

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

MAIL PROCESSING NETWORK RATIONALIZATION
SERVICE CHANGES, 2011

Docket No. N2012-1

**RESPONSES OF UNITED STATES POSTAL SERVICE
WITNESS DAVID WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORIES
(APWU/USPS-T1-21 THROUGH 27, 29 AND 30)**

The United States Postal Service hereby files the responses of witness David Williams to the above-listed interrogatories of the American Postal Workers Union dated February 17, 2012. Each interrogatory is stated verbatim and followed by the response. Interrogatory T1-28 has been redirected to the Postal Service for an institutional response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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APWU/USPS-T1-21 USPS-LR-N2012-1/57 provides a list of 487 facilities that is described as being the network as of September 15, 2011.

- a) Is this the Postal Service mail processing facility listing as of that date?
- b) If not, what network does it represent?
- c) How does this list differ from the frequently used number of 461 facilities in today's network?

RESPONSE

- a. See the response of witness Neri to GCA/USPS-T4-2.
- b. N/A
- c. The list is different in that it does not include facilities in which the mail processing operations were consolidated after that point in time.

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APWU/USPS-T1-22 There are 21 NDC's listed on USPS-LR-N2012-1/57.

- a) Which mail processing functions currently take place in these locations?
- b) Which NDCs currently have FSS machines installed in them?
- c) Please refer to the December 27, 2011 AMP Feasibility Study (summary) for Southern CT (Wallingford) P&DC. That AMP study summary indicates that it would not be possible to move all mail processing operations into the Hartford P&DC but the business case exists for moving the letter volume to Harford and the flat and parcel volume to the Springfield NDC. Would this require new mail processing operations be performed at that NDC which are not currently performed there?
- d) Under the proposed network rationalization plan, would NDCs take on more mail processing functions than in the current network?

RESPONSE

- a. Typically, Network Distribution Centers process Package Services, Standard Mail parcels, letter trays, Standard bundles and Periodical bundles. In some instances, some NDCs have expanded their role to include Priority Mail distribution, STC functions, as well as mixed states single-piece distribution and FSS processing.
- b. New Jersey, Springfield and Philadelphia.
- c. No, currently there are AFSM100 machines located at that facility. Additional flat and parcel volume would be processed at the Springfield facility.
- d. In some instances. As mentioned by witness Rosenberg (USPS-T-3), the NDC network was not included within the preliminary model results. As mentioned throughout the testimony and interrogatories, the model results were the first step in the process to assess the potential opportunities associated with the changes proposed through mail processing rationalization. During that process, it was determined in some instances, the use of NDCs to consolidate operations that made sense should occur.

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APWU/USPS-T1-23 USPS-LR-N2012-1/6 provides a list of mail processing facilities being studied for consolidation opportunities.

- a) Please confirm that there are 14 sites on that list that do not require AMPs because they are contractor-operated sites or are sites that do not contain mail processing operations. What is the estimated savings amount obtained from this group of facilities?
- b) Please confirm that there are 38 sites on that list that do not require a formal AMP but do require public comment. What is the process for those public comments to be collected? What is the estimated savings amount obtained from this group of facilities?
- c) What factors determine when a CSMPC requires an AMP and when it does not require an AMP?
- d) Please confirm there are 186 sites on that list for which AMPs have been conducted under this initiative and public meetings held.
- e) Please provide the date by which the AMP documentation will be submitted to the PRC. Will those be available before the close of discovery on February 24?
- f) Please provide the current status of the following sites on that list that do not seem to fit into any of the above groups: Boston, MA P&DC; Burlington, VT P&DF; Detroit, MI P&DC; Grand Forks, ND CSMPC; Irving Park, IL P&DC; Manasota, FL P&DC; Manchester, NH P&DC; North Platte, NE CSMPC; Rapid City, SD P&DF; San Bernardino, CA P&DC; South Jersey P&DC; and Western Nassau, NY P&DC.
- g) Please confirm that several of these facilities are gaining facilities with respect to the AMPs mentioned in (c) above.
- h) Will AMP-related public hearings be conducted at any of these sites in relation to this proposal? If so, within what time frame?

RESPONSE

- a. The sites on this list do not require a full AMP study because they do not process traditional Sectional Center Facility, originating and/or destinating operations.
- b. The sites on this list do not require a full AMP study because they do not process traditional Sectional Center Facility, originating and/or destinating operations. The Postal Service solicited public comment for these particular studies. The process for collecting public input was to publish announcements soliciting input in the local newspaper corresponding to

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- the facility. The solicitation described the proposed consolidation and potential impacts, and had an address to which comments could be sent. The comments were reviewed and considered by the Vice President of Network Operations and the Area Vice Presidents (and members of their respective management teams) in conjunction with each decision.
- c. The USPS Handbook PO-408 guidelines apply to examining the consolidation of all originating and/or destinating operations from an SCF. The definition of originating and/or destinating operations is based upon primary distribution of outgoing first class letter and flat mail and incoming Sectional Center Facility (SCF) distribution of letter and flat mail. Facilities that did not undergo the process as outlined in PO-408 did not fit the description of performing all primary outgoing and/or all destinating SCF distribution of letter and flat mail for one or more three digit ZIP codes.
- d. Confirmed.
- e. Before the middle of March 2012, non-public versions of decision packages will be filed, as well as redacted public versions.
- f. Detroit, MI P&DC – Remain a facility in the network
Grand Forks, ND CSMPC – Remain a facility in the network
Irving Park, IL P&DC – Remain a facility in the network
Manasota, FL P&DC – Remain a facility in the network

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Manchester, NH P&DC – Remain a facility in the network

North Platte, NE CSMPC – Remain a facility in the network

Rapid City, SD P&DF – Remain a facility in the network

San Bernardino, CA P&DC – Remain a facility in the network

South Jersey P&DC – Remain a facility in the network

Western Nassau, NY P&DC – Remain a facility in the network

- g. Confirmed.
- h. No, it was determined during the review process these were operationally infeasible and the study did not move forward. It did not make sense for the Postal Service to hold a public input meeting for a facility that was deemed operationally infeasible.

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APWU/USPS-T1-24 There are four sites that do not appear on USPS-LR-N2012-1/6 but which have undergone the AMP process within the time period of this study.

- a) Please confirm that Mid-Florida P&DC, Owensboro, KY CSMPC, Staten Island P&DF and Washington, PA CSMPC have been added to the study list for this initiative.
- b) What factors caused these particular sites to be added?

RESPONSE

- a. The following studies were initiated prior to the mail processing network rationalization effort: Owensboro KY, Staten Island NY, and Washington PA.

The list of facilities that were underway prior to the announcement of the study list associated with Mail Processing Network Rationalization was provided in USPS Library Reference N2012-1/5.

Mid-Florida FL was added to the study list during the AMP review period for this initiative.

- b. Mid-Florida FL was added as a study site after the field management had a chance to review the original Orlando FL – Mid-Florida FL AMP proposal. After an initial review, the field determined maintaining the Orlando FL facility made more sense due to its proximity to the airport, as well as to the Orlando L&DC, which was also to remain in the mail processing network.

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APWU/USPS-T1-25 A recent webinar by the PMG entitled “USPS Financial Future Responsibly Realigning Our Network” presents a timeline on page 12. The timeline indicates that AMP decisions will be complete by the end of February. How does February 23rd fit into this timeline?

RESPONSE

On February 23, 2012, the Postal Service notified employees at affected facilities of the decisions regarding on whether their operations would be consolidated, pending a determination regarding service standard changes. This date was before the end of February, consistent with the timeline.

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APWU/USPS-T1-26 On page 5 of the webinar presentation mentioned in the question above, there is a notation that the realignment of the network will reduce annual operating costs by \$2.6 billion.

- a) Does this \$2.6 billion estimate come from the cost savings estimates produced by witness Smith and witness Bradley in this case?
- b) Do you consider the cost savings estimates that are produced by the AMP process to be more accurate?
- c) Are there any major areas of cost savings that the AMPs do not capture? If so, which ones are they?
- d) The cost savings estimates from the 186 AMP summaries mentioned in APUWUSPS-T1-23(c) total to number that is substantially less than \$2.6 billion. Has your staff analyzed the differences between these two estimates? If so, please provide that analysis.

RESPONSE

- a. Confirmed
- b . I will leave it to the postal costing witnesses to explain the differences, but it is my understanding that (1) their aggregate network cost change estimates and (2) facility-specific cost estimates generated through the AMP guidelines (and subordinate facility-specific estimation processes) reflect different methodologies which are not designed to measure the exact same cost phenomenon. It is the objective of the AMP process to produce accurate estimates based upon the methodology that it employs. However, multiple, simultaneous AMP studies focused on specific operational consolidations at particular facilities are not designed to capture network-wide cost changes that will result from the implementation of those consolidations. So if the question is asking me whether the AMP process fully captures all savings expected through the Mail Processing Network Rationalization for the entire network, I would answer in the negative.

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- c. Yes. The AMP review process is a site-specific analysis of the potential savings associated with the consolidation of site-specific operations. There are major areas of savings that the AMP process does not examine and hence were not taken into account. The role of each individual AMP proposal is not to assess what the network change would be, but rather to evaluate on a site-by-site basis whether there is a business case to support consolidation of mail processing operations within the context of the service standard change. When calculating AMP savings, conservative assumptions are applied. For example, an AMP package does not assess any estimated increase in productivities for any operations that remain behind in the consolidated site. Likewise, any facility that was not evaluated as part of the AMP study process (a site that neither gained nor lost workload) is not evaluated for any estimated increase in productivities based on the operational changes proposed. Putting aside aggregate differences that might result from a smaller number of consolidations being implemented that was assumed at the beginning of this docket, the limited scope of the AMP packages, therefore, will be visible in the difference between the cumulative total of estimated cost savings generated by the numerous AMP packages and the aggregate cost savings estimate filed in support of the advisory opinion request.

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RESPONSE to APWU/USPS-T1-26 (continued)

The AMP post-implementation reviews (PIRs) provided in USPS Library Reference N2012-1/12 reflects that the AMP process provides conservative estimates. Of those filed as part of this case, 24 final PIRs on AMP studies which have shown an actual savings of \$345.3M, when compared to an estimated savings of \$71.6M. The Postal Service also recognizes that in any analysis of network-wide cost changes, it should develop reasonable estimates of what those savings might actually be in a full-up environment which was done for this proceeding.

The AMP consolidations that were evaluated represent only a portion of the mail processing network. As explained in my response in NPMHU/USPS-T1-6, for the sites that were announced, their workload represented approximately 35 percent of total workload. In addition to those sites that were announced, the Postal Service expects savings associated with the realignment of mail processing operations in every facility in the network due to the operational changes resulting from the service standard changes proposed, as detailed in the expected productivity changes estimated in witness Neri's testimony (USPS-T-4).

AMPs should not be considered full-up network operational impact assessments. In development of the cost estimates of the AMPs, local, area and headquarters managers jointly estimate the immediate workhour,

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complement and transportation requirements in order to complete the consolidation of operations within one year. This leads necessarily to conservative estimates of cost savings within these packages. For example, the Postal Service's case envisioned an environment in which facilities that were consolidated would be removed from the Postal Service network in the full-up network environment. However, in the short-term, the AMPs may reflect maintaining that facility for local transportation purposes. In the long-run, full-up network, the Postal Service would not be maintaining significant square footage for a small cross-dock operation.

There are known areas of savings that the Postal Service has not evaluated through the AMP process, but were included as part of this docket. Namely, the Postal Service does not include the savings associated with premium pay reductions, rents or rental opportunity savings, additional DPS sorting, or service-wide benefits as part of the wage rates utilized in the AMP packages. In addition, the Postal Service has not included the additional air cost into the AMP packages. There are also areas where an estimate of savings is made. However, the Postal Service is persuaded that the vast majority of these savings have not been captured through the AMP process. Examples include utilities, supplier and contractor costs, parts and supplies, reductions in outgoing secondary sortation and the productivity improvements associated with the Upgraded

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Flats Sorting Machine 100 and Carrier Sequence Barcode Sorter
consolidation.

- d. My staff has reviewed the total savings associated with the two estimates. During the completion of the AMP proposal it was noted that not all savings associated with the PRC proceeding would be visible in the sum of the results of the AMP packages for the reasons described above in response to parts b and c.

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APWU/USPS-T1-27 On page 10 of the aforementioned webinar, there is an example of proposed area hubs.

- a) Under what sets of circumstances will these hubs operate?
- b) What activities will take place at these hubs?
- c) Have the costs of running these hubs been included in the cost estimates presented by witnesses Smith and Bradley?
- d) Will these hubs be located in facilities that no longer contain mail processing activities but do contain retail units and BMEU?

RESPONSE

- a. They will operate to provide points in the network to increase the efficiencies of transportation in comparison to direct trips to and from every mail collection and delivery point. The Postal Service utilizes this concept in today's network.
- b. Cross-dock of mail to and from collection and delivery points.
- c. To the extent that witness Martin in her analysis of local transportation ensured appropriate transportation from collection and delivery points to the plants.
- d. Potentially.

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APWU/USPS-T1-29 What changes are expected in the service standards of First Class Parcels under the proposed plan?

RESPONSE

The Postal Service maintains service standards at a mail class level. First Class Parcels will continue to be First Class Mail, and hence follow those service standard business rules.

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APWU/USPS-T1-30 There are approximately 60 AMPs that were approved prior to this initiative that have not been officially tagged as “implemented” on the Postal Service’s AMP tracking page. About.usps.com/streamlining-operations/area-mail-processing.htm

- a) Are any of the AMPs listed as “Approved” on the Postal Service’s AMP tracking page now officially “Implemented”? If so which ones.
- b) In how many of the facilities listed as “Approved” are mail processing operations currently taking place?
- c) In how many of the facilities listed as “Approved” are employees being transported to a different facility to process the mail?

RESPONSE

- a-b.) At the time of receipt of this question, the USPS had already begun the process updating the website identified in this question. It is not known at the time in which this was written which facilities were listed as approved/implemented. The website is under construction to accurately reflect the status of operations.
- c.) There are 2 known facilities in which employees are being transported to a different facility to process the mail. This is occurring in relation to the Oxnard, CA AMP and Ashland, KY AMP.