

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

MAIL PROCESSING NETWORK RATIONALIZATION SERVICE CHANGES, 2012	DOCKET No. N2012-1
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**SUPPLEMENTAL TESTIMONY OF
CHERYL D. MARTIN
ON BEHALF OF THE
UNITED STATES POSTAL SERVICE
(USPS-ST-2)**

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1 **PURPOSE OF SUPPLEMENTAL TESTIMONY**

2 The purpose of this supplemental testimony is to update the estimated
3 reductions in transportation activity anticipated from the service standard
4 changes under review in this docket and corresponding changes in the mail
5 processing network presented in my direct testimony (USPS-T-6), which was
6 entered into evidence at page 1003 of Tr. Vol. 4 on March 22, 2012. My direct
7 testimony assumed implementation of all of the proposed mail processing
8 operational consolidations under consideration at the time of the filing of the
9 Request in this docket on December 5, 2011. My supplemental testimony
10 incorporates my direct testimony by reference and presents updated
11 transportation reduction estimates based on the operational consolidation
12 decisions announced on February 23, 2012.

13 I sponsor the following Library References, which provide foundational
14 material associated with this supplemental testimony: USPS-LR-N2012-1/77 and
15 USPS-LR-N2012-1/79.

1 **I. OVERVIEW**

2 The estimated reductions in transportation activity that were projected in
3 my direct testimony (USPS-T-6) were based on subsets of routes in the Plant-to-
4 Plant and Plant-to-Post Office networks. In my direct testimony, I explained that
5 the Postal Service was conducting Area Mail Processing (AMP) reviews on
6 selected mail processing facilities, and that each study would require its own
7 evaluation of available transportation, how such transportation should be
8 adjusted, and any consequent increases or decreases in transportation costs.

9 Since the filing of that testimony on December 5, 2011, the Postal Service
10 has announced the results of AMP studies that contain additional information on
11 the routes that are expected to support mail-processing facilities in the
12 rationalized network. Data being evaluated in conjunction with a subset of
13 studies available in early December 2011 informed my original estimates of the
14 anticipated reductions in transportation activity associated with network
15 rationalization. This supplemental testimony takes into account additional
16 information contained in the numerous AMP decisions announced on February
17 23, 2012. Accordingly, in the sections below, I have revised the estimated
18 reductions in Plant-to-Plant trips and Plant-to-Post Office operating miles that are
19 attributable to network rationalization. Additionally, I have revised the estimated
20 number of Postal Vehicle Service (PVS) sites that will close when their
21 associated Processing & Distribution Center (P&DC) is closed.

1 **II. SURFACE TRANSPORTATION RATIONALIZATION**

2 The sections below provide updated estimates of the anticipated
3 reductions in Plant-to-Plant trips and Plant-to Post Office operating miles due to
4 network rationalization as well as the methodology used to produce those
5 estimates.

6 **A. Estimated Reduction in Plant-to-Plant Trips**

7 To update the estimated impact that network rationalization will have on
8 the plant-to-plant transportation network, all routes in the current network were
9 analyzed as candidates for elimination, based on whether: (1) the route could
10 potentially be eliminated through the reallocation of volume from that route to
11 another route with sufficient excess capacity, (2) the route would no longer be
12 needed due to the deactivation of processing plants, and (3) the route exists
13 solely to support our current service standards. This analysis was performed on
14 all Inter-Area, Inter-PDC, and Inter-Cluster routes in the network, including the
15 routes that were analyzed in my direct testimony. See USPS-T-6, at page 9,
16 lines 11 through 23; USPS-LR-N2012-1/11. This analysis is consistent with the
17 method employed in my direct testimony, except that instead of performing a top-
18 down analysis of the routes to identify candidates for elimination, I used a
19 bottom-up approach that incorporated feedback from each Area office
20 concerning which routes should be considered candidates for elimination.

21 The results of my updated analysis are set forth in USPS-LR-N2012-1/77.
22 Based on these results, I estimate that the number of plant-to-plant trips in the
23 current network could be reduced by approximately 8.44 percent through network

1 rationalization. Although this estimated percentage reduction is smaller than the
2 percentage reduction in plant-to-plant trips set forth in my direct testimony (24.71
3 percent), I attribute this difference to a tendency among Area transportation
4 managers implementing significant operational consolidations to cautiously
5 schedule an excess level of highway transportation for future operations to
6 ensure that sufficient transportation capacity is available in the event of
7 unanticipated challenges during the initial phase of implementation. The
8 perception that the costs for additional contract transportation are less than the
9 costs of augmenting mail processing operations may also incent Area officials to
10 consider adding additional transportation capacity before considering additional
11 mail processing equipment to process additional mail volume. In my experience,
12 Post Implementation Reviews generally show that post-consolidation
13 transportation needs are less than the needs that were projected in AMP studies.
14 As a result, I believe that the 8.44 reduction in plant-to-plant trips may be a
15 conservative estimate of the actual percentage reduction that can be realized
16 through network rationalization.

17 **B. Estimated Reduction in Plant-to-Post Office Operating Miles**

18 I have updated my original estimate of the impact that network
19 rationalization would have on the current Plant-to-Post Office transportation
20 network. In so doing, I applied the methodology described in my response to
21 Question 6(a) of Presiding Officer's Information Request number 4 to all of the
22 plant-to-Post Office routes that were identified in AMP studies that were
23 approved by the Postal Service and that were announced on February 23, 2012.

1 The results of my analysis are set forth in LR-N2012-1/77. Based on this
2 analysis, I estimate that the number of plant-to-Post Office operating miles in the
3 rationalized network could be reduced by approximately 3.18 percent through
4 rationalization of the network.¹ In my view, the difference between this estimated
5 percentage reduction in plant-to-Post Office operating miles and the percentage
6 set forth in my direct testimony (13.68 percent) is due to the same factors
7 discussed above on page 4, lines 1 through 16. As a result, I believe that the
8 3.18 percent reduction in plant-to-Post Office operating miles may be a
9 conservative estimate of the actual percentage reduction that can be realized
10 through network rationalization.

11 Additionally, my direct testimony identified 40 PVS sites that would close
12 when their associated P&DC is closed. Based on the February 23, consolidation
13 decisions, I have revised that figure to 32 PVS sites. The list of sites appears in
14 library reference USPS-LR-N2012-1/79.

¹ In my direct testimony, the estimated 13.68 percent reduction in plant-to-Post Office operating miles represents an average of the percent reductions in operating miles derived from each of the initial fourteen AMP studies that I reviewed. This approach was taken because few data (relative to the entire plant-to-Post Office network) were available on December 5, 2011. If the same calculation is performed on the AMP data available today, the result is an estimated 7.70 percent reduction in operating miles. See USPS-LR-N2012-1/77, "Plant-to-Post Office Spreadsheet," "Average" tab.

However, now that data from all the approved AMP studies are available, I believe that the estimated percent reduction in operating miles should reflect (a) the total number of operating miles that are proposed to be eliminated in the rationalized network divided by (b) the total number of operating miles in the current network. See USPS-LR-N2012-1/77, "Plant-to-Post Office Spreadsheet," "Actual" tab. This calculation yields an estimated 3.18 percent reduction in operating miles.