

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

MAIL PROCESSING
NETWORK RATIONALIZATION
SERVICE CHANGES, 2012

DOCKET No. N2012-1

**DIRECT TESTIMONY OF
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ON BEHALF OF
THE UNITED STATES POSTAL SERVICE
(USPS-T- 8)**

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1 **AUTOBIOGRAPHICAL SKETCH**

2 My name is Kevin B. Rachel. Presently, I am the Manager, Collective
3 Bargaining and Arbitration in the Labor Relations department for the United
4 States Postal Service. I have been in this position for nine years. I have worked
5 for the Postal Service for over 32 years holding jobs with increasing responsibility
6 within the Law Department and Labor Relations. In my current position, I am
7 responsible for general oversight, economic and work rule analyses and logistical
8 support for all national collective bargaining negotiations and any dispute
9 resolution processes that follow. I also have national responsibilities for the
10 Postal Service's arbitration program.

11 I earned a Bachelor of Science degree from David Lipscomb College and
12 a Juris Doctor degree from the University of Texas School of Law. This is my
13 first time testifying before the Postal Regulatory Commission.

1 **I. PURPOSE OF TESTIMONY**

2 The purpose of my testimony is to discuss how the Postal Service intends
3 to reduce and realign its complement of employees under the Network
4 Rationalization Initiative. I will provide a description of the types of employees in
5 the processing network. I will also discuss the legal obligations that may affect
6 the Postal Service's ability to reduce its complement. I will then describe the
7 tools the Postal Service will use to reduce its complement in accordance with
8 legal obligations.

1 **II. BACKGROUND**

2 The subsections below provide a description of the mail-processing
3 network from a labor perspective and a description of the types of employees
4 that carry out processing activities.

5 **A. Overview of Processing Network**

6 As described in the Direct Testimony of Frank Neri on Behalf of the United
7 States Postal Service (USPS-T-4), a systemwide review of mail processing
8 operations at virtually all Processing and Distribution Centers (P&DCs) is
9 underway. These reviews are being conducted in phases over time in
10 accordance with the postal policies set forth in USPS Handbook PO-408, *Area*
11 *Mail Processing Guidelines*. As a result of these reviews, it may be determined
12 that the processing operations at particular P&DCs will be relocated to other
13 P&DCs in the network to gain efficiencies in processing. These facility and
14 network changes will determine how many employees are necessary and where
15 those employees should be employed in order to achieve expected
16 improvements in efficiency.

17 **B. Employee Types**

18 Presently, we have approximately 110,000 employees in the mail
19 processing network. These employees serve as managers, supervisors,
20 technical experts, clerks, maintenance workers, motor vehicle operators, and
21 mail handlers. Certain employee positions that are likely to be affected by the
22 Network Rationalization Initiative are described below.

1 **1. Clerks**

2 Postal clerks are primarily responsible for the sortation of individual mail
3 pieces at each P&DC. They operate automated or mechanized sortation
4 equipment or sort mail manually if it is not automation or machine-compatible.
5 The emphasis on automation in recent decades has resulted in the current mail
6 processing environment in which 95 percent of First-Class Mail letters are sorted
7 by automated mail processing equipment.

8 **2. Mail Handlers**

9 Postal mail handlers operate mail-processing equipment and ensure that
10 mail is properly loaded onto the equipment. Additionally, mail handlers operate
11 tow motors to drive containers of mail between processing operations housed
12 within a P&DC and to and from the receiving and destinating dock operations.
13 Mail handlers also load and unload trucks at the docks.

14 **3. Motor Vehicle Operators**

15 As discussed in the testimony of Postal Service witness Cheryl Martin
16 (USPS-T-6), career motor vehicle operators, Postal Vehicle Service (PVS)
17 drivers transport mail in medium to large trucks between P&DCs and between a
18 P&DC and Post Offices within its service area. Postal motor vehicle operations
19 are complemented by transportation services provided by private Highway
20 Contract Route (HCR) trucking companies. The contractors may transport mail
21 over long distances between P&DCs or between a P&DC and Post Offices within
22 its service area.

1 **4. Maintenance Personnel**

2 Generally, as described in the testimony of Postal Service witness
3 Dominic Bratta (USPS-T-5), maintenance employees who work in the mail
4 processing network include: skilled equipment, skilled building, and custodial
5 maintenance. Skilled equipment maintenance employees provide daily upkeep
6 on mail processing equipment. They also react to machine breakdowns to
7 reduce processing downtime. These skilled equipment maintenance employees
8 receive substantial training so that they can acquire the specific skills needed for
9 each machine type. Skilled building maintenance employees maintain the
10 systems that affect the work environment within a P&DC, such as the heating,
11 ventilation, and air conditioning (HVAC) systems. They receive training on the
12 specific systems in use at local sites. Their work is usually supplemented by
13 contracts with private companies. Custodial maintenance employees keep the
14 buildings clean internally and externally.

15 **5. Non-Bargaining Personnel**

16 The potentially impacted facilities also include a number of non-bargaining
17 unit employees including managers and supervisors of various distribution,
18 maintenance and vehicle operations, and other technical and administrative
19 employees.

1 **III. LEGAL REQUIREMENTS AND CONTRACTUAL PROVISIONS**

2 The sections below describe the relevant statutes and contracts that guide
3 Postal Service's decisions concerning reductions in complement and the
4 reassignment of employees.

5 **A. Collective Bargaining Agreement Provisions**

6 Two major unions represent bargaining unit employees potentially
7 impacted by the modified complement requirements that are expected to result
8 from implementation of the Network Rationalization Initiative. The American
9 Postal Workers Union, AFL-CIO (APWU), represents clerks, maintenance, and
10 motor vehicle operators. The National Postal Mail Handlers Union, AFL-CIO,
11 represents mail handlers. The Postal Service has collective bargaining
12 agreements with both of these unions. Relevant features of these agreements
13 are described below. I will first describe provisions common to both agreements,
14 followed by descriptions of contractual provisions specifically applicable to either
15 the APWU or Mail Handlers.

16 **1. Involuntary Reassignment Process**

17 The Postal Service has longstanding practices and procedures for the
18 involuntary movement of impacted bargaining unit employees. An "impacted"
19 employee is an individual whose current job may be altered or eliminated due to
20 a restructuring. The processes and procedures regarding reassignment are
21 contained in Article 12 of both the APWU and Mail Handler collective bargaining
22 agreements (as modified by various Memoranda of Understanding). The
23 principal basis for designating employees for involuntarily reassignment is an
24 employee's seniority. The agreements generally require management to

1 reassign employees with less seniority before reassigning employees with
2 greater seniority. However, with respect to some P&DC closings, the Postal
3 Service may need to involuntarily reassign all employees at that facility.

4 When reassigning bargaining unit employees, the contracts require postal
5 management to adhere to the following steps. First, management will look to
6 reassign bargaining unit employees within the same craft and installation. If that
7 is not possible, then management will look to reassign outside the craft, but
8 within the installation. If that is not possible, management will look to reassign
9 within the craft, but outside the installation. Finally, if this cannot be achieved,
10 management will look to reassign outside the craft, and outside the installation.

11 ***APWU Contract Provisions:*** The 2010 National Agreement with the
12 APWU added some requirements to the Article 12 reassignment procedures
13 referenced above. The reassignment (excessing) of APWU employees to
14 withheld (available vacant) positions outside of the employee's present
15 installation within the same postal area may occur not more than once in any
16 three calendar month period (except by mutual consent of the parties). This
17 allows employees to utilize their seniority within the group of all the affected
18 employees to select the position to which they will be assigned.

19 The APWU National Agreement includes provisions that may reduce the
20 need to involuntarily reassign employees outside their current craft or installation.
21 Employees have the opportunity to utilize the eReassign program (described
22 below) to voluntarily transfer to available vacant positions. In affected facilities
23 not scheduled for closure, the Postal Service will review its operations to

1 determine whether excessing may be minimized with the creation of different
2 work schedules and/or new, more efficient duty assignments within the
3 installation.

4 **NPMHU Contract Provisions:** The reassignment of mail handlers to
5 other installations is conducted without regard to employee level. As such, the
6 most junior level 4 and/or level 5 mail handlers would be designated for
7 excessing or involuntarily transfer.

8 **2. Notice Provisions**

9 Pursuant to both the APWU and Mail Handler contracts, at least ninety
10 (90) days in advance of implementation of a plan or action that will require the
11 reassignment of employees, the Postal Service will notify and advise the unions
12 how it intends to implement the plan. The Postal Service will also provide
13 notification to and, when possible, will meet with the unions at the regional level
14 as much as six months in advance of the anticipated reassignments.

15 In addition, the Postal Service will begin withholding a sufficient number of
16 positions for the placement of impacted employees. The term “withholding”
17 describes the process whereby vacant positions remain unfilled so that they will
18 be available to place impacted employees. Generally, employees are given at
19 least a sixty (60) day advance notice that they will be reassigned. Additional
20 processes are contract-specific, as explained below.

21 **APWU Contract Provisions:** The APWU National Agreement requires
22 six months notice to the National Union before nationwide changes in the
23 processing network. The Postal Service provided notice to the national office of

1 the APWU on August 15, 2011. Under the agreement, the Postal Service must
2 notify the APWU at the regional level no less than ninety (90) days prior to the
3 change(s) being implemented. This notice must include the specific employee
4 impacts and a listing of alternative jobs available at the time of the change(s) for
5 the impacted employees. Following the 90-day notice to the APWU regional
6 office, the Postal Service will meet with APWU regional officials to discuss the
7 change(s). No less than sixty (60) days prior to the change(s), potentially
8 impacted employees will receive a general notice advising them that they are
9 likely to be involuntarily reassigned. The notice also provides the employee
10 options available to avoid involuntary reassignment. APWU employees must
11 receive notice of their future job assignment no later than thirty (30) days before
12 the reassignment. This notice includes the employees future job location, job
13 title, and work schedule.

14 **NPMHU Contract Provisions:** The NPMHU notice provisions are similar
15 to those contained in the APWU contract. As such, the NPMHU received the
16 national notice of the proposed changes to the national processing network on
17 August 15, 2011.

18 **3. Involuntary Reassignment Distance**

19 The APWU contracts and Mail Handler contracts differ with regard to the
20 distances a bargaining unit member can be involuntarily reassigned. The
21 differences between the contracts are described below.

22 **APWU Contract Provisions:** When impacted employees cannot be
23 placed in positions within their installation and craft, management and the union

1 will meet to discuss available options. Any excessing of employees outside the
2 installations will be to assignments within 40 miles or, if necessary, 50 miles, if
3 reassignments within 40 miles are not available.

4 If there are insufficient numbers of vacant positions available for the
5 reassignment of employees within a 50-mile radius, the APWU National
6 Agreement provides that management and the union will meet at the national
7 level to determine what steps may be taken. Employees ultimately reassigned to
8 positions beyond 50 miles are to be provided at least 60 days written notice of
9 the awarded duty assignment prior to the reporting date, absent mutual
10 agreement to a shorter period of time.

11 **NPMHU Contract Provisions:** Pursuant to the NPMHU contract, the
12 Postal Service must initially look to reassign employees to available vacant
13 positions within a 35-mile radius of the losing installation. If no available
14 positions are located, the radius is expanded incrementally until placements have
15 been completed. The NPMHU national agreement does not establish a limit on
16 the distance the Postal Service may search for a position for a displaced
17 employee.

18 Reassignments of mail handlers to vacant positions within the commuting
19 area (50 miles) require a 30-day advance notice to the union and the employee.
20 Sixty days notice is required for reassignments outside the local commuting area.

21

1 **B. Veterans Preference Act and RIF Procedures**

2 The Veteran’s Preference Act of 1946 has provided certain “preference-
3 eligible” employees with additional rights when the Postal Service is conducting a
4 restructuring. Essentially, these preference-eligible employees have greater
5 rights to position/job retention in the implementation of a Reduction-In-Force
6 (RIF). The Postal Service at times has placed impacted veteran preference-
7 eligible employees into positions in the same or equivalent pay level to avoid
8 impact on such employees’ rights. Such employees may also be placed in lower-
9 graded positions if those are the only opportunities available.

10 The Veterans Preference Act also contains provisions that may be
11 collectively referred to as the Reduction-In-Force (RIF) process. In sum, the RIF
12 process is the standard tool used during management restructuring. It provides a
13 higher standing for veterans in a competitive area and competitive level during
14 the restructuring. To-date, the Postal Service has not utilized the RIF process to
15 reduce the complement of bargaining-unit employees. However, the Postal
16 Service anticipates that management-level employees impacted by the Network
17 Rationalization Initiative will be subject to the RIF procedures.

1 **IV. POSTAL PROGRAMS FOR REDUCING COMPLEMENT**

2 In addition to the involuntary reassignment process detailed above, the
3 Postal Service has several programs/processes through which it can reduce its
4 complement. These programs are described below.

5 **A. eReassign**

6 An agreement between the Postal Service, the APWU, the NPMHU, and
7 the National Association of Letter Carriers, AFL-CIO (NALC) permits employees
8 within these crafts to voluntarily transfer to a different facility. Such
9 reassignments are accomplished through a web-based system that allows
10 employees to view posted vacancies and submit applications. Vacancies are
11 filled through a “first-entered, first-considered” process. The Postal Service, the
12 APWU, and the NPMHU have modified this process to provide priority
13 consideration for employees faced with the prospect of being excessed or
14 involuntarily reassigned. This voluntary reassignment program is intended, in
15 part, to reduce the number of employees that will be involuntarily reassigned.

16 **B. Senior Volunteers “in Lieu of” Impacted Employees**

17 The Postal Service also has a program that enables senior, non-impacted
18 employees to volunteer to take the place of junior impacted employees for
19 involuntary reassignment. The program takes advantage of situations where a
20 more senior employee may have a desire to move to another facility voluntarily,
21 thereby allowing a more junior employee impacted by restructuring to remain in
22 his or her position.

1 **C. Voluntary Early Retirement Authority**

2 Voluntary Early Retirement (VER) can be an effective tool for reducing
3 employee complement and thus the need for involuntary reassignments. VER
4 refers to the standard early retirement offered to eligible employees by the Office
5 of Personnel Management (OPM). OPM must authorize the use of VER
6 authority by the Postal Service.

7 **D. Attrition**

8 The make-up of the postal workforce at the time of the filing of the
9 Request in this docket is such that 28 percent were eligible for voluntary optional
10 retirement. Also, 21 percent were eligible for VER. As such, there is at least the
11 potential for significant attrition in the next several years. The Postal Service
12 anticipates that attrition in mail processing facilities that are not being studied for
13 possible closure will result in an increase in the number of landing spots that may
14 be offered to impacted employees. Attrition within a closing P&DC will also
15 reduce the number of impacted employees.

16 Another option that may accelerate attrition would be to offer an incentive
17 payment for retirement. Generally, such incentives must be bargained with the
18 applicable union.

19 **E. Layoff/RIF**

20 Article 6 of the labor agreements with the APWU and NPMHU generally
21 provide layoff protection to career employees who have reached six years of
22 service. Article 6 also provides the procedure for laying off employees not
23 protected. Pursuant to additional MOUs, layoff protection also is provided to

1 APWU career employees on the rolls as of November 20, 2010, and to Mail
2 Handler career employees on the rolls as of November 20, 2006. Non-career
3 employees are not protected from layoff. Management employees generally are
4 subject to the RIF process, which can ultimately lead to separation from the
5 Postal Service if another position cannot be found.

1 **V. MAGNITUDE OF IMPACT**

2 As stated above, the Postal Service employs 110,000 employees in the
3 processing network. Presently, the Postal Service anticipates a significant
4 reduction in employees resulting from the Network Rationalization Initiative.
5 These reductions will be made in accordance with the legal and contractual
6 requirements discussed above.

7 Generally, complement reductions within the processing network will be
8 accomplished through:

- 9 • Voluntary movement utilizing eReassign;
- 10 • Normal attrition over the next several years;
- 11 • Reductions in non-career employees;
- 12 • Article 12 involuntary reassignments;
- 13 • Voluntary early retirement (VER);
- 14 • Management reductions in force (RIFs);
- 15 • Retirement incentive options (potentially); and/or
- 16 • Bargaining unit layoffs pursuant to Article 6.

17 Many aspects of the Network Rationalization Initiative are still being
18 developed. As the initiative proceeds and as the review of specific facilities for
19 possible closure continues, the potential impact to complement will become more
20 clear. As the process unfolds and final facility-specific determinations are made,
21 facility-specific “complement reduction plans” will be developed for each
22 consolidation. Each plan will include the consideration of unique factors that will
23 have an impact on complement movement, including the plant’s proximity to

1 other postal facilities, staffing levels at other facilities, eligibility of impacted
2 employees with regard to optional retirement and/or VER, as well as the
3 uncertainties of attrition. Additionally, complement reduction plans may be
4 influenced by the outcome of current labor negotiations and the potential for
5 VERs, incentive options, and legislation. The potential impact of such factors
6 cannot be determined with precision at this time.

7 The Postal Service has already begun to withhold vacant positions so that
8 employees who may be impacted by pending consolidations may have landing
9 spots. The Postal Service will have retail clerk, city carrier, and custodial
10 positions available for the placement of employees who may be impacted by
11 pending consolidations. Impacted employees will be matched to vacancies by
12 their seniority. If an impacted employee is not currently qualified for a vacant
13 position, that employee will be afforded the opportunity to qualify for the new
14 position.

15 Clearly, the various tools available to the Postal Service for the movement
16 of personnel and reduction of complement will allow for the capture of savings
17 from plant consolidations. However, the timeframe within which the Postal
18 Service will be able to capture such savings will depend on decisions that have
19 yet to be made. Some of these uncertainties are described below.

20 **A. Number and Location of Consolidated Plants**

21 It is difficult to assess the ultimate impact to complement prior to decisions
22 being made regarding specific plant closings. Once plant-specific closing
23 information is finalized, the Postal Service can analyze the age and years of

1 service demographics of the workforce at each location, as well as the specific
2 number and types of positions that will be impacted based on operational
3 scheduling and staffing study information completed for that individual facility.
4 This information will be necessary to make judgments regarding the potential
5 attrition over the course of FY 2012 and beyond. Moreover, this information will
6 help in assessing the potential for reductions related to a VER offering and/or the
7 use of incentives (should they be approved).

8 This plant-specific information will also be helpful in determining the
9 number of vacancies within the commuting area surrounding impacted sites.
10 This data is essential for evaluating the prospects for Article 12 involuntary
11 reassignments. The data will also include vacancies in a wider geographic area,
12 which can be used to assess the potential for voluntary employee transfer
13 through eReassign. The result will be a clearer assessment of how and under
14 what circumstances employees will move to other facilities.

15 Generally, in instances where consolidations occur in metropolitan
16 locations with gaining facilities in the commuting area, there is the greatest
17 opportunity for reassignment of needed employees to the continuing plant facility.
18 After reassignment of these needed employees at the gaining facility, the
19 additional excess employees will typically be placed in positions that have been
20 held open for impacted employees and that are located at other facilities (*e.g.*,
21 Post Offices). Typically, there are few, if any, remaining unplaced employees
22 after these steps are taken, provided that sufficient additional vacancies are
23 available for placement.

1 The placement solution becomes more challenging at impact sites without
2 multiple mail processing locations within the commuting area. In these
3 instances, a greater reliance on accelerating normal attrition will be
4 necessary in order to more timely capture staffing reduction savings.
5 As impacted sites are finalized and as decisions regarding VER and incentives
6 are made, I anticipate that the Postal Service will have greater clarity on how
7 rapidly the full workforce savings can be achieved.

8 **B. Timing of Consolidations**

9 As stated above, consolidations resulting from the Network Rationalization
10 Initiative will occur in stages over time. Greater attrition rates can be expected in
11 locations where the consolidation is implemented later and in locations where the
12 workforce profile is skewed towards employees closer to optional retirement
13 eligibility. Typical experience over the last several years has yielded
14 approximately a 3 to 5 percent “normal” attrition rate per year. This would be
15 augmented by any VER offering or incentive, should the decision be made to use
16 these tools.

17 **C. VER and Incentive Determinations**

18 While a decision has not been made regarding a VER and/or an incentive
19 to induce retirements, the Postal Service has experience in targeting such
20 initiatives to maximize impact. We can offer these opportunities narrowly, for
21 instance, to impacted employees at impacted facilities. In this way, each
22 employee who leaves directly adds to the savings.

1 Another approach is to offer VER and or incentives more broadly to
2 include employees and facilities not directly impacted by Network Rationalization.
3 This serves to increase the potential pool of employees eligible to leave the
4 Postal Service. By strategically determining the locations and individual groups
5 that are offered the VER and/or incentives, non-impacted employees who choose
6 to leave will create landing spots for impacted employees who either choose to
7 stay or are not eligible to retire.

1 **VI. CONCLUSION**

2 Clearly, Network Rationalization will increase efficiencies and create the
3 opportunity to obtain significant cost savings. Labor costs will make up a
4 considerable part of those savings. My testimony sets forth the processes and
5 tools available to the Postal Service to achieve labor savings through
6 complement reductions. The Postal Service has considerable experience
7 utilizing these tools and has done so with great success in the past. I am
8 confident that we will be able to utilize these tools to achieve considerable
9 savings in the context of this initiative. Network Rationalization Initiative is still
10 unfolding. My understanding is that facility consolidations will be implemented in
11 phases beginning in calendar year 2012. Given the matrix of personnel
12 excessing and reassignment tools that may be utilized, it can be expected to
13 take some time before all of the resulting personnel costs savings will be
14 achieved after all of the service changes and operational consolidations have
15 been implemented. I am very confident however, that using the tools currently
16 available, the Postal Service will reap considerable labor cost savings over time
17 as a result of Network Rationalization.