

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

**Station and Branch Optimization and
Consolidation Initiative, 2009**

Docket No. N2009-1

**REBUTTAL TESTIMONY OF
MICHAEL T. BARRETT
ON BEHALF OF
AMERICAN POSTAL WORKERS UNION, AFL-CIO**

APWU-T-1

TABLE OF CONTENTS

Autobiographical Sketch

I.	Purpose and Scope of Testimony.....	5
II.	Labor Cost of Retail Transactions.....	6
III.	Non-Revenue Transactions.....	7
IV.	Box and Unit Distribution.....	9
V.	Summarizing Costs.....	9
VI.	UAA Mail.....	11
VII.	Mystery Shopper Program.....	11
VIII.	Conclusions and Recommendations.....	14

AUTOBIOGRAPICAL SKETCH

1
2 My name is Michael T. Barrett. I am a career postal employee with 24 years
3 of service. Since April 2000 I have been assigned to Distribution-Sales Service
4 Associate at the West Seneca Branch just outside of Buffalo, NY, but part of the
5 Buffalo postal installation. I am also the APWU steward for the West Seneca
6 Branch. Prior to this assignment I worked in various mail processing operations at
7 the P&DC in Buffalo including the LSM, FSM, SPBS, and manual operations.

8 Following my assignment to West Seneca Branch, several details and special
9 assignments gave me familiarity with management data systems and reporting on
10 Customer Service functions as well as staffing and scheduling tools. In August 2002
11 a Breakthrough Productivity Initiative (BPI) team completed a staffing and
12 scheduling "function 4" review of the West Seneca Branch. The team recommended
13 a cut that took effect in April 2003. I began tracking hours and collecting data over a
14 six-month period. My critique of the earlier Function 4 study and my presentation of
15 data brought me to the attention of the District Manager. The District Manager
16 invited APWU to join the team that would again review West Seneca and several
17 other stations. With the approval of my local union president in March 2004 I
18 became part of the new Function 4 Team that was otherwise composed of two
19 postmasters, a manager, and a supervisor. I worked with the team over three
20 months learning a great deal about count methods, available data reporting,
21 assigning credit and time for activities.

22 In 2005 the BPI process was being replaced by the Adjustment Productivity
23 Workload System (APWS). The new system would use time and transaction data
24 from various sources that would be stored in the Enterprise Data Warehouse (EDW).
25 The Postmaster and station manager shared with me reporting available in the new
26 system. In June 2005, I was sent to a class on the RDM Reports (Retail Data Mart)
27 – essentially the window into the retail data stored in the EDW. I received the RDM
28 User Guide and reference material.

29 In January of 2007, I became an advisor and instructor at the National level of
30 APWU on the "Function 4" and APWS process. I taught classes throughout the
31 United States on this subject for APWU. Along with a management instructor I

1 taught a series of classes in the Northland District attended by both management
2 and APWU representatives. These classes instructed managers and Sales and
3 Service Associates together in the procedures used in the Function 4 and APWS
4 processes.
5

1 **I. Purpose and Scope of Testimony**

2 My testimony will discuss weaknesses in Station and Branch discontinuance
3 studies and propose improvements. Postal Service Witness Kimberley Matalik listed
4 11 factors that are considered in a discontinuance study. (USPS-T-2 pg 9-10,
5 revised September 29, 2009). My testimony will detail how the Postal Service can
6 better measure the values attributable to several of these factors. Specifically, these
7 studies can better account for

- 8 • Labor costs associated with retail transactions likely to move to other
9 postal facilities;
- 10 • Labor costs associated with distribution of box and other mail;
- 11 • Cost of forwarding mail;
- 12 • The ability of nearby facilities to accommodate any migrating business;
13 and
- 14 • Identify the ways customers use the facility.

15

1 **II. Labor Cost of Retail Transactions**

2 In reviewing completed studies in USPS Library References N2009-1/15, 16,
3 and 17 and the newer templates in USPS-LR-N2009-1/ 6, it does not appear that the
4 Postal Service considers the labor cost of retail transactions that will migrate to other
5 stations or branches. However, the same data resources that allow the Service to
6 report total walk-in revenue and total retail transactions provide information upon
7 which labor costs can be calculated for specific migrating transactions.

8 Borrowing from the tools the Postal Service uses for staffing and scheduling
9 in stations and branches I have prepared a spreadsheet, APWU-LR-N2009-1/1
10 demonstrating how to determine the labor costs. I show how the loaded unit wage is
11 determined in the "Employee Cost to USPS" sheet and I use the same loading
12 factors the Postal Service uses in the discontinuance studies to determine savings
13 from eliminating clerical staff at a station.

14 All revenue transactions are recorded and saved in EDW (Enterprise Data
15 Warehouse) and the data is retrievable through reporting in RDM (Retail Data Mart).
16 Data from FY 2007 forward is readily available to local postal installations. There
17 are two reports in EDW that will prove useful here: The first, Top-Bottom Products by
18 Walk-In Revenue or items Sold and the SPLY Product Rev Performance. Top-
19 Bottom Products by Walk-In Revenue reports shows the best or worst selling
20 products or services for specific location and time. The second, The SPLY Product
21 Rev Performance reports the relative sales ranking by walk-in revenue of all
22 products. Items sold, current and SPLY revenue and revenue variance are
23 displayed. By looking at the different type of revenue transactions, the Postal
24 Service should be able to determine the customer base that is using this office.

25 Using these reports of retail transactions for any particular station or branch
26 produces data listing every item sold during the fiscal year – or any other time frame
27 selected. I show the kind of data this report provides in "Revenue Transactions FY
28 2009" sheet of APWU-LR-N2009-1/1.¹ While there are thousands of unique items

¹ To protect USPS data, the data used for Station A is not actual data for any station or branch. It is typical of the kind of data available for analysis. It is not typical data for any station or branch in that data will vary from place to place which is one reason for looking carefully at such data.

1 possible, a listing for a typical station or branch will produce about three hundred.
 2 The columns headed Class, Subclass, and Product describe the item sold, while the
 3 fourth column has the total items sold. The “time factor” comes from the RDM WOS
 4 (Window Operations Survey) AIC (Account Identifier Code) Look-Up Report, which
 5 list the allotted time to complete each type of transaction. “Time Earned” is time the
 6 Postal Service determines a clerk is busy with a sale, as opposed to waiting or
 7 performing non-related work. “Time Earned” provides the workload that will affect
 8 surrounding stations and branches. As I will describe later, “time earned” can be
 9 graphed against scheduled time.

Retail Unit In List (Station A) and Fiscal Year In List (FY 2009)									
Class	SubClass	Product	Items Sold	Time factor	FY 2009	Cost per Unit	= Time Factor times		TOTAL COST PER ITEMS SOLD FY 2009
					Time Earned		Cost per Unit	Cost per Unit	
Money Orders	Domestic	Domestic Money Order Fee	12,092	1.13	13,663.96	0.38	\$	0.43	\$ 5,244.23
Basic-Self Adhesive	General Category	1c Tiffany Lamp PSA	10,679	0.60	6,407.40	0.38	\$	0.23	\$ 2,459.16
Basic-Self Adhesive	General Category	44c Purple Heart PSA	8,460	0.60	5,076.00	0.38	\$	0.23	\$ 1,948.17
Basic-Self Adhesive	General Category	42c Purple Heart PSA	7,836	0.60	4,701.60	0.38	\$	0.23	\$ 1,804.47
Basic-Self Adhesive	General Category	2c Navajo Jewelry PSA	7,444	0.60	4,466.40	0.38	\$	0.23	\$ 1,714.20
Basic-Self Adhesive	Black Heritage Series	44c Anna Julia Cooper PSA	7,235	0.60	4,341.00	0.38	\$	0.23	\$ 1,666.08
Basic-Self Adhesive	General Category	42c Celebrate PSA	5,692	0.60	3,415.20	0.38	\$	0.23	\$ 1,310.75
Domestic	Mailing Services	Priority Mail	4,808	1.25	6,010.00	0.38	\$	0.48	\$ 2,306.64
Domestic	Mailing Services	First Class Letter	4,331	0.81	3,508.11	0.38	\$	0.31	\$ 1,346.41

10

11 For example, a money order takes 1.13 units of time or one minute and 8
 12 seconds. The loaded wage for the average sales and service associate is 38 cents
 13 per unit. The clerical labor cost associated with completing the money order sale is 43
 14 cents. The cost is the same whether the money order is sold at station A or sold at a
 15 nearby station B. Should the money order business migrate to other stations, so will
 16 the costs. Every revenue transactions can be treated similarly and an outer bound for
 17 labor costs associated with these transactions can be estimated based on the
 18 assumption that all the transactions will move to other locations.²

19

20 **III. Non-Revenue Transactions**

21

22 There are also non-revenue transactions that should be evaluated in
 23 determining costs associated with a station or branch under study and for
 24 determining the import of the station or branch to customers. In the RDM WOS AIC
 25 Look-Up report, the Postal Service assigns a time factor for seven non-revenue
 transactions:

² I also account for “soft time” in the spreadsheet consistent with USPS practice of recognizing time for activities driven by retail transactions, but not attributable to any single transaction.

- 1 1) COD Pickup – 5.30 units
- 2 2) Express mail Pickup – 1.19 units
- 3 3) Hold Mail – 1.19 units
- 4 4) Non-revenue Pickup – 1.43 units
- 5 5) Other Mail Pickup – 1.19 units
- 6 6) PO Box Overflow – 1.19 units
- 7 7) Un-num Parcels – 1.19 units

8 The number of these transactions can be determined from data in the RDM WOS
9 SSA Transaction and Visit Count reporting.

10 There are also eighteen other recognized non-revenue items. These include:

- 11 1) Non-automated mail pickup
- 12 2) Respond to CFS Issues
- 13 3) Summon Supervisor at Customer's Request
- 14 4) Change of Address Info Exempt from Fee
- 15 5) Product/Service Rate Inquires
- 16 6) Employment Application Inquiry
- 17 7) Voter Registration Inquiry
- 18 8) Give Local Directions
- 19 9) Provide Philatelic Info or Catalog
- 20 10) Accept Hold Mail Request Form
- 21 11) Request Passport Form
- 22 12) Request Tax Form
- 23 13) Accept Consumer Service Form
- 24 14) Request/Submit Selective Service Form
- 25 15) Supply PO Box Holder Name/Address
- 26 16) Supply Permit Holder Name/Address
- 27 17) Miscellaneous Forms
- 28 18) Other

1 The POS system will allow the Sales and Service Associate to print a receipt for the
2 transaction, but the data is not otherwise stored. Consequently, there are occasions
3 when we advise clerks to print and save receipts for such transactions. A
4 discontinuance study is a perfect occasion for when these transactions should be
5 recorded using transaction receipts and made available for analysis. It is not just a
6 matter of determining the potential traffic and costs of servicing customers at another
7 location, but analysis of these transactions provide a critical window into how
8 customers are using the station or branch.

9 As part of a discontinuance study the Postal Service should record and
10 evaluate these non-revenue transactions. The Postal Service already uses the WOS
11 Customer Tally Sheet in small offices to record this information. Therefore, it would
12 not be difficult or costly for the Service to use the Tally Sheet to record these
13 transactions as part of a discontinuance study.

14

15 **IV. Box and Unit Distribution**

16 The same clerks that wait on customers also distribute mail into customer
17 boxes³ and distribute mail to carriers. As with retail transactions, there are standard
18 methods to determine the time needed to sort various volumes of mail. I show
19 distribution to carriers in the "LDC 43 Manual Volume" sheet of APWU-LR-N2009-
20 1/1 and distribution to the box section in "LDC 44 Box Section Volume."

21

22 **V. Summarizing Costs**

23 The current analysis of costs savings performed by the Postal Service is
24 cursory at best. The Postal Service calculates the total salary and the fringe benefits
25 costs associated with employees of stations or branches under study and considers
26 this entire total to be savings to the Postal Service. However, this cost still exists
27 within the Postal Service and should not be ignored. I summarize costs in sheet

³ USPS-LR-N2009-1/6 - Station/Branch Optimization/Consolidation Initiative Decision Package Sample Documents and Instructions at page 18 suggests under alternate service cost analysis that box service at another facility should be factored, but I haven't found evidence that the analysis is being performed or any requirement to provide detail about this cost.

1 “Cost Information” of APWU-LR-N2009-1/1. The labor cost of performing
 2 distribution, revenue transactions and non-revenue transactions are used as offsets
 3 to the savings of eliminating the staffing at the station or branch.

		TIME FACTOR - NON REVENUE			EVERY 75 UNITS EARNS EQUALS 25 UNITS OF ADDITIONAL TIME (SOFT TIME)	DIVIDED BY 100 (100 UNITS EQUAL 1 HR)
		1.19				
		A	B	C		D=A+B+C
TOTAL ITEMS SOLD	CREDIT NON REVENUE FY 2009	UNITS EARNED NON REVENUE	UNITS EARNED ON REV FY 2009	SOFT TIME FY 2009		TOTAL MAN HOURS FY 2009
156,861	6,444	7,668	115,801	41,156.45		1,646.26

LDC 43 MANUAL HOURS FY	47.71
COST OF PROCESSING MAIL LDC 43	\$ 1,831.04

LDC 44(Box Section) MANUAL HOURS FY	17.46
COST OF PROCESSING MAIL LDC 44	\$ 670.06

4

Assuming all business/transaction remain with mail volume		Assuming some business /transaction are lost with mail volume	
		% of business remaining	0.90
Cost of Existing station/branch staff	\$ 87,813.44	Cost of Existing station/branch staff	\$ 87,813.44
Labor cost to perform customer transactions	-63,183.39	Labor cost to perform customer transactions	-56,865.05
COST OF PROCESSING MAIL LDC 43	-1,831.04	COST OF PROCESSING MAIL LDC 43	-1,831.04
COST OF PROCESSING MAIL LDC 44	-670.06	COST OF PROCESSING MAIL LDC 44	-670.06
NET SAVINGS	\$ 22,128.95	NET SAVINGS	\$ 28,447.29

5

6 Beyond costing, examination of the detailed transactions adds insight into
 7 how customers use and depend upon the station and branch. For example, if
 8 domestic money orders are typically ranked number ten on a national listing of all
 9 transactions, then the appearance of this transaction ranked number one for a
 10 particular station or branch, especially if it is significantly higher than other
 11 transactions, may indicate that customers using this station or branch do not
 12 primarily use other traditional financial services – such as checking or credit/debit
 13 cards. Further, if the demographic data of the surrounding neighborhood indicates a
 14 large percentage of households in that population with incomes less than \$20,000,
 15 this should prompt further investigation into what alternatives, if any, are available to
 16 these customers. If international money orders or packages are significantly higher
 17 than the norm, it may indicate an immigrant population and potential language
 18 problems. This too could be confirmed by demographic information on the percent
 19 of households that do not speak English at home.

20

21

1 **VI. UAA Mail**

2 Where a neighboring station or branch does not have sufficient space for a
3 separate box section dedicated to the closed station or branch, the closing of the
4 station or branch will initially turn the entire volume of arriving box mail into
5 Undeliverable As Addressed (UAA) mail. With time, less of the arriving volume will
6 be addressed to the box at the old station or branch, but I would expect a long tail
7 before the volume of UAA mail reaches zero. Box mail volume is readily available
8 for the study and while I did not add any costs in my spreadsheet, it is obvious from
9 the UAA costs reported in USPS-LR-L-116 (Docket No. R2006-1) that these
10 additional processing costs are not insignificant.

FC Single Piece Letter	Auto	Standard
Forward		
PARS	0.1165	0.116 0.115
NonPARS	0.197	0.1985 0.1886
Return		
PARS	0.2669	0.2722 1.2695
NonPARS	0.7908	0.7896 1.4686
Waste		
PARS	0.0708	0.0819 0.05
NonPARS		0 0.033

11
12 The additional burden to customers felt as a result of having their box
13 relocated is also not insignificant. Each should be properly accounted for the Postal
14 Service discontinuance study. Yet, despite the ready availability of the information
15 needed to determine the additional possessing costs, the Postal Service study does
16 not appear to consider them at all.

17

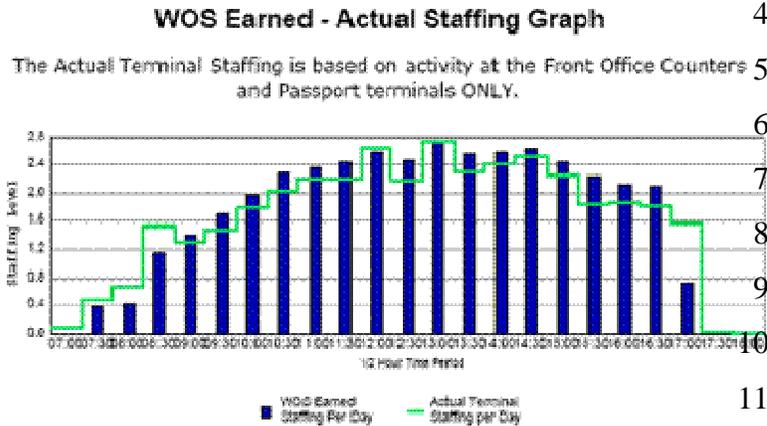
18 **VII. Mystery Shopper Program**

19 The Mystery shopper program is a tool used to help manage the customer
20 experience and the study process requires its examination.⁴ Not all stations and
21 branches are shopped. For a typical station, there will be seven to eight shops per
22 fiscal year, two per quarter or a shop on 2.65% of working operation days. Wait
23 Times can vary greatly from one year to the next. Investigation of an unduly long
24 wait time or other comments by the mystery shopper on the visit can result in

⁴ See USPS-LR-N2009-1/6 - Station/Branch Optimization/Consolidation Initiative Decision Package Sample Documents and Instructions at page 19.

1 correction of problems, but the data by itself says little about the capabilities or
2 capacity of a station or branch. A better tool is the staffing graph.⁵

3



4 This graph represents
5 what this tool produces.
6 Bars of earned time on
7 graphs of actual data for a
8 study site may have more
9 or less distance from
10 green actual staffing line.

11
12

13 Each half hour is graphed based on earned time for known transactions.⁶ The
14 earned hours from the closing station can be added by half hour to view the effect
15 on staffing – and what staffing might have to be increased. Each day of the week
16 can be viewed as well as any particular period of time. For example, the Saturdays
17 in November or December could be viewed. For year round staffing, the Postal
18 Service looks to the average for October through March period. However, for
19 examination of potential service impacts and problems it is appropriate to look at the
20 entire year, individual days, and peak seasons which may vary by location. If such
21 views show a need for more clerks at a particular time than available counter spaces
22 or windows; it would indicate a constraint that would either add wait time or build out
23 costs.

24 In addition, the non-revenue transactions – not graphed – need to be
25 considered in any station/branch consolidation decision Package. Such

⁵ USPS-LR-N2009-1/6 - Station/Branch Optimization/Consolidation Initiative Decision Package Sample Documents and Instructions at page 19 references the earned/actual staffing graph suggesting a single Oct/Mar snapshot. The tool has the ability to look at any period of time and individual days of the week, but I have not seen such graphs included in previous studies. Several views are necessary to determine whether service will be adversely affected on certain days or certain times or certain seasons.

⁶ Time credits for the seven non-revenue transactions recorded by POS are included in the earned time graphed. Time credit for the 18 non-revenue transactions that are not recorded by POS are also not included in the earned time graphed.

- 1 transactions involve labor time and may migrate to other locations. These
- 2 transactions also provide information about how customers use the station or
- 3 branch.
- 4

1 **VIII. Conclusions and Recommendations**

2 Data are already routinely used by the Postal Service for other purposes can
3 be used to better effect when studying a site for closure or consolidation. To the
4 extent that certain data about non-revenue transactions is not collected routinely, it
5 should be collected and evaluated as part of any study. Use of these data and tools
6 will better determine costs and savings; likely impacts on surrounding stations or
7 branches in the event of closure or consolidation; and identify potential community
8 impacts for further study and evaluation.

9 I make the following recommendations:

- 10 • The Postal Service should use the Top- Bottom Products by Walk-In
11 Revenue, the SPLY Product Rev Performance, and other data such a tally of
12 non-revenue transactions to determine labor costs associated with retail
13 transactions likely to move to other postal facilities. These data should also be
14 used to help identify the how customers use the facility and whether such
15 usage should prompt further study of service and community impacts that
16 might arise with a closure. These data are available back to FY 2007 so it
17 may be possible to determine trends. It is also important to take a longer
18 view when current events may be temporarily skewing the numbers, e.g.,
19 factory closing, construction disrupting the community, a recession, etc.
- 20 • The Postal Service should use the transaction data mentioned above
21 combined with demographic information about the surrounding neighborhood
22 to identify customers who may be unusually disadvantaged by the closing of
23 the facility. This should prompt further investigation of what impacts are likely
24 and whether any available alternatives are adequate.
- 25 • The study documents should detail and include labor costs associated with
26 distribution of box mail and mail to carriers. It appears that the Postal Service
27 intends these costs be part of the study as described in USPS-LR-N2001-1/6,
28 but I haven't seen completed studies in this record dealing with these costs in
29 a transparent fashion, if at all.

- 1 • The Postal Service treats changes of addresses caused by a closure as if it is
2 some overhead cost to be ignored in these studies. However, when the
3 Postal Service must change the box number and/or zip code, all of the
4 destinating box mail becomes UAA mail. While it is a temporary cost that will
5 gradually disappear, it can be significant in the short run. It also can cause
6 considerable effort and inconvenience to customers. It should be evaluated
7 in any closure study. Box mail volumes are readily available as are
8 approximate costs of handling UAA mail.
- 9 • The Postal Service should use the WOS Earned – Actual Staffing Graph as a
10 tool to help evaluate impacts of any migrating business on surrounding
11 facilities. Although the Service suggests its use in USPS-LR-N2001-1/6, I
12 have not yet seen its use in completed study. In addition the Postal Service
13 suggests a single Oct/Mar snapshot for use in these studies. While the
14 Postal Service uses such snapshots to help determine the level of permanent
15 year round staffing, the single snapshot may fail to identify problems with
16 certain days or times of days (like lunch hours) or peak seasons. To evaluate
17 potential service impacts the days of the week and more limited periods of
18 time should be examined.