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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

POSTAL RATE AND FEE CHANGES, 2006: **Docket No. R2006-1**

DIRECT TESTIMONY OF JOYCE K. COOMBS ON BEHALF OF THE UNITED STATES POSTAL SERVICE

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Autobiographical Sketch

My name is Joyce K. Coombs. I have not previously provided testimony before the Postal Rate Commission.

I began working for the Postal Service as a temporary clerk in 1967. I have served in numerous field positions including Delivery Supervisor, Station/Branch Manager and Postmaster. I presently serve as an Operations Specialist at USPS Headquarters in Delivery. I have held this position since 1998. As an Operations Specialist, I currently serve as the national program manager for a carrier route adjustment program that utilizes specifically designed algorithms to optimize carrier routes. I also provide operational and technical support to other Headquarters functions and to the field. I have helped develop national policies and guidelines for delivery operations and I have developed and deployed national delivery programs.

Prior to serving in Delivery at Headquarters, I was detailed as an Operations Analyst on several assignments to Headquarters Engineering, Research, and Development. At Engineering, I assisted in developing a computerized city carrier route adjustment program and served for a time as the national co-manager of the program. I also was involved in completing research and testing delivery standards to assist in the possible redesign of delivery.

I attended the University of Nevada, Reno and have completed and taught numerous Postal Service training courses including courses pertaining to delivery and city carrier route adjustments. I also served on the United States Board of Civil Service Examiners.

1. Purpose and Scope of Testimony

The purpose of my testimony is to provide an operational view of delivery processes to support the Postal Service's current proposals. My testimony describes how delivery processes will be impacted by the operational changes that are currently expected to occur once Flat Sequencing System (FSS) is implemented. I begin with a discussion on how these changes are expected to impact delivery operations in the office and on the street. I also discuss the operational effects of FSS on delivery unit workspaces and how savings from FSS are eventually expected to be realized. I briefly discuss how Detached Label Address (DAL) cards currently impact delivery procedures. I end by describing and explaining current and future issues regarding "rigid" flats and how they influence carriers in their daily operations.

2. Changes in Delivery Operations from Flat Sequencing Systems (FSS)

Delivery operations have not significantly changed since the last Rate Case was filed. However, the Postal Service is in the developmental and testing phase of a new strategy for flat-shaped pieces, Flat Sequencing Systems (FSS), which will substantially change the way that flats are processed and handled in the delivery unit. This new system will impact both office and street methods. While the specifics are not fully known at this time, it is envisioned that FSS will impact delivery operations in a similar way to how the Delivery Point Sequencing (DPS) of letters affected delivery operations when it was introduced. This automation of flat-shaped mail will change and impact work processes and space requirements at delivery units, including the shifting of work hours from office to street.

FSS is currently being developed and tested in Carmel, Indiana. The piloting of this program will help assess and forecast operational costs. It is currently anticipated that the deployment of the first pre-production FSS machine will occur in 2007 with deployment of FSS production machines beginning in 2008. A multi-year deployment is planned with offices that will be identified at that time as high value candidates receiving the first machines. Those delivery units identified as high value will be offices with the highest flat volumes and/or the highest flats per delivery ratios.

2.1 Flat Sequencing Systems (FSS) and Office Impact

The current predicted impact of FSS in the office is significant. Substantially less time will be needed in the office by the carriers to case and prepare flat-shaped mail for delivery, since this mail will be processed and sequenced at a mail processing facility. Just as the DPS program reduced carriers' in office workload by reducing the casing of letter mail, FSS will impact carriers by reducing the portion of office time now needed to case flat-shaped mail. This will result in a sizable shift of hours from the office to the street, since flat-shaped mail pieces will not require processing at the carrier's case, and office time will be significantly reduced. One impact will be the addition of delivery points to each carrier route to increase street hours, in order to maintain each carrier route as close as possible to eight hours. This addition of possible deliveries to carriers' routes will be completed through the process of route adjustments, which will lead to fewer carrier route assignments and fewer carriers. It is anticipated that growth management methods, including attrition, will be utilized to resolve the declining numbers of carrier route assignments.

The introduction of FSS will also impact clerk processes and assignments at offices with FSS. There will be substantially fewer bundles and flats requiring manual sorting in offices with FSS. The time needed for manual casing and

dissemination of Standard Mail flats will be reduced considerably by having them processed and sequenced at the mail processing facility. The declining workload will necessitate changes in the clerk complement, and to the daily operating plan and scheduling at offices with FSS. Current management methods are expected to be used to control complement, including attrition and overtime, while also accounting for any independent growth in volume or delivery points.

It is currently projected that the majority of all Standard Mail flat-shaped pieces will be processed using FSS once it is implemented, with the possible exception of saturation flats[1]. Periodicals and First Class Mail flat-shaped pieces will also be processed utilizing FSS, but they will be impacted to a lesser degree because of service standards, particularly for First-Class Mail.

2.2 Flat Sequencing Systems (FSS) and Street Impact

FSS will reduce the amount of in-office hours that carriers will need to case and sequence flat-shaped mail. The FSS mail bundles will be picked up in the FSS staging area and taken directly to the street just as DPS letters are currently handled. As previously stated, the resulting reduction of in-office hours necessitates the increase of possible deliveries and workload on the street in order to maintain carrier routes as close as possible to eight hours.

[1] Saturation flats are defined as mailings delivered to a minimum of 90 percent of total residential or 75 percent of total active deliveries on a route.

While FSS will save a considerable amount of in-office time, it will also impact the carrier on the street by introducing an additional bundle on a regular basis. Adding bundles to carriers may impact street performance on some routes because of the carriers' need to retrieve mail from an additional source. This is a matter for future discussion and future resolution since carriers on walking sections of routes are restricted in the number of bundles that they can carry and deliver. Carriers are not constrained when delivering any territories on their route where they do not walk between delivery points. There is no bundle restriction for motorized carriers. Sources of mail are not an issue for Rural carriers because the current procedures generally allow them to case all of their mail together so that they only have one bundle to work from at the point of delivery.

2.3 Work Space and Equipment Impacts from FSS

FSS will impact facility requirements and workspace allocations in a strategic and important way. A reduced amount of carrier cases and equipment will be required since residual letter-shaped pieces and residual flat-shaped pieces will be the only mail pieces that reach the carrier. Work methods will need to be developed that allow the carriers to prepare the residual letter pieces and residual flat-shaped pieces that are not processed through FSS for street delivery. Casing equipment will be down sized and work space on the floor

will be also be significantly impacted. Therefore the need for casing equipment and the associated work space on the floor will be significantly impacted when flat-shaped pieces being spread to the carriers by clerks is no longer part of the distribution process. This will lead to the reduction of equipment requirements and consequently less work space requirements.

As work space is reduced on the work room floor, a larger staging area will be required to accommodate the FSS work load. It is currently anticipated that the FSS mail will be staged in a similar manner and at a similar location to the DPS letter mail. This will ultimately result in a different delivery unit configuration and may impact the need for future facility space and the number of future facilities.

2.4 Operational Impacts of FSS and Capturing the Resulting Savings

The introduction of FSS will greatly impact the number of possible deliveries assigned to routes and the allocated street work load of carriers. When in-office time is significantly reduced by automating both letters and flat pieces, workload will shift to the street. It is anticipated that if all else is held equal, this will reduce the number of city carrier route assignments. It will also impact rural carrier assignments by reducing route evaluations to lower categories in some cases and absorbing new growth in others. This will result in long term operational reductions in hiring, new facilities, and vehicle

purchases. Strategic planning will be essential in order to take full advantage of these potential savings.

Other operational impacts will include the arrival of mail at the delivery unit from the processing facility at a more consistent time due to the automation of flat-shaped pieces. These differences in the mail arrival profile may change the reporting time of carriers and clerks and should also result in more consistent delivery times to customers.

2.5 Customer Impacts

In order to realize the full savings from FSS, mailers will be encouraged to apply the 11-digit Delivery Point Barcoding to the mail piece. Label placement requirements are currently being developed to facilitate carriers' ability to finger flats during delivery.

3. Other Issues

There are currently other delivery operational issues that impact costs and service. They include the preparation of Detached Address Label (DAL) cards with flat-size mail pieces, and the presence of pieces currently prepared as flats and described here as "rigid flats".

3.1 Detached Address Label (DAL) Cards

As issues arise from the number of bundles that carriers work from on the street, there may be a need to revise the requirements for DAL cards. Currently a DAL mailing generally includes a flat-shaped host piece or a merchandise sample. The DAL cards are not bar coded and are often not on paper stock that is compatible with automation. This requires many DAL cards to be manually cased and does not support the Postal Service's strategy of eliminating manual casing.

The need for manual casing could be reduced if DALs were substantially incorporated into the DPS process, but that would raise other operational issues. For example, the preference might be to enter the DAL card at the plants, but still enter the host flats at the delivery units. Once a carrier no longer handles the DALs except as part of a DPS bundle, the relationship between the host piece and the DAL might become so remote that carriers might no longer be guided by the presence or absence of the DAL when placing the host piece in the mailbox. On the other hand, encouraging mailers to address-label their flat-shaped host piece might provide a better opportunity to eliminate the issue of casing DAL cards.

It is important to remember that the historical rationale for the extension of the DAL option to ECR saturation flats was based on the belief that, without a DAL,

carriers would constantly have to case the sequenced flat host pieces manually. Having to case the host flat pieces would be logistically more challenging than simply casing the letter-shaped DAL cards. The critical assumption is that the presence of the DAL requires different handling from what would apply without the DAL. This assumption is not necessarily true in the current delivery operations environment. Experience in today's delivery units suggests that the sequenced flat-shaped pieces will be taken directly to the street in most cases. This tends to validate the belief that the handling of these flat-shaped pieces is unaffected by the presence or absence of a DAL.

For example, consider a scenario where all of the ECR saturation flats that are currently employing the use of the DAL converted to addressed flat-shaped pieces. There is no reason to believe that eliminating the DAL would change the behavior of those delivery units that are currently taking the flat bundles directly to the street. There are obviously situations that currently exist where flats are not taken directly to the street such as the presence of two sets of saturation flats on the same delivery day. In that case, the two sets of flats would most likely be collated, but the delivery method would not be affected by the absence or presence of a DAL. Moving the address from the DAL to the host flat piece is not likely to change the in-office treatment of a saturation flat mailing that otherwise would have gone directly to the street. This seems to imply that the original justification for the DAL is no longer applicable in today's operating environment.

DAL cards for items such as phone books mailed in saturation quantities are a separate issue. Under those circumstances, an addressed DAL that can be cased is beneficial to the carrier, who can deliver the phone books without having to handle them as separate parcel deliveries.

3.2 Rigid Flats

There are currently some mail pieces in the mail stream that do not easily fit into the requirements or classifications for either flats or parcels. These "hybrid" or rigid pieces are also sometimes referred to as flat-rated parcels since they are entered in the mail stream as flats, but are generally processed as parcels. These pieces can be characterized by being less than 5" X 6" or more than 12" X 15" X ¾" but there can also be other rigid pieces within these dimensions. For rural routes, there are very specific measurements that apply to whether the rigid piece is a flat or a parcel. If the mail piece is more than 18" in length, more than 1 and 9/16" in width, or more than 5" in height, the piece is considered a parcel. Delivery units often request that these rigid pieces not be processed with the flat-shaped mail.

These pieces are not generally processed through automation for either city or rural routes, since their varying sizes create problems because they are too small, too large, or too thick to be easily handled. These pieces also create a situation that causes additional processing and handling during preparation

and delivery by the carriers. Their size and rigidity destabilize the flat-shaped bundles, which mean that they must be removed and handled separately by the carrier on sections of the route that are considered walking.

Even if they are processed and handled as Small Parcels or SPRs by the processing facility, they are often removed from the parcel stream and placed in a separate flat tub within the parcel hamper at the destination delivery unit, by either the clerk who is distributing the pieces or by the carrier as they sort their parcels. These mail pieces usually result in additional handling at the delivery unit for both the clerk and the carrier.

If they are processed and included with flat-shaped pieces, the carrier will usually remove them from the flat tub and handle them separately. As noted, their size and/or shape create problems in casing and during delivery by the carrier on the street, due to the destabilization of the flat bundles. On walking sections of a route, the carrier may place them in the satchel and deliver them as he would a small parcel if the size of the rigid mail piece is conducive to fitting in the satchel. If the size or shape of the rigid mail piece is not conducive to delivering at the time letter and flat-shaped mail is delivered, the carrier will handle them as they do large parcel-shaped pieces.

In either case, the need for additional handling increases the in-office and on the street preparation time and productivity is affected. The impact largely

depends on the characteristics of the piece. If a rigid piece exceeds 6” in both length and width, or approximately ¾” in thickness, it is either impossible or impractical to case it in a vertical flats case with normal separations, which measure about 6” in height by 1” wide. If a rigid piece is smaller, the carrier may choose to case it with the flat-shaped pieces for at least some sections of the route. Furthermore, smaller rigid items are likely to fit in most, if not all, mail receptacles on the route while larger rigid items are more likely to require a notice of attempted delivery. The needs of the delivery unit should be considered by the processing facility in order to provide the most cost effective and efficient method for handling these pieces.