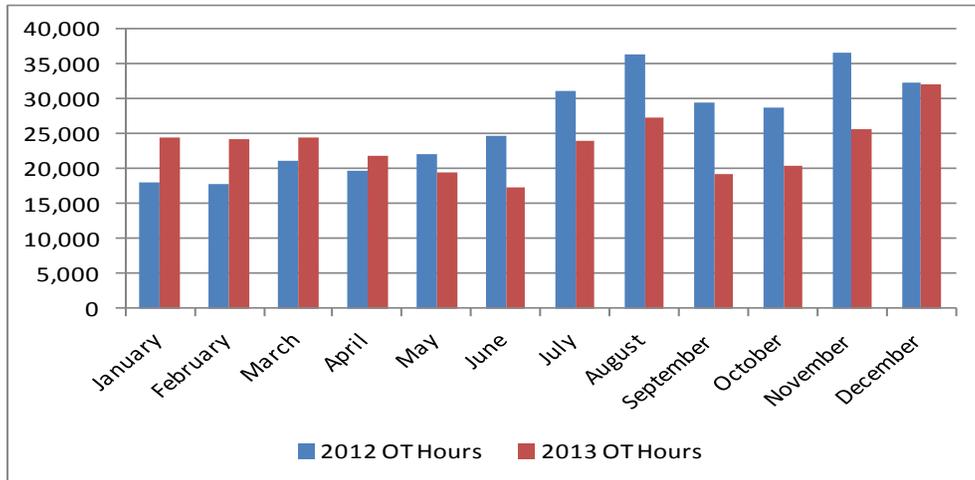
The data do show that overtime hours in CY 2013 from May through December were fewer than in the same months in CY 2012, although insignificantly so in December. See Figure VI-1. However, in CY 2013 there is substantial variation in monthly overtime hours. The Commission is not convinced that South Jersey experienced a general reduction in overtime hours in CY 2013. The data appear to show that South Jersey experienced a reduction in overtime hours from April through June of 2013, a growth in overtime hours from July through August, another decline

³² See USPS-LR-N2014-1/NP8.

³³ Tr. 1/102.

during September (which included the test month), and a monthly increase from October through December.

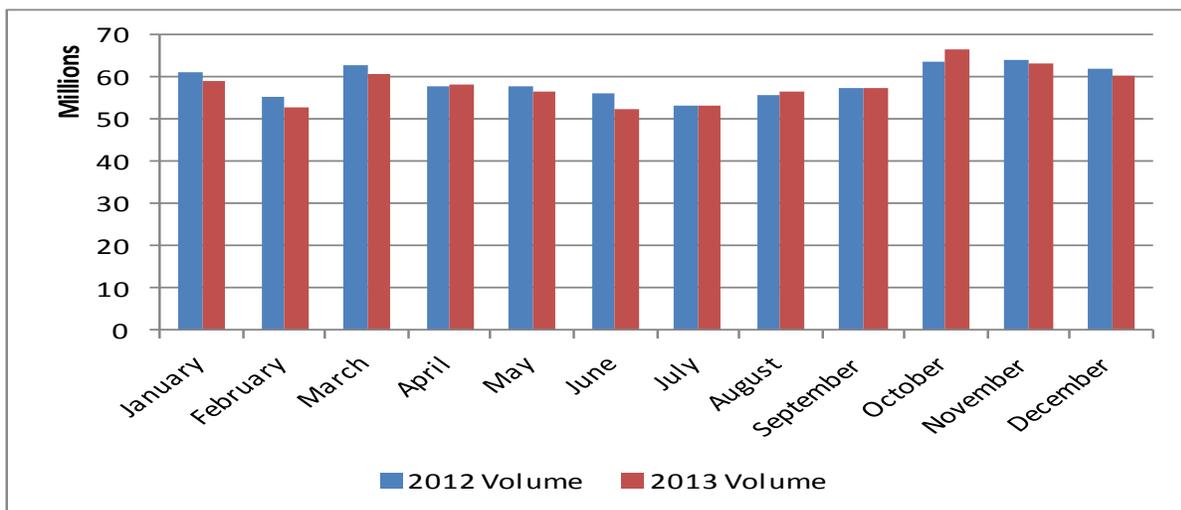
**Figure VI-1
South Jersey Overtime Hours In Calendar Years 2012 and 2013**



Source: Tr. 1/102.

Figure VI-2 shows the monthly delivered volumes at South Jersey in CY 2012 and CY 2013.

**Figure VI-2
South Jersey Monthly Delivered Volumes by Calendar Year**



Source: Tr. 1/102.

The monthly difference in calendar year overtime hours does not appear to be caused by volume differences. For example, volumes in CY 2013 declined between April and June, as did overtime hours. Volume in July was approximately the same as in June, but overtime hours notably increased. Volumes from October through December were decreasing, while overtime hours were increasing. Notably, volumes between August and September were fairly constant, yet overtime hours substantially declined, perhaps partly as a result of the load leveling test.

The Public Representative also asserts that there is a substantial variation in productivity changes across the DDUs in the South Jersey plant, some of which are greater or less than the average productivity improvement of approximately 5 percent. *Id.* at 11. The Public Representative does not assert that variation in productivity improvements should be approximately the same across DDUs, nor does she provide evidence showing the level of variation in productivity improvements which should be considered normal or acceptable. Rather, she asserts that the substantial variation in productivity by DDUs “even over a two-week test period...highlight the risks of the Load Leveling Plan and the uncertainty of the outcome at the national level.” *Id.* at 39. However, the Commission is not persuaded that the variation in productivity by DDU within the SCF area is related to the load leveling test. The Commission is more concerned about variation in beneficial effects across test areas, such as the different outcomes that resulted from performing the same test in South Jersey (on average) Curseen-Morris (on average) and Southern Maryland (on average).

Curseen-Morris. The tests from the Curseen-Morris present somewhat ambiguous results. Using accepted FY 2013 volume variabilities to normalize non-test period hours, the Commission estimates that delivery hours would increase by approximately 450 hours, an increase of nearly 1.7 percent.³⁴ Normalized average weekly overtime hours increased by approximately 3.2 percent. *Id.* Although the Postal

³⁴ USPS-LR-N2014-1/18, Capital Metro District Operations Test Results (Revised) Supplemental Data Responsive to POIR 1, Question 3.

Service did not quantify productivity changes, the Commission calculated normalized, non-test period and test period, productivities to be 256 and 252 pieces per hour, respectively, close to a 2 percent productivity decline. *Id.* The Commission also tested whether the load was leveled in Curseen-Morris by comparing the standard deviation of daily volumes during the non-test and test periods. Standard deviations of average weekly test period volume fell to approximately 196,000 from approximately 240,000 during the non-test period. The Curseen-Morris Operations Test exhibits potential load leveling benefits from the Postal Service's proposal and a small decrease in normalized weekly productivity (-1.7 percent). Curseen-Morris resulted in a modest leveling of load as measured by the reduction in the standard deviation of average weekly volume from approximately 241,000 to 196,000. *Id.*

Southern Maryland. Using accepted FY 2013 volume variabilities to normalize non-test period hours, the Commission estimates that delivery hours would be increased by approximately 700 hours, an increase of nearly 2.5 percent. *Id.* Unlike Curseen-Morris, which exhibited a modest increase in overtime hours, Southern Maryland overtime hours increased from slightly over 5,100 during the non-test period to slightly over 6,300 during the test period – an increase slightly greater than 23 percent. *Id.* Although the Postal Service did not quantify productivity changes, the Commission calculated normalized, non-test period and test period, productivities to be 310 and 302 pieces per hour, respectively, for an approximate decline of 2.5 percent. *Id.* The Commission also tested whether the load was leveled in Southern Maryland by comparing the standard deviation of daily volumes during the non-test and test periods. Standard deviations of average weekly test period volume increased to 162,000 during the test period from approximately 150,000 during the non-test period. Southern Maryland does not appear to exhibit any positive effects from the Postal Service's proposal.

In the aggregate, the results of the three operational tests do not provide a clear picture of the potential nationwide impact of the Load Leveling Plan. Additional

operational tests across the country are needed to provide more insight into the potential impact of implementing the service change nationwide.

In response to interrogatories from the Public Representative, the Postal Service states that it has an “objective to test Load Leveling in one administrative District in each administrative Area of the postal system.” Tr.1/22. This testing is to be for “purposes of refining [the Postal Service’s] ability to implement [the Load Leveling Program] system-wide.” *Id.* The Postal Service lists 27 locations it has selected for additional operational tests. Tr. 1/36. The plants selected for tests include large, medium, and small plants. *Id.* Testing was expected to begin during February 2014. Tr. 1/22. The Postal Service expects the proposed testing to provide “an opportunity for mailers to analyze their data and compare delivery dates to expected or needed delivery dates.” Tr. 1/36-37.

The Commission recommends that the Postal Service conduct the additional tests to which it has committed, as well as others that might be suggested as test results become available. In conducting these tests, the Postal Service should incorporate recommendations made in other portions of this Advisory Opinion, including, for example, the suggestion that test periods be longer and that there be ongoing consultation with affected mailers.

E. The Postal Service should further analyze the plan’s effect on service performance

Service performance for deliverable mail products can be considered from two perspectives: (1) actual delivery performance, and (2) statutory service performance. Actual service performance can be defined as actual days-to-delivery. For example, DSCF Standard Mail entered on a Thursday currently will be delivered in 4 days, the following Monday. However, this same mail has a 3-day statutory delivery standard. The difference in days (3 versus 4) is attributed to service performance business rules

that dictate if the calculated delivery day under the statutory standard is a non-delivery day (Sunday), that day is not counted. USPS-T-1 at 10 n.5.

Actual delivery performance. The Commission looks at actual delivery performance both during a 6-day delivery week and a week having an intervening Monday holiday. Examining a week with an intervening Monday holiday allows an analysis of the maximum actual days to delivery under this circumstance, and identifies unique delivery peak load days under these circumstances. Table VI-1 shows the expected delivery date for mail entered each day of the week both before and after the Load Leveling Plan service standard change, and both with 6-day delivery and with a Monday holiday.

**Table VI-1
Current and Proposed
Acceptance versus Expected Delivery Day
for DSCF Standard Mail**

Acceptance Day	Expected Delivery Day			
	Current		Load Leveling Plan	
	Six Days of Delivery	w/Monday Holiday	Six Days of Delivery	w/Monday Holiday
Sunday	Wednesday	Wednesday	Wednesday	Wednesday
Monday	Thursday	Thursday	Thursday	Thursday
Tuesday	Friday	Friday	Friday	Friday
Wednesday	Saturday	Saturday	Saturday	Saturday
Thursday	Monday	Tuesday	Monday	Tuesday
Friday	Monday	Tuesday	Tuesday	Tuesday
Saturday	Tuesday	Tuesday	Wednesday	Wednesday

Source: Tr. 1/44-45.

Mail entered Sunday through Wednesday is expected to be delivered within 3 calendar days. This will happen both before and after the Load Leveling Plan, and regardless of 6-day delivery or a Monday holiday with no delivery. Mail entered on Thursday is expected to be delivered within 4 calendar days, except for weeks with an

intervening Monday holiday where the delivery expectation extends to 5 calendar days. Again, this remains the same under both current standards and under the Load Leveling Plan.

The Load Leveling Plan changes the statutory delivery requirement for mail entered on Fridays and Saturdays from 3 to 4 days. Mail entered on Friday currently is expected to be delivered within 3 calendar days, except for weeks with an intervening Monday holiday where the delivery expectation extends to 4 calendar days. Under the Load Leveling Plan, mail entered on a Friday is expected to be delivered within 4 calendar days, regardless of an intervening Monday holiday.

Mail entered on a Saturday currently is expected to be delivered within 3 calendar days regardless of an intervening Monday holiday. Under the Load Leveling Plan mail entered on a Saturday is expected to be delivered within 4 calendar days, regardless of an intervening Monday holiday.

Thus, the Load Leveling Plan has no effect on expected days to delivery for mail entered Sunday through Wednesday. Five calendar days is the maximum days to deliver for mail entered on any day of the week (entered Thursday) in a week with an intervening Monday holiday, both currently and under the Load Leveling Plan. In most instances, one day is added to the expected days to deliver for mail entered on Friday and Saturday under the Load Leveling Plan. The Commission concludes that the Load Leveling Plan has only a minor impact on expected days to delivery.

Peak load issues can be examined from the perspective of mail being entered on different days, and being combined to have the same expected delivery day. Currently, in weeks with six days of delivery, mail entered on Thursday and Friday is combined and has a Monday delivery expectation. Under the Load Leveling Plan, mail entered on Saturday and Sunday will be combined and will have a Tuesday delivery expectation. The Postal Service contends that the current combined Thursday and Friday entered volume is less than the future combined Saturday and Sunday entered volume. Thus,

the Load Leveling Plan does not merely shift delivery volume of mail entered on two separate days from Monday to Tuesday. It contends the delivery volume for each day will be less than the total current Monday volume. USPS-T-1 at 5.

From this perspective, the proposed service standard change may have an unexpected benefit in weeks with an intervening Monday holiday. Currently during weeks with an intervening Monday holiday, mail entered on Thursday, Friday, and Saturday is combined and has a Tuesday expectation of delivery. Under the Load Leveling Plan during weeks with an intervening Monday holiday, only mail entered on Thursday and Friday will be combined and have a Tuesday expectation of delivery. This may provide additional load leveling for weeks with an intervening Monday holiday.

The above analysis discusses delivery expectation in terms of within how many days a piece of mail should be delivered, given a known mail entry day, or the maximum days to delivery. Some mailers have expressed concern with the “actual” day of delivery.³⁵ These mailers are concerned that adding a day to the delivery expectation for Friday and Saturday entered mail may add to the uncertainty to the actual day of delivery. PostCom Initial Brief at 2-3. They are aware that the deferrable nature of Standard Mail already leads to some uncertainty. *Id.* However, they are concerned that during periods of generally low mail volume, the Postal Service may accelerate Standard Mail delivery within the larger delivery window provided by the Load Leveling Plan, thus increasing the uncertainty about the actual delivery day.

Currently, service performance reporting emphasizes maximum days to delivery. The reports do not specifically track the actual day of delivery. If mailers require a consistent day of delivery, the Postal Service may consider metrics to measure and report this aspect of service performance on a periodic basis.

³⁵ ACMA Initial Brief at 6; PCH Comments at 1; World Marketing Comments at 1.

The Commission urges the Postal Service to work with mailers concerned with this issue to develop a mutually satisfactory resolution.

Statutory service performance. The Postal Service publishes its Standard Mail service performance requirements in 39 C.F.R. part 121. The Commission publishes corresponding service performance reporting requirements in 39 C.F.R. part 3055. The Postal Service has established a goal of meeting day to delivery statistics for all Standard Mail product at least 90 percent of the time (increased to 91 percent in FY 2014) for the purpose of nationwide annual service performance compliance. Tr. 1/100. Table VI-2 shows the FY 2013 service performance results for all Standard Mail Products.

Table VI-2
FY 2013 Standard Mail Service Performance Data

Standard Mail Product	Target	FY 2013 Percentage On-Time
High Density and Saturation Letters	90.0	90.8
High Density and Saturation Flats/Parcels	90.0	87.0
Carrier Route	90.0	79.7
Letters	90.0	85.9
Flats	90.0	76.9
Parcels	90.0	98.7

Source: FY 2013 Annual Compliance Report, Library Reference USPS-FY13-29.

The Postal Service has not presented any evidence concerning the effect of the Load Leveling Plan on annual service performance compliance at the nationwide level. It would be a reasonable conclusion that increasing the allowable time to process and deliver mail would make it easier for the Postal Service to meet or exceed service standards. However, the Load Leveling Plan requires operational changes that could potentially result in unintended consequences. In many instances, the Postal Service currently is falling short of meeting service performance goals. It would be unfortunate if an unintended consequence were to further reduce service performance. Because the

service standard change allows shifts in the total volume of mail delivered on any given day, the unintended consequences could also affect service performance for other classes of mail. Therefore, the Commission recommends that the Postal Service further study this issue.

The Postal Service has supplied data in this docket for service performance measurements for the South Jersey District. See USPS-LR-N2014-1/NP5. The data were provided by day, for the week immediately preceding the South Jersey Operations Test, the weeks during the test and the week immediately following the test. Upon examination, there is little, if any, evidence of a negative impact on service performance that could be attributed to the Load Leveling Plan. These essentially positive results may or may not be representative of what would happen at a nationwide level. The results also have to be examined in light of the tight controls the Postal Service put in place during the South Jersey Operations Test. The high level of oversight at this facility may have led to higher service performance results than what would typically be observed. The Commission suggests that the Postal Service gather and evaluate service performance data at all facilities where it performs additional operational tests.

F. The Postal Service should consider more extensive customer outreach

The Postal Service has taken steps to involve its customer base in its plans to improve its operations through load leveling. Nonetheless, the Postal Service does not appear to have built a consensus within the mailing community concerning the advisability of proceeding with the Load Leveling Plan.

The Postal Service, through the MTAC, established Workgroup 157 to consider potential solutions for leveling mail delivery workload across days of the week. USPS-T-1 at 7. The resolution statement of MTAC Workgroup 157 reflects that there was no clearly agreed upon solution to the Monday peak load situation.³⁶

³⁶ USPS-LR-N2014-1/6 at 2.

The Postal Service initiated a *Federal Register* notice and comment rulemaking to consider service standard changes associated with its Load Leveling Plan.³⁷ The Postal Service's own analysis from the comments it received noted "[m]ost of the written comments received in response to the Proposed Rulemaking opposed the service standard change proposed for Standard Mail eligible for DSCF rates."³⁸

The Postal Service initiated this Request for an advisory opinion. Mailers have not indicated support for the Load Leveling Plan without further study and development prior to nationwide implementation.

The Commission notes the disparity between the Postal Service's and mailers' characterizations of the extent of mailer consultations. The Postal Service characterizes the consultations as "extensive." It affirms its "unwavering commitment to giving all due consideration to the concerns of affected mailers before any decision to implement the proposed service change, and in developing appropriate implementation plans."³⁹ Mailers have expressed their dissatisfaction with the Postal Service's outreach.⁴⁰ For example, many participants remarked on the widespread perception that the Load Leveling Plan would proceed regardless of objections from the mailers despite the Postal Service's solicitation for input. See, e.g., PostCom Initial Brief at 5.

³⁷ Postal Service, 39 CFR Part 121, Service Standards for Destination Sectional Center Facility Rate Standard Mail, Proposed Rule, at 79 FR 376 (January 3, 2014); Postal Service, 39 CFR Part 121, Service Standards for Destination Sectional Center Facility Rate Standard Mail, Final Rule, at 79 FR 12390 (March 5, 2014).

³⁸ 79 FR 12390 (March 5, 2014).

³⁹ See Postal Service Initial Brief at 7-8.

⁴⁰ APWU Initial Brief at 3; ACMA Initial Brief at 6; Quad/Graphics Comments at 3-4; PostCom Initial Brief at 5; World Marketing Comments at 2.

From the Postal Service's perspective, the Load Leveling Plan may be an appropriate solution to peak load operational problems.⁴¹ The Commission finds that the plan has the potential to ameliorate this problem, or at least merits further studies. However, the Postal Service must also be mindful that from the mailers' perspective, the Load Leveling Plan may cause inconveniences that detract from the value of the mail. If the inconveniences are perceived as too great, mailers may react negatively.⁴² If mailers are not provided with the service that they perceive is required, they may look to other delivery channels to fulfill their needs.

The Postal Service has met with customers to explain its peak load problem and offer potential solutions. However, there are indications that the Postal Service has not weighed its own operational needs against the desired level of service expressed by its customers. The Postal Service has yet to persuade its customers that it is taking an appropriate approach to solving its operational problem. The Commission recommends that the Postal Service take further needed steps to engage its customers in answering their questions and concerns as it works through implementation of the Load Leveling Plan.

G. Review of service standard objectives and factors

The Postal Accountability and Enhancement Act (PAEA) set forth objectives and factors to be considered when designing, establishing, or revising modern service standards. See 39 U.S.C. § 3691. The Commission reviews the applicable objectives and factors and brings attention to issues the Postal Service should be aware of as it further develops and implements its Load Leveling Plan.

⁴¹ The Postal Service does not rely on cost saving, the ability to meet existing service standards, or an interest expressed by mailers, as significant justifications for proceeding with the Load Leveling Plan. Thus, implementation of the plan fairly can be characterized as addressing internal Postal Service operational concerns.

⁴² For example, several mailers expressed uncertainty about the predictability of in-home delivery dates and a strong aversion to early delivery. See, e.g., PostCom Initial Brief at 2.

39 U.S.C. § 3691(b)(1) requires service standards to be designed to achieve the following objectives:

- (A) to enhance the value of postal services to both senders and recipients;
- (B) to preserve regular and effective access to postal services in all communities, including those in rural areas or where post offices are not self-sustaining;
- (C) to reasonably assure Postal Service customers delivery reliability, speed and frequency consistent with reasonable rates and best business practices; and
- (D) to provide a system of objective external performance measurements for each market dominant product as a basis for measurement of Postal Service performance.

39 U.S.C. § 3691(c) requires service standards to take into account the following factors:

- (1) the actual level of service that Postal Service customers receive under previous and current service standards;
- (2) the degree of customer satisfaction with Postal Service performance in the acceptance, processing and delivery of mail;
- (3) the needs of Postal Service customers, including those with physical impairments;
- (4) mail volume and revenues projected for future years;
- (5) the projected growth in the number of addresses the Postal Service will be required to serve in future years;
- (6) the current and projected future cost of serving Postal Service customers;
- (7) the effect of changes in technology, demographics, and population distribution on the efficient and reliable operation of the postal delivery system; and
- (8) the policies of title 39 generally and such other factors as the Postal Service determines appropriate.

The Postal Service asserts it has considered the objectives related to the design of service standards. It argues that the Load Leveling Plan will significantly increase

processing and delivery efficiencies with minimal changes to the current service standards, which will “enhance the value of postal services” and “reasonably assure Postal Service customers delivery reliability, speed and frequency consistent with reasonable rates and best business practices” consistent with 39 U.S.C. § 3691(b)(1)(A) and (C). Request at 8. Furthermore, the proposed service change achieves operational improvements without impeding the Postal Service’s ability to provide “regular and effective access to postal services in all communities” as set forth in 39 U.S.C. § 3691(b)(1)(B). Postal Service Initial Brief at 10.

The Postal Service also asserts that it has considered the factors applicable to establishing or revising service standards when formulating the Load Leveling Plan. It states that “the record evidence provides no evidence for concluding that implementation of the Load Leveling Plan will lead to any material diminution in DSCF Standard Mail volume or revenue.” Postal Service Initial Brief at 10. The Postal Service further states the Load Leveling Plan takes into account current and future mail volumes and includes operational adjustments that will help reduce current and future costs pursuant to 39 U.S.C. § 3691(c)(4) and (c)(6). *Id.*

The Postal Service’s Load Leveling Plan presents a potential means of leveling the daily delivery load of DSCF Standard Mail; however, the plan appears to need more development before being implemented on a nationwide basis. The limited field tests provide initial indications that the Load Leveling Plan may be implemented without significant disruption to existing operations (recognizing that for purposes of the South Jersey Operations Test the mail was tightly controlled)⁴³ and arguably demonstrate some ability to level mail volume throughout the week. Although the limited testing is inconclusive regarding the effects of the plan on a nationwide basis, the record in this docket supports further development and testing of the Postal Service’s plan in order to ensure that the Load Leveling Plan satisfies the objectives and factors of section 3691.

⁴³ USPS-T-1 at 13; Tr. 1/7.

VII. CERTIFICATION

It is the opinion of each of the undersigned Commissioners, pursuant to 39 U.S.C. § 3661(c), that this opinion conforms to the policies established under title 39, United States Code.

Ruth Y. Goldway, Chairman

Mark Acton, Vice Chairman

Robert G. Taub, Commissioner