

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

MAIL PROCESSING NETWORK RATIONALIZATION
SERVICE CHANGES, 2011

Docket No. N2012-1

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 2(b), 9, 10, 12 AND 15(l)
OF PRESIDING OFFICER'S INFORMATION REQUEST NO. 1**

The United States Postal Service hereby files the following responses to portions of questions submitted as part of Presiding Officer's Information Request No. 1, dated December 29, 2011:

- response of witness Rachel (USPS-T-8) to question 2(b)
- responses of witness Martin (USPS-T-6) to questions 9, 10 and 12
- response of witness Neri (USPS-T-4) to question 15(l)

The responses to the dwindling number of outstanding questions of POIR 1 are forthcoming.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS RACHEL
TO PRESIDING OFFICER'S INFORMATION REQUEST No. 1**

2. The Postal Service estimates that implementing MPNR will lead to annual savings of \$2.1 billion. See USPS-T-2 at 12.
- a. Of the total savings, please estimate the savings that will result from reductions in the Postal Service's labor complement.
 - b. Witness Rachel (USPS-T-8) provides a list of 8 mechanisms used by the Postal Service to achieve complement reductions. USPS-T-8 at 15. Please provide specific details regarding the effect of MPNR on the number of employees and associated cost savings due to the following mechanisms:
 - i. voluntary movement utilizing eReassign;
 - ii. normal attrition over the next several years;
 - iii. reductions in non-career employees;
 - iv. article 12 involuntary reassignments;
 - v. voluntary early retirement (VER);
 - vi. management reductions in force (RIFs);
 - vii. retirement incentive options (potentially);
 - viii. bargaining unit layoffs pursuant to Article 6; and
 - ix. any other mechanism (such as voluntary separation).

RESPONSE:

- (a) Redirected to witness Smith (USPS-T-9).
- (b) The actual reductions in complement that would result from network rationalization will be dependant upon a variety of factors that are outside the control of the Postal Service, including, but not limited to, (1) the individual decisions of postal employees with regard to voluntary movement, attrition and in response to any retirement incentive or VER options, (2) the outcomes of current labor negotiations, and (3) Congressional legislation. As a result, the Postal Service is unable to provide specific, quantifiable projections regarding the effect of MPNR on complement reduction. However, based on past experience, the Postal Service is confident that the mechanisms listed above will provide the Postal Service with the opportunity to achieve reductions in complement within the rationalized mail processing network.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
MARTIN TO PRESIDING OFFICER'S INFORMATION REQUEST No. 1**

9. On Page 9 of her testimony, witness Martin (USPS-T-6) estimates a 24.71 percent reduction in capacity of plant-to-plant transportation that will result from the network restructuring.
- a. Please confirm that the 24.71 percent reduction in capacity represents a simple average of the seven regions.
 - b. A weighted average percent reduction in capacity, which takes into account regional differences in transported volume, and differences in trip distance and frequency within a region, might provide a more accurate measure of average percent reduction in capacity. Please explain the rationale for using a simple average rather than a weighted average.

RESPONSE:

- (a) Confirmed. The 24.71 percent reduction in capacity represents a simple average of the seven areas.
- (b) In preparing my testimony for this docket, I calculated the weighted average percent reduction in capacity and compared the result to the simple average. I included the simple average in my testimony because, when compared to the weighted average, the simple average was more conservative. A weighted average would have yielded an estimated capacity reduction of 30.50 percent, as shown in the chart below.

Plant to Plant Transportation Reduction				
<u>Area</u>	<u>Trip Reduction</u>	<u>% Impact</u>	<u>Wgtd Avg</u>	
Northeast		86	34%	29.24
Eastern		137	36%	49.32
Cap Metro		89	31%	27.59
Great Lakes		67	26%	17.42
Southwest		44	26%	11.44
Western		34	16%	5.44
Pacific		4	4%	0.16
			24.71%	140.61
				30.50%

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
MARTIN TO PRESIDING OFFICER’S INFORMATION REQUEST No. 1**

10. Please refer to library reference LR-N2012-1/11 workbook “Plant to Plant Trips” of Excel file “Transportation Spreadsheets LR.xls.” Please provide a list of plant-to-plant HCR trips and all information for each trip in the table format appearing below. Please provide additional information for each trip including annual cubic-foot of capacity, annual cubic-foot of mail transported, annual cost, and indicate whether or not the trip is a candidate for elimination.

Plant to Plant HCR Trips

Area	HCR ID	Trip No.	Trip Frequency (Annual)	Origin	Stop 1	Stop 2	Stop 3	Destination	Trip Miles	Trip Purpose	Utilization	Annual Capacity in Cubic-Foot	Annual Cubic-Foot of Mail Transported	Annual Cost	Candidate for Elimination (Yes or No)
Northeast	030EJ	601	307.07	Nashua LDC NH	Springfield MA LDC			Pittsburgh LDC PA	626	Priority Mail	78%				
Northeast	030EJ	602	307.07	Pittsburgh LDC PA	Springfield MA LDC			Nashua LDC NH	626	Priority Mail	81%				
Northeast	030M1	1	255.75	Nashua LDC NH	NNJ LDC			Philadelphia NDC PA	322	Priority Mail	79%				
Northeast	030M1	2	255.75	Phila NDC	NNJ LDC	Boston MA PDC		Nashua LDC NH	348	Priority Mail	73%				
Northeast	030NJ	1	251.46	Nashua LDC NH				Detroit NDC MI	739	Priority Mail	74%				

RESPONSE:

As information, the Postal Service does not have the ability to collect data on “annual cubic-foot of capacity” and “annual cubic-foot of mail transported.”

This is because the data for mail transported on surface transportation are not collected in the same manner as air transportation capacity. The Postal Service collects data on truck capacity utilized, which are derived from the input of total units dispatched (e.g., pallets or wheeled carts). Please see my response to PR/USPS-T6-4.

The responsive data are provided in the “Plant to Plant Trips” spreadsheet attached to this response. Annual cost in this spreadsheet is calculated by the

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MARTIN TO PRESIDING OFFICER'S INFORMATION REQUEST No. 1**

RESPONSE TO QUESTION 10 (CONT.):

number of trip miles, annual trip frequency, and the rate per mile. According to this spreadsheet, the estimated transportation savings is \$109 million. This figure is less than the transportation savings figure that appears in Witness Bradley's (USPS-T-10) testimony (\$192 million) because the spreadsheet only reflects a subset of the total number of routes that are being analyzed for the purposes of network rationalization.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
MARTIN TO PRESIDING OFFICER'S INFORMATION REQUEST No. 1**

12. Please explain how the proposed network changes affect Plant Load transportation and how these impacts are incorporated into the estimates of transportation capacity reductions.

RESPONSE:

For mail that is accepted at a mailer's plant for transport to a processing plant under a plant load agreement ("plant load transportation"), the proposed network changes will likely require adjustments in the "length of haul" to an alternate entry point in the network in the event that the original mail processing entry point is deactivated as the result of network rationalization. Because Plant Load transportation represents less than 1 percent of the overall transportation network, the impact to my estimate of capacity reduction is expected to be minimal. Therefore, these impacts were not incorporated into my estimates of transportation capacity reduction.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNES NERI
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1
REDIRECTED FROM WITNESS MEHRA**

15. On page 4 of her testimony, witness Mehra (USPS-T-7) states, "where practicable, BMEUs will remain in the impacted facility. If this is not feasible, acceptance units will be located within relatively close geographical proximity to the impacted facility and mailers will be allowed to retain their SCF discounts for the foreseeable future for mail entered at the BMEUs."

a. Please estimate the number of BMEUs that will remain open at impacted facilities.

b. What mail processing, acceptance, and transportation related operations will be necessary at BMEUs that remain open?

c. What equipment will need to remain at impacted facilities that continue BMEU operations?

d. How many employees at BMEUs at impacted facilities will continue to accept mail?

e. Please provide an estimate of the cost of keeping BMEUs open at impacted facilities.

f. Will there be a surcharge to mailers entering mail at an impacted facility?

g. What percent of mail volume does the Postal Service anticipate accepting at impacted facilities?

h. If mail is accepted at an impacted facility will it have the same service standards as mail accepted at an operational facility?

i. What is the timeline to phase out acceptance of mail at impacted facilities?

j. Please provide the workpapers used to determine the transportation costs of keeping BMEUs open at impacted facilities.

k. Please provide the workpapers used to determine the mail processing costs of keeping BMEUs open at impacted facilities.

l. USPS-T-4 at 29, figure 12, includes an estimate of platform operation productivity improvement of 20 percent due to the current proposal. How will the ongoing operation of BMEUs at impacted facilities affect this productivity improvement?

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNES NERI
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REDIRECTED FROM WITNESS MEHRA**

RESPONSE to Question 15 (continued):

(a-k) [See January 10, 2012 responses of witness Mehra]

(l) The operation of BMEUs at impacted facilities will have no impact on this productivity improvement.