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BEFORE THE

POSTAL REGULATORY COMMISSION

WASHINGTON, D.C. 20268-0001

MAIL PROCESSING NETWORK RATIONALIZATION

SERVICE CHANGES, 2012 **DOCKET NO. N2012-1**

TESTIMONY OF

HAROLD J. MATZ

ON BEHALF OF THE

POSTAL REGULATORY COMMISSION

(PRCWIT-T-2)

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AUTOBIOGRAPHCIAL SKETCH

My name is Harold J. Matz and I am an independent consultant. I have over 40 years of experience in the areas of economics, finance, postal operations, plant management, and district management. This experience includes postal operating/logistics planning, implementation/analysis, postal problem analysis and decision making, postal facility activation and deactivation, postal budget design, postal statistical programs design, and postal rate case analytical research support. I have been self-employed since my retirement from the United States Postal Service (USPS) in October 2008. Since my retirement from the USPS, I have provided consulting services to a consulting company related to postal operations.

I received a Bachelor of Science Degree in Business Administration from the University of Washington. I began my postal career in 1968 in plant operations. I have held the following postal executive positions: Division Controller, Seattle WA; Bulk Mail Center (BMC) Manager, Federal Way, WA; Senior Plant Manager, Seattle Processing & Distribution Center (P&DC), Seattle WA; and District Manager, Seattle WA.

Key projects managed during my tenure with the USPS, include: (1) responsibility for managing the form redesign, implementation, training and analysis of the In-Office Cost System (IOCS); (2) a field statistical sampling system used in support of the postal rate requests before the Postal Rate Commission (PRC). In 1975 I was directly responsible for managing equipment utilization and machine analysis during the activation of operations at the Seattle Bulk Mail Center (BMC). In 1997 I designed and

implemented a plan for processing Seattle Destinating Priority Mail in a complete and separate mail stream within the Seattle BMC. In 1996/1997 I managed the activation of the new Seattle Processing and Distribution Center (P&DC) and subsequent deactivation of the old Seattle General Mail Facility (GMF). I was also directly responsible for the AMP of the Olympia Processing & Distribution Facility's (P&DF) outgoing operations into the Tacoma P&DF in 2006. In 2005 I held meetings with the general public regarding the proposed AMP of the Yakima Post Office outgoing mail to the Pasco P&DF.

During the last year, I have provided consulting services on mail processing projects to the Canada Post Corporation (CPC). These projects include an objective review of operations and evaluation of service issues relating to Toronto, Montreal, and their trading partners. In brief, I determined to what extent operational disruptions were affecting service performance in major metropolitan areas. I was part of a team that conducted an objective analysis of the proposed operational floor layout, which was developed by CPC for the redesign of the Montreal Exchange Office.

PURPOSE AND SCOPE

The purpose of my testimony is to provide an evaluation of the operational benefits and drawbacks of the proposed facility consolidations and sort scheme changes that the Postal Service has planned. My testimony will include an evaluation of the operational benefits and drawbacks of expanding the outgoing primary and incoming secondary processing windows as the Postal Service proposes as well as an evaluation of the operational benefits and drawbacks of eliminating - letter outgoing secondary sorting and compressing the incoming primary operation. I will also address the feasibility and desirability of preserving overnight service standards for a portion of current overnight committed mail, as well as evaluate the assumptions underlying the Postal Service's estimate of the number of maintenance hours that will be saved by network consolidation.

I worked with witness Weed on the development of this testimony. Witness Weed performed the technical work related to the Excel documents used to support my testimony. Our joint testimony is the result of sponsorship by the Postal Regulatory Commission (PRC). The PRC filed notice of sponsorship of testimony on March 21, 2012. The notice defined the potential scope of my testimony.

I will first provide analysis of the ODIS Average Daily Volume (ADV) data provided in USPS-LR-N2012-1/NP11. This will lead to evaluation of the proposal to eliminate virtually all overnight delivery (OND) service for First Class Mail (FCM). I will then present an alternative concept that would preserve more than half of the OND service while still creating the opportunity to capture a large portion of the N2012-1

savings. My testimony will then present issues with the operating plan as proposed by the Postal Service. After a brief evaluation of maintenance savings, I will conclude my testimony with general comments on the Postal Service's proposal.

ASSOCIATED LIBRARY REFERENCES

I am sponsoring the following Category 2 Library References that are associated with this testimony:

PRCWIT-LR-N2012-1/4	Savings Evaluation, Outgoing Secondary
PRCWIT-LR-N2012-1/NP3	Savings Evaluation, Outgoing Secondary (Non-Public Version)
PRCWIT-LR-N2012-1/5	Service Standard Evaluation
PRCWIT-LR-N2012-1/NP4	Service Standard Evaluation (Non-Public Version)

I. Overnight Delivery Analysis and Alternatives

The Postal Service did not substantially evaluate other alternatives to the Mail Processing Network Rationalization Service Change (NRSC) scenario, as defined by the N2012-1 docket. The central premise of N2012-1 is tri-fold: (1) virtually all OND must shift to 2-Day, and a significant portion of 2-Day must then shift to 3-Day, in order to capture network consolidation savings; (2) the elimination of the OND service standard would allow for the consolidation of facilities that would otherwise not be possible; and (3) the elimination of OND would allow for a redesign of the traditional mail processing operating plan, resulting in increased productivity. My testimony will evaluate the United States Postal Service's proposal in terms of the operating plan as well as the associated issues created by it; and then present an alternative concept that would preserve more than half of the OND service while still creating the opportunity to capture a large portion of the N2012-1 savings.

As explained in detail by witness Weed, there are two components to N2012-1 savings: savings from operational facility consolidations and savings from changes in the traditional operating plan. I will present data in this testimony that was developed with witness Weed, as part of our review and analysis of the Postal Service's proposals in this docket.

Peak processing requirements result in excessive costs, which are driven primarily by the narrow window for Delivery Point Sequence (DPS) in the current OND structure, and caused by the late Incoming Primary clearance time. Specifically, Delivery Bar Code Sorter (DBCS) requirements are directly related to the size of the

DPS second-pass window. It is clear to me that peak costs are the result of the current OND coverage. This is due primarily to the requirement of completing Incoming Primary (INP) distribution for OND mail from neighboring plants that arrives in the Tour 1 window. Equipment and staffing are based on a peak four-hour window, and as a result of the late arrival of committed OND volume, this creates a further compressed operating window for DPS. Peak cost savings can be realized through changes to the OND commitment if the second-pass window is expanded from the limited window under the present processing structure.

A. Evaluation of the feasibility of preserving some OND

There are two components to OND service: Intra-SCF and Inter-SCF. Intra-SCF is defined as mail that both originates from and destinates to the 3-digit ZIPs served by the plant. The term “turnaround mail” will also be used for this Intra-SCF OND mail flow. Inter-SCF OND refers to mail that comes from another plant and has an OND commitment. N2012-1 does not recognize this distinction. N2012-1 eliminates all OND, with the exception of early morning entry of presort, without considering any other alternatives to the current OND structure.

Key questions around defining the scope of the OND commitment and quantifying the amount of turnaround mail have not been answered in the Postal Service’s N2012-1 testimony. Using the ODIS Average Daily Volume (ADV) data from

NP-11,[1] I will document the current state of OND volumes and commitments in the following sections.

The Postal Service provides the following breakdown for First Class Mail, as shown in Table 1 below: [2]

Table 1 -- Proportion of First-Class Mail Volume by Service Standard

Service Standard	Current (%)	Proposed (%)
1 Day	41.5	0.0
2 Day	26.6	50.6
3 Day	31.6	49.1
4 Day	0.3	0.3
5 Day	<0.1	<0.1

These percentages reflect a combination of Single Piece and Presort FCM volumes. Originating Volumes derive from two main groups of customers – those who use Single Piece and those with enough volume to Presort. In simple terms, they are end-user customers and large mailers.

Using ODIS ADV data, the disaggregation of Single Piece from Presort shows the ratios by service standard shows them to be on opposite ends of the average presented in Table 1. Table 2 below shows the same breakdown by service standard, with a separation of the two component groups – Single Piece and Presort.

[1] *See* Library Reference USPS-LR-N2012-1/NP11, January 26, 2012.
[2] Federal Register, Postal Service *Proposal to Revise Service Standards for First-Class Mail, Periodicals, and Standard Mail,* Vol. 76, No. 183, September 21, 2011.

Table 2 – Percentage of OND ADV by Single Piece & Presort Categories

Service Standard	Single-Piece (%)	Presort (%)	Total (%)
1 Day	54.5	27.4	41.7
2 Day	23.1	30.7	26.7
3-5 Day	22.4	41.9	31.6
Total	**100.0**	**100.0**	**100.0**

Source: PRCWIT-LR-N2012-1_5.xlsx, Table 2 Tab

Table 2 shows that using a single number for OND volume distorts the two distinct customer segments. Single Piece, the volume most directly impacted by changes to the originating network, has over half of its volume as OND (54.5 percent). Large mailers (Presort users) have the opportunity to adjust their operating plan in order to minimize the impact of the elimination of OND, whereas users of Single Piece have no opportunity to avoid the impact. Large mailers (Presort users) have the opportunity to expand or change their window of operations as needed to be able to present the presorted mail to the Postal Service by 08:00 on day zero. Witness Williams states "Properly prepared, sorted and containerized bulk workshare intra-SCF First-Class Mail entered at the destination SCF (or designated facility within its service area) by 8:00 AM on operating Day Zero will retain an overnight delivery expectation."[3] Unfortunately, the overnight delivery expectation is for the Presort mailer, not the customers of a presort bureau who presented their mail for presorting on Day Zero minus 1. The actual presort mailer customers would receive 2-day delivery.

[3] *See* "Direct Testimony of David Williams on behalf of the United States Postal Service," USPS-T-1 at 19, lines 16-19.

1. OND Alternative: Eliminate Inter-Plant OND & Maintain Intra-Plant OND

The number of plants that share Inter-plant overnight commitments varies widely. Table 3 shows the matrix of Inter-Plant commitments by number of plants that share OND commitments. It is not uncommon that a plant's Originating mail would be Destinating OND to another plant, but the second plant's Originating is not Destinating OND to the first. Table 3 uses the current plant structure as defined in N2012-1. Detailed calculations are in PRCWIT-LR-N2012-1/5: *Service Standard Evaluation.*

Table 3 - Plant OND Commitment Matrix – Count of Plants

OND Plant Matrix - Count of Plants by Inter-SCF OND Commitments														
Going Out to Plants		Number of Plants that a Plant's Originating Mail Destinates To												Total
Coming Into a Plant		1	2	3	4	5	6	7	8	9	10	11	12	Plants
Number of Plants that a Plant has destinating into it	1	22	2		1	3								28
	2	5	31	7	7	1								51
	3	1	13	42	9	10	4							79
	4	2	7	19	24	23	4	1	1					81
	5		1	10	13	40	11	2	1	1	1	1		81
	6			2	5	4	11	10	2	1				35
	7		1	3	1	2	2	3	4	3	2			21
	8			2	2	1	1	1	3	2	1		1	14
	9				2		1		2		2			7
	10				1	2					1			4
Total Plants		30	55	85	65	86	34	17	13	7	7	1	1	401

Source: NP11 OND Analysis.xlsx, Table 3- Plant O-D Count Tab

Note that there are twenty-two plants that have no OND Inter-SCF partner plants (first row, first column of Table 3). There are also plants that have large numbers of plants with which they trade OND mail. In these cases, the volume from some trading pairs will be small. However, that does not change the requirement that DPS cannot

start the second pass until all mail has arrived, completed INP processing, and then finished the first pass of DPS. Table 3 shows the matrix by plant, not by individual 3-Digit ZIP Code. The analysis of commitments by 3-digit ZIP is included in PRCWIT-LR-N2012-1/5: *Service Standard Evaluation.*

The analysis of the impact of eliminating Inter-SCF OND should be based on volume, not the number of 3-Digit ZIPs. Table 4 shows the breakdown of turnaround (Intra-OND) versus Inter-SCF for both 3-Digit ZIP and ADV. ADV volume used in the following tables is based on Single Piece data. Presort is excluded to bring focus to the impact on mail processing sortation operations.

Table 4 – Percentage of Turnaround Mail – Current Facilities

OND	% 3-Digit ZIP OND Pair	Single Piece % OND ADV
Turnaround	33%	74%
Inter-SCF	67%	26%

Source: NP11 OND Analysis.xlsx, Table 4 Tab

There are 8,357 individual 3-Digit ZIP OND pairs in the current service standards. Turnaround pairs, under the current facility structure, are 33 percent of the total pairs. But turnaround volume is 74 percent of the total OND volume. This means that the peak requirements and costs created by Inter-SCF OND commitments are driven by 26 percent of the volume.

As evidenced above, OND can be maintained by leaving DPS on Tour 1, while eliminating the OND requirement for Inter-SCF (OND mail from other plants). If Inter-SCF is eliminated, the DPS window nearly doubles, thus creating the opportunity to

capture much of the savings as identified in N2012-1. The DPS second pass would therefore be able to start shortly after the completion of Outgoing Primary (OGP) operations. This would then allow for two or more DPS sort plans to run on a single DBCS, as opposed to the typical one DPS sort plan per DBCS.

The move to Tour 2 for all DPS mail also creates an unnecessary shift of most of the 2-Day service standard mail to a 3-Day standard. If turnaround mail is kept as OND, while non-turnaround mail is moved to 2-Day and worked on Tour 1, then much of the shift of 2-Day to 3-Day under N2012-1 would be avoided. This would require that Incoming Primary (INP) processing continue in its current operating window. This will be further discussed in section II. F. Incoming Primary Operations Under N2012-1-Operating Window Impact, addressing why processing all of INP in a four-hour window starting at 8:00 AM is not viable.

In Western Washington, all ZIP Codes comprising Seattle, Everett, Tacoma, and Olympia are OND to each other. This means that the OND reach covers the small towns south of Olympia, the far end of the Olympic Peninsula, to the Canadian border. Given the decline in volumes, it is appropriate to reassess whether this enormous OND reach is worth the cost. However, while eliminating OND for Olympia to Everett might make sense based on volume, eliminating Seattle city to Seattle city OND does not.

The magnitude of the Postal Service's First-Class Mail service standard change as proposed in N2012-1 is best understood visually. **Exhibit 1,** in the Appendix, is the current Seattle OND Service Area – overnight from SCF 981. As can be seen in the exhibit, nearly all of western Washington is overnight service from Seattle. **Exhibit 2,** in

the Appendix, displays the current OND, 2-Day, and 3-Day service areas from SCF Seattle 981. Eastern Washington, Oregon, and Idaho are currently 2-Day service from Seattle. **Exhibit 3,** in the Appendix, displays the proposed OND, 2-Day, and 3-Day service areas from SCF Seattle 981. There is no OND; western Washington and part of Oregon become 2-Day service; and the rest of the lower 48 states become 3-day service from Seattle.

The next step in our analysis is to break the volume into the proposed plant structure of N2012-1. In N2012-1, a 3-digit ZIP will either "Not Change" (stay in its current facility), or "Change" to a different facility. A key question related to our analysis is as follows: "How much mail that is currently in the plant will stay in that plant after N2012-1, but move from OND to 2-Day?" This would represent the volume of mail that is moving to 2-Day in order to have a universal elimination of OND service. It also represents the minimum volume that would be preserved as OND if Tour 1 DPS were tasked with only eliminating Inter-SCF OND commitments. These results are shown in Table 5. Note, since the results are based on the proposed-plant 3-digit assignments, they do not align exactly with Table 4.

Table 5 – N2012-1 Plant Impact on Turnaround Volume

Analysis Of N2012-1 Plants - ODIS ADV FCM Volume						
OND ADV Single Piece		Destination				
		No Change		Change		
		Turnaround	Inter-SCF	Turnaround	Inter-SCF	Total
Origin	No-Change	46.5%	4.5%	7.2%	2.8%	61.0%
	Change	4.9%	2.3%	29.3%	2.5%	39.0%
	Total	51.4%	6.8%	36.5%	5.3%	100.0%

Source: NP11 OND Analysis.xlsx, Table 4 Tab

The answer to the question posed above is 46.5 percent of the volume nationally is currently turnaround in a plant that will not change under N2012-1. This means, for example, that *all* of Seattle's mail would move to 2-Day, just so that Everett, Tacoma, and Olympia can be consolidated into it. Our alternative would preserve OND for Seattle's turnaround mail, yet still create the opportunity to either reduce DBCS equipment or consolidate one or more facilities into Seattle.

The analysis in the tables above assumes that no mail would be delivered one day early. While the OND commitment would change to 2-Day for Inter-SCF pairs under this scenario, some, if not most, could still achieve OND delivery. Most plants have multiple trips arriving in the Tour 3 window. This would likely continue under any scenario of plant consolidations. If a truck arrives from a neighboring plant at 9:00 PM, this volume could make that night's DPS without impacting operating plan performance. This would mitigate some of the service commitment change. We cannot estimate the actual impact of this volume that would still be delivered overnight, as it would depend on the local operating plan and arrival profiles. Simply, only the final truck would be

diverted to 2-Day from OND. For example, Canada Post Corporation (CPC), while having no OND commitments, actively measures and manages “Day Minus One” service performance for its turnaround mail that receives overnight service, plus early arrivals from other plants that also receive overnight service.

Under this alternative of only eliminating Inter-SCF OND, the DPS window would expand from four hours to between seven and eight hours. The actual expansion time would vary at the local level, depending on Originating volume commitments and Destination geography served. But my conservative estimate is that the DBCS requirements in a plant would be reduced by one third. This reduction could result in savings in two possible ways: (1) the total number of DBCSs in the plant could be reduced, capturing the savings associated with the physical equipment; or (2) the excess capacity could be used to consolidate operations into the facility. For example, in the Seattle plant, the elimination of OND from Tacoma and Everett would allow for one of those facilities to be consolidated into Seattle. Seattle has two Delivery Distribution Centers (DDCs) that perform DPS and carrier route sortation of flats for SCF 980 Delivery Distribution Units (DDUs). One or both of these facilities might be consolidated into the main Seattle plant.

The key takeaway is that the elimination of Inter-SCF OND commitments creates new alternatives for operational consolidation as well as savings capture, while still preserving OND for a large portion of volume. Given that this alternative results in an incremental approach to network consolidation and service contraction, it is surprising this option was apparently not considered.

B. OND Plant Pairs

Table 6 shows the breakdown by plant for OND pairs for the Seattle, Portland, and Salt Lake City Districts. Portland and Salt Lake City were added to show some contrast to Seattle. Library Reference PRCWIT-LR-N2012-1/5: Service Standard Evaluation contains this same table for all plants. Table 6 shows, for example, that for the Seattle plant, 80 percent of its originating ADV is turnaround mail, while 74 percent of its destinating ADV originates in Seattle. Also shown in Table 6 is the Salt Lake City service area, where 100 percent of both its originating and destinating ADV would remain in Salt Lake City. Under the proposed changes in N2012-1, all of this volume (80 percent originating ADV and 74 percent destinating ADV for Seattle and 100 percent of both its originating and destinating ADV in the Salt Lake City service area) would remain in the plant overnight, becoming 2-Day mail, rather than go out for delivery, thus creating additional storage costs.

Table 6 – Seattle, Portland and Salt Lake City OND FCM Pairs

Summary of Overnight FCM Pairs - By Plant - Seattle / F Based On: First Class Single Piece Volume															
					Analysis of 3-Digit ZIP Codes									Based on ADV	
					# ZIPs	Trading Plants		Total ZIP Pairs		Turnaround Pairs		% TurnAround		% Turnaround	
	Area	District	ZIP	Name	in Plant	Orig	Dest	Orig	Dest	Orig	Dest	Orig	Dest	Orig	Dest
394	WE	SEATTLE	835	LEWISTON ID	2	5	3	15	7	2	2	13%	29%	72%	32%
395	WE	SEATTLE	838	SPOKANE WA	4	5	5	32	35	16	16	50%	46%	85%	98%
396	WE	SEATTLE	980	SEATTLE WA	2	3	3	12	12	4	4	33%	33%	80%	74%
397	WE	SEATTLE	982	EVERETT WA	1	3	3	6	6	1	1	17%	17%	50%	66%
398	WE	SEATTLE	983	TACOMA WA	3	3	3	18	18	9	9	50%	50%	69%	70%
399	WE	SEATTLE	988	WENATCHEE WA	1	4	5	7	9	1	1	14%	11%	86%	72%
400	WE	SEATTLE	989	YAKIMA WA	1	4	5	7	9	1	1	14%	11%	80%	73%
401	WE	SEATTLE	993	PASCO WA	1	6	6	9	10	1	1	11%	10%	83%	75%
383	WE	PORTLAND	970	PORTLAND OR	4	2	2	20	20	16	16	80%	80%	94%	92%
384	WE	PORTLAND	973	SALEM OR	1	3	3	6	6	1	1	17%	17%	58%	63%
385	WE	PORTLAND	974	EUGENE OR	1	2	2	2	2	1	1	50%	50%	91%	93%
386	WE	PORTLAND	975	MEDFORD OR	2	1	2	2	4	2	2	100%	50%	100%	100%
387	WE	PORTLAND	977	BEND OR	1	1	1	1	1	1	1	100%	100%	100%	100%
388	WE	PORTLAND	978	PENDLETON OR	1	2	2	2	2	1	1	50%	50%	94%	84%
389	WE	SALT LAKE CIT\	832	POCATELLO ID	2	2	2	6	6	4	4	67%	67%	97%	98%
390	WE	SALT LAKE CIT\	833	TWIN FALLS ID	1	3	3	6	6	1	1	17%	17%	76%	76%
391	WE	SALT LAKE CIT\	836	BOISE ID	3	2	2	12	12	9	9	75%	75%	95%	94%
392	WE	SALT LAKE CIT\	840	SALT LAKE CITY UT	5	1	1	19	19	19	19	100%	100%	100%	100%
393	WE	SALT LAKE CIT\	845	PROVO UT	3	1	1	8	8	8	8	100%	100%	100%	100%

Source: NP11 OND Analysis.xlsx, Table 6 - SEA-PORT-SLC Tab

C. Elimination of OND under AMP Process

A separate aspect of peak cost is that there are too many plants relative to necessary capacity. As Single Piece volumes continue to decline at an alarming rate, the excess capacity in plants leads to inefficiencies in originating operations. For originating operations, additional volume can be added to plants through Area Mail Processing (AMP), and will result in definite operational savings. For example, I oversaw the AMP of Olympia into Tacoma as the Senior Plant Manager in Seattle. Since Tacoma is within 30 miles of Olympia, OND service between these two pairs could easily be maintained and efficiencies achieved.

For low-volume plants an Outgoing AMP, or a full-closure origin/destination AMP, would require change of OND to 2-Day where time and distance cannot support OND commitments. Under the alternative of eliminating only Inter-SCF OND, AMP studies would fall into two categories: move operations and maintain OND, or move operations and eliminate OND. If OND cannot be supported, then the excess DBCS capacity during the day could absorb these volumes, trading off substantial cost savings for the loss of OND service in an AMP scenario.

It is also possible that some 5-Digit ZIPs might remain in OND in an AMP, while others could not be supported due to distances. For example, if Tacoma was moved to Seattle, the city of Tacoma and surrounding nearby DDUs might remain OND, while the remote DDUs in the Olympic Peninsula would move to 2-Day.

This would bring the decision to eliminate OND to a case-by-case basis under the AMP process, based on local conditions, and essentially become a tradeoff of cost

savings for service reduction. However, the impact would be less than N2012-1 for a losing site because much of the 2-Day would remain 2-Day, rather than becoming 3-Day. As Single Piece volumes decline, the relative cost of local originating operations escalates. N2012-1 eliminates all OND, impacting the entire network and all communities, rather than addressing the issue on a case-by-case basis using local economics.

D. Incoming Primary Operations

N2012-1 proposes significant reductions in 2-Day service. This is driven by the plan to run Incoming Primary in the 8:00 AM to noon timeframe. This means that mail arriving into the plant during Tours 2 and 3 will sit until the following day. If DPS for turnaround were retained on Tour 1, the impact on 2-Day service would effectively be eliminated. This would require that DBCSs be dedicated to run Incoming Primary volumes as they arrive, similar to today's processing profile.[4]

While my testimony has focused on FCM operations, it is important to consider the impact on periodicals with the consolidation of plants and the elimination of OND service. Under our alternative of only eliminating Inter-SCF OND while maintaining Intra-SCF on Tour 1, the infrastructure to support OND service for periodicals would remain in place. This would preserve OND for periodicals as defined for FCM operations.

[4] *See* "Direct Testimony of William Weed on behalf of the Postal Regulatory Commission," PRCWIT-T-1 Pages 33-35.

III. Elimination of Outgoing Secondary

A. Analysis of the Elimination of Outgoing Secondary for Letters

N2012-1 asserts that Outgoing Secondary (OGS) volume will be completely eliminated for letters and reduced by fifty-seven percent for flats. The following is stated in Mr. Neri's testimony: "In today's processing environment, letter-sized mail is distributed to 156 AADC separations and up to an additional 214 SCF separations. Under the proposed plan, there would be an opportunity to distribute mail to fewer than 200 mail processing facilities, thus resulting in fewer handlings."[5] However, in reality, no plant makes sorts to anywhere close to 214 SCF separations. An originating plant only sorts to the 3-digit ZIP level for Overnight plants or "close-in" and high-volume 2-Day destination plants. This facilitates mail flow within the narrow operating window for the destination plant. It also eliminates SCF residue handlings in the destination plant where the combined SCF and City 5-digit ZIP requirements exceed functional machine bin capacity. Simply, a plant makes up a SCF or a group of 3-digit ZIPs for neighbor plants and then sorts to AADC for the rest of the country. Therefore, no plant makes "up to an additional 214 SCF separations."

Further, a plant's own DPS zones fill the bins on Outgoing Primary (OGP), because of volume density. A plant may also make up larger volume DPS zone trays for neighboring OND plants. There is a 'residue' flow to Incoming Primary for any remaining DPS zones and 5-digit ZIPs. The addition of more 3-digit ZIP sort responsibility to a plant (AMP) would create a higher residue volume to Incoming

[5] *See* "Direct Testimony of Frank Neri on behalf of the United States Postal Service," USPS-T-4 at 17, lines 20-23.

Primary. This increase is likely a reduction from the total system handlings of two plants, but in my opinion, it is not a significant reduction.

Several years ago, the Postal Service had a national program to standardize the assignment of bins to Outgoing Secondary. This program eliminated the impact of having low-density AADC holdouts on the Outgoing Primary OCR sort plan. Simply, the Postal Service standardized good Outgoing sort plan design. The underlying concept is that unless an individual AADC generated close to a full tray on an average day, it is more efficient to re-handle that AADC on a single Outgoing Secondary machine than to generate a light tray on every machine running OGP. The impact of light trays is increased when machines are run on Outgoing Primary for only a couple of hours to meet the operating plan. For example, the proposed “ADC Santa Barbara” would get a very low density in east-coast plants. If it were a holdout on every OGP DBCS, then one light tray would be generated for ADC Santa Barbara for each machine opened up on OGP for the night anywhere in the country.

Light trays increase system cost in several ways. Tray handling is a labor-intensive process. While mechanized tray sorters and robotics are used in the sorting of trays, the trays must still be put into and out of containers manually. The workload of moving trays from the sweep-side of the DBCS to the dispatch truck is increased where multiple light trays are generated. And maintaining throughput on a DBCS (i.e., keeping the feed ledge full) is more difficult when there are light trays to be fed. Finally, transportation cubic requirements are increased substantially when there are multiple light trays as opposed to one full tray.

The N2012-1 proposal of eliminating Outgoing Secondary would result in moving a large number of low volume 3-Day automated separations into Outgoing Primary while eliminating the tray consolidation savings of Outgoing Secondary. In my opinion, this would be both a step backwards and a network cost increase.

B. Outgoing Light Tray Analysis – N2012-1 Plants

As part of our review and analysis, we attempted to quantify the levels of light trays that would exist in operations under the proposed network. Our Outgoing Light Tray Analysis (OLTA) determines the number of light trays created using the following process:

- The ODIS ADV volume was calculated by 3-digit ZIP pair by origin and destination for First Class Single Piece letters and cards data from NP-11.
- The 3-digit ZIP pair data was converted into a "from-to" matrix based on the new plant letter network as defined in Zip Assignment USPS-LR-1/17.[6] The 3-digit ZIPs were mapped to the new plant assignments so that all analysis is based on the N2012-1 plant structure.
- Using the Outgoing Primary (OGP) volume from Zip Assignment USPS-LR-1/17 as a base, the volume from each originating plant going to each destination plant in the new network was calculated using the "from-to" matrix.
- Using the number of OGP DBCSs used in each plant, from Zip Assignment USPS-LR-1/17, and a pieces-per-tray conversion factor, the number of trays generated for each destination plant per DBCS was calculated.
- Based on user-specified input to define a light tray, the analysis calculates the number of light trays generated.

For the purposes of this testimony, a light tray is defined as a tray that is less than half full. A USPS tray is defined as a 1.75-foot letter tray at 250 pieces per foot, for a total tray capacity of 437 pieces. This definition, if applied to sort plan design for

[6] *See* Library Reference USPS-LR-N-2012-1/17, December 5, 2011.

determining Outgoing Secondary assignments, would result in only one tray being generated into the system from re-handling in Outgoing Secondary rather than two trays generated on an Outgoing Primary holdout. This ratio would be even greater for destinations receiving only a third or a quarter of a tray on a DBCS OGP holdout.

The OLTA was designed to calculate the number of trays that would be generated per DBCS if all plant destinations were separated on the Outgoing Primary sort plan. If the value of the number of trays generated were less than one, then only one partially filled tray would be generated on each DBCS. Where the value of trays generated is less than half a tray, then re-handling that mail on an Outgoing Secondary operation would result in half as many trays being generated.

There are 125 letter plants designated in the new plant network in N2012-1. The results for the average number of trays generated for these 125 plants are shown in Table 7.

Table 7 – Distribution of Trays per DBCS under N2012-1 Plant Network

Pieces Per Tray for Destination Plants - N2012-1 Network				
Range of Pieces per Tray (per DBCS)	Average Number of Destination Plants	Cummulative Destination Plants	Percent of Destination Plants	Cummulative Percent
Equals 0.0	5.0	5.0	4.0%	4.0%
0.0 - 0.1	16.1	21.1	12.9%	16.9%
0.1 - 0.2	12.7	33.8	10.2%	27.1%
0.2 - 0.3	10.3	44.1	8.2%	35.3%
0.3 - 0.4	8.0	52.1	6.4%	41.7%
0.4 - 0.5	6.9	59.0	5.5%	47.2%
0.5 - 0.6	6.0	65.0	4.8%	52.0%
0.6 - 0.7	5.2	70.2	4.2%	56.2%
0.7 - 0.8	4.6	74.9	3.7%	59.9%
0.8 - 0.9	4.2	79.1	3.4%	63.3%
0.9 - 1.0	3.5	82.6	2.8%	66.1%
1.0 - 2.0	20.3	102.9	16.2%	82.3%
2.0 - 3.0	8.4	111.2	6.7%	89.0%
3.0 - 4.0	3.9	115.1	3.1%	92.1%
4.0 - 5.0	2.3	117.4	1.8%	93.9%
Greater than 5.0	7.6	125.0	6.1%	100.0%
	125.0		100.0%	

Source: NP11 OGS Light Tray New Plants V-1.xlsx, Tables in Testimony Tab

The following describes Table 7 contents:

- Range of Number of Trays per DBCS: This is the number of trays per DBCS, calculated at the Originating plant level, for the 125 destination points as proposed in N2012-1. The table breaks down the 125 plants into the increments shown in the first column. Note that some plant pairs do not have any ODIS data in the From-To ADV matrix, therefore the value is zero (0).
- Average Number of Destination Plants: This is the average number of destination plants that would have trays that fall into that range. For example, there are 16.1 destination plants, on average, for which a tray that is less than one-tenth full would be generated on each OGP DBCS at the originating plant.

- Cumulative Destination Plants: This is the cumulative total of the adjacent column. For example, there are 59 destination plants, on average, that would generate less than half a tray on each OGP DBCS.
- Percentage of Destination Plants / Cumulative Percentage: These are the percentages calculated from the Trays per DBCS values. For example, the number of destination plants that would get less than half a tray per DBCS is equal to 47.2 percent of the total destination plants.

The results in Table 7 reflect the total number of separations (plants) as a base, as opposed to using the total number of trays or the percentage of volume for each plant as a base. These results are shown in Table 8 below.

Table 8 – Analysis Results by Pieces Per Tray – N2012-1

Light Tray Analysis		
Tray Fill	**Percent of Trays**	**Percent of Volume**
0.3	7.7%	1.3%
0.4	9.4%	2.0%
0.5	10.8%	2.8%
0.6	12.1%	3.6%
0.7	13.3%	4.5%
0.8	14.3%	5.4%
0.9	15.3%	6.4%
1.0	16.0%	7.2%

Source: NP11 OGS Light Tray New Plants.xlsx - Tables in Testimony

Again, using the definition for a light tray as half a tray or less, the analysis shows that 10.8 percent of the total letter trays generated would be less than half full. These trays would only contain 2.8 percent of the total volume. Given this level of light trays, in my opinion, the savings of not running Outgoing Secondary will be more than offset

by the increased costs associated with these light trays. Plant level results are in Library Reference PRCWIT-LR-N2012-1/NP3: Savings Evaluation, Outgoing Secondary (Non-Public Version).

C. Outgoing Light Tray Analysis (OLTA) - AADC Structure with No Outgoing Secondary

The OLTA was also set up to reflect current operations under the AADC destination structure to provide a basis for comparison to the previous results. The originating plants used for this analysis were defined as those that use at least one Advanced Facer Cancelling System (AFCS) in originating operations. The 3-digit ZIPs were adjusted to reflect changes where volumes were cancelled in current operations. This approach took out those small 3-digit ZIPs that cancelled mail on non-AFCS equipment. This resulted in 165 of 916 (or 6.7 percent of volume) 3-digit ZIPs, being excluded from the analysis. This exclusion allowed for a more valid comparison of light trays in the current AADC structure versus the N2012-1 structure. The results from the AADC-based OLTA are shown in Tables 9 and 10.

Table 9 - Distribution of Trays per DBCS under Current Network

Pieces Per Tray for Destination Plants - Current Network				
Range of Pieces per Tray (per DBCS)	Average Number of Destination Plants	Cummulative Destination Plants	Percent of Destination Plants	Cummulative Percent
Equals 0.0	3.3	3.3	2.1%	2.1%
0.0 - 0.1	21.2	24.5	13.1%	15.1%
0.1 - 0.2	20.1	44.6	12.4%	27.6%
0.2 - 0.3	17.5	62.1	10.8%	38.4%
0.3 - 0.4	13.8	76.0	8.5%	46.9%
0.4 - 0.5	11.6	87.5	7.1%	54.0%
0.5 - 0.6	9.8	97.4	6.1%	60.1%
0.6 - 0.7	7.6	104.9	4.7%	64.8%
0.7 - 0.8	7.3	112.2	4.5%	69.3%
0.8 - 0.9	5.1	117.3	3.2%	72.4%
0.9 - 1.0	4.5	121.8	2.8%	75.2%
1.0 - 2.0	22.3	144.1	13.8%	89.0%
2.0 - 3.0	6.7	150.8	4.1%	93.1%
3.0 - 4.0	3.0	153.7	1.8%	94.9%
4.0 - 5.0	1.7	155.4	1.1%	95.9%
Greater than 5.0	6.6	162.0	4.1%	100.0%
	162.0		100.0%	

Source: NP11 OGS Light Tray Current Plants V-1.xlsx, Tables in Testimony Tab

Table 10 –Analysis Results by Pieces Per Tray – Current Structure

Light Tray Analysis		
Tray Fill	**Percent of Trays**	**Percent of Volume**
0.3	12.3%	2.4%
0.4	15.7%	4.0%
0.5	18.4%	5.5%
0.6	20.6%	7.1%
0.7	22.4%	8.6%
0.8	24.0%	10.1%
0.9	25.3%	11.4%
1.0	26.3%	12.7%

Source: NP11 OGS Light Tray Current Plants V-1, Tables in Testimony Tab

This quantifies that if Outgoing Secondary were eliminated in the present AADC structure, the percentage of trays less than half full would be 18.4 percent, representing 5.5 percent of the volume. Under the N2012-1 network, with the elimination of OGS, the trays less than half full would be 10.8 percent, representing 2.8 percent of volume. However, because OGS is operating in its present AADC structure, in my opinion, the number of light trays in the network is definitely less than 10.8 percent.

However, a key difference in the N2012-1 structure is the creation of trays that contain a larger range of destination ZIPs. While decreasing originating sortation requirements, it increases destination sortation requirements. There would be more Incoming Primary residue and / or INP light trays under the N2012-1 scenario.

D. Analysis Assumption Impact – Run Time per OGP DBCS

The OLTA uses the number of OGP DBCSs from USPS-LR-N2012-1/17. The spreadsheet in that library reference assumes that the average DBCS processes 181,587 pieces per day. This is based on an analysis assumption that all OGP DBCSs work mail for a full 6.5 hours a day. In reality, the volume arrival profile does not support using all DBCSs for a full shift. That is, at the time OGP operations begin, there is generally insufficient volume on hand to occupy all DBCSs in a plant. Some machines would not operate for a full shift, meaning that the machine-hours needed to process a given volume would have to be spread over a greater number of DBCSs than are used in the N2012-1 model.

It is estimated that only half the DBCSs would work the full 6.5 hours. Thus, more DBCSs would still be needed to meet the clearance time, with each machine working fewer hours and processing less volume per machine. For each DBCS added for shorter than full runs, the number of trays generated increases. Every OGP plant generates at least one tray for every destination plant once another DBCS is activated for a sort plan. Thus, under normal operations the OLTA actually underestimates the number of light trays that would be generated, due to a plant's using more machines for a shorter period than shown in N2012-1.

A more detailed analysis would be necessary to accurately calculate the tray impact of using more DBCSs for only the peak outgoing period. Our estimate is that the OLTA understates the number of light trays by as much as 50 percent. Regardless of the actual level of the understatement, the fact that DBCSs are used for four hours to meet peak operational demands, which generates more light trays if there is no OGS,

only further justifies the need for OGS processing in order to avoid significant light tray generation.

E. Incoming Primary Operations under N2012-1 – Sortation Impact

While the N2012-1 network would reduce the number of separations required on originating operations, it would significantly increase the sortation requirements for Incoming Primary (INP) operations. This increase in INP sortation would negate savings from the elimination of OGS sortation at originating plants. Just like OGP, INP has a residue process to handle low volume 5-digit ZIP Codes. The number of stackers on a DBCS will also be a limiting factor on INP. Depth of sort on equipment can require an INP residue bin, especially for larger locations when all 5-digit ZIP requirements are considered.

One of the aspects of reducing the number of plants in the network is an increase in the number of destination 5-Digit ZIPs that are assigned to a plant. In larger plants, it is common to have OND plants and mailers split the plant's 3-Digit ZIPs into two (or more) "scheme" trays. Under N2012-1, with only 125 plants, the number of 5-Digit ZIPs assigned to some plants is huge. As shown in Table 11 below, 24 plants will be assigned 500 to 1000 5-Digit ZIPs. If originating plants only make up a single tray for a destination plant, then the destination plant will incur significant re-handling to sort to the DDU (5-digit) level. Table 11 below shows the distribution of plants by the number 5-Digit ZIPs assigned.

Table 11– Distribution of Plants by Number of 5-Digit ZIPs Count

Distribution – Number of 5-Digit ZIPs by Destination N2012-1 Plant		
Range of 5-Digit ZIPs		**Number of Plants**
0	<=200	32
>200	<=300	25
>300	<=400	21
>400	<=500	19
>500	<=600	11
>600	<=700	7
>700	<=800	3
>800	<=900	2
>900	<=1000	1
Total		121
*Excludes Alaska and Guam, *Source: USPS-LR-N2012-1/45*		

Since most DBCSs have 194 bins, even with recognizing that Incoming Primary 5-Digit ZIPs are often combined by DPS Sort Plan, most plants will have increased residue re-handling for incoming mail if there are no 3-Digit ZIPs Scheme separations made. The thirteen (13) plants with more than 600 5-Digit ZIPs would have significant residue re-handling. The Postal Service did not adequately address this significant residue re-handling issue in N2012-1 or even express that there are any plans to review the separation requirements. Apparently the individual plant managers will be left to address this issue on their own. This also brings into question the viability of eliminating Outgoing Secondary operations.

F. Incoming Primary Operations under N2012-1 – Operating Window Impact

The N2012-1 operating plan calls for Incoming Primary to be processed between 8:00 AM and 12:00 Noon. In present operations, Incoming Primary is run throughout the day, usually on a set of dedicated machines. This both minimizes set-up and pull-down times and simplifies mail flows within the plant. Incoming volumes arrive on surface trips throughout Tour 2, with 3-day air volumes arriving on late Tour 2 and early Tour 3. The change to a four-hour processing window for Incoming Primary will result in the following:

- A huge number of DBCSs will have to be used to clear this volume in a limited window. Using the results from USPS-LR-1/17, on average, a plant will have to use sixty-five (65) percent of their DBCSs during this period. An average plant based on the USPS-LR-N2012-1/17 will use 2.87 times more DBCSs on Incoming Primary than on Outgoing Primary.[7]
- Every DBCS used on Incoming Primary will have to be set up and swept out. This is a significant fixed cost for a short run.
- This large number of DBCSs will generate a significant number of light trays, especially given the large number of 5-Digit ZIPs assigned to a plant under N2012-1.
- The resulting SCF/City residue that will have to be sorted on a subsequent DBCS handling does not appear to be accounted for in N2012-1. This will result in greater inefficiencies given the number of DBCSs required for the short window.
- The tray breakdown operations necessary to get trays to the DPS machine will be overwhelmed after the pull down of so many DBCSs.
- Since almost all of this Incoming mail arrived the previous day, staging for Incoming Primary will take up valuable space on the workroom floor. It is important to note that as a result of holding the Incoming Mail until the next morning, most of the First Class Mail will have sat in staging for 10 to 20 hours, starting at noon the previous day until the start of processing at 8:00 AM.

[7] *See* Library Reference USPS-LR-N-2012-1/17, December 5, 2011.

Based on the aforementioned results, the strategy of running Incoming Primary in a four-hour window starting at 8:00 AM is completely unfounded. It will create many additional operational issues that will lead to additional inefficiencies and higher costs.

G. Analysis of OGS Elimination for Flat Operations

The analysis used to quantify the 57-percent reduction in OGS for flats assumed that the 75 destinations with the highest density would be held out on OGP. The remainder would still flow to an OGS program. This methodology is reasonable to determine the handlings that would be reduced as a result of having fewer separations to make for the network. However, it does not account for the increase in Incoming Primary handlings that would result from the large number of 5-Digit ZIPs that would now be included in the new destination assignments, as summarized in Table 11. It also does not account for the 3-digit ZIPs that are made for plants that are currently OND and some 2-Day destinations. These 3-digit ZIPs are made to eliminate the SCF Residue handlings that would result if only a single holdout were used for each plant.

The savings identified by the reduction of OGS handlings would be offset by increased distribution handlings at the destination plant. It is not possible to quantify this impact without determining actual sortation plans at each originating plant. I conclude that the approach is fatally flawed by ignoring these additional costs. Our best estimate is that the net savings for all factors would be negligible.

H. Summary – Operating Plan Concepts

There are substantial flaws in the operating concepts as defined by the Postal Service in N2012-1. Outgoing Secondary operations should not be eliminated. If OGS were eliminated, there would not be savings, but instead additional cost. The concept of processing all Incoming Primary in a four-hour window at the start of Tour 2 is completely unfounded given the multiple issues it creates. The large number of ZIPs that would be assigned to the new plant will require a more sophisticated inter-plant sort design than presented in N2012-1.

Our hypothesis, put simply, is that both Outgoing Secondary and incoming residue re-handling are necessary in order to avoid significant light tray issues. The total workload cost savings identified in Table 16 of witness Bradley USPS-T-10 amounted to $74.2 million, of which the reduction in OGS sorting was $22.8 million. As witness Weed has documented, because of productivity improvement assumptions applied to OGS operations numbers, the productivity gains of $964.2 million in Table 16 already include $8.9 million savings for the Outgoing Secondary. This is double counting of savings. In general, all changes in workload or equipment should have been accounted for prior to the application of an overall productivity increase. Further, it is questionable whether workload reduction changes should be part of N2012-1, because these savings opportunities exist in the current excess capacity environment.

III. Maintenance Savings

I have reviewed the Postal Service's methodology for estimating maintenance and equipment related savings for N2012-1. I did not find any issues with the methodology from a finance or an operations perspective. The process should yield reasonable projections as it is revised to reflect actual plant and operations consolidation plans.

Based on the FY2010 data from Library Reference USPS-LR-N2012-1/20, the plant and equipment maintenance work hours by LDC are displayed in Table 12 for both the losing and gaining plants.

Table 12 [8] – Maintenance Hours Before Consolidation (FY2010)

Plant and Equipment Maintenance Functions			Before Consolidations		
			Losing Plants	Gaining Plant	Combined
Cat No	LDC	Category	Hrs	Hrs	Hrs
38	36	Maint Supervision	1,669,836	3,068,096	4,627,980
38	36	Maint MP Equip	7,720,391	16,630,186	23,260,678
38	37	Maint Building Systems	2,168,438	4,027,087	6,183,626
38	38	Maint Maintenance	4,696,962	8,628,186	13,326,148
38	39	Maint Adm and Support	1,147,926	2,042,669	3,190,484
		Maint Total	17,261,691	33,296,124	50,677,716

Source: HNPC Savings Analysis 2012-1.xlsx, USPS Savings Other Cost Sheet

[8] *See* Library Reference PRCWIT-LR-N-2012-1/1.

After consolidation, plant and equipment change in maintenance positions was identified in witness Smith's testimony, USPS-T-9, pgs. 13-30. These cost reductions/position reductions were incorporated into Table 13 in order to identify the new maintenance hours at the gaining plants. Table 13 shows a work-hour reduction of 12.3 million hours, or $610.9 million, which is a 24.3 percent reduction in work hours.

Table 13[9] - Maintenance Hours After Consolidation

Plant and Equipment Maintenance Functions			After Consolidation			Cost Reduction LDC (35-39)
			New Gaining	Work Hour Change		
Cat No	LDC	Category	Hrs	+/- Hrs	%Hrs	
3B	35	Maint Supervision	3,697,155	-930,825	-20.1%	$56,900,000
3B	36	Maint MP Equip	17,263,201	-5,987,377	-25.8%	$313,000,000
3B	37	Maint Building Systems	5,117,745	-1,065,780	-17.2%	$52,400,000
3B	38	Maint Maintenance	9,740,931	-3,584,217	-26.9%	$155,700,000
3B	39	Maint Adm and Support	2,481,202	-709,282	-22.2%	$32,900,000
		Maint Total	38,300,234	-12,277,481	-24.3%	$610,900,000

Source: NWPC Savings Analysis 2012-1.xlsx, USPS Savi Source: NWPC Savings Analysis 2012-1.xlsx, USPS Savings Other Oper Sheet

IV. Maintenance Implementation Issues

While the savings projection *methodology* is sound, there are still issues with maintenance operations that merit review. Maintenance skilled employees, for the most part, currently work an 8-hour shift on Tour 2. Under the NRSC initiative, skilled maintenance employees would have a four-hour maintenance window between 04:00 and 08:00. DBCS, AFSM, and tray management equipment will have a 20-hour run window. Witness Rosenberg says, "In the future operating environment, the DBCS will

[9] *See* Library Reference PRCWIT-LR-N-2012-1/1.

be operating a 20-hour day with the remaining 4 hours dedicated to preventive maintenance."[10] This raises the following questions:

- What do these skilled maintenance employees do the rest of their shift?
- How many more maintenance employees will be needed to get the work done in the compressed window?

These questions point to a host of issues that will become critical as plants are consolidated and operating windows are changed. The ability to maintain mail processing equipment is critical to everyday operations. The scope of disruption that would be created by N2012-1 concepts does not appear to have been adequately addressed by the Postal Service. It appears to me that Headquarters makes this into an issue for local managers to deal with rather than acknowledging the issues.

Witness Smith says, "The Postal Service is likely keeping the newer DBCSs, and Automated Flat Sorting Machine (AFSM) 100s with Automated Induction (AI) and Automated Tray Handling System (ATHS)."[11] The newest DBCSs are more than five years old, and the oldest are more than 20 years old. The tray management systems are 10-15 years old and the newest AFSMs are 10 years old. There is no "new" equipment, and increasing the run time will only add to the wear and tear. Maintenance employees will be spending more time keeping the equipment running. Down times will increase and parts will require more frequent replacement. It will be necessary to salvage usable spare parts from excess machines from the closed plants. Salvaging the spare parts from excess machines is both expensive and time consuming; and

[10] *See id.* at 22, lines 9-11.
[11] *See* "Direct Testimony of witness Smith on behalf of the United States Postal Service," USPS-T-9, at 16, lines 2-5.

keeping these spare parts would mean adding them to inventory. These issues are not addressed in the maintenance analysis of N2012-1.

V. General Comments on N2012-1

In this section I will express my opinion on additional issues in this proceeding. The Postal Service did a national-level analysis that optimized portions of its operations. It did not, however, sufficiently analyze the proposed operations at the local level. The answers to questions asking for more detail appear to be that the AMP process or local managers will take care of it. There are substantial issues inherent in the proposal that will essentially be left to local managers to figure out. As a former District Manager, I can predict that this lack of site level analysis will lead to significant implementation issues.

In the past, there were standardized complement planning tools available for use (for example, the Business Management Guide (BMG) and before it, the Complement Planning Guide (CPG)). These are no longer available due to Headquarters not updating them to reflect new employee category changes. The scope of complement bid structure changes will be unprecedented, yet there are no standardized tools for developing and managing employee bids.

As to planning mail flow, there are no planning models for use in capacity and mail-flow planning. At best, there is the Run Plan Generator (RPG) program, but it is designed to plan next week's operations, not to incorporate another plant into an existing one. There are no mail-flow tools that would allow for mid- and long- range

operational planning. Headquarters has left it to the field managers to devise their own planning tools and processes rather than provide standardized tools and processes. Without national standardized tools and processes, plant consolidation savings will not be captured as stated in N2012-1. Therefore, the savings will be significantly less than projected.

Attrition over the past five years has resulted in an exodus of experienced executives, managers, supervisors, and technical staff. Since these positions historically come from within the Postal Service, and there has been little hiring over the past decade, the pool from which management drew has shrunk. Further, if an early-out is offered to EAS employees, there will be another substantial loss of experience that cannot be replaced.

This loss comes at a time of unprecedented and difficult change in operations. The scope and pace of change as proposed in N2012-1, coupled with the lack of standardized tools and processes, will result in significant issues in implementation. These issues will limit the field's ability to capture savings while maintaining operational integrity.

VI. Conclusion

In summary, the approach of the Postal Service in N2012-1 fails to consider alternatives that would lead to an incremental consolidation of the mail-processing network. The global elimination of OND service does not need to occur at this time. A reduction of the Inter-SCF component of OND would create the opportunity to capture

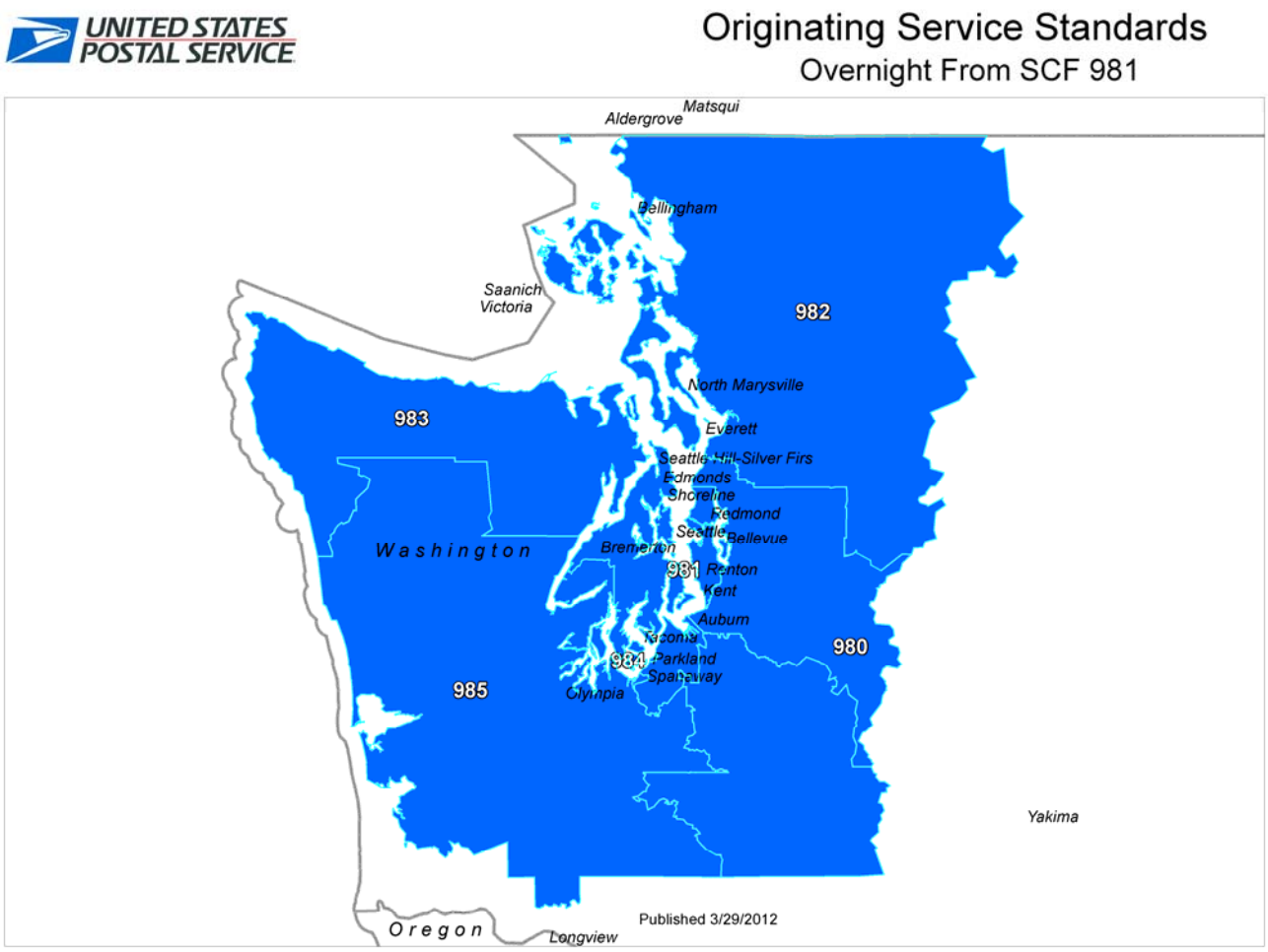
much of the savings outlined in N2012-1. It would require a new analysis of consolidation alternatives using the operating plan concepts as outlined in my testimony. The net savings projected by the Postal Service result from an all-or-nothing approach to closing plants. Significant savings could be realized by selectively closing plants, while simultaneously maintaining a high percentage of overnight service. Witness Williams indicated that the savings potential from maintaining some level of overnight service was not as great as from the proposed change. He also indicated that the organization (USPS) determined to fully evaluate the potential opportunity based on the proposed network laid out docket N2012-1.[12] In my opinion, the Postal Service should not implement N2012-1 as proposed, but should instead develop a more incremental and rational approach to network consolidation.

[12] *See* Official Transcript of Proceedings before the PRC, Volume 2, March 20, 2012. at 137.

APPENDIX

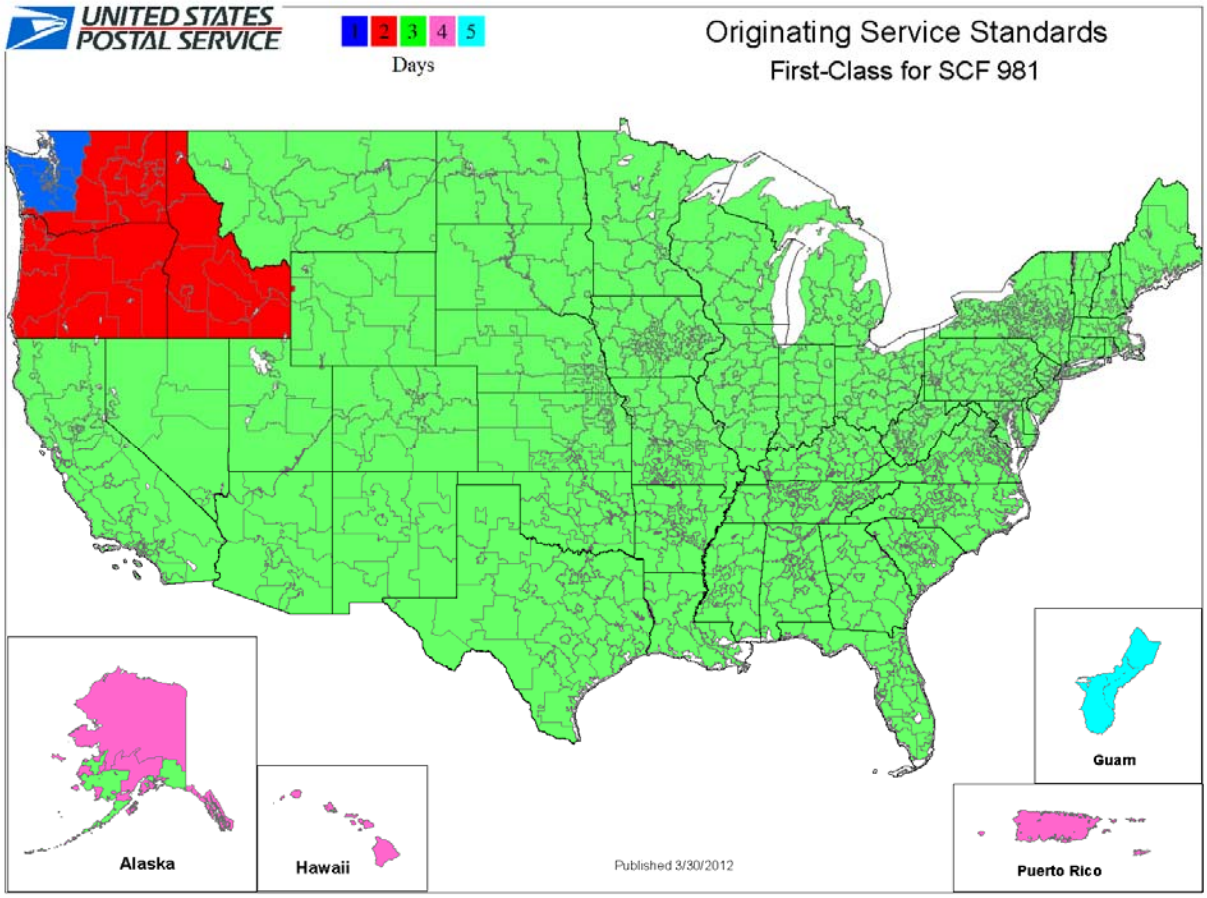
Table of Exhibits

Exhibit 1 – Seattle OND Service Area - Current



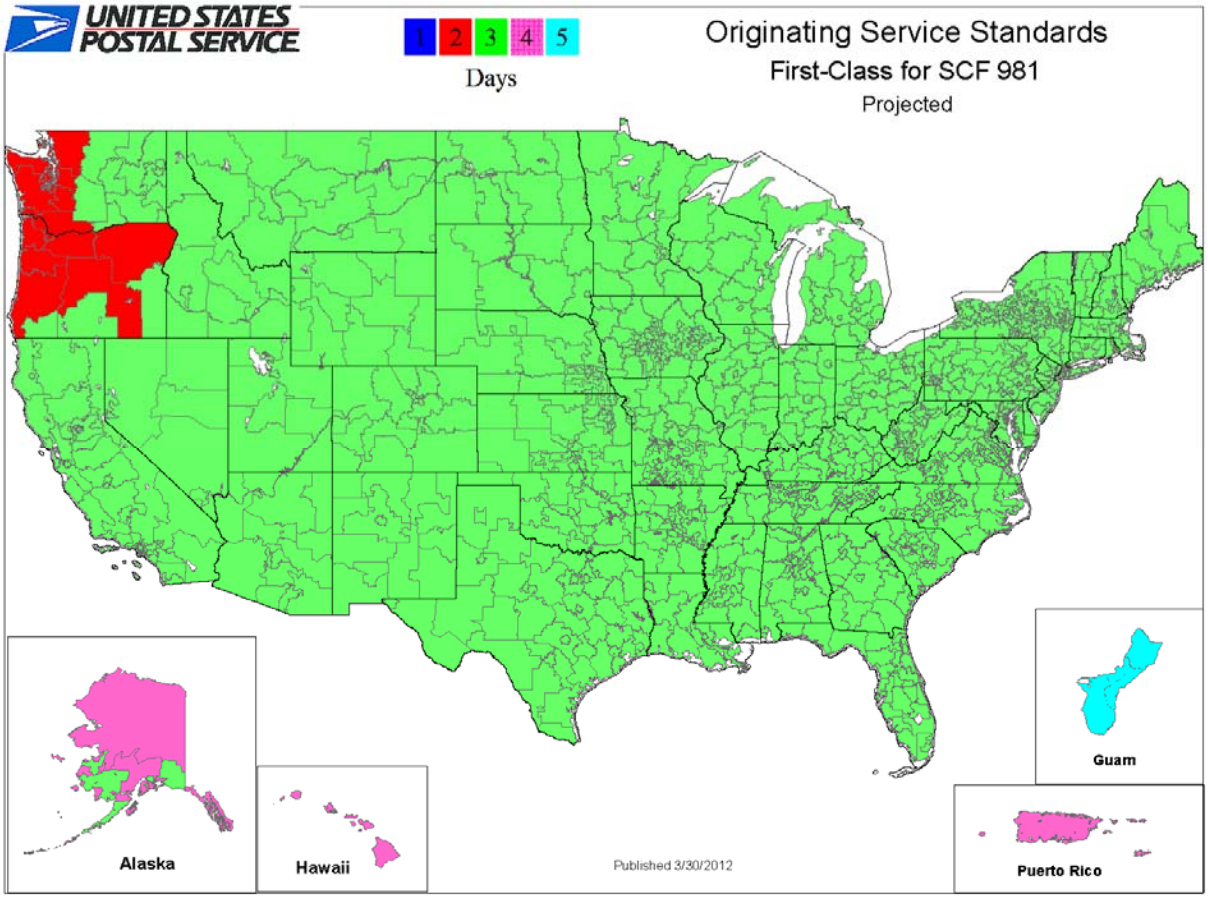
Source: https://ribbs.usps.gov/modernservicestandards/ssmaps/find_map.cfm

Exhibit 2 – Seattle Current OND, 2-Day, 3-Day Service



Source: https://ribbs.usps.gov/modernservicestandards/ssmaps/find_map.cfm

Exhibit 3 – Seattle Proposed OND, 2-Day, 3-Day Service



Source: https://ribbs.usps.gov/modernservicestandards/ssmaps/find_map.cfm