

Before The
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268B0001

STATION AND BRANCH OPTIMIZATION AND
CONSOLIDATION INITIATIVE, 2009

Docket No. N2009-1

**DIRECT TESTIMONY OF
KIMBERLY I. MATALIK
ON BEHALF OF
UNITED STATES POSTAL SERVICE**

USPS-T-2

Revised July 17, 2009

TABLE OF CONTENTS

Autobiographical Sketch.....	1
I. Purpose and Scope of Testimony.....	2
II. Overview.....	3
III. Station And Branch Discontinuance Review Process.....	4
IV. Station And Branch Optimization And Consolidation Initiative Process.....	7
A. Pre-Screening.....	8
B. Discontinuance Study.....	9
V. Conclusion.....	13

1 I. Purpose and Scope of Testimony

2 The purpose of my testimony is to describe the facility-specific study and
3 review process that the Postal Service will employ for purposes of the Station
4 and Branch Optimization and Consolidation Initiative (hereinafter, "Initiative").

5 The goal of the Initiative is to determine whether optimization of how retail
6 services are provided to customers requires continued operation of all current
7 stations or branches that report to Post Offices managed by Executive &
8 Administrative Schedule (EAS) pay grade level 24 and above Postmasters. I

9 also describe the process that prioritizes which among such stations and
10 branches will first be examined by the Initiative.

1 II. Overview

2 The United States Postal Service is responsible for ensuring, in an
3 economical way, that it maintains facilities of such character and in such
4 locations that customers have ready access to essential postal services.

5 Currently, the Postal Service operates a network with more than 27,200 Post
6 Offices and 4,800 subordinate station and branch facilities through which it
7 provides retail services that meet the needs of the mailing public.

8 The testimony of witness Alice M. VanGorder (USPS-T-1) explains why
9 the Postal Service must review its retail service network. This review relies upon
10 examination of respective facilities on a case-by-case basis to assess whether to
11 continue providing retail services at each location. As indicated by witness
12 VanGorder, the Initiative will focus initially on several thousand stations and
13 branches that report to Post Offices managed by Postmasters in EAS-24 and
14 above, but may also include smaller stations and branches.

15 The Postal Service's 74 District offices are responsible for managing the
16 provision of retail services to customers within their respective service areas.¹
17 Assessing the provision of retail postal services is an ongoing District
18 management function.

19 The Postal Service has in place a longstanding process through which
20 District offices routinely initiate studies and submit proposals to Headquarters for
21 the discontinuance of operations in a particular retail station or branch. As

¹ Each of these District offices reports to one of 9 Area offices, each of which reports to Headquarters in Washington, D.C.

1 described in detail below, this process develops core information that informs
2 decisions necessary to the Initiative.

3

4 III. The Station And Branch Discontinuance Review Process

5 The station and branch discontinuance review process starts with local
6 initiation of a study at the direction of the District Manager in whose service area
7 the station or branch in question is located. A study begins with review of the
8 facility's business activity. This includes examination of:

- 9 (a) mail volume trends,
- 10
- 11 (b) retail transaction trends,
- 12
- 13 (c) proximity to other retail service facilities,
- 14
- 15 (d) space requirements and capabilities,
- 16
- 17 (e) customer wait-time in line and retail window service capacity,
- 18
- 19 (f) impacts on employees at the facility under study,
- 20
- 21 (g) customer concerns as expressed in response to questionnaires or in
22 a community meeting;
- 23
- 24 (h) cost savings that could result from closure or consolidation,
- 25
- 26 (i) alternate retail window and delivery service options,
- 27
- 28 (j) the ability of nearby postal facilities to handle retail service and mail
29 processing workload that may shift to their locations,
- 30
- 31 (k) the ability of the community served by the facility to access
32 nearby postal facilities or alternate access channels; and
- 33
- 34 (l) other factors as may be deemed appropriate.
- 35

1 Factors unique to a particular facility also must be considered. For instance, the
2 fact that a retail station or branch serves as a major distribution center or delivery
3 point for Internal Revenue Service forms should inform any decision affecting its
4 operational status. A decision regarding a facility that serves customers with
5 specific needs, such as a high concentration of elderly or economically
6 disadvantaged customers with limited mobility, or non-English-speakers who
7 require assistance in completing postal forms or conducting routine postal
8 transactions, must consider such concerns.

9 District management analyzes this information to determine if a
10 discontinuance proposal ensures that customers continue to have ready access to
11 essential postal services. If the proposal is deemed worthy of further
12 consideration, the District proceeds with customer notification and solicits customer
13 comments. For the purpose of obtaining customer comment, either a public
14 meeting is conducted or responses to a customer questionnaire are solicited.
15 Questionnaires are placed in each customer Post Office box and mailed to carrier
16 delivery customers of the station or branch being considered for discontinuance.
17 Lobby notices regarding the proposal are posted in that same facility and
18 questionnaires are made available to window service customers as well. In cases
19 where the station or branch serves as the base for a substantial number of carrier
20 deliveries in the Post Office service area, the District also may publish notices in a
21 local newspaper directed at those delivery customers informing them of the
22 proposal and the opportunity to provide comment.

1 Standard data collection forms and instructions, as well as customer
2 notification letter and questionnaire templates are provided to each District office
3 for use. As needed, these forms and templates can be adapted to fit local
4 circumstances.² Public comments and questionnaire responses are reviewed by
5 the District before it submits its proposal to Headquarters and again at
6 Headquarters before a discontinuance proposal is approved.

7 From the time that a study is initiated, on average, it takes about four
8 months before a proposal is submitted to Headquarters for review. A final decision
9 is made by the Vice President, Delivery and Post Office Operations at
10 Headquarters. From the date on which that decision is made, depending on the
11 complexity of a particular change and any required notice to affected postal
12 employees, collective bargaining units and employee associations, implementation
13 of a station or branch discontinuance may take more than 60 days.³

14 As indicated above, retail station and branch discontinuance review is a
15 routine postal management function. The Table below shows the number of
16 decisions to discontinue stations and branches since FY 2005.⁴

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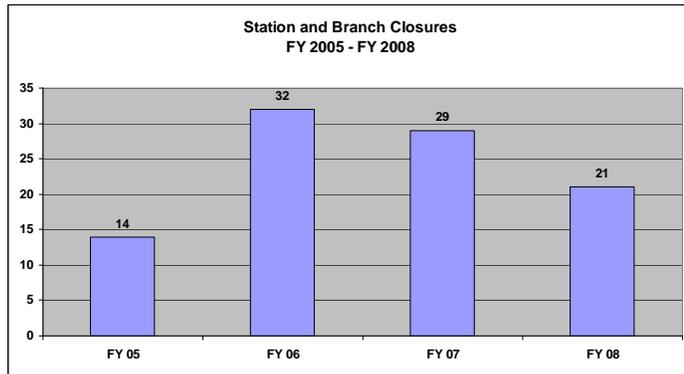
² See, e.g., USPS Library References N2009-1/1 and N2009-1/2, which consist of examples of information gathered to support the discontinuance of a station or branch. Forms and letters can be seen in each. (Personally identifying information of customers has been redacted from the publicly available copies of the library references.)

³ There must be close coordination by District level managers throughout the implementation to ensure that any reassignment and/or excessing of bargaining and non-bargaining unit employees is accomplished in accordance with applicable postal policies and postal collective bargaining agreements.

⁴ The Table depicts the number of all station/branch discontinuance decisions for each year, not just those affecting facilities that report to EAS-24 (and above) Postmasters.

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Table 1: Station and Branch Closures FY2005 – FY2008



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To further the Postal Regulatory Commission’s understanding of how this “bottom-up” process ordinarily works, the Postal Service has filed copies of documents prepared and analyzed in two recently approved retail station discontinuance studies. See USPS Library References N2009-1/1 and N2009-1/2.⁵

IV. Station and Branch Optimization and Consolidation Initiative

For purposes of the Station and Branch Optimization and Consolidation Initiative, the Postal Service intends to employ two stages. The first prioritizes station and branch consolidation candidates for analysis. The second entails the conduct of facility-specific studies of each candidate station or branch to generate a foundation for deciding whether a District recommends to Headquarters discontinuance or consolidation of retail services at a location.

⁵ These two administrative records reflect application of the longstanding process for station/branch discontinuance. Neither relates to the Initiative addressed in this docket, in which Headquarters identifies for field managers specific stations/branches to review. However, the existing process is the same one that will be used when respective offices are evaluated as a part of this Initiative. Additional discontinuance proposals and decisions outside the scope of this Initiative may also be seen while this docket is pending.

1 A. Pre-Screening

2 In response to a Headquarters initiative directing all Districts to conduct
3 studies of respective facilities to determine whether operations should continue at
4 a specific category of stations and branches, it should be expected that the number
5 of discontinuance proposals submitted to Headquarters may increase significantly,
6 compared to the baseline shown in Table 1.⁶ In an effort to manage what is
7 expected to be a substantial increase in station/branch discontinuance decisions,
8 Headquarters has established a pre-screening process by which specific
9 stations/branches are nominated for immediate field examination by District offices.

10 Pre-screening is underway. In May 2009, Headquarters directed each
11 District office to begin reviewing business activities of stations and branches that
12 report to Post Offices managed by Postmasters at or above the EAS-24 pay level
13 and above. This pre-screening activity consists of identifying such stations and
14 branches in the District's service area to prioritize consolidation opportunities for
15 study. The pre-screening process relies upon such factors as:

- 16 (a) existence of other postal-operated retail facilities within five miles of
17 the candidate; or within five-to-ten miles;
18
19 (b) alternative retail access channels within a one-mile proximity of the
20 station/branch (Post Offices, stations, branches, contract postal
21 units, and consignment stamp purchase locations);
22
23 (c) availability of space in nearby postal facilities of any type necessary
24 for carrier operations now located in the candidate station/branch;⁷
25

⁶ However, it is impossible to predict how many such proposals will be submitted or approved as a part of this focused effort, as witness VanGorder explains in her testimony.

⁷ Any nearby facility that already occupies greater than 80 percent of capacity for existing carrier operations is eliminated from consideration as a gaining facility.

- 1 (d) the ability of the candidate facility and any potential gaining facility
2 to accommodate current and future customer, postal and employee
3 vehicle parking needs;
4
- 5 (e) the space necessary to accommodate transfer of the candidate
6 facility's operations is located in one or more suitable nearby
7 facilities;
8
- 9 (f) the building housing the station/branch being considered for
10 discontinuance is structurally designed to meet future postal needs;
11 and
12
- 13 (g) imminence of a forthcoming lease termination opportunity for the
14 candidate facility;
15

16 Then, the following retail service issues are considered:
17

- 18 (a) the availability of retail windows and staffing to avoid unreasonable
19 wait-time in line at potential gaining location(s);
20
- 21 (b) retail revenue trends at the station/branch being considered for
22 discontinuance compared to same period last year;
- 23 (c) retail visits trends at the station/branch being considered for
24 discontinuance compared to same period last year.
25

26 If pre-screening results in a station or branch not being considered for a
27 discontinuance study in the near term, that facility is not necessarily eliminated
28 from future consideration as part of the Initiative. The principal purpose of the
29 pre-screening process is to prioritize and therefore expedite the commencement
30 of facility studies.

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32 **B. Discontinuance Study**

33 Candidate stations and branches identified for further analysis are then
34 subjected to the facility-specific discontinuance study process. Each such
35 discontinuance study analyzes:

- 36 ▪ mail volume and retail transaction trends;

- 1 ▪ proximity to other retail service facilities;
- 2 ▪ space requirements and capabilities;
- 3 ▪ wait-time in line and retail window service capacity;
- 4 ▪ impacts on employees at the facility under study;
- 5 ▪ customer concerns as expressed in response to questionnaires or in
6 a community meeting;
- 7
- 8 ▪ postal financial savings that could result from closure or
9 consolidation;
- 10
- 11 ▪ alternate retail service and delivery options;
- 12 ▪ the ability of nearby postal facilities to accommodate retail, delivery
13 and mail processing workload that may shift to their locations;
- 14
- 15 ▪ what kinds of non-postal service requirements exist at the station or
16 branch being analyzed for discontinuance; and
- 17
- 18 ▪ other factors as may be deemed appropriate.⁸

19 After compiling and analyzing relevant information, the District Manager
20 assesses whether a proposal is worth pursuing. If so, a written recommendation in
21 the form of a decision package is submitted to Headquarters for review and
22 approval.

23 These pre-decisional recommendations are reviewed by Headquarters
24 Retail Operations. This pre-decisional review assesses whether the District
25 provided customers with information related to any potential address changes,
26 neighboring retail units, hours of operations and lobby hours of the gaining

⁸ This stage is where such needs as those of non-English speaking, or elderly, or economically disadvantaged, or limited mobility customers are introduced into decisions.

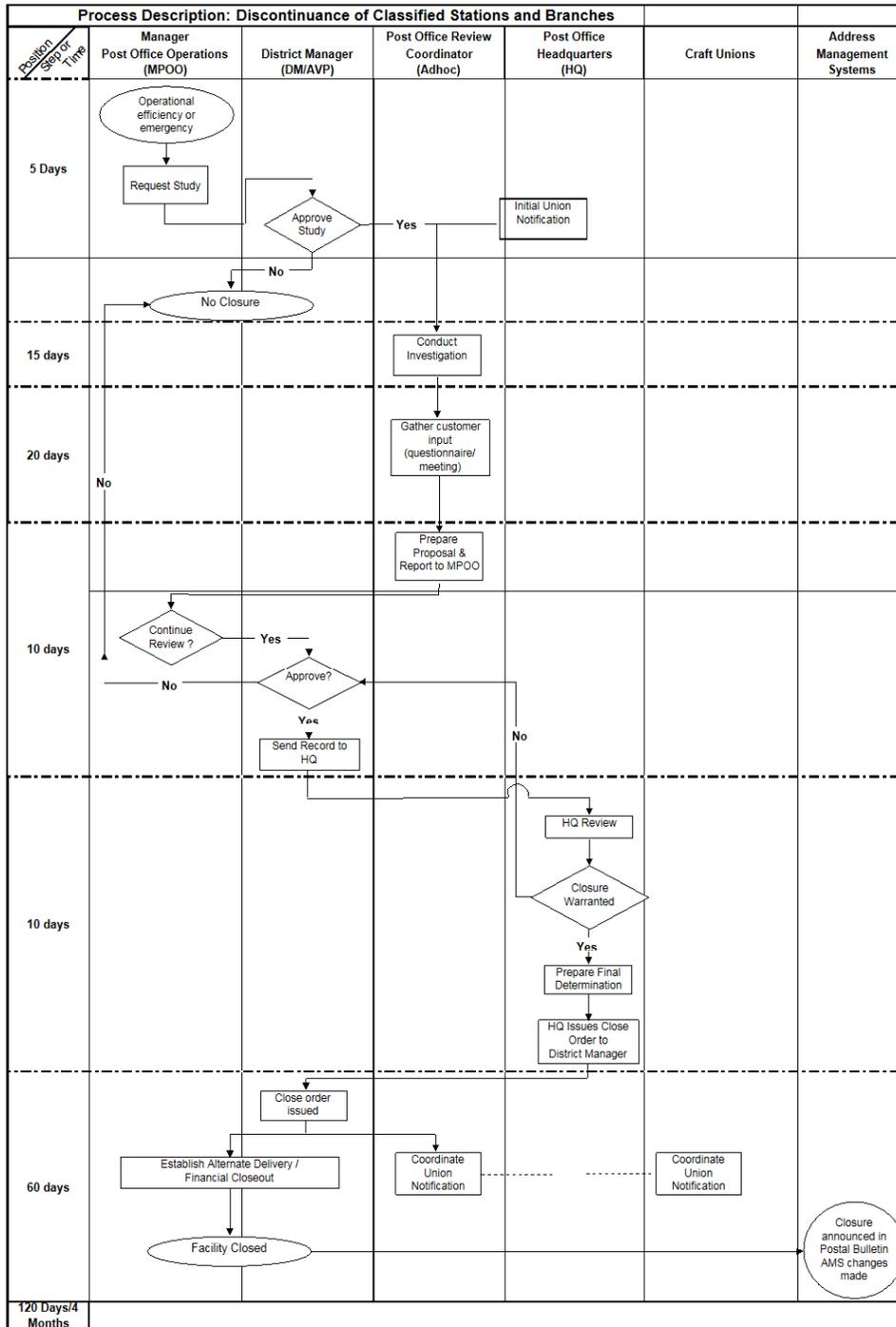
1 office(s), and any alternate retail location(s) and access. Additionally, the pre-
2 decisional review will validate the information submitted by the District. As
3 necessary, Retail Operations confers with the District office, and other
4 Headquarters management functions regarding information provided in support
5 of a recommendation.

6 The last pre-decisional step is the submission of a recommendation to the
7 Vice President, Delivery and Post Office Operations, for a final agency decision.
8 Each such discontinuance decision is based upon review of a recommendation
9 package prepared at the District level and vetting by Retail Operations at
10 Headquarters.⁹

11 If a proposal to discontinue the provision of service at a station or branch
12 is approved by Headquarters, the decision is transmitted to the corresponding
13 Area and District offices responsible for the issuance of notices to affected postal
14 employees and customers, as well as employee organizations. The
15 discontinuance of a station or branch is implemented no earlier than 60 days
16 after the date of the final decision of the Vice President, Delivery and Post Office
17 Operations. The process is mapped in the flowchart below.

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⁹ Decision packages generated for purposes of this Initiative are expected to be similar to those in USPS Library References N2009-1/1 and N2009-1/2.



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Table 2: Process Flowchart: Discontinuance of Classified Stations and Branches

1 V. Conclusion

2 Reliance on the longstanding process for analysis of station and branch
3 discontinuance proposals as a model for purposes of this Initiative will ensure
4 that important considerations, including the concerns of affected customers, will
5 be examined.

6