

Before the
POSTAL REGULATORY COMMISSION
Washington, DC 20268-0001

Mail Processing Network Rationalization) Docket No. N2012-1
Service Changes, 2012)
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DIRECT TESTIMONY OF MICHAEL HORA
ON BEHALF OF THE NATIONAL POSTAL MAIL HANDLERS UNION
(NPMHU-T-1)

My name is Michael Hora. I am currently employed by the National Postal Mail Handlers Union (NPMHU) in its Contract Administration Department, a position I have held since August 6, 2011. The NPMHU represents approximately 44,000 Mail Handlers employed by the Postal Service throughout the nation. From November, 1985 until July of 2011, I was employed by the Postal Service as a Mail Handler in the Denver, Colorado P&DC. From May, 2002 until July of 2011, I was President of NPMHU Local 321, which represents approximately 1000 Mail Handlers in the state of Colorado. Prior to being employed by the Postal Service, I was employed in an administrative support position for the United States Federal Bureau of Investigations.

The purpose of my testimony is to provide additional information to the Commission regarding the Postal Service's proposed consolidations and network redesign. As part of my duties in the NPMHU Contract Administration Department, I have been tasked with reviewing the proposed network redesign and consolidations, and acting as the point person for NPMHU members and officers for questions and concerns regarding these plans. Based on my review

of these documents, my conversations with NPMHU members and officers from around the country, and my years as a Postal employee working in mail processing facilities, I am concerned that the Postal Service has over-estimated the savings associated with the proposed consolidations, under-estimated the effects it will have on the efficient delivery of the mail, and has generally failed to consider adequately the concerns of employees and mailing customers.

On March 8, 2012, the Postal Service filed with the Commission 185 Area Mail Processing (AMP) studies. NPMHU representatives have been attempting to review all of these studies, however, given the number of studies, the amount of information contained in them, and the press of other business, it is not possible for the NPMHU to submit testimony critiquing each and every study. Instead, I provide this overview testimony regarding general concerns that reach across the various consolidation plans and AMP studies. In addition, the other witness testimony offered by the NPMHU will focus in on the particulars of certain selected studies, to provide the Commission with some specific examples of how the Postal Service's process has failed to account for the costs and logistical problems in the consolidation process.

My testimony addresses my concerns in three areas: (1) estimated savings associated with the Postal Service's proposals; (2) the effects of the planned consolidations on the processing and delivery of mail; and (3) the opportunity for public input into this process.

1. Estimated Savings Associated with Proposals

In the Postal Service's initial case filed with this Commission, the Postal Service estimated that it would save approximately \$ 2.6 billion (gross, before considering any revenue losses) by implementing the proposed consolidations and associated service standard changes. As summarized by witness David Williams, however, in his Response to Question from Commissioner Taub during March 20, 2012 Oral Cross Examination (filed on 3/30/12), the completed AMP studies show savings of only about \$.9 billion.

Mr. Williams indicated in his response to Commissioner Taub that the AMP studies did not capture all savings, because, among other reasons, “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 changes proposed, as detailed in the expected productivity changes estimated by witness Neri.” *Id.* at 3. Referring to the original testimony filed by witness Michael Bradley, and relying on the productivity changes estimated by Mr. Neri, these productivity gains are estimated to result in \$964.2 million in savings, plus another \$274 million from reductions in Supervision and Management, In Plant Support, and Indirect Costs that flow from the “Productivity Gain” savings. See USPS T-10, at Table 16. The Postal Service has not yet filed the revised testimony of Mr. Bradley and therefore it is not yet known how much (if at all) these estimates will change. However, based on my experience working in Postal facilities and my discussions with Mail Handlers working across the country, the Postal Service is drastically over-estimating the amount of productivity increases it will be able to achieve.

Neri’s testimony seems to be based on the notion that there is significant down-time or idle time in the mail processing equipment. However, the “productivity” savings calculations are based upon decreases in labor hours, not decreases in equipment costs. Increasing the time that the equipment runs will not result in labor savings, unless it also significantly decreases the staffing at these facilities.¹ Whether or not there is idle time among the machines, there is not much idle time among the labor force. There simply are not paid employees standing around manning machines that are not processing mail. At those facilities unaffected by consolidation, the same amount of mail will need to be moved, and run through the machines. Mr. Neri

¹ The Postal Service has accounted separately for planned reductions in night differential premium pay (estimated at \$71.8 million). Moving work from the night to the day would, of course, logically result in premium pay savings for the Postal Service. The Postal Service has also separately accounted for the planned savings from other specific operational changes, such as the elimination of the need for a secondary sort of outgoing mail (estimated at \$22.8 million).

provides his estimates of productivity increases by category in Figure 12 of his testimony, but does not provide any calculations to support these estimates. He testifies that they are based on his experience and best estimates. Based on my experience and conversations with other Mail Handlers, they seem to me to be unrealistic. For instance, Mr. Neri opines that the change in operations will result in a 15% productivity increase in “Mechanical Sort-Sack Outside” and a 25% productivity increase in “Manual Sort-Sack Outside.” The changes to operations described by Mr. Neri are unlikely to result in these increases. Mr. Neri’s estimates of productivity increases are incredibly vague and appear to be based on nothing more than conjecture. As such, they should not be accepted by this Commission.

In addition, based on my review of the AMP studies, the AMP savings are themselves over-stated in various regards.

First, the AMPs seem to assume that there will not be increases in utilities or custodial services at the gaining facilities, which is unrealistic given that the staff, operating times, and mail volume will all increase at these facilities.

Second, the AMPs do not budget for increased maintenance or replacement costs for processing equipment, despite the fact that the Postal Service plans to run these machines significantly more hours per day. In my experience and based on what I have heard from Mail Handlers across the country, the machines break down and need repair frequently when their usage is increased.

Third, there is no systematic way of budgeting the costs for operating hubs at the closed facilities. In some areas, they have budgeted for Mail Handlers, while in other AMPs, they have not budgeted for any Mail Handlers to perform this work. In other facilities where mail processing has stopped and the facility is now used as a hub, we typically see a need for anywhere from three to two dozen Mail Handlers to staff the cross-dock operations.

Fourth, the savings estimates assume no costs for upkeep of closed facilities. At a minimum, these facilities will continue to need trash removal and HVAC to prevent freezing or, in warm climates, mold growth.

Fifth, the AMPs do not seem to adequately budget for the relocation costs. The Postal Service has stated that relocation costs average over \$5000 per craft employee. Yet, just as some examples, the Tupelo, MS AMP does not budget a single dollar for employee relocations, although twenty-three craft employees will be added to Memphis (see pages 34, 43); the Scranton AMP budgets only \$198,000 for relocation, although 129 employees will be added to LeHigh Valley (see pages 36, 45); Eastern Maine budgets zero dollars for employee relocation, although 7 managers and 103 craft employees will need to be moved to Southern Maine (see pages 31, 32, 41); and the Tucson AMP budgets zero dollars for employee relocation, although 160 craft employees and 3 management employees will need to be added to Phoenix (see pages 35, 36, 45).

These easily-identifiable failures in estimating costs cast doubt on all the cost savings figures provided by the Postal Service in the AMP process.

2. Effects of Consolidations on Mail Processing and Delivery

In my experience, the Postal Service's ability to process and deliver mail in a timely and efficient manner is highly affected by logistical factors such as dock space to load and unload trucks, and traffic patterns into and out of mail processing facilities. As the Postal Service consolidates more mail volume into fewer processing facilities, these logistical challenges grow in importance. Yet I have not seen any indication that the Postal Service engaged in serious consideration of the problems caused by substantially increasing mail volume into its remaining facilities, such as traffic problems and how mail will be moved into and around each facility.

Second, as someone who has worked in mail processing, I find it incredible that the Postal Service believes that it can triple the time that mail processing equipment can be run, without incurring substantially higher maintenance costs, utility costs, equipment down-time, and decreased equipment life. In my experience, the machines break down more often the more they are run. The fact that the Postal Service appears not to have planned for this fact leads me to conclude that the Postal Service will be unprepared for the inevitable increase in equipment failures, which will necessarily affect the Postal Service's ability to process and deliver the mail in accordance with even the reduced service standards.

Third, as the Postal Service has fewer facilities available to process mail, it becomes more difficult for the Postal Service to deliver mail in the event of bad weather, power outages, facility failures, or other unplanned contingencies. By removing all redundancy from the network, the Postal Service is leaving the national mail network exposed. When natural disasters or similar events occur, the Postal Service will not be able to re-direct mail to nearby facilities – instead, the mail will be significantly delayed.

3. Failure to Consider Public Input

As part of the Postal Service's AMP process, it held public hearings regarding the proposed consolidations of P&DC facilities. The public hearing dates and the presentations used at each of these hearings is posted on the Postal Service website at <http://about.usps.com/streamlining-operations/area-mail-processing.htm>. The purpose of these hearings should have been to allow members of the public input into the decisions and so that the Postal Service could consider public viewpoints in making its final decisions on closings and consolidations. However, I heard many complaints from members and officers across the country that the public hearings were not conducted in such a way as to enable the public to provide meaningful input. The Postal Service came to the hearings with set presentations regarding anticipated savings from closure of the facility at issue, but could not answer basic

questions regarding how the figures were calculated. I repeatedly heard complaints that the Postal Service limited the time in which members of the public could present their concerns, sometimes limiting speakers to as little as two minutes. In the AMP studies that I have reviewed, I have not observed any indication that the Postal Service considered any of these public comments when deciding whether to move forward with the closing or consolidation. Based on these factors, it appears that the Postal Service considered these public hearings to be a mere formality which it was required to go through, not an opportunity to incorporate public sentiment into the decision making process.

The Postal Service did not conduct public hearings for all consolidations. Where a proposed consolidation affects an Annex, Delivery Distribution Centers, Customer Service Mail Processing Centers, Logistic Distribution Centers, or a Surface Transfer Center, the Postal Service's position is that it is not required to follow the Handbook 408 process, including the public hearing requirement. There were approximately fifty facilities that fell into this category associated with the current network redesign initiative.² For those facilities, there was essentially no process by which the Postal Service solicited and received public input.

² Mobile, Al Annex; Little Rock Lindsey Rd. Annex; East Valley DDC (AZ); North Valley DDC (AZ); Herb Peck, CA Annex; Midway, CA P&DF; Modesto, CA P&DF; North Bay, Ca DDC; North Peninsula DDC (CA); Van Nuys FSS Annex (CA); Acworth, Ga. SMPC; Cartersville, GA CSMPS; Douglasville, GA CSMPC; Marietta, GA DDC; Savannah, GA PO CSMPC; Columbus, IN CSMPC; Louisville, KY Annex; Lowell, MA DDC; Suburban MD Annex; Waldorf, MD CSMPC; Wheeler St. MI. Annex; Fayetteville, NC Annex; Kinston, NC Annex; Omaha, NE Mail Consolidation Annex; Nashua, NH L&DC; Jersey Shore DDC; New Jersey L&DC; Albuquerque ASF Annex; Amsterdam, NY CSMPC ; Binghamton, NY STC; Glens Falls, NY CSMPC; Mid-Island Annex (NY); Monsey, NY DDC; New York L&DC; Ironton, OH CSMPC; Poteau, OK CSMPC; Woodward, OK CSMPCS; Mount Hood DDC (OR); Sunset DDC (OR); Horsham, PA DDC; Pittsburgh Building II Annex; Catano, PR DMDU Annex; Clinton, TN STC; Jet Cove Annex (TN); Austin, TX Annex; Waco, TX Annex; Norfolk, VA Annex; Seattle East DDC; South Sound DDC (WA); South WA DDC; Kenosha, WI CSMPC; and Portage, WI CSMPC.

Respectfully submitted,

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