

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

RETAIL ACCESS OPTIMIZATION INITIATIVE, 2011

Docket No. N2011-1

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GRANHOLM
TO QUESTION POSED BY VICE-CHAIRMAN ACTON AND CHAIRMAN GOLDWAY
DURING CROSS-EXAMINATION ON SEPTEMBER 8, 2011
(Tr. Vol. 1, Page 608, Line 6)**

The United States Postal Service hereby provides the response of witness Dean Granholm to a question posed by Vice-Chairman Acton and Chairman Goldway during the evidentiary hearing on September 8, 2011. The question is paraphrased and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**RESPONSE OF WITNESS GRANHOLM TO QUESTION
POSED DURING CROSS-EXAMINATION**

Tr. Vol. 1, Page 608, Line 6:

VICE CHAIRMAN ACTON: In our Docket No. N2009-1 advisory opinion, we recommended that the financial analysis should be improved.

THE WITNESS: The financial analysis was greatly improved through the 101 process, and as part of the top down process that we are talking about today. We went through an extensive review, a . . . [Lean Six Sigma] approach, to look at our financial analysis, and worked very closely with headquarters finance to develop a set of criteria that is now reviewed in every case under the new realm of how that financial data will be developed. It is not an easy generation of financial data, but we feel that it is appropriate.

CHAIRMAN GOLDWAY: And can you share that with us?

THE WITNESS: Absolutely.

CHAIRMAN GOLDWAY: And we could see what the analysis is?

THE WITNESS: Yes.

RESPONSE

The new Post Office Discontinuance cost analysis model attached to the response to POIR 1 Question 3 looks at seven categories of cost/savings versus the two categories in the old model. The new model imposes a standardized approach to obtaining the facility-specific data used in each discontinuance analysis. We tested the new model by sending it out to Districts that had recently completed Post Office discontinuance activity. The selected facilities were a mix of Post Office, Stations, and Branches. The sites were asked to complete the model using the instructions provided for the selected offices, and to note any difficulties in obtaining data and the amount of time to complete.

**RESPONSE OF WITNESS GRANHOLM TO QUESTION
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RESPONSE to Hearing Room Question at page 608 (continued)

Overall findings:

- the financial data returned were determined to provide a better assessment of the costs/savings than the previous model;
- based on the comments, there were no issues obtaining the required data sets;
- based on the comments, the time to complete the work was about the same as the previous calculation.

Attached is a summary of the cost savings estimates supporting those earlier discontinuance studies (PROPOSAL) compared to results using the new method (POD FINANCIAL SUMMARY).

New River Plaza, NC (Station) – Mid-Carolina District

PROPOSAL

	<u>Annual</u>
Clerk Salary	15,200
Fringe Benefits	5,092
Annual Lease Costs	7,800
Cost of Replacement Service	0
	\$28,092

POD FINANCIAL SUMMARY

	<u>1st Full Year</u>	<u>10 Year NPV</u>
Construction/Renovation	0	0
Building Maintenance	0	0
Utilities	2,105	21,790
Transportation	539	5,822
EAS & Craft Labor	27,046	292,113
Contracts (Cleaning)	2,944	31,797
Rent	7,800	86,589
	\$40,434	\$329,599

Tateville, KY (Post Office) – Kentuckiana District

PROPOSAL

	<u>Annual</u>
Postmaster Salary	32,438
Fringe Benefits	10,867
Annual Lease Costs	4,500
Cost of Replacement Service	1,521
	\$46,284

POD FINANCIAL SUMMARY

	<u>1st Full Year</u>	<u>10 Year NPV</u>
Building Maintenance	0	0
Utilities	2,444	0
Transportation	0	0
EAS & Craft Labor	79,720	861,034
Contracts	0	0
Rent	4,500	0
	\$86,664	\$648,201

Webster, IA (Post Office) – Hawkeye District

PROPOSAL

	<u>Annual</u>
Postmaster Salary	14,689
Fringe Benefits	4,921
Annual Lease Costs	2,400
Cost of Replacement Service	3,843
	\$18,166

POD FINANCIAL SUMMARY

	<u>1st Full Year</u>	<u>10 Year NPV</u>
Building Maintenance	0	0
Utilities	0	0
Transportation	0	0
EAS & Craft Labor	20,899	225,722
Contracts	0	0
Rent	2,400	26,643
	\$23,299	\$189,934

Loogootee, IL (Post Office) – Gateway District

PROPOSAL

	<u>Annual</u>
Postmaster Salary	10,981
Fringe Benefits	3,679
Annual Lease Costs	4,800
Cost of Replacement Service	335
	\$19,795

POD FINANCIAL SUMMARY

	<u>1st Full Year</u>	<u>10 Year NPV</u>
Building Maintenance	0	0
Utilities	1,158	11,985
Transportation	0	0
EAS & Craft Labor	10,162	109,756
Contracts	0	0
Rent	5,400	59,946
	\$16,720	\$136,634