

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

STATION AND BRANCH OPTIMIZATION AND
CONSOLIDATION INITIATIVE, 2009

Docket No. N2009-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO PUBLIC REPRESENTATIVE INTERROGATORIES PR/USPS-22-30
(September 8, 2009)

The United States Postal Service hereby provides institutional responses to the following interrogatories of the Public Representative dated August 20, 2009: PR/USPS-22 through 30. Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing and Product Support

Michael T. Tidwell
Attorney

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2998; Fax -5402
michael.t.tidwell@usps.gov

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE PUBLIC REPRESENTATIVE**

PR/USPS-22

Please refer to the Postal Service's response to PR/USPS-T1-10(a), where it states: "For purposes of this Initiative, upon deactivation of a facility, a [collection] box at that facility can be removed or relocated to where it can generate the most volume and is convenient to the most customers." If a facility is deactivated, how does the Postal Service determine whether a collection box at a facility will a) remain at that location, b) be moved to another location, or c) be removed from service?

RESPONSE

If the property on which the deactivated facility sits was leased, the box in all likelihood will have to be removed. Either way, management uses its knowledge concerning other boxes in the area, and takes into consideration the factors discussed in response to PR/USPS-T1-10 and sections 315.33 and 323.2 of the Postal Operations Manual.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF THE PUBLIC REPRESENTATIVE

PR/USPS-23

Please refer to the Postal Service's response to DBP/USPS-30 where it states: "Assuming that answer is favorable, subsequent options might be to maintain the status quo, move carriers to a different location and downsize the required space for retail, relocate a piece of mail processing equipment, increasing or decreasing the footprint of the studied facility, or any combination that best suits a particular location or locations. That is why local postal officials must study each situation and document the merits of any proposed reconfiguration."

- a. Are these "subsequent options" discussed in the Postal Service's response to Interrogatory DBP/USPS-30(c) evaluated as part of a discontinuance study? If so, at what stage of the discontinuance study? Please explain.
- b. Please identify where these "subsequent options" were evaluated in the discontinuance studies of library references USPS-LR-N2009-1/2 and USPS-LR-N2009-1/1.
- c. Please identify where, on the Classified Station/Branch or Community Post Office Discontinuance Checklist found in the Post Office Discontinuance Guide (located in Library Reference USPS-LR-N2009-1/3), the "subsequent options" listed in response to Interrogatory DBP/USPS-30(c) are evaluated.
- d. Does any Postal Service employee that is part of the Post Office Discontinuance Program recall any Post Office Discontinuance studies in the past 5 years resulting in one of the subsequent options listed in response to DBP/USPS-30(c) being implemented instead of a closure or consolidation of a branch or station? If so, how many?
- e. If the subsequent options discussed in the Postal Service's response to Interrogatory DBP/USPS-30(c) are not evaluated during a discontinuance study, where and when are the options listed in the Postal Service's response to Interrogatory DBP/USPS-30(c) discussed, considered, or evaluated as possible alternatives to closure or consolidation?

RESPONSE

- a. No. Because they are outside the scope of the evaluation of whether to discontinue retail operations at a particular location. If a determination is made not to discontinue retail service at a location, any number of matters outside the

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE PUBLIC REPRESENTATIVE**

RESPONSE to PR/USPS-23 (continued)

retail service discontinuance review process might still be contemplated and acted upon later. There may be changes in back-of-the-house mail processing or carrier operations or changes in the retail operation: installation/removal of an APC, or changes in retail hours. These subsequent changes are not part of or driven by the SBOC Initiative or discontinuance review in general, but could result from routine evaluation of the operations of any particular facility by local management at any time after the SBOC Initiative. The objective of discontinuance review is – as the term implies – a study of the feasibility of discontinuance. Discontinuance determinations are expected to follow a process that requires Headquarters approval and ratification. Local changes in carrier operations and local changes (less than discontinuance) in retail operations are not subject to that process.

- b. No. The determination in those cases was to discontinue. Once those determinations were made, there was no subsequent evaluation of whether to do something else.
- c. There is no reason for them to be on the list. See the response to subpart (a).

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE PUBLIC REPRESENTATIVE**

RESPONSE to PR/USPS-23 (continued)

- d. The witnesses in this proceeding have no such recollection. However, the vastness and diversity of the postal retail network all but guarantee that, at some point in the past five years, a local proposal to discontinue the retail operations at a station or branch was considered, a determination was made at some level of the organization not to pursue discontinuance, and local management later made changes in the carrier and/or retail operations at that facility which did not require or involve the USPS Handbook PO-101 retail discontinuance review process.
- e. See the responses to subparts (a) and (d).

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE PUBLIC REPRESENTATIVE**

PR/USPS-24

Please refer to your response to PR/USPS-4(a), and the PowerPoint presentation entitled Station and Branch Optimization, June 3, 2009. At pages 5 and 6, the presentation shows FY 2008 "Total Operating Expenses" of \$15.9 billion for the 3,243 candidate stations and branches in EAS-24 and above post offices. However, the listed expense categories on page 5, i.e., City Carrier Salaries & Benefits (\$9.6 billion), Function 4 Salaries & Benefits (\$3.1 billion), LCD 20/40 Salaries & Benefits (\$0.845 billion), 3B Salaries & Benefits (\$0.213 billion), and Facility Rent/Utility (\$0.4 billion), sum to only \$14.158 billion. The difference is \$1.742 billion. Also, on page 6, it is stated that 60 percent (\$9.6 billion) of the Total Operating Expenses are "Delivery Costs", while there is "Opportunity in [the] Remaining 40%."

- a. Please provide a breakdown of the expense categories that comprise the \$1.742 billion difference.
- b. Of the expense categories provided in response to part a. above, please identify those expense categories that are likely to be reduced, increased, and remain unchanged, as a result of the Station and Branch Optimization and Consolidation Initiative (Initiative). Please explain.
- c. Of the expense categories listed on page 5, i.e., City Carrier Salaries & Benefits, Function 4 Salaries & Benefits, LCD 20/40 Salaries & Benefits, 3B Salaries & Benefits, and Facility Rent/Utility, please identify those expense categories that are likely to be reduced, increased, and remain unchanged, as a result of the Initiative. Please explain.
- d. Please confirm that the "Opportunity in [the] Remaining 40%" equals \$6.3 billion (\$15.9 billion - \$9.6 billion). If not confirmed, please explain and provide the correct figure.
- e. Please identify the expense categories and the amounts for the \$6.3 billion comprising the "Opportunity in [the] Remaining 40%."

RESPONSE

- a. The \$1.742 billion difference was based on Total Operating Expense (TOE) of \$15.9 billion. For purposes of this interrogatory, that TOE figure has been recalculated based on the inclusion of retail locations that ought to have been included within its scope. The new TOE figure is \$17.1 billion. The attachment to this response has an expanded level of detail for the types of expenses which comprise the \$17.1 billion TOE figure.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE PUBLIC REPRESENTATIVE**

RESPONSE to PR/USPS-24 (continued)

- b. All Other Salaries & Benefits will likely decrease through consolidation of administrative and management positions. Other Personnel Compensation is variable. There are too many factors unrelated to the SBOC Initiative that could affect whether it could go up, down or remain the same. NonPersonnel Expense (less rent/utilities) will likely decrease as the need for supplies and services would be expected to decrease.
- c. Function 2 (Delivery) Salaries & Benefits have the potential to increase minimally if travel time to and from the station/branch increases as a result of carriers being domiciled in a unit further from the route. Function 4 (Retail Opns) Salaries & Benefits will likely decrease as a result of efficiency gains in PO Box distribution and window operations. LDC 20/40 Salaries & Benefit will likely decrease through consolidation of administrative and management positions.
Function 3B (Maintenance) Salaries & Benefits will likely decrease as the physical cleaning requirements of the closed facility are no longer needed.
Facility Rent/Utility will likely decrease as there would no longer be the need to pay rent/utility for closed facilities.
- d. Confirmed, based on the changes discussed in response to subpart (a):
 $\$17.064 - \$10.804 = \$6.26$.
- e. See the attachment provided in response to subpart (a).

Attachment to response to PR/USPS-24

Levels 24 and above
Post Offices & Stations/Branches
FY 2008

Function 2 (Delivery) Salaries & Benefits	10.804 B	63.3%
Function 4 (Retail Opns) Hours	86,425	
Function 4 (Retail Opns) Salaries & Benefits	3.292 B	19.3%
LDC 20/40 Salaries & Benefits (non-add)	0.986 B (non-add)	5.8%
Function 3B (Maintenance) Salaries & Benefits	0.333 B	2.0%
All Other Salaries & Benefits	0.717 B	4.2%
Total Salaries & Benefits	15.146 B	88.8%

Other Personnel Compensation	0.409 B	2.4%
Facility Rent/Utility	0.418 B	2.4%
NonPersonnel Expense (less rent/utilities)	1.089 B	6.4%

Total Other Personnel Comp & NonPersonnel	1.916 B	11.2%
---	---------	-------

Total Operating Expenses	17.062 B	
--------------------------	-----------------	--

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE PUBLIC REPRESENTATIVE**

PR/USPS-25

Please refer to your response to PR/USPS-4 and the results of the search methodology described in response to PR/USPS-7. Please confirm that other than the Postal Service's Request, the Testimony filed in this case, and the briefing identified in response to PR/USPS-4(a), there are no documents that detail the centrally directed program discussed on page 6 of the Request. If you do not confirm, please explain. If such documents do exist, please provide copies of them.

RESPONSE

Please see the response to PR/USPS-17.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF THE PUBLIC REPRESENTATIVE

PR/USPS-26

Please refer to the statement of the Honorable Susan Collins at the Hearing of the Senate Subcommittee on Federal Financial Management, Government Information, Federal Service, and International Security, Thursday, August 6, 2009. The webcast archive is located at the following link:

<http://www.senate.gov/fplayers/l2009/urlPlayer.cfm?fn=govtaff080609&st=1000&dur=13245>

At minute 41:11 of the hearing, Senator Collins stated the following:

[41:11]

Senator Collins:

And third, [the Postmaster General] has proposed closing or consolidating postal facilities. The Postal Service is reviewing 677 of its 3200 stations and branches nationwide for closure or consolidation.

Now, let's look at just the proposal for closing or consolidating the 677 branches and stations.

The non-personnel costs of these facilities on the list account for about six/tenths of one percent of overall Postal Service operating costs. That's right: If the Postal Service were to close all of the branches and stations that are on the list—and that's not the plan, but let's say they close every one of them—it would reduce the operating costs, when you exclude personal, by less than one percent.

So we need to look at whether that is worth it, or whether there are better or more effective means of reducing costs.

[43:12]

Please identify and provide the "non-personnel costs" (i.e., operating costs, less personal costs) of the 677 facilities.

RESPONSE

The non-personnel costs in the attachment to the response to PR/USPS-24 include rent, utilities, supplies and services. As explained in the September 1, 2009 USPS motion for acceptance by the Commission of a partial response to Question 15 of Commission Information Request No.1, development of the aggregate non-personnel costs requires collection of disaggregated facility-specific data from local accounting

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE PUBLIC REPRESENTATIVE**

RESPONSE to PR/USPS-26

records, a task that is undertaken as part of each study being performed as part of the SBOC Initiative. As indicated in USPS Library Reference N2009-1/4 (September 2, 2009), it is unlikely that all 677 of the facilities referenced in the question will be subjected to such a study. When all of the facility-specific studies eventually completed as part of the SBOC Initiative are compiled and discontinuance decisions are made, the Postal Service will have a basis for estimating the aggregate non-personnel costs generated at the facilities discontinued under the Initiative.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE PUBLIC REPRESENTATIVE**

PR/USPS-27

Please refer to The Washington Post, Thursday, August 6, 2009, and the article entitled, "Post Office Loses \$2.4 Billion, Service's Quarterly Report Shows Mail Volume Continuing to Fall," where it states "The list once included as many as 3,000 facilities, and some postal officials privately acknowledge that no more than 200 locations, most of them in downtown urban areas, are likely to close." Please confirm that stations or branches at "no more than 200 locations, most of them in downtown urban areas, are likely to close." If not confirmed, please explain.

RESPONSE

The only way to confirm the accuracy of the guesstimates of the unidentified postal officials who engaged in the private acknowledgments is to wait until the completion of the SBOC Initiative and compare the actual results to those anonymous guesstimates.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE PUBLIC REPRESENTATIVE**

PR/USPS-28

Please refer to your response to PR/USPS-4(a), and the Powerpoint presentation entitled Station and Branch Optimization, June 3, 2009.

- a. On page 6 of the Powerpoint presentation, it states that there will be “Supervisor, Manager, F3 & F4 Savings.” Please identify and describe the Supervisor, Manager, F3 and F4 Savings that are expected to result from closings or consolidating branches and stations subject to the Initiative.
- b. On page 8 of the Powerpoint presentation, it refers to a “March 09 Training.” Please provide all written materials and documents related to the March 09 Training.
- c. Please refer to page 10 of the Powerpoint presentation.
 1. One of the bullet point states that one of the unit considerations under the prescreening process is “Proximity of facilities within 5 miles, or 5-10 mi radius.” Are facilities outside a 10 mile radius ever considered in determining whether to subject a branch or station to a discontinuance study? Please explain.
 2. One of the bullet point states that one of the unit considerations under the prescreening process is “Proximity of alternate access within 1 mi radius.” Are alternate access sites outside a 1 mile radius ever considered in determining whether to subject a branch or station to a discontinuance study? Please explain.
 3. Please define “alternate access” as that term is used in this second bullet point.
 4. One of the bullet points states “Capacity at > 80% (Eliminate).”
 - i. Please define the term “Capacity” at it is used in this bullet point.
 - ii. Does this mean that Headquarters has instructed that all branches and stations that are at a capacity of greater than 80% are not to be subject to a discontinuance study? If not, please explain this bullet point.
 5. Other than “Capacity at > 80% (Eliminate),” are there any other criteria that would independently eliminate a particular branch or station from consideration for a discontinuance study? If so, please provide all those criteria.
 6. One of the bullet points states “Retail Considerations”
 - i. Does the sub-bullet point that states “Wait time in line not greater than 5 minutes” mean that if the gaining

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE PUBLIC REPRESENTATIVE**

PR/USPS-28 (continued)

- ii. post office already has an average wait time of greater than 5 minutes, it will not be subject to a discontinuance study? If not, please explain.
 - iii. Please define the sub-bullet point that states “retail revenue transaction thresholds (%SPLY).” Does this mean that there are certain retail revenue thresholds that will not subject a particular branch or station to a discontinuance study? If so, please identify those thresholds. If not, please explain this bullet point.
 - iv. Please define the sub-bullet point that states “retail visits thresholds (%SPLY).” Does this mean that there are certain retail visit thresholds that will not subject a particular branch or station to a discontinuance study? If so, please identify those thresholds. If not, please explain this bullet point.
7. On page 15 of the Powerpoint presentation, there is a line for “Clerk Savings” of \$65,061.” Please explain how this clerk savings is calculated. Is the clerk terminated or transferred to the gaining facility? If transferred to the gaining facility, how does the transfer result in a cost savings to the Postal Service.
8. On page 18 of the Powerpoint presentation, there is a bullet for “AVPs, MOS, MDPS Briefings.”
- i. Please define the acronyms AVPs, MOS, and MDPS.
 - ii. Please provide copies of all these AVPs, MOS, and MDPS briefings.

RESPONSE

- a Potential employee labor savings from a discontinuance could include annual salaries and benefits of any management employees, maintenance employees, and/or clerks that were assigned to that unit. The Postal Service considers this a savings, because these are salaries that the Postal Service would no longer have to fund each year. Function 3 and 4 savings refer to labor costs associated with maintenance and custodial employees, and clerk labor. The Postal Service will be developing estimates of facility-specific salaries and benefit costs/savings

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE PUBLIC REPRESENTATIVE**

RESPONSE to PR/USPS-28 (continued)

as the facility-specific discontinuances studies are conducted and completed.

- b. See USPS Library Reference N2009-1/13. The March training referred to in the PowerPoint presentation attached to the response PR/USPS-4(a), was an inaccurate overview of the discontinuance process provided by a previous discontinuance program manager before the SBOC Initiative was developed. Subsequent training by the current manager, as reflected in USPS LR N2009-1/5, was conducted to prepare for the SBOC Initiative and to clarify any previously circulated inaccurate information.
- c.
 - 1. The proximity of facilities within a 5 mile radius or 5-10 mile radius was established as one of many criteria to be considered in the SBOC Initiative pre-screening process to expeditiously separate less likely candidates for a discontinuance study from more likely candidates for study among the 3600 candidate stations and branches. It is not known whether, historically, facilities outside a 10 mile radius have ever been considered in determining whether to discontinue a station or branch. These radii were selected to help give local SBOC evaluators guidance in separating the less likely from the more likely.
 - 2. This proximity also was established as one of many criteria to be considered in the SBOC Initiative pre-screening process to expeditiously separate less likely candidates for a discontinuance study from more likely

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE PUBLIC REPRESENTATIVE**

RESPONSE to PR/USPS-28 (continued)

candidates among the 3600 candidate stations and branches. It is possible that, historically, alternate access beyond a mile has been considered in some previous discontinuance determinations unrelated to the SBOC Initiative. This radius was selected to help give local SBOC evaluators guidance in separating the less likely from the more likely.

3. Alternate access for pre-screening purposes include contract postal units, stamps on consignment locations, Approved Shipper locations, or units that have APCs.
4. i. "Capacity > 80%" is another criterion established for purposes of the SBOC Initiative pre-screening process to expeditiously separate less likely candidates for a discontinuance study from more likely candidates among the 3600. It means that if more than 80 percent of the existing workroom space at a facility to which operations from the discontinuance target facility might be moved is occupied with carrier equipment, that facility is presumed to have no room for adding additional casing equipment and the transfer of operations to that facility would likely be infeasible. That presumption could be rebutted by a facility-specific analysis.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE PUBLIC REPRESENTATIVE**

RESPONSE to PR/USPS-28 (continued)

- ii No. A facility with capacity greater than 80 percent would not be considered as a potential “gaining” facility unless local officials saw an opportunity to split the discontinuance candidate facility’s carrier operations among more than one gaining unit. It may be possible for those carrier operations to be split among several gaining facilities that are currently above 80 percent capacity, even if one of those facilities did not have the space to absorb those carrier operations by itself..
- 5 Please see the response to subpart (4). The pre-screening criteria were established for purposes of the SBOC Initiative to create presumptions for guiding SBOC coordinators in identifying more likely candidates for discontinuance among the 3600, not for concluding that particular facilities should or could not be discontinued. As part of the SBOC Initiative, local managers have the discretion to review facilities deemed by pre-screening to be less likely candidates to see if additional information derived through the discontinuance study process yields a different conclusion.
- 6
 - i. No. This criterion establishes a presumption that a potential gaining facility might not be able to absorb the retail traffic from a facility that is a candidate for discontinuance. However, it is possible for the presumption to be rebutted with the implementation of changes in retail personnel and equipment deployment and lobby management practices at the potential gaining retail unit.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE PUBLIC REPRESENTATIVE**

RESPONSE to PR/USPS-28 (continued)

- ii. No. This refers to the total retail transactions that were conducted in the facility during the time of pre-screening and comparing those transactions with the same period last year to determine declines or increases in volume.
 - iii. No. This refers to the total visits that were experienced at the facility during the time of pre-screening and comparing that total with the same period last year to determine whether a decline or increase has occurred.
- 7. The clerk savings is based on the annual salary and benefits of the clerk. If a craft position is eliminated, then existing collective bargaining agreements and local memoranda of understanding for craft employees are followed. If a craft employee is transferred to the gaining office, by filling an existing vacancy, the Postal Service does not consider this an additional cost unless it results in adding additional complement to the gaining facility.
- 8
 - i. AVP = Area Vice President, MOS = Area Manager, Operations Support, MDPS = Area Manager, Delivery Programs Support.
 - ii. Please see the attachment to the response to PR/USPS-4(a). The same PowerPoint slides served as the basis for presentations to these audiences.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE PUBLIC REPRESENTATIVE**

PR/USPS-29

Please refer to the response to PR/USPS-15(a), which confirmed that when examining stations or branches for closure or consolidation, the Postal Service considers “the economic savings to the Postal Service from such closing or consolidation.” Response of the United States Postal Service to Public Representative Interrogatory PR/USPS-T2-11(a)(4), Redirected from Witness Matalik. Please define “economic savings” and show how the economic savings to the Postal Service will be calculated.

RESPONSE

Please refer to USPS Library Reference N2009-1/6, page 7. The reference is to the cost savings measured there.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE PUBLIC REPRESENTATIVE**

PR/USPS-30

Please refer to Library Reference USPS-LR-N2009-1/8. Specifically, please refer to Kimberly Matalik's acceptance of a meeting on 7/19/2009 from 1:30PM to 3:30PM (filename: fdbtraining(western) (2).pdf). The message states: "You are invited to join this Facility Optimization Reporting Tool training, next Monday, July 6. This training is estimated to take approximately 1 1/2- 2 hours to complete, and will assist in familiarizing you with the Optimization Reporting Tool." Please identify and describe the Facility Optimization Reporting Tool. Please provide all documents that provide training, guidance, and instructions to users of the Facility Optimization Reporting Tool.

RESPONSE

Please see the response to PR/USPS-T2-25(a) and Library Reference N2009-1/8.