

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Mail Processing Network
Rationalization Service Changes, 2012

Docket No. N2012-1

PRESIDING OFFICER'S NOTICE
OF SPONSORSHIP OF TESTIMONY
ON COST AND STAFFING ISSUES

(Issued March 21, 2012)

Hearings concerning the Postal Service's proposed Mail Processing Network Rationalization Service Changes have commenced. Based on its preliminary review of the record, the Commission has concluded that two issues related to costs and staffing changes require further record development.

Participants' rebuttal testimony to the Postal Service's direct case is due April 23, 2012. While participants may address these and other issues in their rebuttal testimony, because of a need to conclude this proceeding as expeditiously as practicable consistent with due process requirements, the Commission has determined to retain the services of two consultants to provide an independent evaluation of cost and staffing changes resulting from network consolidation. To wait until the rebuttal testimony is filed to make this decision would unreasonably delay concluding this proceeding.

Testimony, if any, by the consultants, William Weed and Harold Matz, is due April 23, 2012. Neither the Commission nor its advisory staff will have any input into this independent analysis. Individuals needing to communicate with or about the consultants should contact E. Rand Costich, (rand.costich@prc.gov), whose only role in this Docket will be to serve as attorney for the prospective witnesses.

To inform interested participants of the potential scope of the potential testimony, the task description from the consultants' contract's Statement of Work is attached.

Ruth Y. Goldway
Presiding Officer

TASK DESCRIPTION FOR COST AND STAFFING CONTRACT—DOCKET NO. N2012-1**I. Scope of Work**

The Contractor will provide the following professional services and deliverables in Docket No. N2012-1:

A. *Operations Evaluation.* Performance of a Qualitative Evaluation and a Quantitative Evaluation of the Postal Service's estimates in Docket No. N2012-1 of cost savings that would result from network consolidation. This Operations Evaluation shall include the following:

1. *Qualitative Evaluation.*

- From an operational standpoint, an evaluation of the Postal Service's assumptions related to estimated productivity gains. Included in this evaluation shall be:
 - An evaluation of the Postal Service's assumptions about what processing costs are variable and what processing costs are fixed for purposes of network consolidation.
- An evaluation of the operational benefits and drawbacks of the facility consolidations and sort scheme changes that the Postal Service plans. Included in this evaluation shall be:
 - An evaluation of the operational benefits and drawbacks of expanding the outgoing and incoming processing windows as the Postal Service proposes;
 - An evaluation of the operational benefits and drawbacks of eliminating most letter outgoing secondary sorting; and
 - Analysis of the number of outgoing primary separations that would be feasible or beneficial.
- An evaluation of the assumptions underlying the Postal Service's estimate of the number of maintenance hours that will be saved by network consolidation.
- An evaluation of the feasibility or desirability of less drastic reductions in the number of processing plants and amount of equipment than the Postal Service proposes.

- An evaluation of the feasibility or desirability of preserving overnight service standards for some subset of current overnight committed mail.
- A discussion of the equipment and staffing capacity requirements of the network before and after network consolidation, including accommodation of peak volumes.

2. *Quantitative Evaluation.*

- An estimate of the savings, or range of savings under alternate assumptions about the effect of network consolidation on productivity. Included in this estimate shall be:
 - An estimate of the change in savings from network consolidation under alternative assumptions about what processing costs are variable and what processing costs are fixed for purposes of network consolidation.
- An estimate of the savings or range of savings, under alternate assumptions about the effect of planned sort scheme changes.
- An estimate of the savings, or range of savings under the assumption that a portion of current overnight committed mail would continue to receive overnight service.
- An estimate of the savings or range of savings, under alternate assumptions about the number of maintenance hours that network consolidation would save.

B. *Staffing Evaluation.* Subject to the availability of an established Postal Service staffing model that reflects relevant collective bargaining constraints, performance of a Staffing Evaluation of the changes in workforce complement necessary to achieve the cost savings estimated by the Postal Service in Docket No. N2012-1. This Staffing Evaluation shall include:

- Estimates of the staffing changes needed to realize the Postal Service's estimated savings, including overtime hours; part-time hours; casual hours; regular hours; and leave hours.
- Estimates based on historical attrition rates, with any appropriate adjustments, of time it would take for the Postal Service to reduce staff to the levels necessary to achieve its estimated savings.

- Estimates of the number of employees that must be transferred from their current job site by the Postal Service's proposed facility closings. Such estimates shall:
 - Explain in general terms how the Postal Service might redeploy these employees;
 - Estimate how many employees would become excess if there were no feasible redeployments and estimate the impact on the Postal Service if these employees cannot be redeployed or separated, such as the impacts on overall Postal Service costs;
 - An evaluation of the effect of the current collective bargaining restrictions regarding lay-offs and guaranteed hours per week on peak capacity requirements. This evaluation shall include:
 - Estimates of whether the increased flexibility in the most recent labor contract is sufficient to achieve the savings that the Postal Service currently plans to capture through expanded processing windows and reduced service standards; and
 - If not, what additional flexibility would be needed.
- A discussion of the feasibility of reducing staff to the levels needed to achieve the workhour savings estimated by the Postal Service. This discussion shall:
 - Identify any important impediments to such reductions;
 - Identify any staffing tools that the Postal Service would need to achieve the necessary staff reductions;
 - Make any appropriate recommendations as to the use of planning tools to estimate the impact of planned network changes on national staff levels.