

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

EVOLUTIONARY NETWORK DEVELOPMENT
SERVICE CHANGES, 2006

Docket No. N2006-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2
(QUESTION 6)

The United States Postal Service hereby provides its response to Question 6 of Presiding Officer's Information Request No. 2, issued on April 27, 2006. The question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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June 16, 2006

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING OFFICER'S INFORMATION REQUEST

Please refer to USPS-LR-N2006-1/7. On pages 29 through 32 it discusses various factors that impact productivity differences at mail processing plants including workload, physical size, layout of plants, and number of employees. Please discuss what impact consolidating mail processing operations from plants with smaller workloads into plants with greater workloads, from plants with fewer employees into plants with more employees, and from plants that are physically smaller into plants that are physically larger, would have on productivity of the Postal Service as a whole. Please discuss separately the impact of the above on labor productivity and total factor productivity.

- a. How are the impacts identified above analyzed in the END models and the AMP process?
- b. If the impacts identified in a. through c. above are not analyzed in either the END or the AMP process, at what point in the consolidation process does the Postal Service consider their impact on overall Postal Service productivity? Please explain fully.
- c. On page 47 it states, “[t]he Service has begun using an Activity Based Costing program to determine differences in unit operating costs among plants and to identify opportunities for savings in plants.” Are these data used in the END models or the AMP studies?

RESPONSE

As indicated in the GAO report in USPS LR N2006-1/7, these factors contribute to the variance in productivity across plants and are not mutually exclusive. The impact of consolidating mail processing operations will vary depending on the degree to which each of these factors is present at facilities that are the subject of a particular consolidation decision.

- a. The END models do not take into consideration the layout of facilities or the number of employees at each facility. END modeling does take into consideration the workload associated with each operation of a facility, as well as the total square feet available for processing at a facility. The AMP process is designed to address specific local consolidation proposals and does not involve consideration of overall network productivity.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST**

RESPONSE to Question 6 (continued):

- b. As consolidations are implemented, operational changes occur at affected facilities. To the extent that productivities for various operations at these facilities change, presumably such changes in productivity would be reflected in any post-consolidation data collection designed to measure aggregate productivity. If consolidated facilities that experience such changes are part of a sample or census of facilities from which an aggregate productivity estimate is developed, the changes at those facilities -- as with the productivity changes at any other facilities measured -- could have an impact on the overall productivity measure.
- c. END does not use ABC data. Nor does the AMP process.