

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

**Evolutionary Network Development
Service Changes, 2006**

Docket No. N2006-1

INITIAL BRIEF OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

Darryl J. Anderson, Esq.
Jennifer L. Wood, Esq.
Counsel for American Postal Workers Union, AFL-CIO
O'Donnell, Schwartz & Anderson, P.C.
1300 L Street NW Suite 1200
Washington, DC 20005-4126
Voice: (202) 898-1707
DAnderson@odsalaw.com
JWood@odsalaw.com

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TABLE OF CONTENTS

I.	INTRODUCTION.....	1
II.	THE POSTAL SERVICE IMPLEMENTED NIA/END BEFORE SUBMITTING THE PROGRAM TO THE PRC AND THEREFORE VIOLATED AN IMPORTANT POLICY OF THE ACT.....	5
III.	THE POSTAL SERVICE'S PLAN DOES NOT INCLUDE CONSIDERATION OF SERVICE IMPACTS.....	8
IV.	THE AMP PROCESS DOES NOT FAIRLY MEASURE THE COSTS TO THE POSTAL SERVICE OR TO THE PUBLIC.....	13
V.	THE POSTAL SERVICE'S PLAN LACKS CRITERIA FOR BALANCING SERVICE IMPACTS WITH EFFICIENCY AND COST SAVINGS.....	16
VI.	PUBLIC INPUT IS NOT TIMELY OR ADEQUATELY SOLICITED OR CONSIDERED IN THE POSTAL SERVICE'S CURRENT PROPOSAL ...	18
VII.	POSTAL MANAGEMENT DOES NOT CONSISTENTLY ADHERE TO THE PROCEDURES OF END	21
VIII.	CONCLUSION.....	23

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The American Postal Workers Union, AFL-CIO (APWU) hereby presents its initial brief in Docket No. N2006-1.

I. INTRODUCTION

On February 14, 2006, the United States Postal Service (Postal Service or USPS) filed a Request for an Advisory Opinion pursuant to section 3661 of the Postal Reorganization Act (PRA or Act) “on anticipated changes in the application of current service standards to numerous 3-digit ZIP Code service area origin-destination pairs for different classes of mail” resulting from “a system-wide review and realignment of the Postal Service’s mail processing and transportation networks.”¹ The Request was accompanied by the written testimony of Pranab M. Shah (USPS-T-1) and David E. Williams (USPS-T-2) as well as numerous library

¹ Request of the United States Postal Service for an Advisory Opinion on Changes in Postal Services, February 14, 2006.

references. The APWU subsequently filed the testimony of public engagement specialist Margaret L. Yao (APWU-T-1).

Section 3661(b) of the PRA states

When the Postal Service determines that there should be a change in the nature of postal services which will generally affect service on a nationwide or substantially nationwide basis, it shall submit a proposal, within a reasonable time prior to the effective date of such proposal, to the Postal Rate Commission requesting an advisory opinion on the change.²

The “change in the nature of postal services” at issue in this docket is the consolidation and realignment of mail processing facilities and transportation networks pursuant to the Postal Service’s Evolutionary Network Development (END) strategy.³ END originated in 2001 as the Postal Service’s Network Integration Alignment (NIA) plan.⁴ NIA was subsequently renamed END, to reflect “the evolutionary network development process the Postal Service has adopted.”⁵

END contains three main components. The first component is the END computer simulation and optimization models. The optimization model produces one or more optimal national networks⁶ and identifies facilities for Area Mail Processing (AMP) review,⁷ while the simulation model “tests the feasibility of the proposed network solution.”⁸ The second component of the realignment initiative is the AMP process. This process is used to study and implement realignment

² 39 U.S.C. § 3661(b).

³ USPS-T-1 p. 7 lines 5-12.

⁴ Shah Testimony July 18, 2006, Tr. 2/191 lines 1-14.

⁵ USPS Witness Shah Response to Interrogatory OCA/USPS-T1-5, Tr. 2/83.

⁶ USPS Witness Shah Response to Interrogatory OCA/USPS-T1-14, Tr. 2/94.

⁷ *Id.* Additional facilities may be recommended for AMP review by local and area management. USPS Witness Shah Response to Interrogatory APWU/USPS-T2-1(d), Tr. 2/353.

⁸ Williams Testimony, July 18, 2006, Tr. 2/515 lines 12-23.

opportunities through the consolidation of mail processing facilities⁹ and relies on USPS AMP Handbook PO-408.¹⁰ The final component of this realignment initiative is the identification and creation of “a ‘backbone’ network infrastructure of Regional Distribution Centers (RDCs).”¹¹ When the Postal Service activates an RDC it is required to utilize the RDC Activation Planning Document¹² as well as the RDC Communications Plan.¹³

The Postal Reorganization Act requires that the Postal Rate Commission (PRC or Commission) issue an advisory opinion on the Postal Service END program’s compliance with the Act. Section 3661(c) states

The Commission shall not issue its opinion...until an opportunity for a hearing on the record under sections 556 and 557 of Title 5 has been accorded... . The opinion shall be in writing and shall include a certification by each Commissioner agreeing with the opinion that in his [or her] judgment the opinion **conforms to the policies established under this title.** [Emphasis added]¹⁴

This brief argues that the Commission should declare that the consolidations and network changes initiated under NIA/END violate the PRA since the Postal Service did not seek the advice of the Commission a “reasonable time prior” to implementation. This brief further argues that the Commission should issue an opinion advising the Postal Service that END and all of its components violate the PRA and recommending that the Postal Service cease implementation of END for the following reasons:

⁹ USPS-T-2, pg 1 lines 7-10.

¹⁰ USPS-LR-N2006-1/3.

¹¹ USPS-T-1, pg 11 lines 3-4.

¹² USPS-LR-N2006-1/24.

¹³ USPS-LR-N2006-1/23.

¹⁴ 39 U.S.C. § 3661(c).

- 1) consideration of service impacts are omitted from the Postal Service's Plan;
- 2) costs to the Postal Service and to the Public are not accurately measured;
- 3) the Postal Service's proposal contains no criteria for balancing service impacts with efficiency and cost savings;
- 4) public input is not timely or adequately solicited or considered in the process; and
- 5) postal management does not consistently adhere to the procedures of END.

The Postal Service has submitted and begun implementation of a deeply flawed plan that affects postal services on a nationwide basis. Not only is END missing an evaluation of critical information, like the service impacts of consolidations and activations of RDCs, many of the crucial documents used to study and implement these changes are currently being changed. For example, the AMP Guidelines are currently being revised.¹⁵ The RDC Activation Planning Document and RDC Communications Plan, have not been finalized.¹⁶ In addition, the Public Input Process is deeply flawed and must be revised.¹⁷ The Postal Rate Commission should issue an opinion finding that END is not consistent with the PRA; that the Postal Service should stop implementation of END because it omits

¹⁵ Report No. EN-AR-06-001 of the USPS Office of Inspector General, entitled "Audit Report – Pasadena, California, Processing and Distribution Center Consolidation" (September 26, 2006), pg.14

<http://www.uspsoid.gov/FOIA_files/EN-AR-06-001.pdf>

¹⁶ USPS-LR-N2006-1/24 and USPS-LR-N2006-1/23.

¹⁷ See APWU Witness Yao Testimony, APWU-T-1.

adequate service impact and cost information and because the Postal Service is asking the PRC to evaluate a process that utilizes documents that are being revised or need to be revised, as with the Public Input Process. The Commission should advise the Postal Service that it should submit a revised plan when all of this information is available and documents complete.

II. THE POSTAL SERVICE IMPLEMENTED NIA/END BEFORE SUBMITTING THE PROGRAM TO THE PRC AND THEREFORE VIOLATED AN IMPORTANT POLICY OF THE ACT

At the outset, the APWU asserts that the Commission should issue an opinion finding that the Postal Service's proposal violates an important policy of the Postal Reorganization Act because it was not submitted to the Commission "within a reasonable time prior to the effective date of such proposal."¹⁸ The Postal Service has at times in this proceeding suggested that the network changes currently being implemented, without awaiting the Commission's advice, are not part of the proposed plan submitted to the Commission. However, Postal Service witness Shah's answer to Interrogatory OCA/USPS-T1-5 belies this contention. Witness Shah has testified that

[T]he NIA process has been renamed to END (Evolutionary Network Development), as the new name reflects the evolutionary network development process the Postal Service has adopted. Both processes use the same methods, data, and models for designing the Postal Service's futures network strategies. Additionally, the core objectives of both NIA and END remain the same.¹⁹

¹⁸ 39 U.S.C. §3661(b).

¹⁹ Tr. 2/83

And in response to the Interrogatory APWU/USPS-T2-1²⁰ and APWU/USPS-T2-4,²¹ Postal Service witness Williams acknowledged that the approximately two dozen AMP studies that were in progress while END modeling was being developed were put on hold and that many of these studies have now been reinstated.

Renaming a program that has been in existence since 2001 does not negate the program's prior existence. Nor does it allow the Postal Service to ignore the requirement that the Postal Service seek an advisory opinion **before** implementation of a program that will affect service on nationwide basis. Since END is simply NIA renamed, the Postal Service was required to seek an advisory opinion from the Commission before implementation of NIA/END. Yet, the Postal Service failed to seek the Commission's advice on this program for four years.

Ten AMP decision packages accompanied the Postal Service's Request for an Advisory Opinion.²² USPS Witness Williams testified that the centrally directed system for realignment began in late 2005²³ and the 10 AMPS were run through the END models to validate their consistency with the future network.²⁴ On October 1, 2005 the Postal Service decided to implement the first 10 AMPs that had been validated by the END model and to move forward on the next 41.²⁵ The majority, if not all, of these 10 AMPS have been implemented.²⁶ Thus by at least

²⁰ Tr. 2/351-354.

²¹ Tr. 2/356.

²² See Library References USPS-LR-N2006-1/5 and USPS-LR-N2006-1/10.

²³ Id. at Tr. 2/508 lines 13-18.

²⁴ Id. at Tr. 2/512 lines 7-18.

²⁵ Williams Testimony July 18, 2006, Tr. 2/508 line 19, and 2/509 lines 6-23.

²⁶ APWU/USPS-T2-3, Tr. 2/355.

the fall of 2005 the END program was being used to direct network realignment and the Postal Service was required to seek an advisory opinion by the fall of 2005, at the latest. The Postal Service did not do so and instead waited until February of 2006 to file its Request.

When the Postal Service develops a new program that, like END, has nationwide service impacts, the Postal Service is required by law to include in its planning timetable time to submit the plan to the Commission before implementation. Section 3661 of the Act, in effect, requires that a means and timetable for submission of a new plan to the Commission be made a part of the plan. The omission of a plan to submit END to the Commission in advance was, therefore, not just a failure to act on the part of the Postal Service, it was a defect in the END plan itself.

In its opinion in this case, it is important that the Commission include a finding that the END plan failed to comply with the Act because it failed to include a plan and an appropriate timetable for its submission to the Commission prior to implementation. If the Commission does not address this timely submission issue in its Opinion, the Postal Service will have no incentive in future cases to include the statutory role of the Commission in its planning.

III. THE POSTAL SERVICE'S PLAN DOES NOT INCLUDE CONSIDERATION OF SERVICE IMPACTS

The Postal Service's END program also violates other policies of the Act by failing to incorporate actual consideration of service impacts. Section 101 of the Act expresses the fundamental policy that

...The Postal Service shall have as its basic function the obligation to provide postal services to bind the Nation together through the personal, educational, literary, and business correspondence of the people. It shall provide prompt, reliable, and efficient services to all communities...

39 U.S.C. § 101(a); and

The Postal Service shall provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining...

Id. at § 101(b). In addition, Section 403 of the Act requires a balancing of the economies of postal operations and the public's access to essential postal services.²⁷

²⁷ 39 U.S.C. § 403 provides:

- (a) The Postal Service shall plan, develop, promote, and provide adequate and efficient postal services at fair and reasonable rates and fees... . The Postal Service shall serve as nearly as practicable the entire population of the United States.
- (b) It shall be the responsibility of the Postal Service –
 - (1) to maintain an efficient system of collection, sorting, and delivery of the mail nationwide;
 - (2) to provide types of mail service to meet the needs of different categories of mail and mail users; and
 - (3) to establish and maintain postal facilities of such character and in such locations that postal patrons throughout the Nation will, consistent with reasonable economies of postal operations, have ready access to essential postal services.
- (c) In providing services and in establishing classifications, rates and fees under this title, the Postal Service shall not, except as specifically authorized in this title, make any undue or unreasonable discrimination among users of the mails, nor shall it grant any undue or unreasonable preferences to any such user.

The goals and process of END are stated solely in terms of economic efficiencies. But it is unknown whether the Postal Service's goals and process will result in a pattern of service changes affecting a particular type of mail or a particular type of community. For example, the Postal Service has admitted that collection box times have been changed²⁸ but there is no policy in place to measure the impact of these changes. It is entirely possible that the overwhelming majority of negative services changes will affect rural areas and small towns, or that the overwhelming majority of negative changes will impact collection mail, thus degrading service for individuals and small businesses, while large mailers continue to receive excellent service.²⁹ Results of this kind do not comport with the policies of the Act. Yet the Postal Service has not included in its realignment process a complete examination of service impacts.³⁰

In its opinion, the PRC must advise the Postal Service regarding the service changes that will result from the implementation of END. But the Postal Service's submission does not permit a meaningful examination of these changes. The examples included in Library Reference N2006-1/5 are primarily consolidations of originating collection mail. Moreover, these 10 AMPS were selected because they involved no service standard downgrades³¹ and the Postal Service has stated that

²⁸ USPS Williams July 18, 2006 Testimony, Tr. 2/ 542 lines 17-18.

²⁹ Currently the Postal Service proposes to retain BMEUs at the losing facility and to segregate local mail. Response of USPS Witness Williams to Interrogatory APWU/USPS-T2-69(e-f), revised July 11, 2006, Tr. 2/415.

³⁰ Although AMP worksheets 7 and 8 document proposed service commitments and affected volumes, no further analysis of the impact of these changes is made, and apparently even the volume figures are not shared with the public.

³¹ Witness Shah Testimony July 18, 2006, Tr. 2/514 lines 23-24 and Tr. 2/515 lines 1-2.

these AMPs are not “typical or representative of AMP proposals or results that are expected to be reviewed and implemented when the process is rolled out nationwide.”³² Postal Service witness Shah’s testimony regarding END indicates that there is a future expectation of consolidation of operations by shape and consolidation of destinating operations. In September of 2005 END produced an opportunity list of 139 facilities that could be the subject of AMP review and consolidation.³³ Some of these facilities are large, covering three to four 3-digit ZIP Codes. For example, Johnstown, PA covers four 3-digit ZIP Codes and may be consolidated into the Pittsburgh, PA facility which already covers five 3-digit ZIP Codes.³⁴ The list indicates that the Madison, WI facility, which covers four 3-digit ZIP Codes may be consolidated into the Milwaukee, WI facility, which also covers four 3-digit ZIPs.³⁵ Other potential consolidations would involve mail being transported across state lines.³⁶ These types of consolidations may have significantly different impacts on communities and service levels from what is expected under those included in Library Reference N2006-1/5. Thus it is impossible to determine or predict what will happen when these larger facilities are consolidated by looking at the information submitted.

³² APWU-T-2 pg. 10 lines 14-17.

³³ Opportunity List provided in response to OCA question posed at hearing at Tr. 3/566.

³⁴ Id. Pittsburgh is also the potential gaining facility for Wheeling and Altoona, adding another 3 ZIP codes.

³⁵ Id.

³⁶ Id. For example, the list identifies Wilmington, DE into Philadelphia, PA; Wheeling, WV into Pittsburgh, PA; Ashland, KY into Huntington, WV; Carbondale and Centralia, IL into St. Louis, MO; and Durango, CO into Albuquerque, NM.

Some facilities may be closed entirely due to network realignment. The Marina, CA consolidation involved the closing of the entire facility. Degrادات to service were prevalent.³⁷ But there was no indication of this in the initial AMP documents. Service performance was listed as an area of concern in the cover memo of the Marina Post Implementation Review but the PIR process itself does not call for such an evaluation.³⁸ This process also did not examine transportation problems and alternative solutions.³⁹

The Commission must be able to consider all service impacts, not just those related to service standards. Otherwise, it will be unable to fulfill its advisory role under Section 3661 of the Act. But the Postal Service has not provided any methodology for examining potential service impacts and has only provided data related to the impact on service standards between 3-digit ZIP Code pairs, which is an incomplete assessment of service impacts. Examination of upgrades and downgrades to service standards do not produce comprehensive data on service changes. Bulk Mail Entry Unit (BMEU) changes and changes in collection box times, for example, are omitted from the AMP study.⁴⁰ The Postal Service's current proposal does not even include a post implementation evaluation of

³⁷ Library Reference USPS-LR-N2006-1/6.

³⁸ Library Reference USPS-LR-N2006-1/27.

³⁹ Tr. 3/651 lines 21-25 and Tr. 3/652 lines 1-4. USPS Witness Williams indicated that if this analysis is completed at all it would be done so by the local level and is not mandated by the AMP process. Id.

⁴⁰ APWU/USPS-T2-40, Tr. 2/398 and NNA/USPS-T2-15, Tr. 2/454; Williams Testimony, July 19, 2006, Tr. 3/573 lines 23-25 and 3/574 lines 1-7. Witness Williams testified that impacts to collection boxes could be measured in advance of AMP implementation. Tr. 3/574 lines 2-9.

whether service standards are actually being met.⁴¹ The Postal Service has stated that the check on service is not necessary in the Post Implementation Review process because the achievement of service standards is being checked daily by Postal managers. Yet, Mr. Galligan's cover memo to the Marina PIR requests a service improvement plan be submitted by October 1, 2006 because of the service problems, well over a year after the implementation of the Marina AMP.⁴² Such a check on the actual meeting of service standards needs to be a part of the PIR process and checked every time, not just when Postal Management takes special notice.

END must examine and consider what percentage of mail might miss service standards, the number of days standards might be missed,⁴³ the time of day deliveries are made, and the difficulty of getting a local postmark. None of these impacts are currently considered under END. The Postal Service concedes that it does not even look at density analysis reports as part of AMP – even though such analysis would indicate how much originating mail would return for local delivery.⁴⁴ Therefore, the Commission should issue an opinion finding that END is not consistent with the PRA because it does not consider all service impacts.

⁴¹ Response of USPS Witness Williams to Interrogatory APWU/USPS-T2-79, June 6, 2006, Tr. 2/418.

⁴² Library Reference USPS-LR-N2006-1/27.

⁴³ Apparently, the model set capacity at 130% of average daily volume. APWU/USPS-T2-30(a), Tr. 2/78. On a national average the 130% peak capacity would fall short on 14 days per year. VP/USPS-T2-19(b), Tr. 2/150. It is not clear how, if at all, USPS considers local circumstances where peak capacity might be exceeded more often.

⁴⁴ APWU/USPS-T2-53, Tr. 2/402.

IV. THE AMP PROCESS DOES NOT FAIRLY MEASURE THE COSTS TO THE POSTAL SERVICE OR TO THE PUBLIC

The Commission should advise the Postal Service that its realignment strategy is not consistent with the PRA because it fails to measure the costs and burdens of its customers that may result from the consolidations and does not accurately measure the costs to the Postal Service. In response to Interrogatory APWU/USPS-T2-15(d) USPS witness Williams stated that costs and burdens to customers are not END model inputs.⁴⁵ Customer costs and burdens are also not measured during the AMP review process.⁴⁶ As stated by Williams, “the AMP process is designed to only consider postal costs. It is not designed to consider assertions concerning costs incurred by mailers.”⁴⁷

Under the Postal Reorganization Act the Postal Service must weigh economic efficiencies and the public’s access to essential postal services.⁴⁸ Here it is essential that the Postal Service work with communities, citizens, and mailers to determine potential impacts. Quantifying such impacts and considering alternatives to make changes that would avoid adverse service impacts should be a part of any AMP study. For example, the Postal Service should conduct special studies with community input that measure service performance before any change, as well as likely performance in various alternative proposals. This might

⁴⁵ Postal Service Response to Interrogatory APWU/USPS-T2-15(d), Tr. 2/388

⁴⁶ Postal Service Response to Interrogatory APWU/USPS-T2-18(d) (Tr. 2/392):

“There is no such part [of the AMP study that measures the costs or burden on mailers and the public that may result from service standard changes].

⁴⁷ Postal Service Response to Interrogatory APWU/USPS-T2-16(e) Tr. 2/389-390.

⁴⁸ 39 U.S.C. § 403

involve test mailings.⁴⁹ If the Postal Service is considering changing collection box or dispatch times, END must include a means to quantify the volumes and types of mail affected. END must examine whether network changes make meeting an unchanged service commitment more challenging, and the likelihood of missing the commitment more often. If the commitment is changed, what are the impacts on the community and are there alternatives to ameliorate any negative impacts? These are all things that must be studied during an AMP. If dispatches occur earlier, mailers will face decisions about rescheduling their operations, losing a day to prepare mail or pay higher postage. If BMEUs, BMCs or dropship locations change, mailers could face considerable additional expenses. The Postal Service's proposal does not consider any of these costs to customers.⁵⁰ Thus, the Commission should issue an opinion finding that the Postal Service's consolidation proposal violates the PRA.

Moreover, even though postal costs are considered in both the optimization model and the AMP process, it is not clear that those are measured in a fair and consistent manner. The optimization model, which chooses the most likely candidates for consolidation, uses a complex algorithm that includes cost measures and general productivity measures for facilities of different sizes. The optimization model does not use site specific productivities. Many questions have been raised about whether the way productivities are handled in this model

⁴⁹ We assume that EXFC data will either be unavailable for more rural (low volume) areas or sampling will be too small to measure local impacts. We also assume that, if available, the Postal Service will not share such data or ODIS data at a facility level. Test mailings can provide needed data without running afoul of the Postal Service's concerns regarding the disclosure of volume data.

⁵⁰ APWU/USPS-T2-40, Tr. 2/398.

erroneously assumes cost savings in moving mail from smaller to larger facilities.

While productivity measures tend to be better at smaller facilities, the Postal Service makes the point that the larger facilities are more able to improve productivity through better capacity utilization once volume is increased and mail of different types, but similar shapes are combined. However, the AMP process, which analyzes the consolidations site by site, does use actual facility-specific and operation-specific productivity measures. There are cases in the 10 AMPs presented in this record where mail is moved from more productive facilities or operations to less productive ones.⁵¹ Since there are no Post Implementation Reviews on the record for these sites, it is not possible to determine if the Postal Service's originally stated goal of improved productivity from the consolidation was met. And since it is the AMP data that are the basis for any interaction with the public on consolidations, this type of inconsistency can lead to public distrust of the process. There also seem to be some problems within the AMP process itself of consistent measures of productivity being used for the comparisons.⁵²

In addition, the Postal Service proposes the creation of Regional Distribution Centers to serve as the "backbone" of the mail processing and transportation networks.⁵³ However, there is a dearth of information regarding the RDCs. The Postal Service does not know how many RDCs will exist in the future network – the current estimates range from a low of 28 to a high of 100.⁵⁴ It claims to not know

⁵¹ APWU/USPS-T2-26 Tr. 2/395.

⁵² POIR 8 Q1c

⁵³ USPS-T-1 p. 11 lines 3-4.

⁵⁴ APMU/USPS-T1-1(b), Tr. 2/38; OCA/USPS-T1-23, Tr. 2/100; and PSA/USPS-1.

where any of the RDCs will be located.⁵⁵ The number and location of RDCs have serious implications for the impacts on mailers; like an increase in transportation costs. But these costs are not measured. Accordingly, the Commission should issue an opinion finding that END is not consistent with the PRA.

V. THE POSTAL SERVICE'S PLAN LACKS CRITERIA FOR BALANCING SERVICE IMPACTS WITH EFFICIENCY AND COST SAVINGS

The Postal Service has stated that "it is our goal to reduce cost while improving the consistency of service provided."⁵⁶ The Service has also expressed that the "goals and processes for network realignment ... could result in a significant, but unknown number of upgrades and downgrades in service between numerous 3-digit ZIP Code pairs for some mail classes."⁵⁷ Under the Postal Reorganization Act, the Postal Service is required

to establish and maintain postal facilities of such character and in such locations that postal patrons, throughout the Nation will, consistent with reasonable economies of postal operations, have ready access to essential postal services.⁵⁸

Thus in reconfiguring its mail processing and transportation networks the Postal Service must balance efficiency and service. However, the Postal Service's realignment strategy contains no clear, consistent and auditable criteria to direct such balancing.

⁵⁵ APWU/USPS-T1-4, Tr. 2/61; APWU/USPS-T1-10, Tr. 2/65; and APWU/USPS-T2-86, Tr. 2/424.

⁵⁶ Response of USPS Witness Shah to Interrogatory VP/USPS-T1-20, revised July 7, 2006, TR. 2/151.

⁵⁷ Response of the USPS to Docket No. N2006-1 Notice of Inquiry No. 1, Question 1, April 4, 2006.

⁵⁸ 39 U.S.C. § 403(b)(3).

For example, when asked why AMPs might not move forward, the Postal Service responded that such a decision can result when it appears that “a proposed consolidation is operationally infeasible at the present time, that no or virtually no efficiency gain would be achieved by implementing it, or that there would be a negative impact on service far out of proportion to any efficiency gain at the time.”⁵⁹ However, there is no decision rule in place to use to determine when service impacts are “far out of proportion to any efficiency gain[ed].”⁶⁰ There are no criteria used to determine the appropriate magnitude of collection time impacts, delivery service standard changes, or ratio of costs to savings expected.⁶¹

In order to ensure compliance with the PRA, the Commission must weigh the increased efficiencies against any negative service impacts. Because the Postal Service’s plan does not provide for that type of balancing, the Commission should find that it is not consistent with the PRA.⁶²

⁵⁹ Response of USPS Witness Williams to Interrogatory APWU/USPS-T2-89, June 23, 2006, TR. 2/ 428.

⁶⁰ Id.

⁶¹ Response of USPS Witness Williams to Interrogatory OCA/USPS-T2-20, revised July 7, 2006, TR. 2/478.

⁶² The APWU proposes that one way to collect and consider service impacts is to fully **engage** the public during the consolidation feasibility study and post implementation review. Ms. Yao’s testimony provides the means for public engagement that should be considered by the Commission in evaluating the Postal Service’s END plan.

VI. PUBLIC INPUT IS NOT TIMELY OR ADEQUATELY SOLICITED OR CONSIDERED IN THE POSTAL SERVICE'S CURRENT PROPOSAL

Additionally, in order to comply with the policies of the Postal Reorganization Act, public input must be an integral part of the network realignment initiative. In its decision in Docket No. C2003-1, the Commission stated

[1010] The Postal Service, as a government monopoly, has a positive obligation to learn the needs and desires of its customers and structure its products to meet those needs and desires where doing so is not inconsistent with reasonably feasible and efficient operations.⁶³

The Postal Service plan currently provides only for advice to the public about the **results** of END. The Postal Service's public input process does not permit the general public or small businesses to participate in the deliberative process before completion of the AMP so they might affect what is recommended. Private citizens may wish to express their views about the impact of impending service changes, but the Postal Service plan does not require that those views be weighed in the decision. Postal Service witness Williams states that the concerns of the potentially affected general mailing public are merely "given the weight deemed appropriate by the Postal Service."⁶⁴

Moreover, any balancing that is done, if it is done at all, is done after the fact.⁶⁵ It appears that if consideration is given to public complaints it is solely to determine whether the level of community outrage is so great that the Postal Service should reconsider its actions. The key point here is that the Postal Service

⁶³ PRC Decision C2003-1 p.5 ¶ 1010.

⁶⁴ Postal Service Response to Interrogatory APWU/USPS-T2-16(e), Tr. 2/389-390.

⁶⁵ Postal Service Response to Interrogatory APWU/USPS-T2-18(c), Tr. 2/392.

considers citizen input in order to decide whether to **reconsider** a decision already made. Under the Postal Service's current proposal, the general public and small business mailers are not permitted to participate in the process until after:

- 1) data have been collected;
- 2) an analysis of that data has been performed;
- 3) a recommended decision has been made;
- 4) local management signs off on the recommendation;
- 5) area management signs off on the recommendation; and
- 6) the cross-functional Headquarters team recommends that the AMP proceed.

Public input is solicited after postal managers have made their decisions and recommendations to the Senior Vice President of Operations. Instead of being a part of the analysis and an input taken into consideration by management, public input is thus pitted against the recommendation management is making to the decision-making official, the Senior Vice President. At that point the decision making process has ended and postal officials have a vested interest in seeing their decisions carried out. Coming this late in the approval process, soliciting input from the general public and small business mailers appears to be merely a pretense. As stated by a participant in the Sioux City town hall meeting "they appeared to just be getting past a public comment meeting as a step in the process, as opposed to listening."⁶⁶ Another stated "I was convinced they had

⁶⁶ APWU-T-1 pg 11 lines 2-6.

already decided what they were going to do.”⁶⁷ It is unlikely that this public input will result in the collection of additional data or the initiation of other studies to examine alternative solutions responsive to the problems raised in the public input process. Yet as previously recognized by this Commission, “the public has a unique stake in the outcome, and should be included in the process.”⁶⁸

In the town hall meetings, numerous issues were raised by the public that do not appear to be considered as part of END. These include

- 1) timeliness of delivery of financial and legal statements and filings important to institutions, citizens and the judicial system;
- 2) timeliness of the delivery of invoices, accounts receivables, and other billing related issues affecting small businesses, their customers, and customer relations
- 3) loss of one-day delivery of newspapers;
- 4) loss of community identity related to postmarks; and
- 5) the effect on area employment.⁶⁹

APWU witness Yao’s testimony analyzes the Postal Service’s fatally flawed public input process and provides recommendations designed to correct the flaws thereby ensuring that public input is adequately collected and considered as part of the END consolidation strategy. Ms. Yao recommends that the Postal Service:

- 1) seek public input earlier in the process and use it throughout the AMP study period;

⁶⁷ Id.

⁶⁸ Docket No. C2003-1 Appendix B, ¶ 44.

⁶⁹ APWU-T-1 p. 17-18.

- 2) provide objective cost savings and service delivery information to the public;
- 3) engage the public in a deliberative, neutral forum where different interests can be shared and solutions sought; and
- 4) develop and communicate to the public criteria to evaluate the AMP consolidations' costs savings and impacts on service.⁷⁰

These recommendations are consistent with the views expressed by Chairman Omas in C2003-1:

I believe the Postal Service should regularly obtain information from the mailing public to use in developing its long-term operating strategy, and that it should also provide mailers with the opportunity to comment before it makes decisions to alter service locally. If the Postal Service obtained information from the public, as I am suggesting, service changes could be better tailored to meet demonstrated public need before the fact, and the public would be less likely to view the Postal Service as an unresponsive government bureaucracy.⁷¹

Therefore, the Commission should issue an opinion finding that the current public input process violates the PRA and recommending that the Postal Service reform its current public input process in accordance with the recommendations of APWU witness Yao.

VII. POSTAL MANAGEMENT DOES NOT CONSISTENTLY ADHERE TO THE PROCEDURES OF END

USPS witness Williams testified that the "procedures outlined in [AMP Handbook] PO-408 need to be adhered to consistently."⁷² However, to date Postal Management has fallen short of that goal. The AMP process requires that a Post

⁷⁰ APWU-T-1 p. 24-32

⁷¹ Docket No. C2003-1, Separate View of Chairman Omas, p. 7.

⁷² TR. 3/ 609 Lines 13-18.

Implementation Review be conducted 30 days after the two full quarters following implementation and again one year after implementation.⁷³ Since 1995 28 AMPS have been implemented, yet only two PIRS have been conducted.⁷⁴ This is a serious oversight that cannot be condoned by the Commission. In the Pasadena AMP, postal management used “inaccurate, incomplete or unsupported” data.⁷⁵ When mistakes are made in the AMP they are not immediately corrected; instead Postal management intends to make the correction in the Post Implementation Review.⁷⁶

The original AMP for the Marina, CA closure indicated that 2.758 billion pieces were shifted. That was not consistent with the AMP directions which state it should be in average daily pieces thus the actual number is 6.64 million.⁷⁷ This AMP also indicated that savings would be \$17.4 million but that was later revised down to \$14.6 million after it was discovered that some of the EAS personnel cost had been double counted.⁷⁸

In addition, the Postal Service indicated that it would post changes to First Class service standards on the RIBBS homepage (<http://ribbs.usps.gov>) 30 days

⁷³ TR. 3/615 lines 6-9.

⁷⁴ TR. 3/670 lines 1-13. At the time of the hearing the Marina PIR was not yet complete, it was subsequently completed and on September 15, 2006 the Postal Service filed it as Library Reference USPS-LR-N2006-1/28.

⁷⁵ Report No. EN-AR-06-001 of the USPS Office of Inspector General, entitled “Audit Report – Pasadena, California, Processing and Distribution Center Consolidation” (September 26, 2006). The OIG Report states that it “found discrepancies with the AMP proposal in the areas of transportation costs, the number of employees affected, and changes in service standards. Because of these discrepancies, the cost savings as projected in the AMP may be significantly overstated and the service impacts are not fully described.” *Ibid.* pg. i-ii.

⁷⁶ APWU/USPS-T2-48, Tr. 2/400.

⁷⁷ Library Reference USPS-LR-N2006-1/27, fn 2.

⁷⁸ *Id.*

prior to the start of each Postal quarter.⁷⁹ But the changes for Postal Quarter 3-06 were not posted in accordance with this policy.⁸⁰ The Postal Service has failed to regularly adhere to this policy. The fact that the procedures outlined in the AMP process as part of END are not consistently followed is highly problematic and must be addressed in the Commission's opinion.

VIII. CONCLUSION

The Commission should issue an opinion finding that the Postal Service violated the Postal Reorganization Act because of the untimely submission of its NIA/END plan; that END is not consistent with the Postal Reorganization Act and the Postal Service should cease implementation of END because:

- 1) consideration of service impacts are omitted from the Postal Service's Plan;
- 2) costs to the Postal Service and to the Public are not accurately measured;
- 3) the Postal Service's proposal contains no criteria for balancing service impacts with efficiency and cost savings.
- 4) public input is not timely or adequately solicited or considered in the process; and
- 5) postal management does not consistently adhere to the procedures of END.

⁷⁹ APWU/USPS-T1-27, Tr. 2/74-75.

⁸⁰ Id.