

OFFICIAL TRANSCRIPT OF PROCEEDINGS BEFORE THE POSTAL REGULATORY COMMISSION

In the Matter of:)
)
MAIL PROCESSING NETWORK) Docket No. N2012-1
RATIONALIZATION SERVICE)
CHANGES, 2012)

VOLUME #2

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POSTAL REGULATORY COMMISSION

In the Matter of:)
)
 MAIL PROCESSING NETWORK) Docket No. N2012-1
 RATIONALIZATION SERVICE)
 CHANGES, 2012)

Suite 200, Hearing Room
 Postal Regulatory Commission
 901 New York Avenue, N.W.
 Washington, D.C.

Volume 2
 Tuesday, March 20, 2012

The above-entitled matter came on for hearing pursuant to notice, at 9:33 a.m.

BEFORE:

HON. RUTH Y. GOLDWAY, CHAIRMAN
 HON. Nanci E. Langley, VICE CHAIRMAN
 HON. MARK ACTON, COMMISSIONER
 HON. ROBERT TAUB, COMMISSIONER

APPEARANCES:

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(No Appearance.)

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(No Appearance.)

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(No Appearance.)

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(No Appearance.)

On behalf of National Association of Presort Mailers:

(No Appearance.)

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On behalf of City of New Orleans:

(No Appearance.)

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(No Appearance.)

On behalf of Pitney Bowes:

(No Appearance.)

On behalf of David Popkin:

(No Appearance.)

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(No Appearance.)

On behalf of Valpak Dealers Association, as well as
Valpak Direct Marketing Systems:

(No Appearance.)

On behalf of Parcel Shippers Association:

(No Appearance.)

C O N T E N T S

WITNESSES APPEARING:
 STEPHEN MASSE
 KEVIN RACHEL
 DAVID E. WILLIAMS

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P R O C E E D I N G S

(9:33 a.m.)

CHAIRMAN GOLDWAY: Good morning. This hearing of the Postal Regulatory Commission will come to order. In today's hearing, the Commission will receive Postal Service evidence in support of its plan for mail processing network rationalization and associated service changes. The Commission will evaluate this evidence when considering the Postal Service's request for an advisory opinion in Docket No. N2012-1.

For the record, I am Ruth Goldway, Chairman of the Postal Regulatory Commission, and joining me on the dais this morning are Vice Chairman Langley, Commissioner Acton and Commissioner Taub. We've been pressed by the Postal Service and people in the public sphere to move this proceeding as quickly as we can. I want to assure you that the staff and Commissioners of the Postal Regulatory Commission are doing everything within their power to carefully review the information in front of us and to give the parties involved the due process that's required by law.

We want to commend everyone for their diligence in participating, and I want to indicate that the Commission has been flexible in accepting

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1 late filings from all parties because we want to have
2 as much evidence as possible on the record, but that
3 we hope that as these proceedings progress that
4 information will come quickly, responses will come
5 quickly, and that we can proceed to make a decision in
6 this case in as reasonable and prompt a time as
7 possible.

8 I'd like to give my fellow Commissioners an
9 opportunity to welcome those of you who are here
10 participating today. I'll begin with asking Vice
11 Chairman Langley if she has some comments.

12 VICE CHAIRMAN LANGLEY: Thank you very much,
13 Madam Chairman. Today we begin the hearings on the
14 Postal Service's proposed mail processing network
15 reorganization service changes, which entails revising
16 service standards for first class, periodicals,
17 package services and standard mail.

18 This is a complex case. The Postal Service
19 proposal alone is supported by 13 witnesses. So far
20 there have been 1,022 written interrogatories asked of
21 the Postal Service. Over 50 library references have
22 already been filed, and there are 26 Intervenors.
23 These hearings, as the Chairman said, are an important
24 part of the process, affording due process to all
25 stakeholders and critical to developing a more complex

1 and complete record.

2 Against the backdrop of the Postal Service's
3 well publicized financial challenges, the proposals
4 raise a host of issues likely to affect virtually all
5 mailers and recipients. I do not take these financial
6 challenges lightly, nor do I take lightly the concerns
7 raised by stakeholders. However, in evaluating the
8 Postal Service's proposal and parties' responses to it
9 I will remain mindful of the policies of Title 39, in
10 particular Section 101 and Section 3622. Thank you.

11 CHAIRMAN GOLDWAY: Thank you. And now
12 Commissioner Acton?

13 COMMISSIONER ACTON: Thank you, Madam
14 Chairman. Welcome, Witness Williams. It's nice to
15 see you again. Thank you for your time and testimony
16 this morning. We value your expertise, and we look
17 forward to hearing what you have to say. Thank you.

18 CHAIRMAN GOLDWAY: Thank you. And
19 Commissioner Taub?

20 COMMISSIONER TAUB: Thank you, Madam
21 Chairman. I would echo my colleagues' comments.
22 Suffice it to say this is a critical part of our
23 statutory role, providing advice on operational
24 changes of this nature. The Postal Service is about
25 service, and indeed service standards go to the heart

1 of what the public can expect so we've got a busy four
2 days ahead of us.

3 I look forward to the testimony that we're
4 going to hear orally and certainly have appreciated
5 the full season of winter and a little bit at the end
6 of fall for all the discovery that has taken place and
7 all the filings. So with the first day of spring,
8 let's get rolling. Thank you.

9 CHAIRMAN GOLDWAY: Thank you. I'd like to
10 thank the Commissioners for their cooperation in
11 making sure that the proceedings here move smoothly,
12 and again a warm welcome to all of those who are
13 participating.

14 We'll begin with procedural matters. First,
15 discovery has been quite active, as Vice Chairman
16 Langley mentioned, with over 1,000 questions presented
17 to the Postal Service. Some of the answers to these
18 questions have not been received in time to make it
19 into the designation packets for today's hearing.

20 If parties have copies of answers that have
21 not been included in the designation packets with them
22 today, the answers may be entered into the record by
23 motion. As a reminder, in order to include answers by
24 motion two single-sided copies without hole punches or
25 staples are required to be given to the court reporter

1 upon granting of the motion. There also likely will
2 be a clean-up transcript to include late filed
3 answers. Procedures for designating this material
4 into the record will be established at a later date.

5 Discovery directed towards the Postal
6 Service for the purpose of developing Intervenor
7 testimony may continue until April 6, 2012. Because
8 Intervenors may rely upon the results of this
9 discovery in their testimony, the relevant discovery
10 also should be placed into the record.

11 My intent is to issue a ruling specifying
12 procedures for including this category of discovery
13 into the record prior to the June 12 hearings. No
14 changes to today's designation packets are necessary
15 if some of this material has been included. To be
16 fair to the Postal Service, cross-examination should
17 be limited to lines of discovery initiated on or
18 before February 24, 2012.

19 There has been no indication that a closed
20 hearing will be necessary today. It is the
21 responsibility of counsel to alert me if this
22 circumstance changes. If it becomes necessary, a
23 closed session will be convened at the end of each
24 hearing day to consider material under seal.

25 I would like to remind those in the audience

1 today that this hearing is being web broadcast. In an
2 effort to reduce potential confusion, I ask that
3 counsel wait to be recognized before speaking and to
4 please identify yourself when commenting. After you
5 are recognized please speak clearly so that our
6 microphones may pick up your remarks.

7 Does any participant have any other
8 procedural matter to raise at this time?

9 MR. ANDERSON: Madam Chairman, Darryl
10 Anderson for the American Postal Workers Union. We
11 have three interrogatory responses to submit. Do you
12 prefer that we do that in a written motion, or should
13 I hand them in now?

14 CHAIRMAN GOLDWAY: If they are
15 straightforward, you can do that now.

16 MR. ANDERSON: Thank you. Thank you, Madam
17 Chairman. It's NPMHU/USPS-T1-14, 15 and 20. I have
18 two copies, and I'll submit them to the reporter.

19 MR. TIDWELL: Just to be clear, these are
20 responses of?

21 MR. ANDERSON: These are by --

22 CHAIRMAN GOLDWAY: Speak into the
23 microphone.

24 MR. ANDERSON: Oh, yes. These are responses
25 by David Williams.

1 MR. TIDWELL: I think we may be a little bit
2 premature. My understanding was that we were going to
3 move into evidence the testimonies of Witnesses Masse
4 and Rachel first. Then we would proceed with Witness
5 Williams' testimony, then we would do the prepared
6 designation package for Witness Williams, and then
7 there would be a window of opportunity for the
8 additional designations.

9 MR. ANDERSON: Thank you, Mr. Tidwell.

10 CHAIRMAN GOLDWAY: I think you're right.
11 Thank you, Mr. Tidwell, for organizing us.

12 Are there any other procedural motions not
13 directly related to witness testimony that need to be
14 addressed at this time?

15 (No response.)

16 CHAIRMAN GOLDWAY: If not, we have a busy
17 week ahead of us as we receive the testimony and
18 cross-examination of 13 Postal Service witnesses.

19 Briefly, our process to enter testimony into
20 the record is as follows: We will call each witness
21 and receive their testimony and prepared written
22 designated cross-examination. After that we will
23 allow oral cross-examination, and after oral cross-
24 examination an opportunity for redirect will be
25 available.

1 Three witnesses are scheduled for today.
2 They are Witnesses Masse, Rachel and Williams. There
3 are no requests for oral cross-examination for either
4 Witness Masse or Witness Rachel. They have been
5 excused from appearing today. Their testimonies and
6 written cross-examination will be entered into the
7 record by motion. Then we will proceed to entering
8 Witness Williams' testimony.

9 Today we will begin with Witness Masse's
10 testimony. Because Witness Masse is not present in
11 the hearing room, his testimony will be received by
12 motion. Mr. Tidwell, counsel for the Postal Service,
13 are you prepared to begin?

14 MR. TIDWELL: Madam Chairman, Michael
15 Tidwell for the Postal Service. Yes, we are prepared
16 to begin.

17 CHAIRMAN GOLDWAY: Are there any
18 corrections?

19 MR. TIDWELL: No, Madam Chairman. I have in
20 front of me two copies of the direct testimony of
21 Stephen Masse on behalf of the United States Postal
22 Service. It's been designated as USPS-T-2 for
23 purposes of this proceeding.

24 //

25 //

1 (The document referred to was
2 marked for identification as
3 Exhibit No. USPS-T-2.)

4 MR. TIDWELL: Appended to each copy of the
5 testimony is a signed declaration by Mr. Masse
6 attesting to the content of the testimony and
7 affirming that if he were to provide the content of it
8 orally today it would be the same.

9 And with that, Madam Chairman, the Postal
10 Service would then move that his testimony be entered
11 into evidence.

12 CHAIRMAN GOLDWAY: Is there any objection?

13 (No response.)

14 CHAIRMAN GOLDWAY: Hearing none, I'll direct
15 counsel to provide the reporter with the two copies of
16 the testimony of Witness Masse and the witness'
17 declaration of authenticity. That testimony is
18 received into evidence. However, consistent with
19 Commission practice it will not be transcribed.

20 (The document referred to,
21 previously identified as
22 Exhibit No. USPS-T-2, was
23 received in evidence.)

24 CHAIRMAN GOLDWAY: Counsel, can you identify
25 the library references that have been filed by Witness

1 Masse in this docket --

2 MR. TIDWELL: To my knowledge --

3 CHAIRMAN GOLDWAY: -- and indicate if he is
4 relying on that material or not?

5 MR. TIDWELL: Pardon me. Madam Chairman, to
6 my knowledge Witness Masse does not rely on any
7 library references.

8 CHAIRMAN GOLDWAY: If you want to change
9 that we can make changes later in the day, but we'll
10 assume that that's correct for now.

11 Next we will receive written cross-
12 examination. Mr. Tidwell, you've been provided with
13 Witness Masse's designation packet. Are there any
14 corrections or additions that need to be made?

15 MR. TIDWELL: Madam Chairman, there are not.
16 We have the packages here, and we have appended to
17 each copy a signed declaration of Witness Masse
18 attesting to the responses and confirming that if he
19 were to provide the content orally today the answers
20 would be the same.

21 CHAIRMAN GOLDWAY: As everything is in
22 order, would you please provide two copies of the
23 corrected designated written cross-examination of
24 Witness Masse to the reporter?

25 That material is received into evidence, and

1 it is to be transcribed into the record. The
2 previously submitted declaration of authenticity
3 applies to this material as well.

4 (The document referred to was
5 marked for identification as
6 Exhibit No. USPS-T-2 and was
7 received in evidence.)

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

MAIL PROCESSING NETWORK RATIONALIZATION
SERVICE CHANGES, 2011

DOCKET No. N2012-1

DECLARATION OF STEPHEN MASSE

I, Stephen Masse, hereby declare under penalty of perjury that:

The designated responses to written cross-examination filed under my name were prepared by me or under my direction; and

Were I to respond orally to the questions appearing in the interrogatories, my answers would be the same.



Stephen Masse

March 20, 2012

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Mail Processing Network Rationalization
Service Changes, 2012

Docket No. N2012-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS STEPHEN J. MASSE
(USPS-T-2)

| <u>Party</u> | <u>Interrogatories</u> |
|---|---|
| National Association of Letter Carriers | NALC/USPS-T2-1-2, 4-6 |
| National Postal Mail Handlers Union | NPMHU/USPS-T2-9 |
| Postal Regulatory Commission | NPMHU/USPS-T2-2-3 PRC/USPS-T2-POIR No.1 - Q5 |
| Public Representative | NPMHU/USPS-T2-1, 4-5, 7, 9 |

Respectfully submitted,


Shoshana M. Grove
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS STEPHEN J. MASSE (T-2)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory

Designating Parties

| | |
|----------------------------|-----------|
| NALC/USPS-T2-1 | NALC |
| NALC/USPS-T2-2 | NALC |
| NALC/USPS-T2-4 | NALC |
| NALC/USPS-T2-5 | NALC |
| NALC/USPS-T2-6 | NALC |
| NPMHU/USPS-T2-1 | PR |
| NPMHU/USPS-T2-2 | PRC |
| NPMHU/USPS-T2-3 | PRC |
| NPMHU/USPS-T2-4 | PR |
| NPMHU/USPS-T2-5 | PR |
| NPMHU/USPS-T2-7 | PR |
| NPMHU/USPS-T2-9 | NPMHU, PR |
| PRC/USPS-T2-POIR No.1 - Q5 | PRC |

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MASSE TO NALC INTERROGATORY

NALC/USPS-T2-1

On page 12, line 3 of your testimony, you state that "the net annualized savings will take time to be realized fully." Does USPS have an estimate of how long it will take for the net annualized savings to be realized fully? If so, please explain the basis for such estimate.

RESPONSE:

No.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MASSE TO NALC INTERROGATORY

NALC/USPS-T2-2

On page 12, line 4 of your testimony, you refer to "implementation expenses." Please explain what these implementation expenses are, provide any estimate that USPS has of the amount of these expenses, and explain how USPS arrived at such estimate.

RESPONSE:

Implementation costs are specific to each AMP and include, for example, the costs of capital expenditures for facility modifications or material handling projects. The capital expenditure for these facilities projects has been estimated by internal Postal Service subject matter experts at \$191 million. This estimate was based on overall averages and not on any specific projects. As such, these estimates must be considered preliminary. The cost of transporting equipment between plants has been estimated to be \$124 million, based on standard costs for equipment relocation applied to the projected equipment set. There will also be some costs for relocating employees, primarily bargaining employees, which in the past have averaged less than \$6,000 per bargaining employee. There will no doubt be other miscellaneous costs, which the Postal Service has not estimated, that are not expected to be material when compared to the overall savings generated by the initiative.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MASSE TO NALC INTERROGATORY

NALC/USPS-T2-4

Has USPS made an inquiry into, or undertaken any study of, what it would require in terms of time, effort and expense to reverse the proposed mail processing network rationalization if, after implementation, it turns out that USPS's estimate of the net annualized savings was a gross underestimate?

RESPONSE:

No.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MASSE TO NALC INTERROGATORY

NALC/USPS-T2-5

Did USPS conduct, or request anyone else to conduct, any econometric studies in connection with USPS's effort to assess how much the proposed mail processing network rationalization service changes would reduce demand for USPS's services or would reduce mail volume, revenue or contribution? If not, why not? If yes, please provide copies of such studies.

RESPONSE:

The Postal Service conducted the survey-based study described by witnesses Whiteman and Elmore-Yalch in part because of the impracticality of using an econometric model to calculate the volume, revenue, and contribution losses associated with the network rationalization initiative. The econometric models used by the Postal Service are based on historical events; as such, the models cannot account for types of events that have not previously occurred. Because the Postal Service has not previously made a significant, systematic change to its service standards, econometric models are not as well suited as survey models to assessing the impact of such a change.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MASSE TO NALC INTERROGATORY

NALC/USPS-T2-6

Do you agree with the statement that "[i]n the long term, the Postal Service is best served by a focus on additional ways to add value to customers and other stakeholders such as employees"? (Sept. 23, 2010 testimony of Dr. Peter Boatwright on behalf of USPS, in Docket No. N2010-1, page 27, lines 19-20). If so, in what ways, if any, does USPS plan to add value to customers and other stakeholders.

RESPONSE:

In a general sense, yes, I agree. However, that certainly does not preclude the need for a full range of strategies, including cost-saving strategies, to create a healthy and viable Postal Service. The Postal Service continually pursues ways to add value to customers, such as new products, new channels to access the Postal Service, etc.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MASSE TO NPMHU INTERROGATORY

NPMHU/USPS-T2-1

Please identify the “numerous supplier contracts” (USPS-T-2, at 8) renegotiated by the USPS and the magnitude of savings for the USPS, if any, that were the result of those renegotiations.

RESPONSE:

In 2009, the Postal Service initiated the Rapid Renegotiation Initiative (RRI), which yielded price and/or scope reductions in 465 contracts. This initiative resulted in \$476 million of savings in FY 2009 and an additional projected savings of \$648 million over FY 2010 and FY 2011.

The Postal Service has also renegotiated contracts outside of RRI, but such renegotiations have not been systematically tracked, so the savings resulting from them cannot be readily calculated.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MASSE TO NPMHU INTERROGATORY

NPMHU/USPS-T2-2

Please explain why, in calculating the growth in mail volume necessary to equal the cost-savings the USPS would allegedly reap from the MNPR, you use the figure \$2.6 billion (USPS-T-2, at 9), instead of using the *net* cost-savings that is identified elsewhere in your testimony as \$2.1 billion (USPS-T-2, at 12).

RESPONSE:

The \$2.1 billion is not net cost savings; rather, it is the net impact on the Postal Service's profit or loss. As a practical matter, the distinction between replacing \$2.1 billion of net benefit or \$2.6 billion of cost savings is beside the point. Growing First-Class Mail revenue by \$2.1 billion would require volume growth of roughly 10 billion pieces, or 13 percent. While this scenario may be slightly less unlikely than the scenario presented in my testimony of growing First-Class Mail volume by 16 percent, it nonetheless remains highly unlikely.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MASSE TO NPMHU INTERROGATORY

NPMHU/USPS-T2-3

Please provide the calculations you or the USPS made, including any worksheets or supporting documents, in determining that “[t]o create a substitute for the \$2.6 billion in cost savings that will be generated by the service change initiative under review in this docket would require growth equivalent to more than 11 billion pieces of First-Class Mail.” (USPS-T-2, at 9).

RESPONSE:

The calculation is shown below. In order to determine the First-Class Mail volume required to replace \$2.6 billion in cost reductions, one divides \$2.6 billion by the First-Class Mail contribution per piece, as shown in the FY 2011 Cost and Revenue Analysis report. The resulting nearly 12 billion pieces would be a 16 percent growth in First-Class Mail volume, compared to 2011 levels.

| | |
|---|--------------|
| Cost Savings (\$ in thousands) | \$ 2,600,000 |
| 2011 First-Class Mail contribution per piece | \$ 0.217 |
| First-Class volume (thousands) needed to generate new contribution equivalent to cost savings | 11,981,567 |
| 2011 First-Class Mail volume (thousands) | 73,520,543 |
| growth over 2011 First-Class volume | 16.3% |

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MASSE TO NPMHU INTERROGATORY

NPMHU/USPS-T2-4

What increase in mail rates would be required to offset the decline in mail volume discussed on pages 9 to 10 of your testimony?

RESPONSE:

The referenced section of my testimony does not discuss offsetting the entire volume decline that the Postal Service is experiencing. Rather, it discusses replicating only the \$2.6 billion in cost savings that are at issue in the network rationalization initiative through other means. The Postal Service has not calculated the level of price increase that would be necessary to offset the decline in mail volume. As a practical matter, such an exercise would be irrelevant, because price increases in excess of the 12-month average change in the CPI-U are prohibited by the Postal Accountability and Enhancement Act.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MASSE TO NPMHU INTERROGATORY

NPMHU/USPS-T2-5

Has the Postal Service made any estimates of what effect an increase in mail rates to offset the decrease in mail volume would have on Postal Service market share? If so, what are those estimates?

RESPONSE:

No.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MASSE TO NPMHU INTERROGATORY

NPMHU/USPS-T2-7

Please identify the reasons why "additional consolidations may become necessary in the future." (USPS-T-2, at 11)

RESPONSE:

As explained by witness Rosenberg (USPS-T-3), the modeling that was undertaken to determine the configuration of the mail processing network under the proposed service standards utilized 2010 workload. Accordingly, the proposed realigned network is sized for 2010 mail volumes. Mail volumes decreased in 2011 and are expected to continue to decrease for the foreseeable future. It is therefore possible that excess capacity will necessitate additional consolidations in the future in order to align the size and cost of the network with future mail volumes.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MASSE TO NPMHU INTERROGATORY**

NPMHU/USPS-T2-9

On page 7 of your testimony, you state that since 2006, the Postal Service has eliminated 21% of the 2006 total workhours, while page 6 of your testimony indicates that mail volume has similarly decreased 21% from 2006 to 2011. Please compare anticipated mail volume reductions to planned workhour reductions over the next five years, if the Postal Service moves forward with its proposal, breaking those numbers down by year.

RESPONSE:

Forecast mail volume and target workhour reductions are shown below.

| | Actual | Forecast | | | | |
|------------------------------|---------------|-----------------|-------------|-------------|-------------|-------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Total Mail Volume (billions) | 167.9 | 158.0 | 154.4 | 150.4 | 147.0 | 143.5 |
| % Change in Mail Volume | | -5.9% | -2.3% | -2.5% | -2.2% | -2.3% |
| Target Workhours (millions) | 1,143.6 | 1,085.6 | 959.9 | 920.4 | 901.2 | 885.0 |
| % Change in Workhours | | -5.1% | -11.6% | -4.1% | -2.1% | -1.8% |

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

5. On page 4 of his testimony, witness Masse (USPS-T-2) states First-Class Mail volumes will decline significantly over the next nine years from the current 74 billion pieces in FY 2011 down to just 39 billion pieces by FY 2020. In the Postal Service's 10-year action plan released in March 2010, First-Class Mail volume was projected to be almost 53 billion pieces by FY 2020. Ensuring a Viable Postal Service for America: An Action Plan for the Future, March 2010 at 4.
- a. Please discuss the changes in the volume forecasts since the release of the March 2, 2010 10-year action plan.
 - b. Include in the discussion an explanation of the changes in the assumptions used to develop the new forecasts.
 - c. Please provide updated forecasts of volumes, revenues, and costs with all workpapers underlying these forecasts in the same manner as the original 10-year action plan that was provided in response to Docket No. R2010-4, Presiding Officer's Information Request No. 5, question No. 32.

RESPONSE:

- (a, b) The Postal Service's volume forecasts are based on a wide range of factors, including the most recent available data on actual mail volumes. Thus, the McKinsey & Company volume forecast included in the March 2, 2010 10-year action plan relied on volume data through Quarter 3 of FY 2009, whereas the Postal Service's volume forecast presented in witness Masse's testimony (USPS-T-2) relied on volume data through Quarter 3 of FY 2011. The availability of an additional two full years of volume data has allowed the Postal Service to revise and refine the volume forecasts

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

RESPONSE to Question 5 (continued)

presented in the March 2, 2010 plan to better reflect recent history and revised expectations of the future.

For example, the March 2, 2010 plan forecasted First-Class Mail volume to be 77.1 billion pieces in FY 2011. In reality, the FY 2011 volume of First-Class Mail was 73.5 billion pieces, a difference of 4.7 percent from the March 2, 2010 forecast. This is a significant acceleration in the rate of volume decline in First-Class Mail. Because of these types of differences between forecast and actual volumes, the Postal Service has adjusted the assumptions that underlie its forecasts.

The Postal Service has also adjusted assumptions based on more recent economic data. The Postal Service's volume forecasts rely on economic data and forecasts developed by IHS Global Insight. IHS Global Insight releases new economic forecasts on a monthly basis. Thus, in comparison to the forecasts presented in the March 2, 2010 plan, the forecasts presented in witness Masse's testimony have the benefit of two additional years of economic data and analysis from IHS Global Insight. This information has resulted in changed assumptions regarding, for

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

RESPONSE to Question 5 (continued)

example, the economy's weakened expected growth rate in the wake of the recent recession.

As in the past, in addition to incorporating the most recent data into its forecasts, the Postal Service has also made adjustments based on management's business judgment. Management's regular interactions with mailers give it insight into expected volume and revenue trends that are not captured in empirical data. For example, dialogue with the direct mail industry gives management insight into Standard Mail trends that are not fully reflected in data regarding the general economy.

- (c) The March 2, 2010 10-year action plan and the materials provided in response to Question 32, Presiding Officer's Information Request No. 5, Docket No. R2010-4, were developed by McKinsey & Company, based on volume forecasts provided by the Boston Consulting Group. Thus, the Postal Service is unable to provide updated versions of those materials. However, the Postal Service will file its latest volume and revenue forecasts with the Commission on January 20, 2012, in accordance with the Commission's periodic reporting rules.

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

MAIL PROCESSING NETWORK RATIONALIZATION
SERVICE CHANGES, 2011

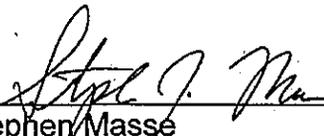
DOCKET No. N2012-1

DECLARATION OF STEPHEN MASSE

I, Stephen Masse, hereby declare under penalty of perjury that:

The designated responses to written cross-examination filed under my name were prepared by me or under my direction; and

Were I to respond orally to the questions appearing in the interrogatories, my answers would be the same.



Stephen Masse

March 20, 2012

1 MR. TIDWELL: That is correct.

2 CHAIRMAN GOLDWAY: Are there any objections?

3 (No response.)

4 CHAIRMAN GOLDWAY: Hearing none, I'll direct
5 counsel to provide the reporter with two copies of the
6 corrected direct testimony of Witness Rachel and the
7 witness' declaration of authenticity. That testimony
8 is received into evidence. However, consistent with
9 Commission practice it will not be transcribed.

10 (The document referred to,
11 previously identified as
12 Exhibit No. USPS-T-8, was
13 received in evidence.)

14 CHAIRMAN GOLDWAY: Counsel, can you identify
15 the library references that have been filed by Witness
16 Rachel in this docket and indicate if he is relying on
17 that material or not?

18 MR. TIDWELL: There is one library reference
19 that is associated with his interrogatory responses I
20 was going to mention as we got the interrogatory
21 packets designated in. It's Library Reference 63.

22 CHAIRMAN GOLDWAY: You're going to include
23 it with the interrogatories?

24 MR. TIDWELL: We were going to acknowledge
25 that it's referenced in one of his interrogatory

1 responses and therefore is associated with that
2 response.

3 CHAIRMAN GOLDWAY: Thank you. Next we'll
4 receive the written cross-examination. Mr. Tidwell,
5 have you been provided with Witness Rachel's
6 designated packet?

7 MR. TIDWELL: Yes, Madam Chairman, we have,
8 and we've appended to each copy a signed declaration
9 by Witness Rachel attesting to the content and
10 affirming that if he were to provide those answers
11 today they would be the same. And as I acknowledged
12 earlier, one of the responses refers to Library
13 Reference 63 as associated with one of the responses.
14 he is providing.

15 CHAIRMAN GOLDWAY: And there are no
16 corrections?

17 MR. TIDWELL: There are no corrections.

18 CHAIRMAN GOLDWAY: As everything is in
19 order, would you please provide two copies of the
20 designated written cross-examination of Witness Rachel
21 to the reporter?

22 That material is received into evidence and
23 it is to be transcribed into the record. The
24 previously submitted declaration of authenticity
25 applies to this material as well.

1 (The document referred to was
2 marked for identification as
3 Exhibit No. USPS-T-8 and was
4 received in evidence.)
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BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

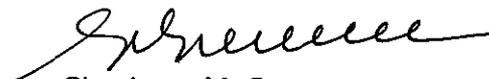
Mail Processing Network Rationalization
Service Changes, 2012

Docket No. N2012-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS KEVIN RACHEL
(USPS-T-8)

| <u>Party</u> | <u>Interrogatories</u> |
|------------------------------|---|
| Greeting Card Association | GCA/USPS-T8-1-4 |
| Postal Regulatory Commission | NPMHU/USPS-T8-10a PRC/USPS-T1-POIR No.1 - Q2b redirected to T8 |
| Public Representative | GCA/USPS-T8-3-5 NPMHU/USPS-T8-2, 5, 7 |

Respectfully submitted,


Shoshana M. Grove
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS KEVIN RACHEL (T-8)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory

Designating Parties

| | |
|--|---------|
| GCA/USPS-T8-1 | GCA |
| GCA/USPS-T8-2 | GCA |
| GCA/USPS-T8-3 | GCA, PR |
| GCA/USPS-T8-4 | GCA, PR |
| GCA/USPS-T8-5 | PR |
| NPMHU/USPS-T8-2 | PR |
| NPMHU/USPS-T8-5 | PR |
| NPMHU/USPS-T8-7 | PR |
| NPMHU/USPS-T8-10a | PRC |
| PRC/USPS-T1-POIR No.1 - Q2b redirected to T8 | PRC |

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS RACHEL
TO GREETING CARD ASSOCIATION INTERROGATORIES**

GCA/USPS-T8-1. Please refer to page 7, lines 13-18 of your prefiled testimony.

- (a) Please define the term "postal area" as used at line 15.
- (b) Please explain fully the scope (e.g., nationwide, postal-area-wide, installation-wide) of the contractual prohibition on reassignment, without mutual consent, of covered employees to a withheld position in a different installation within the same postal area more than once in every three months.

RESPONSE:

- (a) The term "postal area," as used at page 7, line 15, of my testimony, refers to a unit of the management structure of the Postal Service. The nation currently is composed of seven geographic management units (areas) with operational responsibility for portions of the nation. The seven areas are Eastern, Western, Pacific, Great Lakes, Northeast, Capital Metro, and Southwest.
- (b) The scope of the provision is postal-area-wide.

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS RACHEL
TO GREETING CARD ASSOCIATION INTERROGATORIES**

GCA/USPS-T8-2. Please refer to page 13, lines 1-6, of your prefiled testimony.

(a) Please supply citations, including Web addresses or links where applicable, to all Office of Personnel Management (OPM) regulations or other publications governing Voluntary Early Retirement, both in general and as it applies to the Postal Service.

(b) Please describe fully the scope of the OPM authorization mentioned in lines 5-6 of page 13, including, without limitation,

(i) whether the authorization applies to the Postal Service as a whole; to specific programs, regions, employee categories, or other subunits; or to individual employees;

(ii) the duration of such authorization(s); and

(iii) the time reasonably expected to be required to obtain such an authorization.

RESPONSE:

(a) Please refer to the early retirement information provided by OPM in the following sources:

CSRS and FERS Handbook for Personnel and Payroll Offices, found at:

<http://www.opm.gov/retire/pubs/handbook/hod.htm>

Refer especially to Chapter 43, Early Voluntary Retirement, found at:

<http://www.opm.gov/retire/pubs/handbook/C043.pdf>

Retirement Facts 6 -- Early Retirement Under the Civil Service Retirement

System, November 1997 (Form Number: RI 83-6), found at:

<http://www.opm.gov/forms/pdfimage/RI83-6.pdf>

FERS -- Federal Employees Retirement System (An Overview of Your Benefits),

April 1998 (Form Number: RI 90-1), found at:

<http://www.opm.gov/forms/pdfimage/RI90-1.pdf>

Special Retirement Supplement (FERS Supplement) Fact Sheet, found at:

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS RACHEL
TO GREETING CARD ASSOCIATION INTERROGATORIES**

<http://www.opm.gov/retire/pre/election/benefits/srs.htm>

The main CSRS Retirement page is found at:

<http://www.opm.gov/retire/pre/csrs/index.asp>

The main FERS Retirement page is found at:

<http://www.opm.gov/retire/pre/fers/index.asp>

- (b) (i) The authorization from OPM applies to the entire Postal Service.
- (ii) The authorization from OPM extends through September 30, 2012.
- (iii) The time required to obtain a decision on VER authorization from OPM is dependent on the complexity and scope of the request. It would typically be decided within 90 days of the request.

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS RACHEL
TO GREETING CARD ASSOCIATION INTERROGATORIES**

GCA/USPS-T8-3. Please refer to page 13, lines 7-11, of your prefiled testimony.

(a) Please explain fully any bases (beyond the numerical eligibility levels specified in lines 9-10) for your judgment that there is potential for significant attrition.

(b)

(i) Please provide any information available to you concerning the rate(s) of retirement among Postal Service employee groups corresponding to those making up the 28 percent and 21 percent cited in lines 9-10, for the Fiscal Years 2005 through 2011, inclusive.

(ii) Please provide any information available to you, including documents containing factual findings, analyses, or conclusions, regarding the effect of the 2008-2009 recession on (α) the rate(s) of retirement among Postal Service employee groups corresponding to those making up the 28 percent and 21 percent cited in lines 9-10, and (β) the rate(s) of retirement among Postal Service employees in general.

(c) Please refer also to page 18, lines 13-14, of your prefiled testimony. To what Fiscal Years does the phrase "the last several years" in line 13 refer?

RESPONSE:

(a) The age/tenure profile of postal employees skews heavily toward an older and more seasoned workforce, suggesting the potential for significant attrition.

(b) (i) Please see the chart below:

| FY | Optionally Eligible | | | VER Eligible | | |
|------|---------------------|---------|-----------|--------------|---------|-----------|
| | Eligible | Retired | % Retired | Eligible | Retired | % Retired |
| 2005 | 134,238 | 18,139 | 13.5% | 138,424 | 1,928 | 1.4% |
| 2006 | 141,441 | 17,952 | 12.7% | 138,459 | 474 | 0.3% |
| 2007 | 151,832 | 18,626 | 12.3% | 136,890 | 57 | 0.0% |
| 2008 | 163,443 | 19,312 | 11.8% | 134,564 | 160 | 0.1% |
| 2009 | 172,926 | 22,457 | 13.0% | 132,996 | 9,679 | 7.3% |
| 2010 | 177,728 | 28,343 | 15.9% | 122,091 | 2,384 | 2.0% |
| 2011 | 177,251 | 20,090 | 11.3% | 116,085 | 796 | 0.7% |

Notes: 1) Eligible = On rolls beginning FY and were eligible or became eligible during the FY.

2) Retired = From the eligible, those who retired.

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS RACHEL
TO GREETING CARD ASSOCIATION INTERROGATORIES**

- (ii) No such information is available.
- (C) Please be advised that a correction to page 18, line 14, of my testimony is being filed today. Over the past five years, voluntary career attrition (including retirements) has been as follows:

| <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009</u> | <u>FY 2010</u> | <u>FY 2011</u> |
|----------------|----------------|----------------|----------------|----------------|
| <u>4.7%</u> | <u>4.5%</u> | <u>6.1%</u> | <u>6.4%</u> | <u>4.9%</u> |

The percentages for fiscal years 2009 through 2011 were augmented to some degree by the availability of incentives for certain groups.

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS RACHEL
TO GREETING CARD ASSOCIATION INTERROGATORIES**

GCA/USPS-T8-4. Please refer to page 18, lines 5-7, of your prefiled testimony. Please define the phrase "the full workforce savings" as used at that page and line location.

RESPONSE:

The phrase "workforce savings" is intended to refer to any savings attributable to the estimated reduction in the postal workforce due to network rationalization. The adjective "full," in the context of my testimony on page 18, lines 5-7, means the total savings that could be achieved when the implementation of network rationalization is complete.

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS RACHEL
TO GREETING CARD ASSOCIATION INTERROGATORIES**

GCA/USPS-T8-5. Please provide copies of the American Postal Workers Union and National Postal Mail Handlers Union collective bargaining agreements referred to on page 6 of your prefiled testimony, together with all currently effective Memoranda of Understanding applicable to those contracts.

RESPONSE:

The responsive documents are contained in library reference USPS-LR-N2012-1/63.

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS RACHEL
TO NATIONAL POSTAL MAIL HANDLERS UNION INTERROGATORIES**

NPMHU/USPS-T8-2. In the Postal Service's Institutional Response to the Public Representatives First Interrogatory, PR/USPS-T8-1, the Postal Service states that "FTEs in this context do not equate to the number of staff to be 'eliminated.'" Please confirm that FTE workhour reductions of this magnitude will require an analogous number of staff eliminations; if not confirmed, please explain how the savings will be achieved.

RESPONSE:

Not confirmed. Workhour reductions can be achieved in a number of ways, including the reduction of full, part-time, or non-career employees, or through the reduction of workhours or overtime hours for these groups. The Postal Service has several complement-reduction tools that can be used to achieve labor savings. Please see page 15 of my testimony.

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS RACHEL
TO NATIONAL POSTAL MAIL HANDLERS UNION INTERROGATORIES**

NPMHU/USPS-T8-5. Is the Postal Service planning a reduction in force of any craft employees, or does the Postal Service's projected savings from the MPNR presuppose a reduction in force of any craft employees? If so, how large a reduction is projected, breaking the numbers down by craft?

RESPONSE:

The Postal Service is not currently planning a reduction in force of any craft employees.

The Postal Service's projected savings from the MPNR does not presuppose a reduction in force of any craft employees.

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS RACHEL
TO NATIONAL POSTAL MAIL HANDLERS UNION INTERROGATORIES**

NPMHU/USPS-T8-7. Is the Postal Service considering offering a voluntary retirement program or retirement incentive program as part of MPNR, or does the projected cost savings presuppose attrition achieved through either such program?

- (a) If the answer to the NPMHU/RACHEL-7 is no, has this been considered as an option?

RESPONSE:

The Postal Service is considering the possibility of offering a voluntary early retirement program and/or retirement incentive options to achieve MPNR's objective of reducing employee complement. The projected cost savings does not necessarily presuppose attrition achieved through either such program.

- (a) As stated in my testimony (USPS-T-8 at 15), a voluntary early retirement program and retirement incentive options are tools that the Postal Service would consider using to achieve MPNR's objective of reducing employee complement.

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS RACHEL
TO NATIONAL POSTAL MAIL HANDLERS UNION INTERROGATORIES**

NPMHU/USPS-T8-10. On page 18 of your testimony, you state that “at impact sites without multiple mail processing locations within the commuting area. . . a greater reliance on accelerating normal attrition will be necessary in order to more timely capture staffing reduction savings.”

- (a) Please explain what the Postal Service has done to plan for “accelerating normal attrition” in such circumstances, including by identifying the locations where you anticipate that this greater reliance on accelerating normal attrition will be necessary.
- (b) Please confirm that the Postal Service’s projected costs savings as presented to the Commission presuppose that this acceleration of normal attrition will be achieved. If not confirmed, please explain why this is not accurate.

RESPONSE:

- (a) Any Postal Service plans for accelerating normal attrition cannot be developed until the Postal Service makes final determinations regarding which plants will be consolidated under MPNR. Because such final determinations have not been issued, no plans for accelerating normal attrition have been developed.

**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:

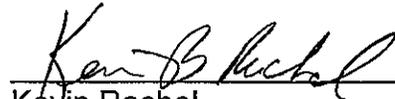
- (b) The actual reductions in complement that would result from network rationalization will be dependant upon a variety of factors that are outside the control of the Postal Service, including, but not limited to, (1) the individual decisions of postal employees with regard to voluntary movement, attrition 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.

**POSTAL REGULATORY COMMISSION
DOCKET NO. N2012-1
MAIL PROCESSING NETWORK RATIONALIZATION SERVICE CHANGES, 2012**

I, Kevin Rachel, hereby declare under penalty of perjury that:

The designated responses to written cross-examination filed under my name were prepared by me or under my direction; and

Were I to respond orally to the questions appearing in the interrogatories and information requests, my answers would be the same.



Kevin Rachel

March 16, 2012
Date

1 CHAIRMAN GOLDWAY: Is there any additional
2 written cross-examination for Witness Rachel?

3 (No response.)

4 CHAIRMAN GOLDWAY: Hearing none, I believe
5 we are now at the moment where we can begin with our
6 witness, Mr. Williams. Welcome, Mr. Williams.

7 Mr. Tidwell, will you identify your witness
8 so I can swear him in?

9 MR. TIDWELL: Madam Chairman, the Postal
10 Service calls David Williams to the stand.

11 CHAIRMAN GOLDWAY: Would you please rise?
12 Whereupon,

13 DAVID E. WILLIAMS

14 having been duly sworn, was called as a
15 witness and was examined and testified as follows:

16 CHAIRMAN GOLDWAY: Thank you. Counsel, you
17 may proceed with offering this witness' testimony.

18 (The document referred to was
19 marked for identification as
20 Exhibit No. USPS-T-1.)

21 DIRECT EXAMINATION

22 BY MR. TIDWELL:

23 Q Mr. Williams, on the table before you are
24 two copies of a document entitled Direct Testimony of
25 David Williams on behalf of the United States Postal

1 Service. It's been designated for purposes of this
2 proceeding as USPS-T-1. Was that document prepared by
3 you or under your supervision?

4 A Yes.

5 Q If you were to provide the content of that
6 document orally today, would it be the same?

7 A Yes, and I will note that there is a change
8 on page 24, line 20.

9 Q Could you read into the record what that
10 change is?

11 A Line 20, "11 a.m. at FSS locations and by
12 2 p.m. at non FSS locations not requiring a..." We
13 inserted the word "not".

14 Q Okay. With that one change, if you were to
15 provide the content of your testimony orally today
16 would it be the same?

17 A Yes.

18 Q There are also eight library references
19 associated with your testimony, Library References 1
20 through 8. Will you affirm that?

21 A Yes.

22 MR. TIDWELL: Madam Chairman, the Postal
23 Service hereby then moves into evidence the direct
24 testimony of Witness Williams with the associated
25 library references.

1 CHAIRMAN GOLDWAY: Are there any objections?

2 (No response.)

3 CHAIRMAN GOLDWAY: Hearing none, I will
4 direct counsel to provide the reporter with two copies
5 of the corrected testimony of David Williams, noting
6 the library references. That testimony is received
7 into evidence. However, consistent with Commission
8 practice it will not be transcribed.

9 (The document referred to,
10 previously identified as
11 Exhibit No. USPS-T-1, was
12 received in evidence.)

13 CHAIRMAN GOLDWAY: Next we will receive
14 written cross-examination. Mr. Williams, have you had
15 an opportunity to examine the packet of designated
16 written cross-examination that was made available to
17 you in the hearing room today?

18 THE WITNESS: Yes.

19 CHAIRMAN GOLDWAY: Are there any corrections
20 or additions that you would like to make?

21 THE WITNESS: No.

22 MR. TIDWELL: Madam Chairman, just for the
23 record I would note that there was an errata --

24 CHAIRMAN GOLDWAY: This is Mr. Tidwell.

25 MR. TIDWELL: I'm sorry, Madam Chairman.

1 Michael Tidwell for the Postal Service. There was an
2 errata filed this morning revising Witness Williams'
3 responses to NNA/USPS-T1-1A and C.

4 The revised versions of the response have
5 been included in the package, and additional copies
6 have been disseminated to the dais and have been
7 distributed to counsel, and there are additional
8 copies here on the Intervenor counsels' table. That's
9 the one change that's made to the designated package
10 of interrogatory responses and, yes, it's been
11 inserted into the packet.

12 And just for clarity of the record, we might
13 also mention that there is a library reference
14 associated with the response to GCA-1 I believe it is,
15 Interrogatory 1. It's Library Reference 47.

16 CHAIRMAN GOLDWAY: Okay. So with that we
17 have the designated cross-examination, the corrections
18 that were submitted today and the reference to Library
19 Reference 47.

20 Counsel, will you please provide two copies
21 of that material, designated written cross-examination
22 of Witness Williams, to the reporter? The material is
23 received into evidence, and it is to be transcribed
24 into the record.

25 //

1 (The document referred to was
2 marked for identification as
3 Exhibit No. USPS-T-1 and was
4 received in evidence.)
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BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MAIL PROCESSING NETWORK
RATIONALIZATION SERVICE CHANGES, 2012

Docket No. N2012-1

AMERICAN POSTAL WORKERS UNION, AFL-CIO, SUPPLEMENTAL DESIGNATION
OF WRITTEN CROSS-EXAMINATION OF UNITED STATES POSTAL SERVICE
WITNESS WILLIAMS (USPS-T-1)
(March 20, 2012)

Pursuant to Rule 30(e)(2) of the Commission's Rules of Practice, and Presiding Officer's Ruling No. N2012-1/22 (March 9, 2012) the American Postal Workers Union, AFL-CIO (APWU) hereby designates the following interrogatory responses of United States Postal Service witness David E. Williams (USPS-T-1) as the written cross-examination of the APWU to be included in the record of this proceeding:

NPMHU/USPS-T1-14, 15, 20 (filed March 15, 2012)

Two copies of each designated response are being filed with the Commission today.

Respectfully submitted,

Jennifer L. Wood
Counsel for American Postal Workers Union, AFL-CIO

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Mail Processing Network Rationalization
Service Changes, 2012

Docket No. N2012-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS DAVID WILLIAMS
(USPS-T-1)

Party

Interrogatories

American Postal Workers Union, AFL-
CIO

APWU/USPS-T1-2, 8-15, 19, 21-27, 29-30

GCA/USPS-T1-1-3

NALC/USPS-T1-1

NPMHU/USPS-T1-5-7

NPPC/USPS-T1-4-8, 10, 13

PR/USPS-T1-1-4

PRC/USPS-T1-POIR No.3 - Q1

TI/USPS-T1-5

Greeting Card Association

APWU/USPS-T1-8-10

GCA/USPS-T1-1-5

National Association of Letter Carriers

GCA/USPS-T1-1

NALC/USPS-T1-1

National Newspaper Association

NNA/USPS-T1-1-11, 14

National Postal Mail Handlers Union

APWU/USPS-T1-2, 8

GCA/USPS-T1-3

NPMHU/USPS-T1-6-7

NPPC/USPS-T1-4, 7, 12

PRC/USPS-T1-POIR No.3 - Q1

TI/USPS-T1-5

Party

Interrogatories

National Postal Policy Council, Inc.

NPPC/USPS-T1-1-6, 6a, 7-8, 10-15
PR/USPS-T1-1-4
PRC/USPS-T1-POIR No.1 - Q1
PRC/USPS-T1-POIR No.5 - Q1
TI/USPS-T1-5

Postal Regulatory Commission

PRC/USPS-T1-POIR No.1 - Q1
PRC/USPS-T1-POIR No.3 - Q1
PRC/USPS-T1-POIR No.5 - Q1
PRC/USPS-T1-POIR No.5 - Q3

Public Representative

APWU/USPS-T1-5, 8-12, 15, 26-27
GCA/USPS-T1-1-4
NAA/USPS-T1-4, 9
NAPM/USPS-T1-2, 4-7
NPPC/USPS-T1-1-5, 8, 10-11, 13-14
PR/USPS-T1-1-3
PRC/USPS-T1-POIR No.3 - Q1

Respectfully submitted,



Shoshana M. Grove
Secretary

INTERROGATORY RESPONSES OF
 UNITED STATES POSTAL SERVICE
 WITNESS DAVID WILLIAMS (T-1)
 DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory

Designating Parties

| | |
|-----------------|----------------------|
| APWU/USPS-T1-2 | APWU, NPMHU |
| APWU/USPS-T1-5 | PR |
| APWU/USPS-T1-8 | APWU, GCA, NPMHU, PR |
| APWU/USPS-T1-9 | APWU, GCA, PR |
| APWU/USPS-T1-10 | APWU, GCA, PR |
| APWU/USPS-T1-11 | APWU, PR |
| APWU/USPS-T1-12 | APWU, PR |
| APWU/USPS-T1-13 | APWU |
| APWU/USPS-T1-14 | APWU |
| APWU/USPS-T1-15 | APWU, PR |
| APWU/USPS-T1-19 | APWU |
| APWU/USPS-T1-21 | APWU |
| APWU/USPS-T1-22 | APWU |
| APWU/USPS-T1-23 | APWU |
| APWU/USPS-T1-24 | APWU |
| APWU/USPS-T1-25 | APWU |
| APWU/USPS-T1-26 | APWU, PR |
| APWU/USPS-T1-27 | APWU, PR |
| APWU/USPS-T1-29 | APWU |
| APWU/USPS-T1-30 | APWU |
| GCA/USPS-T1-1 | APWU, GCA, NALC, PR |
| GCA/USPS-T1-2 | APWU, GCA, PR |
| GCA/USPS-T1-3 | APWU, GCA, NPMHU, PR |
| GCA/USPS-T1-4 | GCA, PR |
| GCA/USPS-T1-5 | GCA |
| NAA/USPS-T1-4 | PR |
| NAA/USPS-T1-9 | PR |
| NALC/USPS-T1-1 | APWU, NALC |
| NAPM/USPS-T1-2 | PR |
| NAPM/USPS-T1-4 | PR |
| NAPM/USPS-T1-5 | PR |

Interrogatory

NAPM/USPS-T1-6
 NAPM/USPS-T1-7
 NNA/USPS-T1-1
 NNA/USPS-T1-2
 NNA/USPS-T1-3
 NNA/USPS-T1-4
 NNA/USPS-T1-5
 NNA/USPS-T1-6
 NNA/USPS-T1-7
 NNA/USPS-T1-8
 NNA/USPS-T1-9
 NNA/USPS-T1-10
 NNA/USPS-T1-11
 NNA/USPS-T1-14
 NPMHU/USPS-T1-5
 NPMHU/USPS-T1-6
 NPMHU/USPS-T1-7
 NPPC/USPS-T1-1
 NPPC/USPS-T1-2
 NPPC/USPS-T1-3
 NPPC/USPS-T1-4
 NPPC/USPS-T1-5
 NPPC/USPS-T1-6
 NPPC/USPS-T1-6a
 NPPC/USPS-T1-7
 NPPC/USPS-T1-8
 NPPC/USPS-T1-10
 NPPC/USPS-T1-11
 NPPC/USPS-T1-12
 NPPC/USPS-T1-13
 NPPC/USPS-T1-14
 NPPC/USPS-T1-15
 PR/USPS-T1-1
 PR/USPS-T1-2
 PR/USPS-T1-3

Designating Parties

PR
 PR
 NNA
 APWU
 APWU, NPMHU
 APWU, NPMHU
 NPPC, PR
 NPPC, PR
 NPPC, PR
 APWU, NPMHU, NPPC, PR
 APWU, NPPC, PR
 APWU, NPPC
 NPPC
 APWU, NPMHU, NPPC
 APWU, NPPC, PR
 APWU, NPPC, PR
 NPPC, PR
 NPMHU, NPPC
 APWU, NPPC, PR
 NPPC, PR
 NPPC
 APWU, NPPC, PR
 APWU, NPPC, PR
 APWU, NPPC, PR

Interrogatory

PR/USPS-T1-4
PRC/USPS-T1-POIR No.1 - Q1
PRC/USPS-T1-POIR No.3 - Q1
PRC/USPS-T1-POIR No.5 - Q1
PRC/USPS-T1-POIR No.5 - Q3
TI/USPS-T1-5

Designating Parties

APWU, NPPC
NPPC, PRC
APWU, NPMHU, PR, PRC
NPPC, PRC
PRC
APWU, NPMHU, NPPC

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

APWU/USPS-T1-2 Mr. Masse's testimony indicates that the Postal Service anticipates it could save, on net, \$2.1 billion per year from a full implementation of this plan. However, past experience indicates not all the AMP studies will produce recommendations to consolidate.

- (a) How much does the Postal Service actually expect to save once the AMPs have been fully evaluated?
- (b) Do you expect the anticipated loss (2.9 billion pieces and \$0.5 billion in contribution) to be reduced if fewer facilities are consolidated?

RESPONSE

- (a) The \$2.1 billion per year estimate represents the Postal Service's estimate of the net savings associated with the general network concept described in this docket, without knowing the outcome of each facility-specific AMP determination that will ultimately be made. The AMPs will be fully evaluated at the conclusion of the post-implementation review process. As for recent past experience, a comparison between Postal Service and USPS Office of Inspector General AMP cost savings estimates suggests that the former tend to be on the conservative side. See USPS Library Reference N2012-1/42.
- (b) [Redirected to witness Whiteman for response.]

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

APWU/USPS-T1-5 On page 5 of your testimony you state that the “objective of the modeling exercise was to determine whether excess capacity could be reduced significantly within the network if service obligations and operating constraints driven by current overnight First-Class Mail service standards were changed.”

- (a) Did the Postal Service consider any other objectives in lieu of changing the current overnight service standards for First-Class Mail as a means of reducing excess capacity?
- (b) If so, please identify alternative objectives and explain why those alternatives were not chosen.
- (c) If not, please explain why the Postal Service did not examine possible alternatives that would preserve overnight First-Class Mail service standards.

RESPONSE

- a-c. See the response to GCA/USPS-T1-1. The goal was to substantially change cost curve, in light of volume trends, which could not be done without changes to service standards to some degree.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

APWU/USPS-T1-8 The APWU is concerned because the Postal Service has undertaken contemporaneously three significant initiatives that have the potential of affecting service on a nationwide basis. These are

- the change from six-day to five-day delivery that is the subject of N2010-1;
- the Retail Optimization Initiative that is the subject of N2011-1; and
- the Mail Processing Network Rationalization Plan that is the subject of this case.

We have a twofold concern: (1) that the potential or possible effect of these initiatives, in combination, may be more substantial and more negative for the Postal Service and for postal customers than can be understood or evaluated if each of the initiatives is considered separately and they are not considered together; and (2) that no Postal Service witness in any of these cases has discussed the possible combined effects of the three cases. With those concerns in mind, please answer the following questions:

- a) As Vice President of Network Operations, have you been given the official responsibility to consider or evaluate the possibility that the effects of the service changes caused by the Network Rationalization Plan on the Postal Service or its customers will in some way be exacerbated or increased either by the Retail Optimization Initiative or the change from six-day to five-day delivery, or by both?
- b) If your answer to 8.a. above is yes, please provide your analysis or evaluation of that possibility, and identify any report, memorandum or written summary of your findings, thoughts or conclusions, and state to whom you provided that information as a part of your official duties.
- c) If your answer to 8.a above is no, please identify any postal official or contractor who has been given that responsibility, identify any report, memorandum or other writing summarizing their findings, thoughts or conclusions, and state to whom that information was provided.

RESPONSE

- (a) No.
- (b) N/A
- (c) I am not aware of any such undertaking.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

APWU/USPS-T1-9 As Vice President of Network Operations,

- a) Have you in your official capacity considered whether there is, or should be, any relationship between the fact that the Postal Service has proposed to reduce service to its customers in the three cases described in APWU/USPS-T1-8 above and, contemporaneously, has proposed both a general rate increase and an exigency increase?
- b) If your answer to 9.a. above is yes, please provide your analysis or evaluation of that relationship, and identify any report, memorandum or written summary of your findings, thoughts or conclusions, and state to whom you provided that information as a part of your official duties.
- c) If your answer to 9.a above is no, please identify any postal official or contractor who has been given that responsibility, identify any report, memorandum or other writing summarizing their findings, thoughts or conclusions, and state to whom that information was provided.

RESPONSE

- (a) No.
- (b) N/A
- (c) I am not aware of any such undertaking.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

APWU/USPS-T1-10 In your position as V.P. of Network Operations, have you seen an evaluation of the combined impact on customer service of the proposed closings resulting from network rationalization combined with the impacts on customer service from instituting the proposed changes from Docket No. N2010-1, Six-Day to Five-Day Street Delivery and Related Changes? If so, please describe the analysis and summarize its results. If not, does that mean that the Postal Service has not made such an evaluation?

RESPONSE

No.

N/A

The fact that I have not seen such an evaluation, by itself, does not prove the absence of such an evaluation.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

APWU/USPS-T1-11 Have you had the responsibility for evaluating any specific issues resulting from the proposal to institute the changes described in Docket No. N2010-1? If so, what aspects of that proposal have you evaluated?

RESPONSE

When consideration of the service changes presented in Docket No. N2010-1 began, I was the Manager of Processing Operations. At that time, and in that role, I provided resources to the team evaluating the concept and was involved with discussions focused on processing capability related to such issues as maintaining Post Office Box delivery on Saturday. I was promoted to Vice President, Engineering prior to the commencement of Docket No. N2010-1 and I was not involved with the case during that time. After becoming Vice President, Network Operations, I was responsible for providing subject matter experts from my department to participate in discussions and planning for potential implementation of the proposed service changes associated with Docket No. 2010-1. These subject matter experts were responsible for identifying the impact the proposal would have on Network Operations.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

APWU/USPS-T1-12 In analyzing and evaluating the changes proposed in this docket, did you consider or incorporate any of the proposed changes from Docket No. N2010-1 in your analysis? If so, please describe those and why they were important to this analysis.

RESPONSE

No.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

APWU/USPS-T1-13 In your position as V.P. of Network Operations, have you seen an evaluation of the combined impact on customer service of the proposed closings resulting from network rationalization combined with the impacts on customer service from instituting the proposed changes from Docket No. N2011-1, Retail Optimization Initiative, 2011. If so, please describe the analysis and summarize its results. If not, does that mean that the Postal Service has not made such an evaluation?

RESPONSE

No.

The fact that I have not seen such an evaluation, by itself, does not prove the absence of such an evaluation.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

APWU/USPS-T1-14 In your position as V.P. of Network Operations, have you seen an analysis of the potential combined revenue losses resulting from instituting all the proposed changes in N2010-1, N2011-1, and N2012-1? If so, please describe the analysis and summarize its results. If not, does that mean that the Postal Service has not made such an evaluation?

RESPONSE

No.

The fact that I have not seen such an analysis, by itself, does not prove the absence of such analysis.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

APWU/USPS-T1-15 Who at the Postal Service would have the responsibility for analyzing and evaluating the combined impacts on service, cost and revenues of implementing all the changes proposed in N2010-1, N2011-1 and 2012-1 together?

RESPONSE

If and when the Postal Service determines that it can and will implement all three of the initiatives, it will determine whether such an undertaking will commence and, if so, assign responsibility for it. On its face, the task would appear to require cross-functional expertise.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

APWU/USPS-T1-19 Does the Postal Service intend to implement the Service Standard changes which are the subject of the Federal Register Notice published December 15, 2011 at 76 *Federal Register* 77942, apart from Network Rationalization and the mail processing changes proposed in this docket?

RESPONSE

The Federal Register Notice published on December 15, 2011 contains proposed service standard regulation changes. The rulemaking process will resolve the content of any service standard regulation changes that are ultimately implemented. Those service standard changes and the service changes (and underlying operational changes) discussed in this docket are inter-related and would be implemented accordingly.

**RESPONSE OF UNITED STATES POSTAL SERVICE DAVID WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

**RESPONSE OF UNITED STATES POSTAL SERVICE DAVID WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

APWU/USPS-T1-21 USPS-LR-N2012-1/57 provides a list of 487 facilities that is described as being the network as of September 15, 2011.

- a) Is this the Postal Service mail processing facility listing as of that date?
- b) If not, what network does it represent?
- c) How does this list differ from the frequently used number of 461 facilities in today's network?

RESPONSE

- a. See the response of witness Neri to GCA/USPS-T4-2.
- b. N/A
- c. The list is different in that it does not include facilities in which the mail processing operations were consolidated after that point in time.

**RESPONSE OF UNITED STATES POSTAL SERVICE DAVID WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

APWU/USPS-T1-22 There are 21 NDC's listed on USPS-LR-N2012-1/57.

- a) Which mail processing functions currently take place in these locations?
- b) Which NDCs currently have FSS machines installed in them?
- c) Please refer to the December 27, 2011 AMP Feasibility Study (summary) for Southern CT (Wallingford) P&DC. That AMP study summary indicates that it would not be possible to move all mail processing operations into the Hartford P&DC but the business case exists for moving the letter volume to Harford and the flat and parcel volume to the Springfield NDC. Would this require new mail processing operations be performed at that NDC which are not currently performed there?
- d) Under the proposed network rationalization plan, would NDCs take on more mail processing functions than in the current network?

RESPONSE

- a. Typically, Network Distribution Centers process Package Services, Standard Mail parcels, letter trays, Standard bundles and Periodical bundles. In some instances, some NDCs have expanded their role to include Priority Mail distribution, STC functions, as well as mixed states single-piece distribution and FSS processing.
- b. New Jersey, Springfield and Philadelphia.
- c. No, currently there are AFSM100 machines located at that facility. Additional flat and parcel volume would be processed at the Springfield facility.
- d. In some instances. As mentioned by witness Rosenberg (USPS-T-3), the NDC network was not included within the preliminary model results. As mentioned throughout the testimony and interrogatories, the model results were the first step in the process to assess the potential opportunities associated with the changes proposed through mail processing rationalization. During that process, it was determined in some instances, the use of NDCs to consolidate operations that made sense should occur.

**RESPONSE OF UNITED STATES POSTAL SERVICE DAVID WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

APWU/USPS-T1-23 USPS-LR-N2012-1/6 provides a list of mail processing facilities being studied for consolidation opportunities.

- a) Please confirm that there are 14 sites on that list that do not require AMPs because they are contractor-operated sites or are sites that do not contain mail processing operations. What is the estimated savings amount obtained from this group of facilities?
- b) Please confirm that there are 38 sites on that list that do not require a formal AMP but do require public comment. What is the process for those public comments to be collected? What is the estimated savings amount obtained from this group of facilities?
- c) What factors determine when a CSMPC requires an AMP and when it does not require an AMP?
- d) Please confirm there are 186 sites on that list for which AMPs have been conducted under this initiative and public meetings held.
- e) Please provide the date by which the AMP documentation will be submitted to the PRC. Will those be available before the close of discovery on February 24?
- f) Please provide the current status of the following sites on that list that do not seem to fit into any of the above groups: Boston, MA P&DC; Burlington, VT P&DF; Detroit, MI P&DC; Grand Forks, ND CSMPC; Irving Park, IL P&DC; Manasota, FL P&DC; Manchester, NH P&DC; North Platte, NE CSMPC; Rapid City, SD P&DF; San Bernardino, CA P&DC; South Jersey P&DC; and Western Nassau, NY P&DC.
- g) Please confirm that several of these facilities are gaining facilities with respect to the AMPs mentioned in (c) above.
- h) Will AMP-related public hearings be conducted at any of these sites in relation to this proposal? If so, within what time frame?

RESPONSE

- a. The sites on this list do not require a full AMP study because they do not process traditional Sectional Center Facility, originating and/or destinating operations.
- b. The sites on this list do not require a full AMP study because they do not process traditional Sectional Center Facility, originating and/or destinating operations. The Postal Service solicited public comment for these particular studies. The process for collecting public input was to publish announcements soliciting input in the local newspaper corresponding to

**RESPONSE OF UNITED STATES POSTAL SERVICE DAVID WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

RESPONSE to APWU/USPS-T1-23 (continued)

the facility. The solicitation described the proposed consolidation and potential impacts, and had an address to which comments could be sent. The comments were reviewed and considered by the Vice President of Network Operations and the Area Vice Presidents (and members of their respective management teams) in conjunction with each decision.

- c. The USPS Handbook PO-408 guidelines apply to examining the consolidation of all originating and/or destinating operations from an SCF. The definition of originating and/or destinating operations is based upon primary distribution of outgoing first class letter and flat mail and incoming Sectional Center Facility (SCF) distribution of letter and flat mail. Facilities that did not undergo the process as outlined in PO-408 did not fit the description of performing all primary outgoing and/or all destinating SCF distribution of letter and flat mail for one or more three digit ZIP codes.
- d. Confirmed.
- e. Before the middle of March 2012, non-public versions of decision packages will be filed, as well as redacted public versions.
- f. Detroit, MI P&DC – Remain a facility in the network
Grand Forks, ND CSMPC – Remain a facility in the network
Irving Park, IL P&DC – Remain a facility in the network
Manasota, FL P&DC – Remain a facility in the network

RESPONSE to APWU/USPS-T1-23 (continued)

**RESPONSE OF UNITED STATES POSTAL SERVICE DAVID WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

Manchester, NH P&DC – Remain a facility in the network

North Platte, NE CSMPC – Remain a facility in the network

Rapid City, SD P&DF – Remain a facility in the network

San Bernardino, CA P&DC – Remain a facility in the network

South Jersey P&DC – Remain a facility in the network

Western Nassau, NY P&DC – Remain a facility in the network

- g. Confirmed.
- h. No, it was determined during the review process these were operationally infeasible and the study did not move forward. It did not make sense for the Postal Service to hold a public input meeting for a facility that was deemed operationally infeasible.

**RESPONSE OF UNITED STATES POSTAL SERVICE DAVID WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

APWU/USPS-T1-24 There are four sites that do not appear on USPS-LR-N2012-1/6 but which have undergone the AMP process within the time period of this study.

- a) Please confirm that Mid-Florida P&DC, Owensboro, KY CSMPC, Staten Island P&DF and Washington, PA CSMPC have been added to the study list for this initiative.
- b) What factors caused these particular sites to be added?

RESPONSE

- a. The following studies were initiated prior to the mail processing network rationalization effort: Owensboro KY, Staten Island NY, and Washington PA.

The list of facilities that were underway prior to the announcement of the study list associated with Mail Processing Network Rationalization was provided in USPS Library Reference N2012-1/5.

Mid-Florida FL was added to the study list during the AMP review period for this initiative.

- b. Mid-Florida FL was added as a study site after the field management had a chance to review the original Orlando FL – Mid-Florida FL AMP proposal. After an initial review, the field determined maintaining the Orlando FL facility made more sense due to its proximity to the airport, as well as to the Orlando L&DC, which was also to remain in the mail processing network.

**RESPONSE OF UNITED STATES POSTAL SERVICE DAVID WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

APWU/USPS-T1-25 A recent webinar by the PMG entitled "USPS Financial Future Responsibly Realigning Our Network" presents a timeline on page 12. The timeline indicates that AMP decisions will be complete by the end of February. How does February 23rd fit into this timeline?

RESPONSE

On February 23, 2012, the Postal Service notified employees at affected facilities of the decisions regarding on whether their operations would be consolidated, pending a determination regarding service standard changes. This date was before the end of February, consistent with the timeline.

**RESPONSE OF UNITED STATES POSTAL SERVICE DAVID WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

APWU/USPS-T1-26 On page 5 of the webinar presentation mentioned in the question above, there is a notation that the realignment of the network will reduce annual operating costs by \$2.6 billion.

- a) Does this \$2.6 billion estimate come from the cost savings estimates produced by witness Smith and witness Bradley in this case?
- b) Do you consider the cost savings estimates that are produced by the AMP process to be more accurate?
- c) Are there any major areas of cost savings that the AMPs do not capture? If so, which ones are they?
- d) The cost savings estimates from the 186 AMP summaries mentioned in APUWUSPS-T1-23(c) total to number that is substantially less than \$2.6 billion. Has your staff analyzed the differences between these two estimates? If so, please provide that analysis.

RESPONSE

- a. Confirmed
- b. I will leave it to the postal costing witnesses to explain the differences, but it is my understanding that (1) their aggregate network cost change estimates and (2) facility-specific cost estimates generated through the AMP guidelines (and subordinate facility-specific estimation processes) reflect different methodologies which are not designed to measure the exact same cost phenomenon. It is the objective of the AMP process to produce accurate estimates based upon the methodology that it employs. However, multiple, simultaneous AMP studies focused on specific operational consolidations at particular facilities are not designed to capture network-wide cost changes that will result from the implementation of those consolidations. So if the question is asking me whether the AMP process fully captures all savings expected through the Mail Processing Network Rationalization for the entire network, I would answer in the negative.

**RESPONSE OF UNITED STATES POSTAL SERVICE DAVID WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

RESPONSE to APWU/USPS-T1-26 (continued)

- c. Yes. The AMP review process is a site-specific analysis of the potential savings associated with the consolidation of site-specific operations. There are major areas of savings that the AMP process does not examine and hence were not taken into account. The role of each individual AMP proposal is not to assess what the network change would be, but rather to evaluate on a site-by-site basis whether there is a business case to support consolidation of mail processing operations within the context of the service standard change. When calculating AMP savings, conservative assumptions are applied. For example, an AMP package does not assess any estimated increase in productivities for any operations that remain behind in the consolidated site. Likewise, any facility that was not evaluated as part of the AMP study process (a site that neither gained nor lost workload) is not evaluated for any estimated increase in productivities based on the operational changes proposed. Putting aside aggregate differences that might result from a smaller number of consolidations being implemented that was assumed at the beginning of this docket, the limited scope of the AMP packages, therefore, will be visible in the difference between the cumulative total of estimated cost savings generated by the numerous AMP packages and the aggregate cost savings estimate filed in support of the advisory opinion request.

**RESPONSE OF UNITED STATES POSTAL SERVICE DAVID WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

RESPONSE to APWU/USPS-T1-26 (continued)

The AMP post-implementation reviews (PIRs) provided in USPS Library Reference N2012-1/12 reflects that the AMP process provides conservative estimates. Of those filed as part of this case, 24 final PIRs on AMP studies which have shown an actual savings of \$345.3M, when compared to an estimated savings of \$71.6M. The Postal Service also recognizes that in any analysis of network-wide cost changes, it should develop reasonable estimates of what those savings might actually be in a full-up environment which was done for this proceeding.

The AMP consolidations that were evaluated represent only a portion of the mail processing network. As explained in my response in NPMHU/USPS-T1-6, for the sites that were announced, their workload represented approximately 35 percent of total workload. In addition to those sites that were announced, the Postal Service expects savings associated with the realignment of mail processing operations in every facility in the network due to the operational changes resulting from the service standard changes proposed, as detailed in the expected productivity changes estimated in witness Neri's testimony (USPS-T-4).

AMPs should not be considered full-up network operational impact assessments. In development of the cost estimates of the AMPs, local, area and headquarters managers jointly estimate the immediate workhour,

**RESPONSE OF UNITED STATES POSTAL SERVICE DAVID WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

RESPONSE to APWU/USPS-T1-26 (continued)

complement and transportation requirements in order to complete the consolidation of operations within one year. This leads necessarily to conservative estimates of cost savings within these packages. For example, the Postal Service's case envisioned an environment in which facilities that were consolidated would be removed from the Postal Service network in the full-up network environment. However, in the short-term, the AMPs may reflect maintaining that facility for local transportation purposes. In the long-run, full-up network, the Postal Service would not be maintaining significant square footage for a small cross-dock operation.

There are known areas of savings that the Postal Service has not evaluated through the AMP process, but were included as part of this docket. Namely, the Postal Service does not include the savings associated with premium pay reductions, rents or rental opportunity savings, additional DPS sorting, or service-wide benefits as part of the wage rates utilized in the AMP packages. In addition, the Postal Service has not included the additional air cost into the AMP packages. There are also areas where an estimate of savings is made. However, the Postal Service is persuaded that the vast majority of these savings have not been captured through the AMP process. Examples include utilities, supplier and contractor costs, parts and supplies, reductions in outgoing secondary sortation and the productivity improvements associated with the Upgraded

**RESPONSE OF UNITED STATES POSTAL SERVICE DAVID WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

RESPONSE to APWU/USPS-T1-26 (continued)

Flats Sorting Machine 100 and Carrier Sequence Barcode Sorter
consolidation.

- d. My staff has reviewed the total savings associated with the two estimates. During the completion of the AMP proposal it was noted that not all savings associated with the PRC proceeding would be visible in the sum of the results of the AMP packages for the reasons described above in response to parts b and c.

**RESPONSE OF UNITED STATES POSTAL SERVICE DAVID WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

APWU/USPS-T1-27 On page 10 of the aforementioned webinar, there is an example of proposed area hubs.

- a) Under what sets of circumstances will these hubs operate?
- b) What activities will take place at these hubs?
- c) Have the costs of running these hubs been included in the cost estimates presented by witnesses Smith and Bradley?
- d) Will these hubs be located in facilities that no longer contain mail processing activities but do contain retail units and BMEU?

RESPONSE

- a. They will operate to provide points in the network to increase the efficiencies of transportation in comparison to direct trips to and from every mail collection and delivery point. The Postal Service utilizes this concept in today's network.
- b. Cross-dock of mail to and from collection and delivery points.
- c. To the extent that witness Martin in her analysis of local transportation ensured appropriate transportation from collection and delivery points to the plants.
- d. Potentially.

**RESPONSE OF UNITED STATES POSTAL SERVICE DAVID WILLIAMS
TO AMERICAN POSTAL WORKERS UNION INTERROGATORY**

APWU/USPS-T1-29 What changes are expected in the service standards of First Class Parcels under the proposed plan?

RESPONSE

The Postal Service maintains service standards at a mail class level. First Class Parcels will continue to be First Class Mail, and hence follow those service standard business rules.

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APWU/USPS-T1-30 There are approximately 60 AMPs that were approved prior to this initiative that have not been officially tagged as "implemented" on the Postal Service's AMP tracking page. About.usps.com/streamlining-operations/area-mail-processing.htm

- a) Are any of the AMPs listed as "Approved" on the Postal Service's AMP tracking page now officially "Implemented"? If so which ones.
- b) In how many of the facilities listed as "Approved" are mail processing operations currently taking place?
- c) In how many of the facilities listed as "Approved" are employees being transported to a different facility to process the mail?

RESPONSE

- a-b.) At the time of receipt of this question, the USPS had already begun the process updating the website identified in this question. It is not known at the time in which this was written which facilities were listed as approved/implemented. The website is under construction to accurately reflect the status of operations.
- c.) There are 2 known facilities in which employees are being transported to a different facility to process the mail. This is occurring in relation to the Oxnard, CA AMP and Ashland, KY AMP.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO GREETING CARD ASSOCIATION INTERROGATORY**

GCA/USPS-T1-1

Please refer to your prefiled testimony at page 5, lines 14-22. You state, at lines 19-22, that:

The objective of the modeling exercise was to determine whether excess capacity could be reduced significantly within the network if service obligations and operating constraints driven by current overnight First-Class Mail service standards were changed.

- (a) Please state whether, before the modeling exercise just described was initiated, or simultaneously, or subsequently, the Postal Service performed any similar exercise to determine whether excess capacity could be reduced significantly without changing the current overnight standard for First-Class Mail. If your answer is not an unqualified "no," please describe fully any such modeling exercise and provide any documents setting forth, explaining, or evaluating it.
- (b) Should the reference to overnight First-Class Mail service standards in the quoted passage be understood as covering overnight service for Periodicals as well as for First-Class Mail? If your answer is negative, or if there are differences between the overnight standards for these classes, please explain fully.

RESPONSE

- (a) Yes, the Postal Service continually looks at the capacity within its mail processing network and seeks to eliminate it. As discussed on page 3 of my testimony (USPS-T-1), the Postal Service has been actively pursuing AMP consolidations to reduce capacity within the network, with 114 AMP consolidations approved to-date under the June 2008 Network Plan. As further discussed, in light of the future projections related to mail volumes, as well as our current financial plight, the Postal Service looked at how to reduce the capacity of the network in order to align the mail processing network with the mail volumes of today, while setting up the network for the future.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO GREETING CARD ASSOCIATION INTERROGATORY**

RESPONSE to GCA/USPS-T1-1 (continued)

The Postal Service in identifying alternative scenarios looked at how constraints within the mail processing network affected the need for capacity. The extent of this analysis to identify the consolidation opportunities, however, was not of a similar exercise to that which is presented within this case. As the constraints on overnight service standards were loosened, the Postal Service found significant consolidation could occur which would much more fully maximize the use of equipment, labor and facilities. Changes to service standards are necessary to more fully utilize the Postal Service's assets. As there is only so much time between mail collection and mail delivery, the overnight standard confines the amount of processing time allowed for delivery point sequencing and causes the need for additional equipment which translates into additional facility square footage. The analysis performed suggested the savings potential from maintaining some level of overnight service standards, with some relaxation of overnight relationships was not as great as the proposed change, and based on the financial condition of the Postal Service, as well as the forecasts related to First-Class Mail volumes, the organization determined to more fully evaluate the potential opportunity based on the proposed network laid out in this docket. A copy of the analysis will be filed as USPS Library Reference N2012-1/47.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO GREETING CARD ASSOCIATION INTERROGATORY**

GCA/USPS-T1-2

Please refer to your prefiled testimony at page 17, line 22, through page 18, line 2. You state that First-Class Mail, which is declining in volume, has "historically been the primary source of funding for mail processing and delivery infrastructure." Did the Postal Service give consideration to seeking increased levels of processing and delivery infrastructure funding from other classes of mail, either (i) as an alternative to elimination of First-Class overnight delivery or (ii) as an independent deficit-reduction measure? If your answer is not an unqualified "no," please describe such consideration fully, and provide any documents setting forth, explaining, or evaluating it.

RESPONSE

Pricing policy is beyond my area of expertise. However, I am informed that the Postal Service has not considered pursuit of a market-dominant product price increase that would exclude First-Class Mail, either as (i) an alternative to the service and operational changes under review in this docket or (ii) as a deficit reduction measure.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO GREETING CARD ASSOCIATION INTERROGATORY**

GCA/USPS-T1-3

Please refer to your prefiled testimony at page 16, lines 12-15, and fn. 17.

- (a) In arriving at the conclusions expressed in the cited passages, did you consider the cumulative effect on Single-Piece First-Class Mail entry of –
- (i) The Retail Access Optimization Initiative, currently before the Commission in Docket No. N2011-1; and/or
 - (ii) The potential elimination of Saturday street delivery and pickup, substantially as set forth in the proposal presented in Docket No. N2010-1; and/or
 - (iii) Any existing or future Postal Service actions to reduce the number of street collection boxes, and/or
 - (iv) The possibility of an exigency-based rate increase, as proposed in Docket No. R2010-4R, in combination with a price-capped increase early in 2012,
- when combined with the Mail Processing Network Rationalization plan (hereafter, "MPNR plan")? If your answer to any of (i) – (iv) is other than an unqualified "no," please describe such consideration fully, and provide any documents explaining or evaluating such consideration or the effect(s) being considered.
- (b) You state that the potential impact of the MPNR plan on Single-Piece First-Class entry would be "much less significant" (USPS-T-1, page 16, line 13). Did you attempt to quantify or otherwise make more specific that potential impact? If so, please (i) describe your procedure and results, (ii) state whether this exercise included distinguishing between transactional and non-transactional uses of Single-Piece First-Class Mail and describe any differences in impact as between these two categories, and (iii) provide any documents setting forth, explaining, or evaluating that procedure and those results, as specified in both (i) and (ii).

RESPONSE

- (a)(i-iv) No.
- (b) No.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO GREETING CARD ASSOCIATION INTERROGATORY**

GCA/USPS-T1-4

Please refer to your prefiled testimony at page 19, lines 8-12. Are the “additional sortation or other mail preparation” activities which enable a bulk mailer to retain overnight delivery for mail entered after the Day Zero Critical Entry Time specified in a Postal Service rule, publication, or other publicly available source? If so, please provide such source(s) or state how they may be accessed.

RESPONSE

The Postal Service has active customer service agreements (CSA) with its customers. The guide to customer service agreements can be found at the following link:

https://ribbs.usps.gov/intelligentmail_guides/documents/tech_guides/CustomerSupplierAgreementGuide.pdf

In some instances, later acceptance/dispatch times could be allowed by local management based on the additional separations created if that mail can still meet the service standards.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO GREETING CARD ASSOCIATION INTERROGATORY**

GCA/USPS-T1-5

Please refer to your prefiled testimony at page 18, line 9-12.

- (a) For each of the Alaska ZIP codes 99501 through 99539 mentioned at that point in the testimony, please specify (i) the post office (including branch or station) to which that ZIP code belongs (including the name of the city or political subdivision where it is located, if different from that of the post office), and (ii) whether the ZIP code designates a carrier delivery area or a specific P.O. box.
- (b)
 - (i) Please list the ZIP codes covered by the area which you describe as "intra-SCF Honolulu (does not include Guam)".
 - (ii) Are all of the ZIP codes listed under (b)(i) located on Oahu? If not, please indicate which ZIP codes are not located on Oahu, and give their location (by island and city or political subdivision).

RESPONSE

- (a) See the attached Alaska table.
- (b)
 - (i) 967-968.
 - (ii) No. See the attached Hawaii table.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO GREETING CARD ASSOCIATION INTERROGATORY**

Alaska attachment to response to GCA/USPS-T1-5

| ZIP Code | ZIP Class | ZIP Code Last Line | Facility Name | Physical City | State | Physical ZIP | Carrier Delivery |
|----------|-----------|---------------------------------|------------------------|---------------|-------|--------------|------------------|
| 99501 | | ANCHORAGE | ANCHORAGE DOWNTOWN STA | ANCHORAGE | AK | 99501 | |
| 99501 | | ANCHORAGE | EASTCHESTER | ANCHORAGE | AK | 99501 | Y |
| 99502 | | ANCHORAGE | SAND LAKE | ANCHORAGE | AK | 99502 | Y |
| 99503 | | ANCHORAGE | MIDTOWN | ANCHORAGE | AK | 99503 | Y |
| 99504 | | ANCHORAGE | MULDOON | ANCHORAGE | AK | 99504 | Y |
| 99505 | | Joint Base Elmendorf-Richardson | FORT RICHARDSON | ANCHORAGE | AK | 99505 | Y |
| 99506 | | Joint Base Elmendorf-Richardson | ELMENDORF AFB | ANCHORAGE | AK | 99506 | Y |
| 99507 | | ANCHORAGE | LAKE OTIS | ANCHORAGE | AK | 99507 | Y |
| 99508 | | ANCHORAGE | RUSSIAN JACK | ANCHORAGE | AK | 99508 | Y |
| 99509 | P | ANCHORAGE | SPENARD | ANCHORAGE | AK | 99517 | |
| 99510 | P | ANCHORAGE | ANCHORAGE DOWNTOWN STA | ANCHORAGE | AK | 99501 | |
| 99511 | P | ANCHORAGE | HUFFMAN | ANCHORAGE | AK | 99515 | |
| 99513 | | ANCHORAGE | EASTCHESTER | ANCHORAGE | AK | 99501 | Y |
| 99514 | P | ANCHORAGE | RUSSIAN JACK | ANCHORAGE | AK | 99508 | |
| 99515 | | ANCHORAGE | HUFFMAN | ANCHORAGE | AK | 99515 | Y |
| 99516 | | ANCHORAGE | HUFFMAN | ANCHORAGE | AK | 99515 | Y |
| 99517 | | ANCHORAGE | SPENARD | ANCHORAGE | AK | 99517 | Y |
| 99518 | | ANCHORAGE | SAND LAKE | ANCHORAGE | AK | 99502 | Y |
| 99519 | P | ANCHORAGE | ANCHORAGE MAIN OFFICE | ANCHORAGE | AK | 99530 | |
| 99520 | P | ANCHORAGE | EASTCHESTER | ANCHORAGE | AK | 99501 | |
| 99521 | P | ANCHORAGE | MULDOON | ANCHORAGE | AK | 99504 | |
| 99522 | P | ANCHORAGE | SAND LAKE | ANCHORAGE | AK | 99502 | |
| 99523 | P | ANCHORAGE | LAKE OTIS | ANCHORAGE | AK | 99507 | |
| 99524 | P | ANCHORAGE | MIDTOWN | ANCHORAGE | AK | 99503 | |
| 99529 | | ANCHORAGE | ANCHORAGE MAIN OFFICE | ANCHORAGE | AK | 99530 | |
| 99530 | | ANCHORAGE | ANCHORAGE MAIN OFFICE | ANCHORAGE | AK | 99530 | |

ZIP Class - "P" means the ZIP Code is designated as having only Post Office Box delivery

ZIP Code Last Line - the designated preferred city name to be used with the ZIP Code. Source: Address Management City/State file dated 12/31/2011

Facility Name - name of the facility which provides delivery service to the ZIP Code. Source: Address Management Universal Delivery Statistics File (UDSF) dated 12/31/2011 and Address Management Locale file

Physical City - the physical city in which the facility is located. Source: ESRI mapping data, originally from the US Census Bureau

Carrier Delivery: "Y" if the ZIP Code has at least 1 city, rural, or highway contract route that is not flagged as a phantom route and has at least 3 possible deliveries. Derived from UDSF dated 12/31/2011

Note: 99512, 99525, 99526, 99527, and 99528 are not active 5 Digit ZIP Codes.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO GREETING CARD ASSOCIATION INTERROGATORY**

Hawaii attachment to response to GCA/USPS-T1-5

| ZIP Code | City Name (Preferred last line) | Island | State |
|----------|---------------------------------|--------|-------|
| 96703 | ANAHOLA | KAUAI | HI |
| 96704 | CAPTAIN COOK | HAWAII | HI |
| 96705 | ELEELE | KAUAI | HI |
| 96708 | HAIKU | MAUI | HI |
| 96710 | HAKALAU | HAWAII | HI |
| 96713 | HANA | MAUI | HI |
| 96714 | HANALEI | KAUAI | HI |
| 96715 | HANAMAULU | KAUAI | HI |
| 96716 | HANAPEPE | KAUAI | HI |
| 96718 | HAWAII NATIONAL PARK | HAWAII | HI |
| 96719 | HAWI | HAWAII | HI |
| 96720 | HILO | HAWAII | HI |
| 96721 | HILO | HAWAII | HI |
| 96722 | PRINCEVILLE | KAUAI | HI |
| 96725 | HOLUALOA | HAWAII | HI |
| 96726 | HONAUNAU | HAWAII | HI |
| 96727 | HONOKAA | HAWAII | HI |
| 96728 | HONOMU | HAWAII | HI |
| 96729 | HOOLEHUA | MAUI | HI |
| 96732 | KAHULUI | MAUI | HI |
| 96733 | KAHULUI | MAUI | HI |
| 96737 | OCEAN VIEW | HAWAII | HI |
| 96738 | WAIKOLOA | HAWAII | HI |
| 96739 | KEAUHOU | HAWAII | HI |
| 96740 | KAILUA KONA | HAWAII | HI |
| 96741 | KALAHEO | KAUAI | HI |
| 96742 | KALAUPAPA | MAUI | HI |
| 96743 | KAMUELA | HAWAII | HI |
| 96745 | KAILUA KONA | HAWAII | HI |
| 96746 | KAPAA | KAUAI | HI |
| 96747 | KAUMAKANI | KAUAI | HI |
| 96748 | KAUNAKAKAI | MAUI | HI |
| 96749 | KEAAU | HAWAII | HI |
| 96750 | KEALAKEKUA | HAWAII | HI |
| 96751 | KEALIA | KAUAI | HI |
| 96752 | KEKAHA | KAUAI | HI |
| 96753 | KIHEI | MAUI | HI |
| 96754 | KILAUEA | KAUAI | HI |
| 96755 | KAPAAU | HAWAII | HI |
| 96756 | KOLOA | KAUAI | HI |
| 96757 | KUALAPUU | MAUI | HI |
| 96760 | KURTISTOWN | HAWAII | HI |
| 96761 | LAHAINA | MAUI | HI |
| 96763 | LANAI CITY | MAUI | HI |
| 96764 | LAUPAHOEHOE | HAWAII | HI |

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO GREETING CARD ASSOCIATION INTERROGATORY**

| | | | |
|-------|---------------|----------------|----|
| 96765 | LAWAI | KAUAI | HI |
| 96766 | LIHUE | KAUAI | HI |
| 96767 | LAHAINA | MAUI | HI |
| 96768 | MAKAWAO | MAUI | HI |
| 96769 | MAKAWELI | KAUAI | HI |
| 96770 | MAUNALOA | MAUI | HI |
| 96771 | MOUNTAIN VIEW | HAWAII | HI |
| 96772 | NAALEHU | HAWAII | HI |
| 96773 | NINOLE | HAWAII | HI |
| 96774 | OOKALA | HAWAII | HI |
| 96776 | PAAUILO | HAWAII | HI |
| 96777 | PAHALA | HAWAII | HI |
| 96778 | PAHOA | HAWAII | HI |
| 96779 | PAIA | MAUI | HI |
| 96780 | PAPAALOA | HAWAII | HI |
| 96781 | PAPAIKOU | HAWAII | HI |
| 96783 | PEPEEKEO | HAWAII | HI |
| 96784 | PUUNENE | MAUI | HI |
| 96785 | VOLCANO | HAWAII | HI |
| 96788 | PUKALANI | MAUI | HI |
| 96790 | KULA | MAUI | HI |
| 96793 | WAILUKU | MAUI | HI |
| 96796 | WAIMEA | KAUAI | HI |
| 96799 | PAGO PAGO | AMERICAN SAMOA | AS |

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NEWSPAPER ASSOCIATION OF AMERICA INTERROGATORY**

NAA/USPS-T1-4 Under what circumstances could the mailing described in
NAA/USPS-T1-3 receive overnight delivery?

RESPONSE

If its meets applicable preparation requirements, is entered by the applicable
DDU Critical Entry Time, and is processed and delivered in accordance with the
applicable operating plan.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NEWSPAPER ASSOCIATION OF AMERICA INTERROGATORY**

NAA/USPS-T1-9: Would the Periodicals mailings described in your responses to NAA/USPS-T1-7 and NAA/USPS-T1-8 be eligible for destination entry discounts? If yes, please identify what destination entry discounts would be available.

The pricing of postal products is outside the scope of my testimony. There are no price changes associated with the request in this docket. I am informed that, in the future network, mail that meets the requirements for DSCF entry will pay DSCF prices and that mail meeting the applicable DDU entry requirements will pay DDU prices.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
DAVID WILLIAMS
TO NATIONAL ASSOCIATION OF LETTER CARRIERS INTERROGATORY**

NALC/USPS-T1-1

On page 7, line 19, you refer to service levels "to which postal customers have long been accustomed." How long has USPS had in place the current first-class mail service standards that USPS now proposes changing?

RESPONSE

The current First-Class Mail service standard business rules have been in effect since December 2007. In the main, they are based on the one-to-three day service standard range that is at least several decades old.

.....

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL ASSOCIATION OF PRESORT MAILERS INTERROGATORY**

NAPM/USPS-T1-2. Please refer to page 5 of your testimony where you state, “[o]ne of the ongoing responsibilities of the Network Operations function at USPS headquarters is to explore opportunities to process and transport mail more economically and efficiently. This includes examination of opportunities to utilize existing resources better, as well as analysis of opportunities to eliminate excess capacity.”

- a. Please confirm if the exploration includes the use of supply chain resources e.g. mailing service providers and additional or new work-share incentives to perform more operational processing e.g. primary sort, DPS sort, to gain efficiencies and minimize USPS excess capacity. If confirmed, can you provide the results of the exploration or analyses of any possible alternatives of using supply chain partners to eliminate excess capacity and economically improve efficiencies you are considering. If not confirmed, please explain fully why such alternatives were not considered.

RESPONSE

- a. Not confirmed. The objective and focus of current initiative is to pursue consolidate current postal mail processing and transportation infrastructure based on existing and projected workload. Development and exploration of workshare pricing initiatives are not a Network Operations function.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL ASSOCIATION OF PRESORT MAILERS INTERROGATORY**

NAPM/USPS-T1-4. Please refer to page 8 of your testimony where you state, “[c]hanges of the magnitude proposed here cannot be implemented without requiring some customers to adjust their mail entry operations or patterns and their delivery expectations, sometimes at a cost to customers who wish to minimize any inconvenience or to preserve levels of service to which they have been accustomed.”

- a. Please confirm if the USPS performed an analysis or stratification of the customer types e.g. mail user (owner), mail service provider, logistics provider, etc... and what impacts e.g. sortation processes, delivery expectations, entry patterns, transportation, etc... would affect mailers/customers and how it would affect them. If confirmed, please provide the details and results of the analysis. If not confirmed, please explain fully.
- b. Please confirm if you have conducted any analysis on what the “cost to the customer” is, what kinds of e.g. operational, logistical, loss revenues, etc. If confirmed, please provide the results of such analysis on the cost to the customer. If not confirmed, please explain why this type of analysis was not considered.

RESPONSE

- a. Not confirmed.
- b. Not confirmed. The Postal Service currently does not have data reflecting the internal cost structures of mailers or mail service providers and is unable to perform such analysis without such information. The Postal Service specifically solicited such data from the mailing industry as part of its Advanced Notice of Proposed rulemaking. The Postal Service received mainly qualitative comments from the mailing industry; however, no comments provided the Postal Service the ability to quantify their operating costs. See the response to NPPC-USPS-T1-8.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL ASSOCIATION OF PRESORT MAILERS INTERROGATORY**

NAPM/USPS-T1-5. Please refer to page 10 where you state, “[A]s described below, in order to achieve significant mail processing consolidation, and generate increased efficiencies in mail processing, a modification to current service standards is necessary.”

- a. Please confirm that the only necessary changes to achieve the efficiencies you need are the service standards changes proposed and there has not been any considerations or analysis conducted that has identified if changes in mail preparation will also be necessary. If not confirmed, please provide details and results of any analysis/considerations performed regarding changes to mail preparations.

RESPONSE

- a. Confirmed.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL ASSOCIATION OF PRESORT MAILERS INTERROGATORY**

NAPM/USPS-T1-6. Please refer to page 12 of your testimony where you state “[i]nvestment in additional machinery and facility space was prudent and affordable during periods when mail volume was more robust and growth could confidently be predicted. However, as overall volumes have declined sharply, and the mail mix has changed, service standards and the mail processing network required to meet those standards have remained the same.”

- a. Please confirm that during the times of growth you are referring to USPS also used workshare as a “prudent and affordable” solution to support growth. If confirmed, was this business model ever considered as part of a solution for the service standard and network optimization initiative. If not confirmed, please confirm if the USPS considering using the workshare model in the near future. If a workshare model was not considered as part of the network optimization rationalization, please explain why it was not considered.
- b. Please confirm if any analysis was performed regarding leveraging the Intelligent Mail data capabilities and Full Service mailing to determine if the USPS could reduce its capacity and provide better service than proposed. If confirmed, can you provide the details and results of such analysis. If not confirmed, can you explain these capabilities were not considered as part of a viable solution to necessary network changes.

RESPONSE

- a. The rationale for the development of workshare-based rate categories and price incentives during the latter part of the 20th century is a subject outside the scope of my testimony and expertise. It is a matter best left to those familiar with the rate design testimony of postal witnesses and the recommended decisions of the Postal Rate Commission during that era. I am not sufficiently knowledgeable to say whether worksharing was pursued as “a prudent and affordable” solution to support growth.” From an operational standpoint, I can observe that mailer worksharing has contributed to the Postal Service’s ability to process mail with fewer internal operational resources than might have been utilized otherwise. The Postal Service’s future approach to worksharing, either as a pricing strategy or resource management strategy, is a matter beyond the scope of my testimony. See my response to NAPM/USPS-T1-3.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL ASSOCIATION OF PRESORT MAILERS INTERROGATORY**

RESPONSE TO NAPM/USPS-T1-6 (continued)

- b. Not confirmed. The Postal Service considers its modeling approach reflected in USPS-T-3 to be reasonable, but does not rule out the possibility of the existence of other potentially reasonable approaches, such as ones that might incorporate Intelligent Mail data capabilities and Full Service mailing data.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL ASSOCIATION OF PRESORT MAILERS INTERROGATORY**

NAPM/USPS-T1-7. Please refer to page 19 of your testimony where you state, “[F]irst-Class Mail, the Postal Service intends to preserve the opportunity to establish similar arrangements locally, subject to the following conditions. Properly prepared, sorted and containerized bulk workshare intra-SCF First-Class Mail entered at the destination SCF (or designated facility within its service area) by 8:00 a.m. on operating Day Zero will retain an overnight delivery expectation. In addition, properly prepared, 5-digit or scheme sorted and containerized bulk workshare intra-SCF First-Class Mail entered at the destination SCF (or designated facility within its service area) by 12:00 p.m. on operating Day Zero will retain an overnight delivery expectation. This will allow bulk Presort First-Class Mail users to continue the mutually beneficial practice of engaging in extraordinary preparation that permits entry after the CET in a manner aligned with downstream postal mail sortation operations.”

- a. Please provide more detail on the mail preparation requirements for entering mail by 8:00 AM Day Zero and retain the “overnight delivery expectation.”
- b. Please explain for mail entered at 0800hrs, what are the specific preparation requirements necessary in order to obtain an overnight delivery expectation?
- c. Please confirm whether the "properly prepared" or "extraordinary" mailing preparation requirements be established by the federal register notification process or at the local level. If at the local level, who is responsible for establishing these requirements and how will they be communicated to the mailers.
- d. Please explain whether the “properly prepared” or “extraordinary” requirements involve software or business process changes by the mailer and how long will they have to make the changes and communicate them to their staff and clients.

RESPONSE

- a-b. The proposed requirements are straightforward. Based on the level of presort (SCF or 5-digit), the Intra-SCF mail must be entered at the appropriate SCF by the applicable Critical Entry Time (or entered at another BMEU within the SCF service area by an applicable Critical Acceptance Time), be sorted to either the SCF or 5-digit ZIP level, and meet existing Domestic Mail Manual Presort preparation requirements.
- c. The "extraordinary" preparation is that which qualifies the Intra-SCF or 5-digit Presort to be entered by the designated Critical Entry Time (or CAT) with an expectation of next-day delivery. As is the case today, such mail preparation

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL ASSOCIATION OF PRESORT MAILERS INTERROGATORY**

RESPONSE TO NAPM/USPS-T1-7 (continued)

requirements will be uniformly applicable. If any DMM changes are deemed necessary, the Postal Service will continue its practice of implementing them after notice in the Federal Register.

- d. Intra-SCF and 5-digit ZIP presortation are long-standing mail preparation techniques commonly employed by Presort First-Class Mail users. It is assumed that any software changes necessary for such mailers to continue to use these techniques to prepare mail for entry at either noon or 8:00am will range from non-existent to *de minimus*. The degree of internal process change related to the new Critical Entry Times, if any, will vary by mailer. Mailers have been on notice since the September 21 and December 15, 2011 Federal Register notices of the potential for these changes. Those notices have been reinforced by subsequent postal communications, including FAQ postings at www.usps.com and industry briefings and webinars, which have been further reinforced by mailing industry press reports. It is assumed that mailers are making plans to adapt and are communicating potential changes in their operating plan to appropriate employees and that mail preparation service providers are communicating potential changes in operating plans to clients in light of the potential for changes to be implemented as early as the middle of May 2012.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DAVID WILLIAMS
TO NATIONAL NEWSPAPER ASSOCIATION**

Revised: March 20, 2012

NNA/USPS-T1-1

Please refer to your response to GCA/USPS T1-1, where you stated:
"The Critical Entry Times (CETs) for Periodicals Flats were modified to conform the service standard requirement of this mail class with the processing requirements in an Flats Sequencing System (FSS) environment in May of 2011."

- a. Is the intention to sort Periodicals Flats on FSS machines the sole driving factor in changes in CETs? If not, please list other factors.
- b. Do transportation schedules also affect CETs?
- c. Are you aware of any facilities where newspaper Periodicals or Standard mail is sorted on the FSS machines? If so, please list the facilities.

RESPONSE

- a. No, the driving factor that led to the changes in CETs was to align process capability to the required bundle and piece processing of flat volume.
- b. They may.
- c. All FSS sites process automation-compatible Periodicals and Standard. If the volumes you are referencing in your question are automation compatible they will be sorted on FSS machines.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DAVID WILLIAMS
TO NATIONAL NEWSPAPER ASSOCIATION**

NNA/USPS-T1-2

Has the Postal Service determined that: —

- a. Some percentage of intra-SCF First-Class mail from a closing facility will be handled by a hub within a zone of the gaining facility?
- b. Some percentage of intra-SCF Periodicals from a closing facility will be handled by a hub within a zone of the gaining facility?
- c. Some percentage of intra-SCF Standard mail from a closing facility will be handled by a hub within a zone of the gaining facility?

RESPONSE

- a-c. Yes, for the portion of the intra-SCF service area the hub is serving, the exact percentages are unknown.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DAVID WILLIAMS
TO NATIONAL NEWSPAPER ASSOCIATION**

NNA/USPS-T1-3

If your response to any part of NNA/USPS T1-4 is yes, has the Postal Service requested proposals for the operation of hubs:

- a. From private contractors.
- b. From worker groups within USPS.

If a request for proposals has been publicly issued, please provide a copy.

RESPONSE

For purposes of responding to this interrogatory, it is assumed that the intended reference is to interrogatory NNA/USPS-T1-2.

- a. No.
- b. No.

No request for proposals has been issued, but a request for information has.

The following is a link to that request:

https://www.fbo.gov/index?s=opportunity&mode=form&id=1f9cbe54e5322fee312f64780a0367c2&tab=core&_cview=0

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DAVID WILLIAMS
TO NATIONAL NEWSPAPER ASSOCIATION**

NNA/USPS-T1-4

If your response to any part of NNA/USPS T1-4 is yes, has the Postal Service requested proposals for the transportation of mail between hubs or to and from the hubs and the gaining facility.

- a. From private contractors
- b. From worker groups within USPS

If a request for proposals has been publicly issued, please provide a copy.

RESPONSE

See the response to NNA/USPS-T1-3.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DAVID WILLIAMS
TO NATIONAL NEWSPAPER ASSOCIATION**

NNA/USPS-T1-5

If the Postal Service succeeds in creating the types of hubs referred to in the previous questions, will the "Intra-SCF" mail moving through the hubs:

- a. Be carried only if in containers sorted to 5 digit or carrier route; or
- b. Be broken down if some 5 digit or carrier route bundles are presented in containers sorted to the 3 digit or lower schemes.

RESPONSE

Note, the hubs are being established to serve as logistical points for the Postal Service. They may not necessarily serve the entire former intra-SCF mail processing area.

- a. Yes.
- b. This will depend on the characteristics of the mail volume. If this mail volume is capable of being processed on automated equipment, the Postal Service will move this mail volume to the appropriate plant to process on automated equipment.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DAVID WILLIAMS
TO NATIONAL NEWSPAPER ASSOCIATION**

NNA/USPS-T1-6

What type of facility would be required if the Postal Service set up intra-SCF hubs? If any facilities being studied in the AMP process are candidates for housing such a hub, please explain what criteria would be used to determine that the facilities are candidates for use as a hub.

RESPONSE

A facility that has appropriate dock space and workroom floor based on the required square feet to handle the anticipated volume flowing through the facility.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DAVID WILLIAMS
TO NATIONAL NEWSPAPER ASSOCIATION**

NNA/USPS-T1-7

Do you anticipate that Business Mail Entry Units:

- a. will be set up or preserved in existing facilities that are converted to intra-SCF hubs?
- b. will be set up in new facilities that are used as intra-SCF hubs?
- c. may be operated by contractors in the event non-USPS personnel are chosen to operate such hubs?

RESPONSE

- a. Yes.
- b. Potentially.
- c. Potentially.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DAVID WILLIAMS
TO NATIONAL NEWSPAPER ASSOCIATION**

NNA/USPS-T1-8

If intra-SCF hubs are set up to handle some mail, how would you expect CETs to be determined for mailers aiming at a Day Zero entry?

RESPONSE

Based on the transportation schedules and the required entry time in order to make those dispatches would establish the Day Zero entry time.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DAVID WILLIAMS
TO NATIONAL NEWSPAPER ASSOCIATION**

NNA/USPS-T1-9

If you anticipate that a CET in a hub would be set more than an hour earlier than existing in a current entry plant, please explain why you would expect that result?

RESPONSE

There currently is no anticipation of what the CET in a hub would be, they are currently under evaluation.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DAVID WILLIAMS
TO NATIONAL NEWSPAPER ASSOCIATION**

NNA/USPS-T1-10

Has the Postal Service performed any analysis on the volume of First-Class, Periodicals and/or Standard Mail that may be maintained at current service levels if intra-SCF hubs are set up? If so, please provide the results.

RESPONSE

Such analysis has not been performed.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DAVID WILLIAMS
TO NATIONAL NEWSPAPER ASSOCIATION**

NNA/USPS-T1-11

In light of the Postal Service's public announcement on February 23 that determinations had been made on the facilities to be closed, were any announcements made or communications made to mailers in the affected facilities about the Postal Service's deliberations or plans to set up intra-SCF hubs? If so, please provide a copy of any instructions given to postal personnel with regard to such announcements. If not, please explain why not.

RESPONSE

The Postal Service is a very large organization with a lot of customer interface. Accordingly, it is possible that there have been some communications between some postal managers and some mailers on the topic of future intra-SCF hubs since February 23. Based on the various consolidation decisions announced that day, the Postal Service is now evaluating the logistical needs of the SCF service areas created by those decisions. I am informed that we will provide information about intra-SCF hub locations through routine channels after hub location decisions are made.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DAVID WILLIAMS
TO NATIONAL NEWSPAPER ASSOCIATION**

NNA/USPS-T1-14

As you have participated in the analysis that led to the Postal Service's proposal in this docket, have you considered any impact of service changes on Within County Periodicals mail, as opposed to other mail within the Periodicals product group? If so, please describe your conclusions.

RESPONSE

During the development of the proposal, we understood that the diversity of mailers who use each postal product would result in a range of reactions to the prospect of the service changes being contemplated, including Within County publishers who might experience changes in service they deemed adverse and/or different from those of other (including other Periodicals) mailers. That understanding was affirmed by the wide range of comments filed in response to the Advance Notice of Proposed Rulemaking. Our conclusion then was that we should nevertheless proceed in December 2011 with both the rulemaking notice and the request in this docket, and commit ourselves to carefully considering the rulemaking comments we receive before developing a final rule, and also weighing the evidence that emerges in this docket.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL MAIL HANDLERS UNION INTERROGATORY**

NPMHU/USPS-T1-5

On page 3 of witness Bradley's testimony, he states that he did not consider transition or implementation costs in his estimates.

- a. Please state whether the Postal Service has included these costs anywhere in its estimates of savings, and, if so, please cite to the record where this may be found.
- b. If the Postal Service has not included these costs in its estimates of savings, please state whether the Postal Service has made any calculations of transition and implementation costs associated with its proposal.
- c. If the answer to (b) is yes, please provide those calculations.

RESPONSE

- a. As stated by witness Bradley, transition and implementation costs were not included.
- b. The Postal Service has not yet concluded its estimation of these savings.
- c. N/A

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL MAIL HANDLERS UNION INTERROGATORY**

NPMHU/USPS-T1-6

Please compare the scope of the prior round of AMP studies and consolidations (*i.e.*, those associated with the 2008 network redesign initiative and occurring prior to the filing in this docket) with the scope of the consolidations proposed in the current docket, including in your answer the number of facilities affected, the total number of facility closures, the percentage of mail volume affected, and the number of career postal employees affected.

RESPONSE

The consolidations that occurred, the amount of mail volume and the number of employees affected as part of the 2008 network redesign can be derived by review of the AMP packages being provided in USPS Library Reference N2012-1/54. An estimate of the overall percentage of mail volume affected based on those consolidations based on Fiscal Year 2007 workload represented approximately 7 percent of total workload. Note that FY 2007 was utilized as a baseline since that period that would have all of these facilities full annual workload included.

The consolidations proposed in the current docket are more substantial, as I explain at page 10 of USPS-T-1. This mail processing network rationalization may directly or indirectly affect every employee in the mail processing network. The operations are being significantly transformed, as described by witnesses Neri (USPS-T-4) and Rosenberg (USPS-T-3). Employees will be moved between tours, as well as between facilities. For those sites that were announced, their workload represents approximately 35 percent of total workload. See the response to PR/USPS-T8-1 for the estimated number of career postal employees affected. See USPS Library Reference N2012-1/6 for the list of facilities under evaluation as part of this docket.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL MAIL HANDLERS UNION INTERROGATORY**

NPMHU/USPS-T1-7

Please describe, and providing any supporting documentation for, any problems, or reports of problems, associated with previous consolidations of which the Postal Service is aware, including but not limited to traffic problems surrounding the Baltimore facility (see, e.g., <http://www.wbaltv.com/r/29985356/detail.html>), and traffic problems surrounding the Memphis facility (see, e.g., <http://www.wmctv.com/story/16347301/trucks-stuck-for-hours-waiting-to-unload-christmas-mail>).

RESPONSE

Due to the increase in mail volume during the holiday mailing season, and with the addition of the Frederick AMP, mail processing at the Baltimore Processing and Distribution Center experienced some delays in processing in December. With the increase in volumes, the first-in, first-out (FIFO) mail processing standard was apparently temporarily misaligned. Although Frederick volume came in to the Baltimore plant beginning in early October 2011, Frederick staff reassigned to Baltimore, for the most part, did not arrive there until the middle of November. With the holiday mailing season over, the FIFO system in Baltimore is back in synch. Additional procedures and resources will be put in place for next year's holiday mailing season to ensure these delays are not experienced again.

Moving forward, the Postal Service intends to schedule the implementation of AMP consolidations so as to minimize potential adverse consequences of making major adjustments in the middle of the holiday rush.

Every year, the Postal Service anticipates mail volume surge in its transportation network during the December holiday mailing period. Transportation requirements are

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL MAIL HANDLERS UNION INTERROGATORY**

RESPONSE to NPMHU/USPS-T1-7 (continued)

evaluated to increase capacity on the ground transportation network to accommodate volume that is received from customers, mailers and planned diversion of mail volume from air transportation. The surface transportation network increases the number of trips that operates between network processing centers, surface transfer centers, airports and delivery units.

Between December 16-18, 2011, there was significant traffic congestion experienced at the Memphis TN Surface Transfer Center. The backlog of trucks waiting to deliver and receive mail was caused by scheduling too many trips into this facility during a narrow window. The volume of mail planned and directed through the Memphis Surface Transfer Center for sortation and transfer simply exceeded the facility's capacity limit; therefore, the facility could not handle the approximate 9 percent increase in additional trips. On December 19, the situation was mitigated by redirecting trips into other cross-dock terminals in the network. This solution relieved the traffic congestion situation by December 20.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL POLICY COUNCIL INTERROGATORY**

NPPC/USPS-T1-1 Assuming that service standards for First-Class Mail are revised as described in your testimony, please describe the measures that the Postal Service would implement to ensure the consistency of three-day mail delivery and to prevent mail subject to that standard from in fact receiving four- or five-day service.

RESPONSE

The Postal Service fully intends to utilize performance metrics and defined operational goals, to ensure the consistency of the service standards associated with the proposed mail processing network.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL POLICY COUNCIL INTERROGATORY**

NPPC/USPS-T1-2 Assuming that service standards for First-Class Mail are revised as described in your testimony, does the Postal Service anticipate that any First-Class Mail currently subject to a three-day delivery standard will change to a four-day or longer standard? If so, please describe.

RESPONSE

No.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL POLICY COUNCIL INTERROGATORY**

NPPC/USPS-T1-3 Assuming that service standards for First-Class Mail are revised as described in your testimony, what percentage of First-Class Mail does the Postal Service anticipate will be delivered:

- a. In four days?
- b. In five days?
- c. In more than five days?

RESPONSE

a-c. Under current service standards, approximately 0.3 percent of FY 2011 First-Class Mail volume going to and/or from Alaska, Hawaii and the U.S. territories, was subject to service standards that exceed three days. A similar percentage is expected if the proposed service standards are implemented.

The Postal Service acknowledges that some mail currently is not, and in the future will not be, delivered in time to meet applicable service standards. However, assuming implementation of the proposed service standard changes, the Postal Service has no method or basis for predicting the percentage of mail that, in the future network still being determined, would be delivered in four or five or more days because of a service failure.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL POLICY COUNCIL INTERROGATORY**

NPPC/USPS-T1-4 Assuming that service standards for First-Class Mail are revised as described in your testimony, what percentage of First-Class letter mail that currently receives overnight delivery would be expected to receive:

- a. Two-day delivery?
- b. Three-day delivery?

RESPONSE

Utilizing the potential changes depicted in USPS Library Reference N2012-1/8 which illustrate the nature and magnitude of service standard changes that could conceivably result, one could speculate the following results:

- a. 98.7%
- b. 1.3%

The degree to which service standards will actually change depends upon (a) the outcome of each AMP study, (b) what amendments to 39 C.F.R. Part 121 result from the market dominant product service standard rulemaking, and (c) any further modifications that result from consideration of the advisory opinion issued at the conclusion of this docket.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL POLICY COUNCIL INTERROGATORY**

NPPC/USPS-T1-5 Does the Postal Service intend to maintain a separate processing stream for remittance mail and caller service under the proposal in this proceeding?

RESPONSE

The Postal Service does not currently maintain a completely separate processing stream for remittance mail and Caller Service. Like other First-Class Mail, envelopes containing remittances and Caller service volume flow through the letter mail processing network and are tendered to recipients depending on the delivery mode they have elected. Some are delivered to street addresses. Most are delivered to Post Office Boxes. Some Post Office Box addressed mail is subject to Caller Service, under the terms of which it is aggregated at the destination plant and tendered to the recipient before reaching secondary operations and the delivery unit. Caller Service arrangements are a special service paid for by recipients, including recipients of bulk remittances. When implemented, the network rationalization plan under review in this proceeding will preserve these arrangements.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL POLICY COUNCIL INTERROGATORY**

NPPC/USPS-T1-6 Please describe the processing and delivery standards that would apply to remittance mail under the proposed service standards for First-Class Mail.

RESPONSE

Please see the response to NCCP/USPS-T1-5. First-Class Mail pieces containing remittances will be subject to the proposed service standards on the same terms as other First-Class Mail.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL POLICY COUNCIL INTERROGATORY**

NPPC/USPS-T1-6A Please describe the processing and delivery standards that would apply to Caller Service under the proposed service standards for First-Class Mail.

RESPONSE

Please see the responses to NCCP/USPS-T1-5 and 6.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL POLICY COUNCIL INTERROGATORY**

NPPC/USPS-T1-7 Has the Postal Service made any assumptions regarding whether Presort First-Class Mailers would alter their preparation and entry times if the Critical Entry Times were revised as proposed? If so, please state what assumptions the Postal Service has made. If not, please explain why not.

RESPONSE

No. The Postal Service has not formally surveyed presort First-Class Mail users nor has it estimated the degree to which behavior may change based on the optional entry times available to receive overnight service. We expect some presort mailers to enter volume by the Critical Entry Times to achieve the overnight service standards, we expect some mailers not to do so. The Postal Service currently has no information regarding the degree to which this will occur, and expects it to vary by location and by mailer.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL POLICY COUNCIL INTERROGATORY**

NPPC/USPS-T1-8 Has the Postal Service made any assumptions regarding what types and amounts of costs Presort First-Class Mailers would incur in altering their preparation and entry times if the Critical Entry Times were revised as proposed? If so, please state what assumptions the Postal Service has made. If not, please explain why not.

RESPONSE

No. The Postal Service currently does not have sufficient information about the operating costs for presort mailers (individually or in the aggregate) with which to estimate the costs that they might incur in altering their current mail preparation or entry patterns to meet the proposed CETs.

As part of the Advanced Notice of Proposed Rulemaking, the Postal Service specifically requested in Part IV of its request for comment:

The Postal Service requests comments on all aspects of the Proposal. In particular, the Postal Service solicits comments on the effects that the Proposal could have on senders and recipients of First-Class Mail, Periodicals, and Standard Mail, as well as any potential effects on users of other mail classes. Mail users are encouraged to comment on the nature and extent of costs or savings they might experience as a result of the changes described in this notice, as well as any additional possible benefits they foresee.

The Postal Service received mainly qualitative comments; however, no comments provided the Postal Service the ability to quantify such costs.

The Postal Service in its Proposed Rule also requested comments on the proposed revisions to 39 CFR Part 121. Comments related to costs on the industry are welcome and could potentially provide a basis for understanding any such impact.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL POLICY COUNCIL INTERROGATORY**

NPPC/USPS-T1-10 Assuming that service standards for First-Class Mail are revised as described in your testimony, would metered mail be eligible for overnight delivery if entered by the 8 a.m. Critical Entry Time? If so, what conditions would metered mail be required to satisfy to attain to be eligible for overnight delivery?

RESPONSE

Metered Presort mail would have to meet the same requirements as stamped or permit imprint Presort mail.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL POLICY COUNCIL INTERROGATORY**

NPPC/USPS-T1-11 Assuming that service standards for First-Class Mail are revised as described in your testimony, would there be any changes from current Critical Entry Times for Presort First-Class Mail that would receive second- or third-day service? If so, please describe those changes.

RESPONSE

The Postal Service does not anticipate changing the current Critical Entry Times for Presort First-Class Mail that would be subject to second- or third-day service.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL POLICY COUNCIL INTERROGATORY**

NPPC/USPS-T1-12 Assuming that the mail processing network is adjusted in a manner generally consistent with the Postal Service's proposal in this proceeding, the Postal Service will have fewer mail processing facilities and fewer transportation routes than at present. Please describe how the Postal Service plans to overcome any potential disruptions to that smaller network that might be caused by natural disasters or Acts of God.

RESPONSE

See the institutional response APWU/USPS-T1-4. As with the current network, adjustments to the future network necessitated by natural disasters or Acts of God will depend on the location, nature, severity and projected duration of the consequences of such events.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL POLICY COUNCIL INTERROGATORY**

NPPC/USPS-T1-13 Assume that the Postal Service implements the proposal in this proceeding. What capacity would the Postal Service's network have thereafter to maintain First-Class Mail service standards if First-Class volumes increased by:

- a. 10 percent over current projections by FY2016?
- b. 20 percent over current projections by FY2016?
- c. 30 percent over current projections by FY2016?

RESPONSE

The Postal Service has designed its mail processing capacity based on Fiscal Year 2010 workload and volume. If the Postal Service utilizes the assumption that this percent increase suggested in a-c is over the projected volume of FY2016 which is currently forecast to be 53 billion vis-à-vis FY2010, the percentage of volume compared to FY2010 would be as follows:

- a. 86.5 percent.
- b. 90.1 percent.
- c. 94.1 percent.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL POLICY COUNCIL INTERROGATORY**

NPPC/USPS-T1-14 Assuming that the mail processing network is adjusted in a manner generally consistent with the Postal Service's proposal in this proceeding, the Postal Service will have fewer mail processing facilities than at present. This implies that remaining facilities would, on a per-facility basis, serve more 3-digit and 5-digit zones. Please discuss whether the Postal Service intends to allow mailers to make greater use of 5-digit/3-digit sort schemes in those facilities.

RESPONSE

The Postal Service believes additional 5-digit/3-digit sort schemes will be possible based on the expanded operating window, as well as the additional zones sorted at a single facility. These additional zones would be reflected in changes to labeling lists, as well as the city-state file and would be available for mailers.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL POLICY COUNCIL INTERROGATORY**

NPPC/USPS-T1-15 Has the Postal Service considered implementing a secure disposal program for Undeliverable As Addressed First-Class letters given the smaller number of mail processing facilities that it expects to have after implementation of the proposal in this proceeding?

RESPONSE

The Postal Service has not evaluated this concept specifically as part of the network rationalization proposal currently under review as part of this docket.

The Postal Service is evaluating the opportunity for a secure disposal program for undelivered as addressed mail. The Postal Service may consider how this program fits into a smaller mail processing network in the future.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO PUBLIC REPRESENTATIVE INTERROGATORY**

PR/USPS-T1-1

On page 9 of your testimony you state, "The Postal Service is planning to implement a fundamental realignment of the mail processing network to utilize capital assets and personnel more efficiently over the long-run, while also meeting its obligation to provide regular and effective levels of mail service."

- a. Do service performance results measure the attainment of effective mail service? If so, how?
- b. How will service performance results be used to gauge the level of effective mail service after the proposed changes are implemented?
- c. Will service performance targets be amended to reflect the proposed changes? If so, how?

RESPONSE

- a. Service performance results measure whether mail has been delivered by the service standard defined for each OZIP-DZIP pair.
- b. Service performance results will continue to be utilized to measure how well the Postal Service achieves its service standards as they are utilized today. See the response to NPPC/USPS-T1-1.
- c. Establishment of future performance targets will take into consideration the service standards in effect at the time or projected to be in effect. Senior management will review standards and consult with the Governors in establishing targets.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO PUBLIC REPRESENTATIVE INTERROGATORY**

PR/USPS-T1-2

On page 9 of your testimony you state, "...the most significant service changes are in the narrowing of the scope of the overnight and two-day First-Class Mail service standards." The recent service performance results show that the Postal Service exceeded service performance targets only for First-Class overnight and two-day.

- a. Will the proposed changes impact First-Class Mail overnight and two-day annual service performance results? If so, how?
- b. Will the proposed changes impact Periodicals overnight and two-day annual performance results? If so, how?

RESPONSE

a-b. It is currently unknown what the service performance results will be. The Postal Service is planning the network to meet the service standards proposed. The Postal Service acknowledges that some mail currently is not, and in the future will not be, delivered in time to meet applicable service standards. However, assuming implementation of the proposed service standard changes, the Postal Service has no method or basis for predicting the percentage of mail that, in the future network still being determined, would be not be delivered by the assigned service standard because of a service failure.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO PUBLIC REPRESENTATIVE INTERROGATORY**

PR/USPS-T1-3

On page 21 of your testimony you explain that "the modifications to the 2-day service standard business rules will have the effect of expanding the number of 3-digit origin-destination.ZIP Code pairs with a 3-day service standard." How will this expansion affect service performance results for First-Class Mail and Periodical three-to-five day?

RESPONSE

It is currently unknown what the service performance results will be. The Postal Service is planning the network to meet the service standards proposed. The Postal Service acknowledges that some mail currently is not, and in the future will not be, delivered in time to meet applicable service standards. However, assuming implementation of the proposed service standard changes, the Postal Service has no method or basis for predicting the percentage of mail that, in the future network still being determined, would be not be delivered by the assigned service standard because of a service failure.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO PUBLIC REPRESENTATIVE INTERROGATORY**

PR/USPS-T1-4

Please explain how the proposed changes will affect scanning procedures for First-Class Mail using IMb.

RESPONSE

No changes in First-Class Mail IMb scanning procedures are anticipated.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DAVID WILLIAMS
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1**

1. The First-Class Mail class consists of the following four domestic products: Single-Piece Letters/Postcards, Presorted Letters/Postcards, Flats, and Parcels. Please answer the following questions in light of the assertion that certain First-Class mail will retain an overnight delivery expectation. See USPS-T-1 at 19.

- a. For each domestic product within First-Class Mail, what percentage of First-Class Mail is delivered overnight, what percentage of First-Class Mail is delivered within two days, and what percentage of First-Class Mail is delivered in three to five days, for the most recent quarter that data are available.
- b. For each domestic product within First-Class Mail, what is the projected percentage of First-Class Mail delivered overnight, what is the projected percentage of First-Class Mail delivered within two days, and what is the projected percentage of First-Class Mail delivered in three to five days, after implementation of MPNR.

RESPONSE

- a. See the Table below which uses data from Q4 FY11.

| Product | % Delivered within 1 Delivery Day | % Delivered in 2 Delivery Days | % Delivered in Between 3 and 5 Delivery Days |
|---------------------------------------|--|---|---|
| Single-Piece Letters/Cards | 58.0 | 26.6 | 15.1 |
| Presort Letters/Cards | 37.7 | 37.3 | 24.7 |
| Flats | 36.0 | 31.4 | 30.3 |
| Parcels | 13.1 | 49.1 | 35.7 |

Note: Presort performance results by service standard were weighted using the estimated volume of overnight, two-day, and three-to-five-day volumes in the overall presort FCM population (based on data from Origin-Destination Information System (ODIS) and Revenue Pieces & Weight (RPW) as opposed to volumes observed in the Full Service Intelligent Mail barcode population. Flats results are based on the results from EXFC, weighted according to the overall estimated volumes of overnight, two-day, and three-to-five-day FCM volumes from ODIS and RPW sources.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DAVID WILLIAMS
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1**

RESPONSE to Question 1 (continued):

- b. Three factors will have the most influence on the percentage of First-Class Mail that receives overnight delivery in the future: (1) the degree to which First-Class Mail presort customers take advantage of the early entry time option to achieve overnight delivery, (2) the proportion of Caller Service volume which is available for recipients at the plant during the processing of this mail volume in which some proportion happens to have been entered the mailstream the day prior, and (3) the degree to which the Postal Service achieves overnight delivery for such mail. The Postal Service currently does not have an estimate of the proportion of Presort customers that may take advantage of this new entry time, nor the proportion of Caller Service volume that will be available by customers at the plant during the processing of this mail volume in which some proportion happened to have been entered in the mail the day prior. Nor can the Postal Service precisely predict future on-time service performance for such mail. If one assumes that no customers take advantage of this early entry time for overnight service and no Caller Service volume is available the following day, the following percentages of mail would be subject to the different First-Class Mail service standards (overnight, 2-day, and 3-to-5-day), assuming the hypothetical changes depicted in USPS Library Reference N2012-1/8:

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DAVID WILLIAMS
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1**

RESPONSE to Question 1 (continued):

Estimated Volume of Mail Subject to Each FCM Service Standard Group Based on Q4 FY2011 and Proposed Service Standards

| Product | Projected % within 2 Delivery Days | Projected % within 3 and 5 Delivery Days |
|---------------------------------------|---|---|
| Single-Piece Letters/Cards | 63.8 | 36.2 |
| Presort Letters/Cards | 30.4 | 69.6 |
| Flats | 58.6 | 38.9 |
| Parcels | 10.5 | 89.5 |

It cannot be overemphasized that the degree to which service standards will actually change depends upon (a) the outcome of each AMP study, (b) what amendments to 39 C.F.R. Part 121 result from the market dominant product service standard rulemaking, and (c) any further modifications that result from consideration of the advisory opinion issued at the conclusion of this docket.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVID WILLIAMS
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 3**

1. These questions assume that 0.9 ounce single-piece First-Class Mail letters (with proper postage, addressing, and First-Class Mail letter characteristics) are dropped into a United States Postal Service blue collection box located in Wethersfield, CT 06109 on specific dates (prior to the final collection time posted on the collection box for that day's mail) for delivery to residential single-family homes in several locations within the United States. The recipients' addresses are residential single-family homes located in Hartford, CT 06106, Columbia, MD 21045, Venice, CA 90291, and Honolulu, HI 96813. The questions assumes that the delivery period will correspond with the service standard, *i.e.*, if the service standard is three days the mail will be delivered the third day (as defined by the Postal Service's business rules) after being dropped into the collection box, and not a day later or a day earlier.

The table below may be used to provide an answer with each of the following scenarios. Note that February 20, 2012, is a federal holiday with no residential mail delivery.

| Date mail dropped into United States Postal Service blue collection box located in Wethersfield, CT 06109 | Dates of final delivery | | | |
|---|-------------------------|--------------------|------------------|--------------------|
| | Hartford, CT 06106 | Columbia, MD 21045 | Venice, CA 90291 | Honolulu, HI 96813 |
| Thursday, February 9, 2012 | | | | |
| Friday, February 10, 2012 | | | | |
| Saturday, February 11, 2012 | | | | |
| Sunday, February 12, 2012 | | | | |
| Monday, February 13, 2012 | | | | |
| Tuesday, February 14, 2012 | | | | |
| Wednesday, February 15, 2012 | | | | |
| Thursday, February 16, 2012 | | | | |
| Friday, February 17, 2012 | | | | |
| Saturday, February 18, 2012 | | | | |
| Sunday, February 19, 2012 | | | | |
| Monday, February 20, 2012 (federal holiday) | | | | |
| Tuesday, February 21, 2012 | | | | |
| Wednesday, February 22, 2012 | | | | |

- a. For mail dropped into a collection box in Wethersfield, CT 06019 on the dates specified, what will be the dates of delivery to each recipient under current service standards?
- b. Assume that the Postal Service has instituted the proposals presented in Docket No. N2012-1, Mail Processing Network Rationalization Service Changes, 2012, and revised service standards as necessary to give full effect to the proposals contained therein. Assume that the proposals described within Docket No. N2010-1, Six-Day to Five-Day Street Delivery and Related Service Changes, have not been instituted. For mail dropped into a collection box in Wethersfield,

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVID WILLIAMS
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 3**

Question 1 (continued)

- CT 06019 on the dates specified, what will be the dates of delivery to each recipient under revised service standards?
- c. Assume that the Postal Service has instituted the proposals presented in Docket No. N2010-1, Six-Day to Five-Day Street Delivery and Related Service Changes, and revised service standards as necessary to give full effect to the proposals contained therein. Assume that the proposals described within Docket No. N2012-1, Mail Processing Network Rationalization Service Changes, 2012, have not been instituted. For mail dropped into a collection box in Wethersfield, CT 06019 on the dates specified, what will be the dates of delivery to each recipient under revised service standards?
- d. Assume that the Postal Service has instituted both (1) the proposals presented in Docket No. N2010-1, Six-Day to Five-Day Street Delivery and Related Service Changes, and (2) the proposals presented in Docket No. N2012-1, Mail Processing Network Rationalization Service Changes, 2012 and revised service standards as necessary to give full effect to the proposals contained therein. For mail dropped into a collection box in Wethersfield, CT 06019 on the dates specified, what will be the dates of delivery to each recipient under revised service standards?

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVID WILLIAMS
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 3**

RESPONSE to Question 1

a. See the table immediately below.

| Date mail dropped into United States Postal Service blue collection box located in Wethersfield, CT 06109 | Dates of final delivery | | | |
|---|-------------------------|----------------------|---------------------|---------------------|
| | Hartford, CT 06106 | Columbia, MD 21045 | Venice, CA 90291 | Honolulu, HI 96813 |
| Thursday, February 9, 2012 | Friday 02/10/2012 | Saturday 02/11/2012 | Monday 02/13/2012 | Monday 02/13/2012 |
| Friday, February 10, 2012 | Saturday 02/11/2012 | Monday 02/13/2012 | Monday 02/13/2012 | Monday 02/13/2012 |
| Saturday, February 11, 2012 | Monday 02/13/2012 | Monday 02/13/2012 | Tuesday 02/14/2012 | Tuesday 02/14/2012 |
| Sunday, February 12, 2012 ¹ | Tuesday 02/14/2012 | Wednesday 02/15/2012 | Thursday 02/16/2012 | Thursday 02/16/2012 |
| Monday, February 13, 2012 | Tuesday 02/14/2012 | Wednesday 02/15/2012 | Thursday 02/16/2012 | Thursday 02/16/2012 |
| Tuesday, February 14, 2012 | Wednesday 02/15/2012 | Thursday 02/16/2012 | Friday 02/17/2012 | Friday 02/17/2012 |
| Wednesday, February 15, 2012 | Thursday 02/16/2012 | Friday 02/17/2012 | Saturday 02/18/2012 | Saturday 02/18/2012 |
| Thursday, February 16, 2012 | Friday 02/17/2012 | Saturday 02/18/2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 |
| Friday, February 17, 2012 | Saturday 02/18/2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 |
| Saturday, February 18, 2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 |
| Sunday, February 19, 2012 ¹ | Wednesday 02/22/2012 | Thursday 02/23/2012 | Friday 02/24/2012 | Friday 02/24/2012 |
| Monday, February 20, 2012 (federal holiday) ¹ | Wednesday 02/22/2012 | Thursday 02/23/2012 | Friday 02/24/2012 | Friday 02/24/2012 |
| Tuesday, February 21, 2012 | Wednesday 02/22/2012 | Thursday 02/23/2012 | Friday 02/24/2012 | Friday 02/24/2012 |
| Wednesday, February 22, 2012 | Thursday 02/23/2012 | Friday 02/24/2012 | Saturday 02/25/2012 | Saturday 02/25/2012 |

¹Origin processing for mail deposited on Sunday or a holiday is completed on next day which is not a Sunday or holiday.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVID WILLIAMS
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 3**

RESPONSE to Question 1 (continued)

b. See the table immediately below.

| Date mail dropped into United States Postal Service blue collection box located in Wethersfield, CT 06109 | Dates of final delivery | | | |
|---|-------------------------|------------------------|------------------------|------------------------|
| | Hartford, CT 06106 | Columbia, MD 21045 | Venice, CA 90291 | Honolulu, HI 96813 |
| Thursday, February 9, 2012 | Saturday 02/11/2012 | Monday 02/13/2012 | Monday 02/13/2012 | Monday 02/13/2012 |
| Friday, February 10, 2012 | Monday 02/13/2012 | Monday 02/13/2012 | Monday 02/13/2012 | Monday 02/13/2012 |
| Saturday, February 11, 2012 | Monday 02/13/2012 | Tuesday 02/14/2012 | Tuesday 02/14/2012 | Tuesday 02/14/2012 |
| Sunday, February 12, 2012 ¹ | Wednesday 02/15/2012 | Thursday 02/16/2012 | Thursday 02/16/2012 | Thursday 02/16/2012 |
| Monday, February 13, 2012 | Wednesday 02/15/2012 | Thursday 02/16/2012 | Thursday 02/16/2012 | Thursday 02/16/2012 |
| Tuesday, February 14, 2012 | Thursday 02/16/2012 | Friday 02/17/2012 | Friday 02/17/2012 | Friday 02/17/2012 |
| Wednesday, February 15, 2012 | Friday 02/17/2012 | Saturday 02/18/2012 | Saturday 02/18/2012 | Saturday 02/18/2012 |
| Thursday, February 16, 2012 | Saturday 02/18/2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 |
| Friday, February 17, 2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 |
| Saturday, February 18, 2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 |
| Sunday, February 19, 2012 ¹ | Thursday 02/23/2012 | Friday 02/24/2012 | Friday 02/24/2012 | Friday 02/24/2012 |
| Monday, February 20, 2012 (federal holiday) ¹ | Thursday 02/23/2012 | Friday 02/24/2012 | Friday 02/24/2012 | Friday 02/24/2012 |
| Tuesday, February 21, 2012 | Thursday 02/23/2012 | Friday 02/24/2012 | Friday 02/24/2012 | Friday 02/24/2012 |
| Wednesday, February 22, 2012 | Friday 02/24/2012 | Saturday 02/25/2012 | Saturday 02/25/2012 | Saturday 02/25/2012 |

¹Origin processing for mail deposited on Sunday or a holiday is completed on next day which is not a Sunday or holiday.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVID WILLIAMS
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 3**

RESPONSE to Question 1 (continued)

c. See the table immediately below.

| Date mail dropped into United States Postal Service blue collection box located in Wethersfield, CT 06109 | Dates of final delivery | | | |
|---|-------------------------|----------------------|---------------------|---------------------|
| | Hartford, CT 06106 | Columbia, MD 21045 | Venice, CA 90291 | Honolulu, HI 96813 |
| Thursday, February 9, 2012 | Friday 02/10/2012 | Monday 02/13/2012 | Monday 02/13/2012 | Monday 02/13/2012 |
| Friday, February 10, 2012 | Monday 02/13/2012 | Monday 02/13/2012 | Monday 02/13/2012 | Monday 02/13/2012 |
| Saturday, February 11, 2012 | Tuesday 02/14/2012 | Wednesday 02/15/2012 | Thursday 02/16/2012 | Thursday 02/16/2012 |
| Sunday, February 12, 2012 ² | Tuesday 02/14/2012 | Wednesday 02/15/2012 | Thursday 02/16/2012 | Thursday 02/16/2012 |
| Monday, February 13, 2012 | Tuesday 02/14/2012 | Wednesday 02/15/2012 | Thursday 02/16/2012 | Thursday 02/16/2012 |
| Tuesday, February 14, 2012 | Wednesday 02/15/2012 | Thursday 02/16/2012 | Friday 02/17/2012 | Friday 02/17/2012 |
| Wednesday, February 15, 2012 | Thursday 02/16/2012 | Friday 02/17/2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 |
| Thursday, February 16, 2012 | Friday 02/17/2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 |
| Friday, February 17, 2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 |
| Saturday, February 18, 2012 | Wednesday 02/22/2012 | Thursday 02/23/2012 | Friday 02/24/2012 | Friday 02/24/2012 |
| Sunday, February 19, 2012 ² | Wednesday 02/22/2012 | Thursday 02/23/2012 | Friday 02/24/2012 | Friday 02/24/2012 |
| Monday, February 20, 2012 (federal holiday) ² | Wednesday 02/22/2012 | Thursday 02/23/2012 | Friday 02/24/2012 | Friday 02/24/2012 |
| Tuesday, February 21, 2012 | Wednesday 02/22/2012 | Thursday 02/23/2012 | Friday 02/24/2012 | Friday 02/24/2012 |
| Wednesday, February 22, 2012 | Thursday 02/23/2012 | Friday 02/24/2012 | Monday 02/27/2012 | Monday 02/27/2012 |

²Origin processing for mail deposited on Saturday, Sunday, or a holiday is completed on next day which is not a Saturday, Sunday, or holiday.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVID WILLIAMS
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 3**

RESPONSE to Question 1 (continued)

d. See the table immediately below.

| Date mail dropped into United States Postal Service blue collection box located in Wethersfield, CT 06109 | Dates of final delivery | | | |
|---|-------------------------|------------------------|------------------------|------------------------|
| | Hartford, CT 06106 | Columbia, MD 21045 | Venice, CA 90291 | Honolulu, HI 96813 |
| Thursday, February 9, 2012 | Monday 02/13/2012 | Monday 02/13/2012 | Monday 02/13/2012 | Monday 02/13/2012 |
| Friday, February 10, 2012 | Monday 02/13/2012 | Monday 02/13/2012 | Monday 02/13/2012 | Monday 02/13/2012 |
| Saturday, February 11, 2012 | Wednesday 02/15/2012 | Thursday 02/16/2012 | Thursday 02/16/2012 | Thursday 02/16/2012 |
| Sunday, February 12, 2012 ² | Wednesday 02/15/2012 | Thursday 02/16/2012 | Thursday 02/16/2012 | Thursday 02/16/2012 |
| Monday, February 13, 2012 | Wednesday 02/15/2012 | Thursday 02/16/2012 | Thursday 02/16/2012 | Thursday 02/16/2012 |
| Tuesday, February 14, 2012 | Thursday 02/16/2012 | Friday 02/17/2012 | Friday 02/17/2012 | Friday 02/17/2012 |
| Wednesday, February 15, 2012 | Friday 02/17/2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 |
| Thursday, February 16, 2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 |
| Friday, February 17, 2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 | Tuesday 02/21/2012 |
| Saturday, February 18, 2012 | Thursday 02/23/2012 | Friday 02/24/2012 | Friday 02/24/2012 | Friday 02/24/2012 |
| Sunday, February 19, 2012 ² | Thursday 02/23/2012 | Friday 02/24/2012 | Friday 02/24/2012 | Friday 02/24/2012 |
| Monday, February 20, 2012 (federal holiday) ² | Thursday 02/23/2012 | Friday 02/24/2012 | Friday 02/24/2012 | Friday 02/24/2012 |
| Tuesday, February 21, 2012 | Thursday 02/23/2012 | Friday 02/24/2012 | Friday 02/24/2012 | Friday 02/24/2012 |
| Wednesday, February 22, 2012 | Friday 02/24/2012 | Monday 02/27/2012 | Monday 02/27/2012 | Monday 02/27/2012 |

²Origin processing for mail deposited on Saturday, Sunday, or a holiday is completed on next day which is not a Saturday, Sunday, or holiday.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO PRESIDING OFFICER'S INFORMATION REQUEST 5**

1. The resilience of a transportation network can be defined as the ability of the network to maintain service levels during operations or quickly return to normal operation after plant disruption, adverse weather, natural incidents such as floods, snow, ice, fog, hurricanes, terrorism or accidents, power outages, or other situations. A resilient network can be designed to isolate failures and to prevent cascading of service degradation. In the case of the Postal Service, managers may reroute mail to alternate processing facilities to adapt to temporary, unforeseen situations.
 - a. To what degree has the Postal Service planned to maintain the resilience of its network after the proposed changes?
 - b. Please describe how and to what extent the ability of the network to provide temporary emergency substitution was factored into the development of the Mail Processing Network Rationalization Service Changes proposal?

RESPONSE

- a. See the response to APWU-T1-4.
- b. The Postal Service develops plans for contingency purposes at each facility. The Postal Service will update all plans accordingly based on the redesigned mail processing network. The Postal Service expects to employ such strategies in the future as are employed today to respond to such events as are listed in the question, including the creation of temporary facilities or the temporary staging of operations at existing nearby facilities to ensure that reasonable levels of service can be maintained under the circumstances.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO PRESIDING OFFICER'S INFORMATION REQUEST 5**

3. In support of its 2011 Annual Compliance Report, the Postal Service filed its "Special Study of Off-Shore Service Performance FY11" in USPS-FY11-29.
- a. Will any plants in non-contiguous areas (e.g., Alaska, Hawaii, Guam) be affected by the Mail Processing Network Rationalization Service Changes proposal?
 - b. Please describe any ways in which the effects of the proposal will be different for remote or non-contiguous areas than for the rest of the country, including whether the changes will improve or worsen the relative service performance in these areas. Be sure to discuss whether and how the lack of closures in a non-contiguous area will alter the effects of the proposal on those areas.

RESPONSE

- a. No.
- b. Due to the unique logistical requirements for non-contiguous areas, the Postal Service does not expect worsening of the relative service performance vis-à-vis the service standards. Specifically the Postal Service has proposed aligning the service standards appropriately with the unique transportation issues between the contiguous U.S. states and the non-contiguous locations. There are proposed changes to the First-Class Mail and Periodicals service standards as a result detailed in the proposed changes to 39 CFR 121.1 filed in USPS Library Reference N2012-1/7, pages 17-22.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO TIME INC INTERROGATORY**

TI-USPS-T1-5. Given the likelihood that some mailers who enter mail at destinating SCFs may modify their mailing practices in order to meet the revised critical dispatch times described in your testimony, what is your and the Postal Service's best estimate of the volumes of (i) First Class; and (ii) Periodicals mail that will qualify for overnight delivery after the proposed changes have been implemented?

RESPONSE

I am informed that the Postal Service currently has no estimates as to the extent some mailers may modify their mailing practices in order to meet the revised critical entry times described in my testimony.

1 CHAIRMAN GOLDWAY: Now, is there any
2 additional written cross-examination for Witness
3 Williams?

4 MR. ANDERSON: Madam Chairman, Darryl
5 Anderson for the American Postal Workers Union. The
6 APWU hereby submits NPMHU/USPS-T1-14, 15 and 20 filed
7 March 15, 2012.

8 CHAIRMAN GOLDWAY: Are there any corrections
9 that need to be made?

10 (No response.)

11 CHAIRMAN GOLDWAY: If everything is in
12 order, counsel, would you present two copies of the
13 additional designated cross-examination to the
14 witness?

15 I take it Witness Williams is not making any
16 further corrections and those written cross-
17 examination designations --

18 MALE VOICE: Thank you, Mr. Tidwell.

19 CHAIRMAN GOLDWAY: -- will be provided to
20 the court reporter. This material is received into
21 evidence and is to be transcribed into the record.

22 //

23 //

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1 (The documents referred to
2 were marked for
3 identification as Exhibit
4 Nos. USPS-T1-14, 15 and 20
5 and were received in
6 evidence.)

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL MAIL HANDLERS UNION INTERROGATORY**

NPMHU/USPS-T1-14 Please explain why the list published by the Postal Service on February 23, 2012 at <http://about.usps.com/what-we-are-doing/our-futurenetwork/assets/pdf/communications-list-022212.pdf> contains 264 studies, whereas the list provided as Library Reference 6 contains 252 studies. In your answer, please identify the studies that are contained in February 23, 2012 list but not in Library Reference 6 (including but not limited to Mid-Florida P&DC into Orlando P&DC; Atlanta P&DC; Champaign P&DF; Cardiss Collins P&DC; Staten Island P&DF; Mankato P&DF; Corpus Christi P&DC; and Fort Worth P&DC), and an explanation of why those studies were not contained in Library Reference 6.

RESPONSE

Regarding Mid-Florida P&DC into Orlando P&DC, see the response to

APWU/USPS-T1-24(b).

The following studies were initiated prior to the mail processing network rationalization effort:

- Atlanta P&DC
- Cardiss Collins P&DC
- Champaign P&DF
- Staten Island P&DF
- Mankato P&DF

The list of facilities under review for consolidation prior to the announcement of the USPS Library Reference N2012-1/6 study list associated with Mail Processing Network Rationalization was provided in USPS Library Reference N2012-1/5.

The following studies were initiated after the December 5th filing date after local field review of the preliminary study suggested additional opportunity could exist through changes in the preliminary study list:

- Corpus Christi P&DC
- Fort Worth P&DC

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL MAIL HANDLERS UNION INTERROGATORY**

NPMHU/USPS-T1-15 For those sites included in the list published on February 23, 2012 but not included in Library Reference 6, please state whether the full Handbook 408 process was followed for each of these studies, including in your answer the date of the public hearing.

RESPONSE

See the list below. All of these studies utilized the Handbook 408 process.

| State | Study Facility | | Gaining Facility(ies) | | | Status | Consolidation Type | Public Meeting |
|-------|----------------|----------------------|--|-------------------------------|-----------|----------------------------|-----------------------------|----------------|
| | City | Facility | Gaining Site | City | State | | | |
| FL | Mid Florida | Mid-Florida P&DC | Orlando P&DC | Orlando | FL | Approved for consolidation | Originating and destinating | 1/4/2012 |
| GA | Atlanta | Atlanta P&DC | North Metro P&DC | Duluth | GA | Study ongoing | Originating | 1/19/2010 |
| IL | Champaign | Champaign P&DF | Bloomington P&DF Springfield P&DC | Bloomington; Springfield | IL; IL | Disapproved Study | N/A | (none) |
| IL | Chicago | Cardiss Collins P&DC | Carol Stream P&DC South Suburban P&DC | Carol Stream; Bedford Park | IL; IL | Approved for consolidation | Originating | 11/30/2011 |
| KY | Owensboro | Owensboro CSMPC | Evansville P&DF | Evansville | IN | Approved for consolidation | Destinating | 11/3/2011 |
| MI | Gaylord | Gaylord P&DF | Traverse City P&DF | Traverse City | MI | Approved for consolidation | Originating and destinating | 10/20/2011 |
| MN | Mankato | Mankato P&DF | Minneapolis P&DC | Minneapolis | MN | Approved for consolidation | Originating and destinating | 8/24/2011 |
| MT | Butte | Butte CSMPC | Great Falls P&DF | Great Falls | MT | Approved for consolidation | Destinating | 1/3/2012 |
| NY | Staten Island | Staten Island P&DF | Brooklyn P&DC | Brooklyn | NY | Approved for consolidation | Destinating | 12/6/2011 |
| PA | Washington | Washington CSMPC | Pittsburgh P&DC | Pittsburgh | PA | Approved for consolidation | Destinating | 12/6/2011 |
| TX | Corpus Christi | Corpus Christi P&DC | San Antonio P&DC | San Antonio | TX | Approved for consolidation | Originating and destinating | 1/4/2012 |
| TX | Fort Worth | Fort Worth P&DC | North Texas P&DC | Coppell | TX | Approved for consolidation | Originating | 12/8/2011 |

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO NATIONAL POSTAL MAIL HANDLERS UNION INTERROGATORY**

NPMHU/USPS-T1-20 Please confirm that certain facilities considered for consolidation were not studied through the Handbook 408 process. If confirmed, please state for which facilities the Handbook 408 process was not used; explain the decisionmaking process that was used; and state whether there was a public hearing for each of these facilities.

RESPONSE

USPS Handbook PO-408 guidelines apply to examining the consolidation of all originating and/or destinating operations from a facility. The definition of originating and/or destinating operations is based upon primary distribution of outgoing first class letter and flat mail and incoming Sectional Center Facility (SCF) distribution of letter and flat mail. Facilities that did not undergo the PO-408 review process did not fit the description of performing all primary outgoing and/or all destinating SCF distribution of letter and flat mail for one or more three digit ZIP Codes. The decision making process used was to perform a local financial analysis of the potential savings of the consolidation and to perform a joint Headquarters/Area review of the feasibility of the consolidation. Public hearings were not held for these facilities. PAEA section 302 does not require a public meeting in relation to an operational consolidation. It requires that there at least be public notice and an opportunity to comment. Available summaries of public comments received in relation to non-AMP consolidations are considered before final determinations are made.

1 MS. RUSH: Madam Chairman, Tonda Rush with
2 National Newspaper Association. NNA designated its
3 written cross-examination on March 16, having received
4 the Postal Service's responses too late on the 15th to
5 do that.

6 May I just confirm that they're actually in
7 the witness' packet or we can enter those now? It
8 should be NNA/USPS-T1 through 11 and T1-14. Thank
9 you, Mr. Tidwell.

10 CHAIRMAN GOLDWAY: Because of the late
11 filings involved, if there are some other documents
12 that parties would like to enter as designated cross-
13 examination they can submit them to us and we can rule
14 on them to determine if it's appropriate to include
15 them later.

16 Now, this brings us to oral cross-
17 examination. Five participants have requested oral
18 cross-examination, the American Postal Workers Union
19 AFL-CIO, Darryl Anderson is representing them;
20 Greeting Card Association, Mr. Stover; National
21 Newspaper Association, Ms. Rush; National Postal Mail
22 Handlers Union, Ms. Keller; and the Public
23 Representative, Mr. Laver.

24 Is there any other participant who wants to
25 cross-examine Witness Williams today?

1 (No response.)

2 CHAIRMAN GOLDWAY: If not, then we'll begin
3 with APWU counsel.

4 MR. ANDERSON: Thank you, Madam Chairman.

5 CROSS-EXAMINATION

6 BY MR. ANDERSON:

7 Q Good morning, Mr. Williams.

8 A Good morning.

9 Q Nice to see you again, although collective
10 bargaining is a little bit more style, and I've come
11 to enjoy meeting you in that context. I'm not so sure
12 it's going to be as much fun this morning.

13 I'd like to clarify -- just confirm really
14 -- that you're the Postal Service's policy witness for
15 this case. Is that your understanding?

16 A That's my understanding.

17 Q And would it be fair to say that you were in
18 charge of this effort on network consolidation?

19 A It's fair to say that there are a lot of
20 people within the Postal Service that are doing
21 various activities in terms of looking at the case.
22 It's very cross-functional in nature, a very complex
23 case. From an operations standpoint, I am the lead
24 operations policy witness.

25 Q So there are implications here for other

1 aspects of the Postal Service's operations policy,
2 perhaps customer relations, perhaps other things that
3 are the responsibility of others who are not direct
4 reports to you in short? Is that a fair summary?

5 A Yes.

6 Q Okay. Now, the rules of the Commission
7 require that when a case like this is submitted, and
8 I'm looking at for the record Rule 3001.74. I know
9 you're not a lawyer. I'm not asking you to know the
10 rule.

11 But I will tell you, and I'm sure you're
12 aware of this, that the Postal Service is required to
13 submit a full and complete statement of its reasons
14 and the basis for what it's proposing here, and so I
15 just want to make sure that you confirm for the record
16 that what the Postal Service submitted in support of
17 the network consolidation plan is a full and
18 complete --

19 MR. TIDWELL: Objection, Madam Chairman. It
20 calls for a legal conclusion as to whether or not the
21 filing is compliant to the Commission's rules. It
22 doesn't call for a statement of fact.

23 MR. ANDERSON: I think the rule is stated in
24 laymen's terms. Either it's a full and complete
25 statement of the reasons and the basis for --

1 MR. TIDWELL: It uses laymen's words, but it
2 still requires a statement of a legal conclusion, and
3 that's a judgment for the Commission to make.

4 MR. ANDERSON: Okay. Let me ask. May I
5 rephrase it, Madam Chairman?

6 CHAIRMAN GOLDWAY: I think you better
7 rephrase it.

8 MR. ANDERSON: Okay. Let me rephrase that
9 question.

10 BY MR. ANDERSON:

11 Q In retrospect, Mr. Williams, given all the
12 questions that you've been asked about the Postal
13 Service's proposal here, is there something else that
14 you'd like to submit in support of this proposal, or
15 do you think that you have submitted everything that
16 the Postal Service wishes to submit in support of its
17 proposal?

18 MR. TIDWELL: Objection, Madam Chairman.
19 What the Postal Service may choose to submit in
20 support of this proposal during the course of this
21 docket is a matter of litigation strategy. It's not a
22 fact question to be put to an operations policy
23 witness.

24 MR. ANDERSON: Of course it's a fact
25 question, if I may say. May I respond, Madam

1 Chairman? This is a policy witness. I mean, one
2 problem we have in this case, quite frankly, as Mr.
3 Williams candidly testified, he has very major
4 responsibilities in charge of Network Operations.
5 That's his responsibility.

6 The Postal Service has utterly failed,
7 frankly, to submit a policy witness of sufficient
8 scope to answer all the necessary questions, so Mr.
9 Tidwell has a point with regard to the scope of Mr.
10 Williams' testimony and the scope of his
11 responsibilities, but there's somebody at the Postal
12 Service who can answer these questions. He may not be
13 here today, he or she, but there is.

14 So these are perfectly appropriate questions
15 for the Postal Service to answer. It's just that they
16 don't choose to answer them for the Commission. So I
17 would just ask the witness since he is the policy
18 witness do the best he can. If he says I don't know,
19 that's fine. That's his answer. Or if he says gosh,
20 that's above my pay grade, he might say that too, or
21 that's another vice president's responsibility, not
22 mine. But I don't know or we don't know whether this
23 is everything we want to submit is not an okay answer.

24 CHAIRMAN GOLDWAY: I think we'll let the
25 question stand and see if the witness can answer it.

1 BY MR. ANDERSON:

2 Q Mr. Williams, is there anything else that
3 you wish to submit in support of this network
4 consolidation plan, or do you think the Postal Service
5 has submitted everything that at this stage in this
6 case at least it knows it wants to submit?

7 A At this stage in the case, I believe we have
8 submitted everything that we need to submit.

9 Q With regard to this project, Mr. Williams,
10 who do you report to?

11 A I report to the Chief Operating Officer,
12 Megan Brennan.

13 Q Another topic that I'm still puzzled about
14 is when the Postal Service will implement the service
15 standard changes that are necessitated by this network
16 consolidation. I know there are a number of
17 interrogatories that touch on that subject, and having
18 looked at them as recently as last night I'm still in
19 doubt.

20 I know that you've said things like they're
21 interrelated, that the service standard changes and
22 the network consolidation implementation are
23 interrelated, but to cut right to the heart of it will
24 the Postal Service change service standards before the
25 network consolidation takes place?

1 A The network consolidation is dependent on a
2 change in service standards. The Postal Service has
3 to change the service standards in order to effect the
4 implementation of the network rationalization.

5 Q So that's a yes, that the order of
6 proceeding here is that the service standards will be
7 changed and then the mail processing network
8 consolidations will go forward?

9 A Yes.

10 Q And do you know when the Postal Service will
11 implement those service standard changes?

12 A It is the goal of the Postal Service to file
13 a final ruling in the *Federal Register* in the mid
14 April timeframe.

15 Q And do you know what that final ruling will
16 pronounce with regard to the timing of the service
17 standard changes?

18 A No, not yet. That final rule has not been
19 completed, and in that final rule there will be the
20 implementation date included in the final rule.

21 Q And are you participating in that process of
22 determining when the service standard changes will be
23 implemented, sir?

24 A Yes.

25 Q Are you in charge of that effort?

1 A I am a main advisor in that effort.

2 Q And who would be in charge of that effort?

3 A Certainly the Executive Leadership Team at
4 the Postal Service, the Postmaster General and the
5 Board of Governors.

6 Q Is Megan Brennan also part of the Executive
7 Leadership Team?

8 A She is.

9 Q Has a decision been made to go forward with
10 the service standard changes before the completion of
11 the Commission's work in this case?

12 A The decision will be published in mid April.
13 The final ruling will be published. It's our
14 expectation and our goal to publish the final rule in
15 mid April.

16 Q But has a decision been made that the
17 service standard changes can be made and as a policy
18 matter will be made despite the fact that the
19 Commission will not have completed its work in this
20 case?

21 MR. TIDWELL: Objection to the question in
22 part, Madam Chairman. Michael Tidwell on behalf of
23 the Postal Service.

24 The question of whether or not the service
25 standard changes can be made in advance of the

1 issuance of an advisory opinion is a question that
2 calls for the statement of a legal conclusion, and we
3 would object to that portion of the question.

4 MR. ANDERSON: I'll rephrase the question.

5 CHAIRMAN GOLDWAY: That's fine. Rephrase
6 it, please.

7 MR. ANDERSON: Certainly. Thank you, Madam
8 Chairman.

9 BY MR. ANDERSON:

10 Q Mr. Williams, has a decision been made by
11 the Postal Service whether or not to go forward with
12 implementing service standard changes before the
13 Commission finishes its work in this case?

14 A Has a firm decision been made? No. It's
15 our goal and it's a goal to publish a final rule in
16 mid April.

17 Q And I infer from that that means that the
18 service standard changes would take effect before the
19 Commission will have an opportunity to complete its
20 work in this case. Is that a fair inference?

21 A That is a fair inference.

22 Q If the service standard changes are made and
23 then the Commission issues an advisory opinion in this
24 case advising the Postal Service not to do this, that
25 it is not worth the candle, if you understand what I

1 mean by that phrase; that it's too costly in terms of
2 service standards and perhaps lost mail volume to the
3 Postal Service.

4 If that's the decision and recommendation of
5 the Commission, will the Postal Service be in a
6 position to undo the service standard changes at that
7 point?

8 A If there's a compelling reason in any
9 advisory opinion of the Commission that would cause us
10 to change course after we've published a final rule
11 and changed service standards, certainly the Postal
12 Service could change position and reverse any
13 operational changes down the road.

14 Q So if I understand you correctly,
15 hypothetically the service standard changes could take
16 effect say May 15 if the Postal Service announces its
17 final decision on service standards and the changes
18 take effect May 15 hypothetically. I'm not asking you
19 to say. I know that that decision hasn't been made
20 for sure, but just hypothetically it happens May 15,
21 and then the Commission issues its decision in this
22 case let's say September 15, four months or so.

23 It's my understanding that when the service
24 standard changes are made that a large number of very
25 large mailers will have to make changes to their

1 operations in order to be able to continue to do
2 business as they wish. Isn't that correct?

3 A Yes.

4 Q Could you give -- well, never mind. You've
5 answered it. I mean, it's in the record already what
6 some of those major changes are.

7 Knowing what you know about how postal
8 operations work and how dependent mailers are on
9 timely delivery of their mail, isn't it fair to assume
10 that the mailers are going to have to make efforts to
11 change their operations around very promptly in
12 response to the service standard changes that in my
13 hypothetical take effect in May?

14 A Yes. There would be some changes. Mailer
15 behaviors would change to synchronize their operations
16 for this new operating environment.

17 Q And then if the Postal Service were to
18 change back again hypothetically, say the Commission's
19 decision comes out in September, mid September. The
20 Postal Service is not likely to turn on a dime. I
21 think that you'll agree with me on that. You don't
22 even have to answer that question.

23 So let's say it takes the Postal Service
24 three months to reverse itself, so let's say
25 January 15. Three or four months. So from May to

1 hypothetically January there would be a different set
2 of service standards that all the mailers who care
3 about the timely delivery of their mail would have to
4 comply with, and then in my hypothetical they would
5 then have to undo all those changes after seven
6 months.

7 A Yes, but this isn't a network that's going
8 to turn on a dime. If you could imagine a light
9 switch, this isn't something that we're going to turn
10 off and on a light switch and the network completely
11 changes.

12 You think of a slow light dimmer as opposed
13 to an on and off light switch. You know, the network
14 changes will occur over time, and it will be dependent
15 on a number of issues. We've got facilities that will
16 need facility modifications. We're going to be moving
17 equipment. We're going to be changing transportation.
18 We're going to be moving mail through labeling lists.

19 So those key things in a timeline don't
20 occur overnight, so we're not going to have in your
21 hypothetical situation of May 15 to have a completely
22 different network turned on and off by the flick of a
23 light switch.

24 Q So the Postal Service and the mailers,
25 starting on or about May 15, would begin the process

1 of transitioning to the new service standards?

2 A In your hypothetical situation of a May 15
3 activation date, yes.

4 Q And with regard to I think you'll agree with
5 me that while the consolidation of the mail processing
6 operations, that is the movement of the equipment and
7 the transfer of employees, that is something, as you
8 say, that's more like a dimmer switch than a light
9 switch that turns on and off instantly; that the
10 service standard change itself is something the Postal
11 Service can implement rather quickly.

12 A Yes. It's our intent to change service
13 standards on one day, so the service standards would
14 change on one day across the country and then those
15 activities that would need to take place primarily
16 around facility modifications, equipment changes,
17 transportation changes, mail movement, people
18 movement, those major operational changes would start
19 to take place across the network.

20 But again, it's not something that a flip of
21 a switch that we're going to be able to do. It will
22 take some time.

23 Q No, but the service standard changes is the
24 light switch. That's going to be a flick of the
25 switch.

1 A That's true.

2 Q And the mailers who care about the prompt
3 and timely delivery of their mail are going to have to
4 begin rather rapidly to adjust to that switch being
5 thrown. Isn't that correct?

6 A That's true.

7 Q Another topic on which I'm pretty unclear
8 about, even though we and other Intervenors have asked
9 questions about it, is how much consideration the
10 Postal Service gave to the fact that it is making not
11 only this change, but a number of other changes more
12 or less contemporaneously.

13 I know you're aware of the things I'm
14 referring to. It's not just network consolidation,
15 but it's the proposal to drop Saturday delivery and to
16 close post offices and also to raise rates in the
17 exigency case. I mean, all these things are going on
18 contemporaneously.

19 We asked you several different ways whether
20 you were aware of anybody having the responsibility
21 for judging the combined impact of those things, and
22 you answered that you were not aware of anybody having
23 that responsibility. I appreciate those answers, and
24 I know that you answered honestly. Don't get me
25 wrong. I'm not suggesting for a minute that you

1 didn't.

2 But I want to push that just slightly one
3 more notch differently because it seems to us that
4 somebody out there was giving some thought to this,
5 and it never occurred to us to ask whether there was a
6 study being done that was not published and used by
7 the Postal Service, so let me ask you that question.
8 I don't think we've asked that yet quite.

9 Were you aware, and you may have become
10 aware at some point so let me ask you whether you're
11 aware now. We can go back if need be. Are you aware
12 now that the Postal Service was doing a study that
13 would evaluate the combined impact of multiple and
14 simultaneous initiatives?

15 MR. TIDWELL: Counsel, for clarity of the
16 record could you describe or identify the study?

17 MR. ANDERSON: Yes. I'd like to do that.
18 In fact, I was going to try to refresh the witness'
19 recollection on it.

20 If I may approach? I have Library Reference
21 70, and I'd like to show the witness Library Reference
22 70 and see if that jogs his recollection.

23 CHAIRMAN GOLDWAY: That's fine with me.
24 Please approach the witness.

25 MR. ANDERSON: Thank you.

1 (Pause.)

2 MR. ANDERSON: I have copies for the
3 Commission.

4 CHAIRMAN GOLDWAY: Thank you.

5 MR. ANDERSON: Mr. Tidwell, may I present a
6 copy to you?

7 MR. TIDWELL: Thank you.

8 MR. ANDERSON: I would like the record to
9 show that I've handed Mr. Williams Library Reference
10 70, which has a preface of one page and then beyond
11 that are four additional documents, one of which
12 appears to be an order -- it's labeled Order,
13 Solicitation, Offer and Award -- and then three of
14 them are questionnaires.

15 One is a consumer questionnaire, one is a
16 small and home-based business questionnaire, and one
17 is a large commercial accounts questionnaire, and
18 these are each labeled, and I realize this is complete
19 hearsay at this point, Final, although this is
20 submitted by the Postal Service. So these are
21 questionnaires directed to those purposes, and then
22 there is this contract.

23 BY MR. ANDERSON:

24 Q So, Mr. Williams, let me ask you. Sitting
25 here today, until this moment, prior to this moment,

1 were you aware of this contract, sir?

2 A I was aware that we were conducting market
3 research. My understanding was the market research
4 was research that was intended to qualitative and
5 quantitatively provide impact from network
6 rationalization.

7 Q And if I were to tell you that this research
8 goes beyond that and that it was generating data about
9 the combined effect of more than the network
10 consolidation, is that something that you were
11 familiar with?

12 A I was not. I'm not familiar with the
13 construct of the market research or the questions that
14 were asked or even the contract.

15 Q I understand. All right.

16 A This is the first time I've seen this.

17 Q Okay. Thank you, sir. This contract, at
18 least on the face of this document, would appear to
19 have cost or was going to cost the Postal Service more
20 than \$680,000. That's a pretty substantial contract.

21 Can you just tell me at what level of the
22 Postal Service someone would have to have authority to
23 authorize a contract of this size?

24 MR. TIDWELL: Madam Chairman, the Postal
25 Service is going to object. The witness has indicated

1 that he's not familiar with the contract. He saw the
2 contract document for the first time today; that this
3 is something that's not within his purview as the
4 manager of Network Operations.

5 I don't know what we can expect this witness
6 to tell us about the substance and the background
7 behind this contract. There are other witnesses who
8 are market research experts who are appearing tomorrow
9 who it seems to me would be more appropriate targets
10 for inquiry about these documents, both about the
11 background and the substance.

12 MR. ANDERSON: May I respond, Madam
13 Chairman?

14 CHAIRMAN GOLDWAY: Yes, you may respond.

15 MR. ANDERSON: Briefly, and I won't prolong
16 this, would the Postal Service proffer a witness to
17 sponsor this exhibit?

18 MR. TIDWELL: No.

19 MR. ANDERSON: This library reference.

20 MR. TIDWELL: No.

21 MR. ANDERSON: It won't. Well, may I just
22 ask the question that I tried to ask then, which is at
23 what level would --

24 CHAIRMAN GOLDWAY: Why don't you ask as many
25 questions, and the witness will tell you what he

1 knows. If he doesn't know very much, he will say so.

2 MR. ANDERSON: Thank you, Madam Chairman.

3 BY MR. ANDERSON:

4 Q Mr. Williams, given that this contract was
5 more than \$860,000, would someone at your level of the
6 organization have authority to authorize a contract of
7 that magnitude?

8 A I'm not aware of the purchasing limits that
9 other vice presidents or other executives outside of
10 my organization would have.

11 Q And what about yourself? Do you have
12 that --

13 A I would have that authorization.

14 Q So it could have been somebody at the vice
15 presidential level?

16 A It could have been.

17 Q Okay. Thank you, sir. Mr. Williams, you
18 testified in interrogatory responses, I believe, that
19 it was your impression from reviewing post
20 implementation reviews done of AMPs that they tended
21 to show savings larger than the AMPs predicted. Is
22 that a fair summary of what you said?

23 A I don't know. Did I use the word tended?
24 The vast majority of the post implementation reviews
25 were well above the initial estimates that were

1 presented in the AMP business case.

2 Q In one of your interrogatory responses you
3 actually attached a number of I think they were PIRs,
4 but they showed the audited savings from AMPs. Do you
5 recall that response?

6 A Yes. Can you point me to that
7 interrogatory?

8 MR. ANDERSON: I certainly can, though let's
9 move on. I'll go back and look. I will take a look
10 at that, and we'll let the Commission know whether we
11 agree with you.

12 But I do want to bring to your attention a
13 report, an audit report by the Inspector General. I
14 don't think I need to make this an exhibit. It may be
15 in the record someplace. This is the audit report
16 dated January 9, 2012.

17 If I may show the witness just for purposes
18 of cross-examination to refresh his recollection about
19 this document? I'd like to ask him a question or two
20 about it.

21 CHAIRMAN GOLDWAY: Yes, you may. You may do
22 so.

23 THE WITNESS: Thank you.

24 BY MR. ANDERSON:

25 Q Are you familiar with this report, Mr.

Heritage Reporting Corporation
(202) 628-4888

1 Williams, or have you seen it before?

2 A Yes, I have.

3 Q Okay. I'd just like to direct your
4 attention to the Highlights section here, which would
5 be page 2 of this document. It shows a very large
6 variance between the AMPs and the savings that they
7 found, the Inspector General found, finding much
8 greater savings.

9 But then he states, and I'm looking at the
10 bottom of the first column on the left and the top of
11 the next column. It says a variance of over \$229
12 million occurred because concurrent initiative savings
13 were included with AMP consolidation savings. Do you
14 recall having seen that statement before, Mr.
15 Williams?

16 A Yes.

17 Q Do you disagree with that statement?

18 A I do not disagree with that statement.

19 Q Mr. Williams, I know you were involved in
20 negotiations with the American Postal Workers Union
21 concerning what became the 2010 national agreement.
22 Isn't that correct?

23 A I was involved. That's correct.

24 Q And so I know for that reason and because of
25 your operations responsibilities you're very familiar

1 with some of the changes at least that were made
2 insofar as they affect mail processing operations, the
3 changes that were made by that 2010 national
4 agreement. Isn't that correct?

5 A I wouldn't describe myself as an expert on
6 the contract.

7 Q I understand that, but I think you probably
8 did focus pretty clearly on the issue of flexibility
9 and wage costs. Isn't that correct?

10 A Primarily around flexibility.

11 Q Okay. And you know what I mean by a postal
12 support employee or PSE in the --

13 A PSE, yes.

14 Q Okay. And a PSE is an employee who is not a
15 career employee, has lower wages than career
16 employees, has no retirement benefits and has no fixed
17 schedule. Isn't that correct?

18 A That's correct.

19 Q And isn't it also correct that the American
20 Postal Workers Union agreed that in mail processing
21 operations the Postal Service could employ up to 20
22 percent of its workforce in the form of postal support
23 employees?

24 A There's also a provision that allows mail
25 processing to borrow from the what we call Function 4

1 post office clerks, borrow from their allocation of 20
2 percent, so the percentage in mail processing
3 operations could be much higher than 20 percent.

4 Q So that in terms of peaks and valleys of
5 mail processing, isn't it a fair statement that this
6 agreement, this 2010 national agreement by the
7 American Postal Workers Union, provided very
8 substantial accommodation to the Postal Service and
9 made it much more possible for them to staff for peaks
10 and valleys of mail processing without incurring
11 overtime costs or other unnecessary costs?

12 A I wouldn't describe it as without incurring
13 overtime cost. Certainly the added flexibility allows
14 us to staff operations more efficiently, but to
15 describe it as eliminating overtime I would not. I
16 would not agree with that statement.

17 Q I didn't mean to suggest it would eliminate
18 overtime, but it certainly makes overtime less
19 necessary than before. Isn't that correct?

20 A We have the ability to with the increased
21 flexibility versus past contractual periods with the
22 20 percent PSEs to handle peaks and valleys much more
23 efficiently.

24 Q And do you recall, as I think I do, that the
25 parties signed their agreement in May of 2011?

1 A It was in the summer. I'm not sure about
2 what date.

3 Q Thereabouts. And so going to 20 percent of
4 PSEs, that was a very substantial increase. Isn't
5 that correct?

6 A Yes.

7 Q And so the implementation of those savings
8 from the PSEs began in early summer, if we will, of
9 2011 and is ongoing. They're still being implemented.
10 Isn't that correct?

11 A That is correct.

12 Q Now, I will represent to you that the
13 Postmaster General testified in the House of
14 Representatives in I believe April about the tentative
15 agreement, which was then pending ratification, that
16 it would save the Postal Service \$3.7 billion. Did
17 you help the Postmaster develop that number, Mr.
18 Williams?

19 A No, I did not.

20 Q You don't disagree with him, do you?

21 A I'd have to look at the testimony. I've
22 heard \$3.7. If you could point me to his testimony,
23 I'd like to review it.

24 Q I don't have it with me today. I just
25 wanted to see if you were familiar with it. We'll

1 submit it for the record at a later time perhaps
2 through our own witness.

3 Now, recognizing that you don't have that
4 number in front of you, Mr. Williams, but accept
5 hypothetically that the number the Postmaster General
6 estimated is \$3.7 billion. Some portion of that would
7 be attributable to mail processing operations?

8 A Yes.

9 Q And as the AMPs that are the subject of this
10 proceeding are being implemented and if PIRs are done
11 and if those AMPs span the change that I just
12 described from pre 2010 national agreement to post
13 2010 national agreement, the PIRs are going to capture
14 apparent savings that are attributable to the APWU
15 national agreement. Isn't that correct?

16 A That is correct, and the APWU national
17 agreement, given its flexibility, would allow us to
18 achieve the savings that are outlined in the testimony
19 of Dr. Bradley and Witness Smith.

20 Because of that flexibility around PSEs and
21 other flexibilities that were negotiated in the
22 contract, implementing the operating plan change that
23 we are proposing would allow us to capture those
24 savings.

25 Q But the savings could be achieved as well,

1 couldn't they, Mr. Williams, without implementing the
2 network consolidation because you could employ 20
3 percent of the workforce, the mail processing
4 workforce, as lower wage employees without retirement
5 benefits and with more flexibility?

6 A Well, to the extent that we change our
7 operating model, the fundamental change in our
8 operating model that allows us to fully utilize our
9 equipment and reduce the equipment set, reduce the
10 square footage, long-term that same flexibility would
11 still allow us to achieve the savings that are
12 outlined in our case.

13 MR. ANDERSON: I know you're disappointed I
14 didn't ask you those questions, but I appreciate your
15 answer anyway, sir. Thank you very much for your
16 testimony today. That's all I have.

17 THE WITNESS: Thank you.

18 CHAIRMAN GOLDWAY: That's all you have?
19 Okay. The next participant who wishes to cross-
20 examine is Mr. Stover from the Greeting Card
21 Association. Is he here today?

22 (Pause.)

23 MR. STOVER: Thank you, Madam Chairman.

24 //

25 //

1 CROSS-EXAMINATION

2 BY MR. STOVER:

3 Q Mr. Williams, good morning. I am David
4 Stover representing the Greeting Card Association, and
5 we thank you for your answers to our questions. Would
6 you start by going to one of them, your answer to
7 GCA/USPS-T1-3, which should be in your packet?

8 We asked in that question whether the Postal
9 Service had considered the cumulative impact on single
10 piece first class entry of a list of Postal Service
11 initiatives, and you said it had not.

12 MR. TIDWELL: Just for clarification, the
13 question asked the witness if he had considered the
14 cumulative effect.

15 MR. STOVER: I beg your pardon. Mr. Tidwell
16 is right. It's whether Mr. Williams had considered it
17 in preparing his testimony.

18 CHAIRMAN GOLDWAY: Is this GCA/USPS-T1 --

19 MR. STOVER: This is USPS-T1-3 is the
20 interrogatory in question.

21 CHAIRMAN GOLDWAY: Okay. Thank you.

22 BY MR. STOVER:

23 Q Mr. Williams, is it the Postal Service's
24 view, to your knowledge, that obstacles to entry of
25 mail are likely to have a depressing effect on volume

1 where that mail in question is subject to competition
2 from the internet?

3 MR. TIDWELL: Objection, Madam Chairman.
4 Mr. Williams is an operations witness. We had a
5 witness who presented testimony, whose testimony was
6 entered into evidence earlier today, Mr. Masse, who
7 addressed the impact of the internet on postal volumes
8 historically. It's a subject that's outside the scope
9 of Mr. Williams' testimony.

10 MR. STOVER: Madam Chairman, I am not asking
11 about the impact of the internet on mail volume. I am
12 asking if Mr. Williams as a senior Postal Service
13 executive is aware of a view held in the Postal
14 Service that obstacles to entry of mail depress volume
15 for that mail and if that is particularly true where
16 the mail is subject to internet competition.

17 I had assumed in preparing for cross-
18 examination that as the head of Network Operations Mr.
19 Williams would have a role in deciding just how hard
20 or easy it would be for different kinds of mailers to
21 enter their mail into the system, and I was wondering
22 if he has a view -- he or the Postal Service to his
23 knowledge has a view -- as to the effect of
24 difficulties of that kind on mail volume.

25 CHAIRMAN GOLDWAY: I think that's a fair

1 question.

2 THE WITNESS: I do have a view around that.
3 Our business mail entry units are an important source
4 of revenue and volumes entering into our operating
5 network. Collection boxes is an important avenue of
6 mail being collected from the general public and
7 consolidated at delivery units and transported into
8 our mail processing facilities.

9 So I do have a view. What we have decided
10 in this case as we looked at consolidation
11 opportunities was that we would keep our business mail
12 entry units in the locations that we would consolidate
13 and/or eliminate mail processing functions from one
14 facility.

15 If we decided that we needed to dispose of
16 the facility asset where we needed to move out of a
17 facility that would have its mail processing
18 operations removed from that we would locate those
19 business mail entry unit operations in very close
20 proximity. So the Postal Service and I recognize that
21 the manner in which revenue and volumes enter our
22 system are very important, so we made that decision
23 based on that view.

24 From a collection box standpoint we insisted
25 that we did not change collection box times, that we

1 did not remove collection boxes as a result of this
2 rationalization effort. Retail operations was another
3 key component of consideration as I reviewed and
4 approved our area mail processing plans. We did not
5 restrict retail access. If we have to move a retail
6 unit from a plant to dispose of the asset then that
7 retail operation would be located in very close
8 proximity.

9 So I do have a view and I do understand the
10 importance of access to mail volume and to the receipt
11 of revenues and volumes into our mail processing
12 network.

13 CHAIRMAN GOLDWAY: When you are considering
14 retail access were you factoring in the reduction in
15 retail units that the Postal Service is proposing, or
16 were you presuming the same number?

17 THE WITNESS: No. When I was reviewing the
18 impact of retail specifically to this rationalization
19 effort it was those retail operations that were
20 located in plants or mail processing facilities, so it
21 was not a view towards the retail optimization effort
22 of the Postal Service. It was restricted to those
23 retail units that would be impacted by this
24 rationalization effort.

25 CHAIRMAN GOLDWAY: And your plan was to keep

1 some retail access even if you closed those plants?

2 THE WITNESS: We would not change retail
3 hours, and if we had to change the location of the
4 retail that was located in a processing plant that
5 that retail would be located in very close proximity
6 to where it is today.

7 CHAIRMAN GOLDWAY: But you aren't thinking
8 about the fact that that retail plant might be
9 designated for closure through the other plans or that
10 retail units surrounding that plant may be designated
11 for closure and that retail plant needed to have a
12 certain size and --

13 THE WITNESS: No.

14 CHAIRMAN GOLDWAY: You weren't aware of
15 those or you weren't factoring in those --

16 THE WITNESS: Right. The retail
17 optimization effort, the effort by which the Postal
18 Service is evaluating retail access. Other than the
19 retail operations located in the plants that we were
20 considering to close, we did not consider other retail
21 operations or units.

22 CHAIRMAN GOLDWAY: Thank you. Sorry to
23 interrupt.

24 BY MR. STOVER:

25 Q Mr. Williams, I probably should know this,

1 and I apologize for not knowing it. Do the data
2 collection boxes fall under your jurisdiction as head
3 of Network Operations?

4 A No, they do not.

5 Q Where do they fall?

6 A The vice president of Delivery and Post
7 Office Operations, Dean Granholm.

8 Q And would the same be true for just a
9 freestanding retail facility?

10 A Correct.

11 Q Thank you. Let's stick with that
12 Interrogatory No. 3 for a moment and go down to Part B
13 of it, and also if you have your testimony there
14 there's a footnote, which is on page 16 of the
15 testimony and a reference on page 16.

16 You have stated that only a relatively small
17 percentage of single piece first class mail is entered
18 into the system at a retail counter or collection box
19 located at a P&DC. Do you have that reference?

20 A Yes.

21 Q Can you give us an idea of what that small
22 percentage is?

23 A I don't have and I don't believe the Postal
24 Service has data on the exact percentage, but
25 typically in front of a mail processing plant there's

1 typically a collection box that's located right out
2 front of a processing and distribution center or
3 facility.

4 So in the scheme of things, even if there
5 were two boxes that would be -- if we have 461 plants,
6 that would be less than 1,000 collection boxes across
7 the network.

8 Q And you don't have data on the proportion of
9 volume that comes in through those boxes?

10 A I have never seen data.

11 Q Again, I'm sorry because you've just told me
12 this is not your department, but do you have in your
13 library of miscellaneous information the number of
14 blue boxes that there are in existence today?

15 A I do not --

16 Q Okay.

17 A -- have it off the top of my head.

18 Q We'll try and look it up. Thank you, Mr.
19 Williams.

20 Let's go now to the fourth interrogatory,
21 GCA/USPS-T1-4, and also if you could go to page 19 of
22 your testimony? This is just a clarification. You
23 say in answering the interrogatory in the second
24 paragraph:

25 "In some instances later acceptance/

1 dispatch times could be allowed by local management
2 based on the additional separations created if that
3 mail can still meet the service standards."

4 A Can you point me to the line in the
5 testimony?

6 Q No. I'm reading from the interrogatory
7 answer now. I beg your pardon.

8 Now if you would, let's go to page 19 of the
9 testimony. Are the later acceptance times that you
10 mentioned in answering the interrogatory, the 8 a.m.
11 and 12:00 noon that are referenced down below the
12 bottom of page 19 --

13 A So you're looking at line 18?

14 Q Yes, and down to the bottom of the page, the
15 very end where you mention 12:00 noon for --

16 A Okay. Yes.

17 Q When you refer in your interrogatory
18 response to later acceptance times are you referring
19 to the 8 a.m. and 12:00 noon that are mentioned in the
20 testimony?

21 A I'm sorry. Could you ask that question one
22 more time?

23 Q In the interrogatory you say that in some
24 instances later acceptance or dispatch times could be
25 allowed by local management based on additional

1 separations made by the mailer, and then you describe
2 on page 19 how to get overnight service a mailer could
3 enter mail by 8 a.m. or 12:00 if it's I guess five
4 digit or certain other.

5 Are those later acceptance times that you
6 mention in your testimony the 8 a.m. and 12:00 noon
7 that are referred to in the testimony?

8 A That are referred to in the interrogatory?

9 Q Right.

10 A Interrogatory T1-4?

11 Q Yes. Let me back up a minute. What I'm
12 trying to understand, one thing I'm trying to
13 understand, is whether when you testify on page 19
14 that mail could in some instances get overnight
15 delivery if it's entered by 8 a.m. or 12:00 noon.

16 A Okay. Yes.

17 Q Is that advantage, that treatment, available
18 via the allowance by local management based upon
19 additional separations?

20 A Yes. We do have a process called customer
21 supplier agreements.

22 Q Yes.

23 A Okay. I think that's what's being referred
24 to in Interrogatory GCA-T1-4.

25 Q Right. Okay.

1 A So that's where we provided the guide where
2 it was on the website, the guide to customer supplier
3 agreements at that link.

4 Q Okay.

5 A Today we use customer supplier agreements to
6 allow later entry of volumes into our network. For
7 example, if a mailer makes up a container where we can
8 cross docket right to an airline that operation
9 typically occurs much later in the evening and
10 therefore we can accept that volume under certain
11 conditions for a later entry because we are bypassing
12 certain operational steps.

13 I believe what you may be asking is this
14 8:00 and 12 p.m. What we have done is because 8:00 in
15 the morning is early in the morning relative to
16 critical entry times as they're defined today for
17 overnight delivery, properly prepared containerized
18 volumes at the five digit level or the five digit
19 scheme level where we can take that container and roll
20 it across the dock right to a machine that's
21 processing delivery point sequencing, we can do that.

22 And that's the containerization level
23 requirement that would be required for volumes, first
24 class mail, presorted, properly prepared and
25 containerized, if they are entered in by noon that

1 would bypass operational steps where we could take
2 that container right to a machine.

3 Because in this operating model we're
4 starting our delivery point sequencing process at noon
5 so if it's properly containerized and prepared such
6 that we can take that container right to the machine
7 that's starting delivery point sequencing and in this
8 operating model that we've defined it starts at noon
9 so we can take that right to the machine and start
10 processing it.

11 Because it's containerized, because it's
12 sorted to the five digit or a five digit scheme level,
13 we don't have to do anything operationally to that
14 volume. That's why we're able to take it up as late
15 as noon.

16 Q So that if Dr. Clifton and I were to set up
17 a presort bureau and we collected single piece mail
18 from office buildings, if we could get it in
19 containerized and sorted to five digits we could enter
20 it perhaps by noon and get overnight service?

21 A If it's presorted, properly prepared,
22 containerized at the five digit or the five digit
23 scheme level. The five digit scheme level is the
24 level by which we combine several five digit zones
25 under one sort program where we run more than one zone

1 on a sort program at the same time.

2 If it's properly prepared, presorted for
3 that destination plant service area, entered by noon,
4 we would take that volume right to a machine and
5 because it's entered by noon, presorted, properly
6 prepared, we would have an overnight service standard
7 for that volume.

8 MR. STOVER: Thank you.

9 CHAIRMAN GOLDWAY: What's the current
10 critical entry time for such processed mail?

11 THE WITNESS: For destination entered?
12 There is no destination entered first class mail
13 critical entry time in that manner for a destination
14 plant service area. Typically we start those
15 operations, delivery point sequencing operations,
16 around 11:30 at night to 6:00 or 7:00 in the morning.

17 CHAIRMAN GOLDWAY: So the mailer could bring
18 that mail in any time during the day and get overnight
19 delivery?

20 THE WITNESS: No. They would drop that mail
21 in accordance with our critical entry times for first
22 class mail, whether it's origin entered or for that
23 destination, SCF.

24 CHAIRMAN GOLDWAY: What is the current
25 critical entry time?

1 THE WITNESS: I believe it is 1800.

2 CHAIRMAN GOLDWAY: 6 p.m.?

3 THE WITNESS: 6 p.m.

4 CHAIRMAN GOLDWAY: So this proposal for
5 overnight delivery adds another 12 hours to the day if
6 you're going to get it in at 8 a.m. instead of 6 p.m.
7 and get overnight delivery? You have I guess it's 10
8 hours. You have an additional 10 hours of time to
9 handle that for overnight delivery --

10 THE WITNESS: Yes.

11 CHAIRMAN GOLDWAY: -- and the mailer has 10
12 fewer hours to get it to you for overnight delivery.

13 THE WITNESS: Yes.

14 CHAIRMAN GOLDWAY: So even overnight
15 delivery under the new scheme is closer to a half a
16 day different from the overnight delivery that now
17 exists?

18 THE WITNESS: Right. Well, if you think
19 about this whole concept it's all about if you go into
20 any one of our plants today at this hour we've got
21 about 6,000 -- it's just under 6,000 -- delivery
22 barcode sorters. The vast majority of those machines
23 are sitting on the workroom floor and they're not
24 doing anything. They're just sitting there.

25 Those machines were purchased to process

1 delivery point sequencing volumes, and that operation
2 typically starts let's say 11:30 at night. Some
3 plants it's midnight. It goes to 6:00 to 7:00 in the
4 morning. It's that idle time in terms of mail
5 processing equipment for delivery point sequencing
6 that we need to address. Those machines take up a lot
7 of square feet. Those machines are sitting idle.

8 The concept of this network change is to get
9 a full operating use of that equipment, so instead of
10 a six hour -- five to six hour -- operating window on
11 about 6,000 machines, we want to get to a 20 to 16
12 hour operating window. So instead of starting
13 delivery point sequencing at 11 p.m. we're going to
14 start at noon and go until about 4:00 in the morning.

15 And so it's that lengthening of the
16 operating window of that equipment which drives a
17 significant reduction in the number of pieces of
18 equipment that we need and therefore the number of
19 square feet that we need, which allows us to reduce a
20 lot of this fixed overhead that we've got in our
21 network in response to a significant decline of first
22 class mail. If you think about when --

23 CHAIRMAN GOLDWAY: I understand that, Mr.
24 Williams. I was just asking about the service
25 standard impact on this.

1 THE WITNESS: Yes. It all goes to the
2 operating window of our delivery barcode sorters for
3 DPS.

4 CHAIRMAN GOLDWAY: And I just wanted to
5 clarify the question from the GCA. In the answer on
6 T1-4 wherein you say in some instances later
7 acceptance and dispatch times, is that later than
8 noon?

9 THE WITNESS: T1? I'm sorry. I flipped it
10 back over.

11 CHAIRMAN GOLDWAY: Dash 4.

12 THE WITNESS: Yes. We've got guidelines by
13 which customer supplier agreements could be
14 constructed that would allow -- could allow -- later
15 entry of volumes that in the preparation of those
16 volumes if they took our operational steps or time
17 within our process that would allow us to accept later
18 entry and still achieve the service standards. The
19 customer supplier agreement is the vehicle to do that.

20 CHAIRMAN GOLDWAY: So it is possible for
21 some large mailers that they could deliver their mail
22 after noon?

23 THE WITNESS: Under certain conditions that
24 would still satisfy the achievement of service
25 standards.

1 CHAIRMAN GOLDWAY: I think that was the
2 question that GCA was trying to distinguish between
3 the two.

4 MR. STOVER: Thank you, Madam Chairman.
5 Would you like to ask the rest of my question?

6 CHAIRMAN GOLDWAY: I don't know what they
7 are, but if --

8 MR. STOVER: You do it better than I do.

9 MALE VOICE: I'll take care of redirect.

10 CHAIRMAN GOLDWAY: Sorry. I apologize.
11 I'll try to be better.

12 BY MR. STOVER:

13 Q Let's turn from the engineering questions to
14 something I understand, Mr. Williams. I'm going to
15 ask you to turn now in your packet to APWU/USPS-T1-9.

16 The predicate for the question is that, as
17 I'm sure you know, the postal community has been
18 looking with interest and hearing with interest about
19 a legislative proposal which we are told has been
20 forwarded by the Postal Service to Capitol Hill which,
21 among other things, entails the possibility of some
22 substantial rate increases.

23 I would like you just to look at APWU-T1-9
24 and add that legislative initiative to the list of
25 things mentioned in Part A and answer the question

1 again on that basis.

2 A In Question A of T1-9?

3 Q T1-9-A. It asks whether you have in your
4 official capacity considered a relationship between
5 service changes and rate increases, and I just would
6 like you to add this legislative initiative to the end
7 of the list and answer the question again with that
8 change.

9 A I'm not in government relations. That's not
10 my area of expertise. I'm an operations guy. This is
11 an operations change, and I have not considered any
12 legislative -- what Congress may or may not do. I
13 can't speculate and I've got no control over what
14 Congress may or may not do, so I would answer no to
15 Question A.

16 MR. STOVER: All right. Madam Chairman, I
17 think that's all we have for this witness.

18 Mr. Williams, thank you very much.

19 THE WITNESS: Thank you.

20 CHAIRMAN GOLDWAY: Thank you. Perhaps we
21 could take a 10 minute break and return at well, we'll
22 make it 11:10 to continue with questions and answers.
23 Thank you.

24 MR. STOVER: Thank you.

25 (Whereupon, a short recess was taken.)

1 CHAIRMAN GOLDWAY: Okay. We're going to
2 call this hearing back to order and the next
3 participant who wishes to cross-examine Witness
4 Williams is the National Newspaper Association, Ms.
5 Tonda Rush.

6 MS. RUSH: Thank you, Madam Chairman.

7 CROSS-EXAMINATION

8 BY MS. RUSH:

9 Q Good morning, Mr. Williams. I'm Tonda Rush
10 with National Newspaper Association.

11 A Good morning.

12 Q You addressed in your testimony fairly
13 extensively on pages 23 and 24 how the changes in
14 critical entry times could affect delivery. I'll give
15 you a minute to turn to that.

16 A Thank you.

17 Q Then I want to ask you some specific
18 questions that are probably more tailored to community
19 newspapers delivery experience.

20 A Okay.

21 Q When you're ready.

22 A I'm ready.

23 Q Let me begin by asking you whether anything
24 in the recommended standards changes or the network
25 optimization is likely to lead the Postal Service to

1 change the way it handles newspapers with respect to
2 FSS sortation?

3 A With respect to our proposed rule?

4 Q The proposed rule.

5 A Our FSS equipment is a piece of automated
6 equipment that processes mail that meets certain
7 machinability characteristics and it's the goal of the
8 Postal Service to maximize as much volume that we can
9 to process mail that meets the characteristics that
10 are compatible with the FSS equipment and process as
11 much as we can on that equipment. So, to the extent
12 that we have mail that's automation compatible with
13 respect to the characteristics of that machine, we
14 will do that.

15 Q I believe you said in response to one of
16 NNA's interrogatories that you're not aware of
17 newspapers being processed on FSS. Is that still
18 true?

19 A If there are newspapers that meet the
20 machinability requirement, we will put it on there,
21 but to my knowledge, the vast majority of newspapers
22 do not meet the FSS machinability requirement, and a
23 large percentage of that volume gets processed in
24 other means.

25 Q What is it about the characteristics of the

1 product that causes it not to be processed on an FSS?

2 A Certainly the size, the thickness, we call
3 it the droop test, which is the flexibility of the
4 mail piece, and there are local operating managers
5 that keep certain mail off the machine if it rips and
6 tears by the nature of the way the mail is fed and
7 processed through the machine. So, for the most part,
8 newspapers are not machineable or automation
9 compatible across the FSS.

10 Q So is it fair to say in the future optimized
11 network we're probably looking at newspapers in a non-
12 FSS sorting environment?

13 A Under the current configuration of our FSS
14 systems, I would say that is true.

15 Q Okay. Then let me pose some scenarios to
16 you and instead of using the Tuesday entry, just to be
17 clear on how a typical newspaper might be presented,
18 let me try for a Friday publication date, and in this
19 case, I'd like to pose an entry time between midnight
20 and 6 a.m. In today's environment --

21 A Midnight and 6 a.m.?

22 Q On a Friday.

23 A On a Friday morning?

24 Q That's right.

25 A For Friday delivery.

1 Q Friday delivery.

2 A Okay.

3 Q Entered at a DDU. Today it would be
4 delivered on Friday, correct, usually?

5 A If the characteristics of the mail piece
6 dictate that the mail piece is manual and they were
7 entered at a DDU prior to the critical entry time of
8 the DDU, then that mail piece would be delivered on
9 Friday.

10 Q Okay. Under the proposed standards, how
11 would you expect that mail piece to change? I mean,
12 how would you expect the delivery to change?

13 A The delivery would be the same.

14 Q Would be the same. All right. What if it
15 were entered at let's say 3 p.m. on Thursday for a
16 Friday delivery at the DDU, entered on Thursday 3 p.m.
17 for Friday delivery at the DDU? Do you expect that
18 delivery to change? Would it still have a Friday
19 expectation?

20 A Right. If the characteristics of the mail
21 piece dictate that it's non-automation compatible,
22 entered at a DDU prior to the critical entry time of
23 Friday, in this case, it would be well before that, I
24 would expect that newspaper to be delivered on Friday.

25 Q Let's assume for all of these questions that

1 the mail piece is being entered at a DDU that has no
2 automation equipment. We're probably talking in our
3 case about rural areas that probably would be handling
4 this mail piece by hand regardless of the network
5 optimization.

6 Let's try that the mail is not entered
7 actually at the DDU. It is entered instead at an SCF
8 that's been examined for a closure but is not yet
9 closed, and there's a BMEU in that plant, and I think
10 for purposes of reference I'm going to call the mail
11 processing facilities SCFs since that probably is most
12 typical for newspaper mail. If the mail were entered
13 at that SCF for delivery within the SCF zone
14 overnight, midnight to 6 a.m. let's say, what delivery
15 within the SCF zone would you expect it to have today
16 with that plant remaining open?

17 A With the plant remaining open, some of that
18 volume would be delivered overnight for those zones
19 that had not dispatched, and for that volume that we
20 could process we would have overnight delivery, but
21 from an overnight service standard for mail entered at
22 midnight to 6:00 in the morning there would be some
23 volumes that would not be delivered overnight for
24 those delivery units that are serviced by that SCF
25 plant.

1 Q So some today would be delivered Friday,
2 some would be delivered Saturday, correct?

3 A Correct.

4 Q And if we had no Saturday delivery, then
5 Monday?

6 A Correct.

7 Q And if no Monday delivery, then Tuesday
8 basically?

9 A Correct.

10 Q All right. So let's imagine that the SCF in
11 our example has now closed and the Postal Service has
12 established a BMEU somewhere near that SCF, maybe in
13 the building. The plant is basically gone, but there
14 is some sort of facility there, and we still have an
15 overnight entry. Let's imagine we're looking at
16 basically five-digit carrier route containers. What
17 service expectation for that mail in that scenario?

18 A Could you just repeat the scenario? I want
19 to make sure that I fully understand.

20 Q We close the facility basically. We have a
21 BMEU nearby or maybe in that building let's say.

22 A Okay.

23 Q We still have mail entered overnight with
24 the hope of Friday delivery.

25 A And what time is it entered at the BMEU?

1 Q Entered between midnight and 6 a.m.

2 A At a BME operation?

3 Q At a BMEU, yes. And the mailer is hoping
4 for a Friday delivery for at least the mail that's in
5 a container that's prepared at the five digit or the
6 carrier route level. Do we have expectation of having
7 a Friday delivery in any case?

8 A There could be some cases where we would
9 have Friday delivery if again transporting that mail
10 from the BME operation to the processing plant for
11 connection of service for those zones that are
12 serviced by that processing plant, because it's in a
13 five-digit container, if that is containerized by five
14 digit, there is an opportunity for the Postal Service
15 to get that mail connected. Not all of it will be
16 connected because some of those dispatches could
17 potentially have already departed from the plant, but
18 for those that didn't we could get that volume
19 connected.

20 We are also proposing to establish hubs,
21 transportation hubs to drive efficient transportation
22 for those post offices that are serviced out of a new
23 processing plant. Because we want to drive efficient
24 transportation, we are proposing that we establish
25 hubs, and in a lot of cases, these hubs will be the

1 current processing plant that's closing and
2 potentially could be in the same building where this
3 BME operation could have mail inducted into it.

4 So, for those zones that are serviced out of
5 any hub that we have mail deposited in those
6 locations, let's say in this example that you propose
7 would be between midnight and 6:00 in the morning, if
8 mail is entered in a five-digit container prior to the
9 first dispatch leaving and given that we would need
10 some time to handle the volume to get that volume on
11 the right truck so that those trucks could go out to
12 the delivery units, we would achieve overnight
13 delivery service performance for that volume.

14 If that volume is tendered into one of these
15 hubs after a truck left, I would surmise that that
16 volume would be delivered the following day and not
17 that same day that the mail was entered.

18 Q So the service standard would not be
19 overnight, but you might get some overnight delivery?

20 A Of course we're still in the rulemaking
21 process for the business rules by which service
22 standards will be governed, so I can't testify exactly
23 what those business rules would be today and how that
24 would be treated, but certainly from a performance
25 standpoint, there would be overnight, in this case

1 same day delivery performance for volumes entered
2 after midnight for those delivery units where we could
3 connect volumes that would end up ultimately at the
4 delivery unit prior to those carriers going out for
5 delivery on their routes, just like we do today.

6 Q You just cut me off three different
7 questions, so that's great. We'll just move right
8 ahead here, but that's an answer we need to unpack a
9 little bit.

10 Let me go back to the scenario where we've
11 entered the mail at this BMEU in an old SCF building
12 and we don't have a transfer hub set up at this point.
13 We've got a five-digit carrier route container. The
14 transportation network will take all those containers,
15 whatever sortation level, to a processing plant and
16 then some of them will simply come back still in the
17 container untouched, the five digit and the carrier
18 route mail I assume.

19 A Yes.

20 Q And they'll be put into a different truck
21 and they'll be brought back to the destination
22 delivery unit, correct?

23 A Correct, at the new gaining plant, and there
24 could be, there could be instances where we've got --
25 well, in this particular case you describe that we

1 would not have a hub located at the BME operation, but
2 there could be potentially a trip that would end up
3 going past or even at a hub where we could be dropping
4 off volumes to get that mail connected.

5 Q Okay. I want to leave the hub question out
6 of it just for a second just to make sure we're clear.
7 I understand that you've answered our interrogatories
8 about that, but I want to see where we are if we don't
9 have a hub because I believe you told us hubs won't
10 necessarily serve the entire closed plant area. So
11 let me go back to my scenario again.

12 We've got an entry between midnight and 6
13 a.m. at a BME. We have an SCF that's maybe let's say
14 200 miles now from where the old one was. Let's say
15 we've got five-digit and carrier route containers
16 only. Those containers will go to the gaining plant,
17 correct?

18 A Correct.

19 Q They will be handed off to the
20 transportation network to basically come back to the
21 destination delivery units within the closed SCF,
22 correct?

23 A Correct.

24 Q Okay. So I've entered Friday morning
25 between midnight and 6 a.m.. Which day does the

1 destination delivery unit actually put that mail in
2 mailboxes? Is it Saturday or is it Monday?

3 A According to our proposed rule, that would
4 be Monday.

5 Q It would be Monday. So a Friday publication
6 date would miss the weekend altogether in that
7 scenario?

8 A According to our proposed rule that was
9 published in the *Federal Register* on December 15.

10 Q Okay.

11 A Under those proposed rules.

12 Q So now let me interject the hub question.
13 Let's assume we have a hub and -- well, let's just
14 deal with the hub question first. We have the hub.
15 The five digit and the carrier route containers don't
16 necessarily have to go to the gaining plant. They can
17 stay right there in that old SCF assuming the truck
18 networks work out properly. The truck networks I
19 would surmise from your answers will be dictated by
20 the time it takes the gaining plant to process the
21 mail and get it back within the delivery window to the
22 DDUs, so transportation won't necessarily be
23 engineered to pick up this mail at the hub and it will
24 be consequential, correct?

25 A Could you repeat that? I'm sorry. I lost

1 you in the middle of it.

2 Q The Postal Service won't try to engineer the
3 transportation network specifically to make sure that
4 it gets to that hub in time to reach same day or next
5 day delivery. That's not what drives your
6 transportation network, correct?

7 A Right. We're going to be driving towards an
8 efficient transportation model that meets the service
9 standards for the volumes that will be ultimately
10 transported. So it's all about efficiency of
11 transportation that will dictate truck schedules and
12 the need to move volumes to hit certain critical entry
13 times within our processing network.

14 Q Okay. Let me try this scenario. Same entry
15 time, midnight to 6 a.m. in a BME. We have a truck
16 coming back from the gaining facility that say arrives
17 at 6 a.m., so our mail is sitting there. It's Friday
18 morning at 6 a.m. Which day will those newspapers be
19 delivered to the DDUs as the truck picks them up and
20 distributes them with the rest of that plant mail?
21 Friday morning or Saturday or Monday?

22 A Let me make sure I understand. Are you
23 asking that you drop at 6 a.m. at a hub, and we're
24 picking up mail at a hub at 6 a.m. to go to post
25 offices --

1 Q Correct.

2 A -- for delivery?

3 Q Correct.

4 A Then we would expect the delivery of those
5 newspapers to occur same day, Friday morning.

6 Q On Friday, so we'd still be a Friday
7 delivery day.

8 A Right. Assuming that the transportation
9 that is dispatched out of the hub at 6:00 in the
10 morning arrives at the post offices prior to their
11 critical entry times at the post offices to get that
12 volume sorted to the carrier and the carrier have an
13 opportunity to prepare it for delivery and --

14 CHAIRMAN GOLDWAY: What's the typical
15 critical entry time at a post office?

16 THE WITNESS: At a post office, our trucks
17 typically arrive at post offices anywhere between 5:30
18 in the morning and 7:30 in the morning.

19 CHAIRMAN GOLDWAY: So, if this was picked up
20 at 6, it would have to be no more than an hour more or
21 less of transportation from the hub to the post office
22 to get it there.

23 THE WITNESS: Yes. In this particular
24 instance at 6:00 in the morning, there would be, you
25 know, transport time obviously. Dispatch of movement

1 of containers off the truck to a delivery operation,
2 if this is a five-digit bundle of mail that needed to
3 be sorted to carrier route or P.O. Box section, that
4 process step would have to occur. The carriers would
5 have to prepare that mail for delivery, you know,
6 dispatch and deliver the volume.

7 So, under this scenario of 6:00 in the
8 morning, to the extent that those trips leave at 6, my
9 expectation would be that some of those trips
10 potentially would leave early, earlier than 6:00.

11 BY MS. RUSH:

12 Q You mean leave from the hub at 6?

13 A Correct.

14 Q Not from the gaining plant.

15 A And it would depend on how far of a
16 distance. See, the whole concept of the hub is to get
17 an efficient transportation model, and efficiency and
18 transportation is -- of course, in your example of a
19 200-mile difference between the SCF that's going away
20 to the gaining plant, we would want full trucks going
21 from, to the extent that we could, as full of trucks
22 as we could from the plant to the hub.

23 So there could be multiple hubs established
24 for an existing SCF plant area. There could be three
25 hubs, four hubs, and certainly as long as we could

1 efficiently design transportation that would maximize
2 utilization, pull out as many miles as we possibly
3 could from a surface transportation standpoint, over a
4 certain geographic area, certainly the more hubs you
5 establish, on aggregate, the distances from the hub to
6 the delivery units is going to be less, and so that
7 will drive an efficient network if we can get full
8 loads from the plant to the hub and then from the hub
9 to the delivery units as few miles as we possibly can.

10 So there could be some SCF areas today that
11 have transportation coming out of one SCF plant. In
12 the future, there could be more than one
13 transportation connection hub established, and it's
14 all about driving efficient transportation.

15 Q Let's imagine then the same scenario. The
16 truck arrives at the hub at 6 a.m. -- or no, let's
17 imagine the truck arrives at 3 a.m. -- 5 a.m., and my
18 mailer has entered the mail at 6 a.m., missed the
19 truck on Friday. Will they get Saturday delivery
20 then?

21 A If they miss the hub on Friday morning, then
22 that dispatch would be planned to go out Saturday
23 morning for Saturday delivery.

24 Q So Friday would be day zero, Saturday would
25 be day one. It would be one-day delivery.

1 A Well, in this instance, if they --

2 CHAIRMAN GOLDWAY: But for those delivery
3 units that got to the post office by 7:30?

4 BY MS. RUSH:

5 Q Is that correct, what the Chairman poses?

6 A Well, I don't want to generalize it as 7:30.
7 Before the critical entry time for that delivery unit.

8 Q For that delivery unit or for the hub?

9 A For both.

10 Q For the hub.

11 CHAIRMAN GOLDWAY: Between the hub and the
12 delivery unit.

13 MS. RUSH: Right.

14 CHAIRMAN GOLDWAY: So if you've got a hub --

15 THE WITNESS: Yes.

16 CHAIRMAN GOLDWAY: -- with many delivery
17 units, some of which are two hours or two and a half
18 hours --

19 MS. RUSH: You could still miss --

20 CHAIRMAN GOLDWAY: -- you might not get
21 Saturday delivery.

22 BY MS. RUSH:

23 Q So the Chairman makes a good point. I have
24 two real entry times I need to worry about. One is to
25 get to the hub in time for the truck, and the other is

1 for the truck to get to the multiple DDUs in time to
2 get there before the carrier starts processing
3 whatever has to be done to that mail manually?

4 A Yes. The transportation schedules though
5 emanating out of the hubs would be scheduled such that
6 they would be arriving at the post offices prior to
7 their carrier up times.

8 Q And what are typical carrier up times?

9 A They're different in each delivery unit.
10 You know, the first carrier could go out at 8:30 in
11 the morning, 9:00 in the morning, 10:00 in the
12 morning, 11:00 in the morning. It's different in each
13 office.

14 Q So it could be that the critical entry time
15 for the hub has to be considerably earlier than let's
16 say 6 a.m. Maybe it has to be 4 a.m. for the truck to
17 reach all the DDUs in the area?

18 A Yes. And again, that would be dependent on
19 the farthest delivery unit supported by the hub
20 primarily.

21 Q Right.

22 A And the distance that it would take would
23 primarily drive the critical entry time for the hub.

24 Q Do you expect that there will be a BME in
25 every hub?

1 A That has not been determined at this point.

2 Q What other scenarios could occur? Could the
3 BME be in a post office, in a DDU?

4 A Could be, yes.

5 Q So are you familiar at all with the Postal
6 Service's overnight entry privilege for newspapers? I
7 suspect you've had some passing acquaintance with DM-
8 109.

9 A I can tell you I am not an expert in the DM-
10 109. I do understand that there is provisions in that
11 handbook that provides for overnight delivery of
12 periodicals entered at the local level under certain
13 conditions, and I think it's on an annual basis up to,
14 and I'd have to check this to make sure about it, but
15 I believe it's 500,000 pieces a year, but that's off
16 the top of my head. I'd have to go back for the
17 record to make sure that's correct.

18 Q I would also like to check that to be sure,
19 but I think you're correct.

20 A But I am not an expert in that. I do
21 understand that we do have provisions for periodical
22 newspapers that are entered at local post offices to
23 get provided overnight delivery.

24 Q So, for purposes of considering what
25 critical entry times are necessary, it's really the

1 physical presentation of the mail that would be
2 critical for a time-sensitive newspaper.

3 A Yes.

4 Q Not necessarily the documentation. Just for
5 the Commission's reference, I believe DM-109 permits
6 the mail to be dropped at an earlier time than the
7 documentation that goes with the mail as long as it
8 meets Postal Service's criteria. Is that your
9 understanding?

10 A I'm not an expert on mail entry. Prethamera
11 might be the one that you might want to ask that
12 question.

13 Q We will pursue that, but let me just posit
14 though that -- let's assume the Postal Service does
15 permit that sort of documentation that comes in two or
16 three hours after the mail comes in because usually
17 the BME is not open between midnight and 6 a.m., so
18 the mail may get dropped at the hub let's say and the
19 documentation goes to the BME, which may be some other
20 place. What we're concerned about here is actually
21 the physical presentation of those containers at the
22 hub, correct?

23 A From an operation standpoint?

24 Q Operation standpoint. If we're trying to
25 reach a same day or one-day delivery standard, we need

1 to know what the critical entry time is at the hub for
2 the truck, and then we need to understand that the
3 truck has time to actually get to the DDU in time for
4 the carrier to case that mail.

5 A And I would add we would need time at the
6 cross dock operation hub to get that volumes that are
7 entered on the right trucks.

8 Q At what point in the examination of network
9 optimization did you realize or did the Postal Service
10 realize that it was going to need to set up these
11 hubs? Was this part of the concept at the beginning?

12 A Yes. We understood that for efficient
13 transportation we would need to establish hubs to
14 drive efficiencies around transportation. That was
15 understood near the very beginning of our analysis.

16 Q Have you actually set up any of these yet?

17 A Sure.

18 Q None of these exist?

19 A No, they do exist today.

20 Q Some do exist. How do they look? I mean,
21 is it a dock with a place to transfer bundles from one
22 truck to the other?

23 A Yes. In my experience as a plant manager, I
24 had hubs at larger post offices where I would have
25 truckloads of mail at the plant that I was responsible

1 for dispatch multiple offices to one bigger office,
2 and then transportation would emanate out of that
3 larger office. So those hubs exist today, and in fact
4 there have been AMPs that we've implemented that have
5 included the presence of hub operations.

6 CHAIRMAN GOLDWAY: We didn't see any mention
7 of hubs in the testimony.

8 THE WITNESS: I know there were specific
9 questions around hubs based on interrogatories.

10 BY MS. RUSH:

11 Q Actually, as an example, Mr. Williams, if
12 you'd turn to NNA-T-1-5 I believe it is, I wanted to
13 ask you an additional question about that.

14 I believe the intention, is it not, is --
15 actually you said something here I thought was a
16 little confusing. We asked you whether some
17 containers that might be sorted to the three digit or
18 the ADC levels or mixed ADC levels that might have
19 some five digit or carrier route bundles in them at
20 those hubs might be broken down at the hub so that
21 those bundles that could be cross docked and move
22 directly to transportation could go on their way and
23 the rest of the mail would go back to the processing
24 plant to go through the rest of the delivery cycle.

25 A What?

1 Q I'm looking at your response to our question
2 T-1-5-B.

3 A Could you point me to where that language
4 is?

5 Q Your answer number B says -- I believe you
6 said -- we said, "Is it possible that some of the mail
7 will be broken down if some five digit or carrier
8 route bundles are presented in containers sorted to
9 the three digit or lower schemes?" And you said,
10 "This will depend on the characteristics of mail
11 volume." Do you see that?

12 A Yes.

13 Q Does this mean that in some cases Postal
14 Service personnel or contractor personnel at the hubs
15 may actually break down those containers to some
16 degree to pull out those five digit and those carrier
17 route bundles and let them go on through the hub
18 transportation to the DDU and then the rest of that
19 container might then move onto the gaining plant?

20 A That is correct. It would depend on the
21 characteristics of the mail piece. Again, we want to
22 drive an efficient mail processing network. So, to
23 the extent that these volumes are machineable and
24 automation compatible, we want to get that on the
25 equipment. In our scenario that we've been talking

1 about, if we assume that these mail pieces have the
2 characteristics that they need to be processed
3 manually, then if we have staffing in these hubs
4 sufficient to be able to do that work, we will do that
5 work.

6 Q Well, let's assume that none of it's
7 automatable in this case.

8 A Okay.

9 Q Maybe we're in an FSS zone.

10 A Okay.

11 Q I believe actually the AFSM-100 doesn't
12 process that much newspaper mail either. Do you think
13 that's true?

14 A I would say yes, that's true.

15 Q So likely we're dealing with mail that
16 probably is going to be manually processed even though
17 best efforts by the mailer to put bar codes and things
18 on may have been made, and that's an operational
19 decision by the Postal Service, correct?

20 A I'm sorry. I was looking at --

21 Q I'm sorry.

22 A I'm sorry, you caught me in between. I'm
23 sorry.

24 Q Let's just assume that it's all manually
25 processed --

1 A Okay.

2 Q -- for ease of this question.

3 A Ease, okay.

4 Q So it's not in the Postal Service's interest
5 and you don't plan to necessarily carry five digit and
6 carrier route bundles far away from destination entry
7 points to the plant where they won't be processed by
8 machines just so you can have the privilege of putting
9 them on another truck and another container and bring
10 them back again?

11 A Right. It's very likely that those hub
12 operations, as we need to break down containers to get
13 that volume connected to the transportation that is
14 serviced out of that hub, to the extent that we can
15 pull out five-digit bundles that are contained within
16 a three-digit container or carrier route bundles, we
17 will do that, and we will do that to make sure that
18 we're providing efficient service to that volume.

19 Q Do you agree that a container sorted to the
20 three-digit let's say level or ADC level could have
21 some five digit and carrier route bundles then because
22 the mailer didn't have enough volume to make up a five
23 digit or a carrier route container?

24 A Yes.

25 Q So that could happen?

1 A That could happen.

2 Q Has the Postal Service examined in this
3 scenario of the hubs where you really don't want to
4 bring that mail forward if you don't need to changing
5 the requirements for the containers to permit smaller
6 containers so that you wouldn't have to open
7 containers to sort those bundles out? Have you looked
8 at that?

9 A We have discussed it, but to the extent that
10 we've got a proposal around any kind of additional
11 labeling list to support a hub operation, we haven't
12 gone that far with it. But it is likely that we will
13 have some type of labeling list that could support a
14 hub type operation where we could direct mailers to
15 put those five-digit zones or carrier route bundles in
16 a container for those delivery offices that are
17 serviced out of a hub, so that will be a consideration
18 moving forward.

19 Q So our long consideration before the
20 Commission about container minimums might change,
21 might be driven to a change because of the hub
22 requirements?

23 A I would say that as we put this network in
24 place there's a lot of considerations around labeling
25 lists that we might want to consider looking at and

1 that being one of them.

2 Q Would the likelihood of the Postal Service
3 making that determination to allow smaller volume
4 containers be different if the container used were a
5 flats tray as opposed to a sack? Does it make it
6 easier for the Postal Service to handle that mail in
7 smaller volumes if it's in a flats tray?

8 A It is easier from a containerization.
9 Certainly the labor that's required to open up a sack
10 is more than the labor that that would take if we were
11 processing bundles or pieces out of a flat tub.

12 Q Okay. You made a reference to the changing
13 of the labeling lists. Clearly, if mail is going to
14 be destinating or originating at different plants than
15 they have been today, labeling lists will have to have
16 pretty extensive changes, correct?

17 A We do expect significant changes to our
18 labeling lists.

19 Q What is the Postal Service's current policy
20 about the timing of providing those labeling lists to
21 the processing software vendors before they're
22 implemented? How much lead time do you really need to
23 give both the software people and the mailers to be
24 able to make changes like that?

25 A We have been working through our mailers

1 technical advisory committee on what those
2 requirements would look like in terms of how often.
3 We do have a structured release process for label
4 changes, that's six times a year. It's our
5 expectation that over the course of the next year
6 we're going to at least stick with the six times a
7 year frequency in terms of labeling list changes.

8 Q When the lists change, how much time do the
9 software vendors have to put those into place? Is it
10 90 days?

11 A You know, we call it task team 11 is working
12 on that right now. They are evaluating how much time
13 is required. I don't have their final recommendation
14 at the top of my head, but I do know that we've been
15 working very closely with the industry on determining
16 what type of advance notice that we need to give to
17 the software vendors and then how long of a grace
18 period or an exception period we'll allow before we
19 start to enforce the acceptance policies around the
20 new labeling lists, but off the top of my head, I
21 don't have that off the top of my head.

22 Q Any rough parameters? Ninety days? Hundred
23 and twenty days? What do you think it's likely to be
24 after you've examined all that? I know that's been an
25 issue for the Postal Service in the past.

1 Q I think it's 75 days today. I think it's
2 going to be less than 75 days, but again, in all of
3 our discussions with the industry, we've taken a very
4 solutions-based approach because this network change
5 is going to impact the industry, so we need to make
6 sure that in our approach, like the labeling list and
7 the frequency of the list and the exception period
8 that we're going to provide and the advance notice
9 that we're going to provide, we're going to take a
10 very solutions-based approach, and we've been working
11 through the industry through task team 11 from our
12 mailers technical advisory committee.

13 So it's not going to be a Postal Service
14 mandate with no input. This is going to be a policy
15 that will come out that is solutions-based with a lot
16 of industry input through our mailers technical
17 advisory committee. I just don't have it off the top
18 of my head. I would be happy to take that as a
19 homework assignment and provide that for the record.

20 Q We would like to have that if you don't
21 mind.

22 MS. RUSH: Madam Chairman, I am now going to
23 make an attempt to resolve the subject of NNA's motion
24 for a witness to address a previous study.

25 CHAIRMAN GOLDWAY: Before we do that, I want

1 to pursue --

2 MS. RUSH: Please.

3 CHAIRMAN GOLDWAY: -- this hub issue just a
4 bit more.

5 The Postal Service has mentioned hubs in its
6 testimony, but there's no specifics that have been
7 provided: no routes, no costs, no indication of what
8 percentage of the mail will be covered by them. I
9 think given this conversation we've heard today that
10 for the Commission to have a better sense of what the
11 impact on service will be we need to have as much
12 information as possible about the hub plans.

13 When do you think you would be able to
14 provide the information for us in this docket so that
15 we could review it as part of the transportation
16 network and processing network for network
17 realignment?

18 THE WITNESS: Well, I would defer the hub
19 timeframe to Witness Martin, who's the subject matter
20 expert around transportation. I do know that in the
21 AMP packages that were approved there were hubs in
22 there. I do know that the areas are evaluating hubs,
23 and I do know that from a transportation standpoint in
24 terms of designing the most efficient transportation,
25 hubs would be set up to decrease the cost of

1 transportation. So, to the extent that the cost has
2 been included, it would be an added benefit from a
3 transportation standpoint as we stand up hubs because
4 it's all about driving efficiencies. I would defer
5 those questions to Witness Martin.

6 CHAIRMAN GOLDWAY: Well, who can? Mr.
7 Martin you said can?

8 THE WITNESS: Witness Martin.

9 CHAIRMAN GOLDWAY: Could answer questions
10 about --

11 THE WITNESS: The hubs.

12 CHAIRMAN GOLDWAY: -- the extent of the
13 hubs, their cost and how they will impact service
14 delivery?

15 THE WITNESS: In terms of impact service
16 delivery.

17 CHAIRMAN GOLDWAY: These are the questions
18 we were asking today, you know.

19 THE WITNESS: Okay. I can address --

20 CHAIRMAN GOLDWAY: If a hub is there, I
21 understand that you want to get costs out of the
22 system. You don't want to be driving mail back and
23 forth across --

24 THE WITNESS: Right.

25 CHAIRMAN GOLDWAY: -- the same mail back and

1 forth across the country three different times.
2 You're going to try and do it for less, but you have
3 processing issues, you have staff that are going to be
4 at these hubs, you have facilities that you have to
5 have for hubs.

6 THE WITNESS: Right, and --

7 CHAIRMAN GOLDWAY: If you're closing
8 processing plants, where are these hubs going to be?
9 Are you assuming that they're going to be part of that
10 processing plant that's there or a new facility? And
11 are those costs there, and who is going to staff them
12 and at what time? I think that's an essential part of
13 the information we need.

14 THE WITNESS: Okay.

15 CHAIRMAN GOLDWAY: When do you think we
16 might be able to get that information?

17 THE WITNESS: Can I take that as a homework
18 assignment and provide a response for the record?

19 CHAIRMAN GOLDWAY: Yes.

20 THE WITNESS: Okay. Thank you.

21 MS. RUSH: Madam Chairman, you just reminded
22 me of a question I did mean to ask the witness.

23 BY MS. RUSH:

24 Q We asked you in one of the interrogatories
25 about the request for information the Postal Service

1 made to contractors with respect to these hubs and
2 asked you separately about the Postal Service's
3 interest in entering into contracts for transportation
4 versus the operation of the hubs. You gave us a
5 referral to a link which, I apologize, I was not able
6 to make work. I tried to paste it in and it sent me
7 nowhere, but I often have that problem with the
8 internet.

9 Can you just explain the Postal Service's
10 current thinking about where contractors may be used
11 in transportation separate from operation of a
12 facility? How might this work?

13 A Well, again, it all goes back to driving
14 efficient transportation with as full of loads as
15 possible coming from the plant to a hub, minimizing
16 the distance then that the hub would serve for the
17 delivery units that would be serviced out of the hub,
18 so it's all about driving efficient transportation.

19 From a highway contract standpoint, we are
20 looking at what we call area HCR contracts where we
21 are interested in the ability of highway contract
22 contractors that could serve a geographic area, and
23 the service of that geographic area, we would take a
24 look at a performance-based contract that would
25 dictate when mail would be required to be delivered to

1 a delivery unit, and we might give it a window of
2 time.

3 Let's for the purposes of the discussion say
4 between 6 and 6:30 in the morning for a group of
5 delivery units and let's say 6:15 to 6:45 in the
6 morning for another group and maybe up to from 6:30 to
7 7:00 in another group, and we would provide the
8 contractor with times and volumes that would be
9 available from the plant and we would indicate
10 workload and the availability of that workload that
11 would be needed to move from the plant and then
12 delivered to those delivery units within that delivery
13 unit window.

14 And the contractors that we would expect
15 would drive a very efficient transportation model
16 under those conditions, and in a lot of cases, just
17 like we would from a Postal Service standpoint stand
18 up a hub to minimize distances, we would expect that
19 to the extent that contractors would do that to drive
20 down the overall price and notwithstanding that a lot
21 of our HCR contractors already have these cross dock
22 facilities already that are available to their
23 disposal that they would use some type of cross dock
24 operation that would minimize the distances between
25 the cross dock operation or the hub and the delivery

1 units to drive a very efficient model.

2 So we're interested in those contractors
3 that have the capability to do that, and it's all
4 about just driving costs out of the transportation
5 system.

6 Q Go back to what you said about -- sorry.

7 CHAIRMAN GOLDWAY: Their contract hubs,
8 would they be able to accept the mail?

9 THE WITNESS: We would look to make that
10 happen. That would be the expectation.

11 BY MS. RUSH:

12 Q Is it possible that the mailers will find
13 themselves dealing with a contractor who's breaking
14 down the mail that's never touched a mail piece before
15 and has had no training in mail entry?

16 A I mean, we haven't gone that far in the
17 evaluation of that particular concept, but we could
18 put postal employees in those facilities.

19 Q You said just a moment ago some of these
20 contractors that you might be talking with already
21 have cross dock facilities. Does this mean freight
22 forwarders? Is that the sort of contractor you're
23 thinking of?

24 A Yes. You know, they have cross dock type
25 facilities that they use for other transportation, the

1 logistics, customers that they use and transport for.

2 Q Wouldn't it be in a contractor's interest to
3 slow the mail down until the trucks are full?

4 A It would be in the contractor's interest to
5 fulfill the obligations of the contract, and because
6 we would determine this at least in my view to be a
7 performance-based contract that would have certain
8 criteria around delivery expectations and time of
9 delivery because we're establishing or would at least
10 in my mind establish some window of time that those
11 trips need to arrive at our post offices and times
12 that mail needs to be dispatched from the plant, that
13 would be a performance-based contract, and I believe
14 that the rational business minds that operate these
15 companies would fulfill the contract requirements.

16 Q Would performance-based measures in a
17 contract mean sanctions other than financial, or would
18 it mean they get paid more if they meet delivery
19 times? How do you do performance-based contracts?

20 A I don't want to speculate on how these
21 contracts might be laid out, but we do have
22 transportation contracts that have penalties for
23 deliveries that are missed for on-time performance.
24 We do have contracts from a transportation standpoint
25 that have those provisions in them, penalties.

1 Q So the Postal Service actually could save
2 money if it turns out that the contractor missed the
3 delivery window. You pay them less in other words.

4 A Right, we would penalize.

5 Q You would penalize them financially?

6 A I mean, I don't want to speculate what a
7 contract of this nature would look like, but in other
8 transportation contracts we do have penalty clauses,
9 yes.

10 CHAIRMAN GOLDWAY: To maintain service,
11 wouldn't you rather have a bonus than a penalty?

12 MS. RUSH: Only if the mailers don't pay it,
13 Madam Chairman.

14 BY MS. RUSH:

15 Q I guess that money, if the Postal Service
16 saves money, it goes back into the cost of the mail,
17 huh?

18 A The Postal Service --

19 Q Who actually gets that money back? Do the
20 mailers get it back or does the Postal Service keep
21 it?

22 A The Postal Service, it goes back to the
23 Postal Service.

24 Q I knew that already. Thank you.

25 MS. RUSH: All right. Madam Chairman, I'm

1 preparing to move on from this area --

2 CHAIRMAN GOLDWAY: Yes.

3 MS. RUSH: -- unless any of the
4 Commissioners have a question.

5 All right. NNA posed two questions to Mr.
6 Williams the Postal Service objected to. NNA filed a
7 motion to compel a response and asked for a witness.
8 Having consulted with counsel of the Postal Service,
9 we've decided that we're going to try to see what the
10 witness can answer with respect to the study that we
11 were discussing, and so with the Chair's permission,
12 I'm going to present NNA Cross-Examination Exhibit 1
13 to the witness.

14 THE WITNESS: Thank you.

15 (The document referred to was
16 marked for identification as
17 NNA Cross-Examination Exhibit
18 1.)

19 MS. RUSH: In the interest of trying to keep
20 the Commission's commitment to moving this process
21 forward, we want to see if we can get a few questions
22 answered, and if we can, we will withdraw our motion.

23 So I would like to begin, this question
24 probably is for Mr. Tidwell and not for Mr. Williams.
25 Can we get a stipulation from the Postal Service that

1 this document I presented was actually filed by the
2 Postal Service on July 9, 2010, and that it addressed
3 a study -- let's just ask for the filing first. Can
4 you stipulate that this actually was filed?

5 MR. TIDWELL: It bears all the indicia of a
6 filing at the Commission on July 9, 2010.

7 MS. RUSH: And can the Postal Service
8 stipulate that this filing referred to a study
9 conducted by IBM for the Postal Service for purposes
10 of measuring service performance for within-county
11 periodicals?

12 MR. TIDWELL: I would observe that this is a
13 document that appears to have been filed by the Postal
14 Service at the Commission on July 9 in Rulemaking
15 Docket No. RM2010-11. The Postal Service has no basis
16 for thinking otherwise.

17 MS. RUSH: Okay. Thank you, Mr. Tidwell.

18 BY MS. RUSH:

19 Q Mr. Williams, I realize you probably haven't
20 had much opportunity to look at this exhibit, but I
21 want to ask you whether you were involved with the
22 study that was conducted by IBM for the Postal Service
23 about service for within-county periodicals?

24 A No, this is the first time I've seen this
25 document.

1 Q Were you aware that this study was going on
2 contemporaneously?

3 A No.

4 Q Okay. Have you referred to in the course of
5 creating your policy testimony the measurement of
6 service for within-county periodicals?

7 A Could you repeat that? I'm sorry.

8 Q Have you referred to the Postal Service's
9 methodology for measuring within-county periodical
10 service?

11 A No.

12 Q If I said to you that the Postal Service
13 decided in this filing in 2010 that the Postal Service
14 had decided that outside-county periodicals
15 measurement systems would be sufficient to use as a
16 proxy for within-county service, would that surprise
17 you?

18 A Say that again. If the Postal Service?

19 Q If the Postal Service had decided to use the
20 outside-county periodicals measurement as a proxy for
21 within-county service measurement, would that surprise
22 you?

23 A You know, absent any real thinking about it,
24 I couldn't really respond to that.

25 Q Well, then let me just ask you since the

1 Postal Service has stipulated this is the Postal
2 Service's filing here, if you look on the first page
3 of the Postal Service's notice of filing, I'm going to
4 give you just a minute to read that and tell me
5 whether you agree the Postal Service has decided in
6 this notice that no separate measurement system is
7 necessary for within-county periodicals.

8 MR. TIDWELL: Is there a particular passage,
9 counsel, that you have in mind?

10 MS. RUSH: Well, I believe the third
11 sentence probably would establish the point.

12 MR. TIDWELL: The question is does the third
13 sentence say what it says or what? What is the
14 question?

15 MS. RUSH: The question is does the sentence
16 say what it says.

17 MR. TIDWELL: The Postal Service will
18 stipulate that the words that appear on the page
19 appear on the page, and we don't know what purpose is
20 served by having this witness confirm that the words
21 on the page are on the page.

22 MS. RUSH: So this witness has no knowledge
23 really of how the service standards -- how the service
24 is actually measured for within-county periodicals?

25 THE WITNESS: Yes, I am not an expert on the

1 intricacies of how the service measurement system is
2 constructed around inside- or outside-county
3 periodicals. I've got a general understanding that
4 service performance is measured based on intelligent
5 mail, the use of intelligent mail bar codes that have
6 uniqueness around it, that have a valid start-the-
7 clock, a valid stop-the-clock, and a delivery
8 component is -- last mile delivery factor is applied
9 to it. But the intricacies of the service measurement
10 piece, I'm not an expert.

11 BY MS. RUSH:

12 Q Do you have any awareness of the use of the
13 Red Tag and the DelTrack service measurement processes
14 for periodicals in general as opposed to IMB?

15 A Again, I'm not an expert in either one of
16 those.

17 Q Okay.

18 A I do understand that there is a Red Tag
19 process that measures periodicals for Red Tag
20 customers. I could not tell you how the measurement
21 system operates. I couldn't do it for DelTrack
22 either. I mean, they've got specific business rules
23 that I could not describe.

24 Q Do you have any idea what the level of
25 adoption of IMB has been by periodicals mailers?

1 A I do not have that number off the top of my
2 head, but I'd be happy to respond for the record in
3 writing.

4 Q Making an estimate, would you say it's
5 relatively high or relatively low?

6 A I would say relatively low compared to other
7 standard mail or First Class.

8 Q Any idea of how adoption has been by
9 newspaper mailers in specific?

10 A I do not.

11 Q Would you assume if it's relatively low for
12 most periodicals it's also likely relatively low for
13 newspapers?

14 A I would say it's relatively likely low for
15 newspapers.

16 Q Okay. Let me ask you to look at page 6 on
17 this study and see if we can learn anything from your
18 examination here. The Postal Service does produce
19 service measurement for all of its mail products and
20 break them down by area, is that correct?

21 A For all of its mail products?

22 Q Let's say just for periodicals. You do see
23 reports on periodicals on-time performance?

24 A I do see on-time performance for
25 periodicals.

1 Q Would a report that you would typically see
2 resemble -- without looking at the specific number
3 values here -- resemble the sort of breakdown that you
4 see in this chart here where you've broken down by
5 area that there is a percent on time, and you've got a
6 percentage number and you've got a percent within one
7 day, within two days and within three days?

8 A Yes.

9 Q On this chart, it appears to show that the
10 on-time delivery experienced by the monitors in this
11 study was pretty high in some areas. For example, I
12 think the eastern area experienced an 83.63 percent on
13 time, but then the Pacific area was down to 58
14 percent, southeast area, 54 percent. Any idea for
15 periodicals in general which areas are performing well
16 today if you took all of the periodicals as a group?
17 The service level is roughly 65 percent on time. Is
18 that about where they've been lately?

19 A About 65 percent on time. I don't have the
20 relative rankings memorized by area for periodicals.
21 Again, I'd be happy to provide the latest measurement
22 system reports for the record.

23 Q That might be helpful.

24 MR. TIDWELL: That data may already exist in
25 the ACR docket where the Postal Service routinely

1 provides data for the Commission.

2 CHAIRMAN GOLDWAY: I'm not sure we have the
3 same information she's talking about. She's talking
4 about your own internal measurement systems, aren't
5 you? Not the reporting on DelTrack and measurements
6 that we get.

7 MS. RUSH: Well, I'm frankly not sure, Madam
8 Chairman. That's one of the reasons we wanted to ask
9 this question of a witness, if not this witness,
10 exactly how the Postal Service is doing periodicals
11 measurement. I think we're fairly confident that
12 there is no existing separate measurement of within-
13 county periodicals now. Whatever data the Postal
14 Service examines from its various systems, whether
15 it's IMB or DelTrack or Red Tag, is for periodicals as
16 a product, as a whole class.

17 CHAIRMAN GOLDWAY: I thought you were asking
18 him about the internal measurements of the Postal
19 Service itself.

20 MS. RUSH: Well, I'm asking for any
21 measurement system whether it's coming from an outside
22 source or an inside source that gives us an idea of
23 how often periodicals are delivered on time, and I'm
24 not sure how those are compiled.

25 //

1 BY MS. RUSH:

2 Q Are you, Mr. Williams?

3 A It's my understanding that we use the
4 intelligent mail bar code, full service uniqueness
5 intelligent mail bar code that have a valid start-the-
6 clock, a valid stop-the-clock, and we apply a
7 delivery, a last mile delivery factor that's supplied
8 I believe by IBM based on their reporter scans of the
9 intelligent mail bar code as they received them.
10 That's my general understanding of the measurement
11 system, and the same types of process is used for
12 First Class, for standard, for periodicals

13 Q But how reliable do you consider the reports
14 if adoption of IMB is low?

15 A I do know that comparative to our external
16 measured First Class Mail, which has very limited
17 sample size, relative to the number of IMB, unique IMB
18 pieces that we measure, I mean, we measure many, many
19 more intelligent mail bar code pieces than we do for
20 our single piece First Class Mail measure that's
21 conducted by IBM. I can't testify to the robustness
22 of that measurement system for periodicals.

23 Q Okay. If you were to see a report that
24 looks like the one here that you see on page 6 from
25 contemporaneous data, from whatever source, whether

1 it's internal or external, from outside reporters or
2 whatever, and you see this wide variation of, you
3 know, 30 percentage points service performance, what
4 kinds of factors are you looking at to try to diagnose
5 what the problems are in areas that show up with 58
6 percent, 55 percent or 65 percent on-time delivery?

7 A We are looking at -- we have the ability now
8 with the intelligent mail bar code to measure what we
9 call work in process cycle time. And because we've
10 got a valid start the clock which is determined by
11 surface visibility scan of a container that's unloaded
12 off of a truck or of a fast appointment, we measure
13 the time that that mail arrives on the platform to the
14 time that it receives a first machine hit. We also
15 have the capability of digging into a root cause, for
16 example, last mile.

17 We know that last mile, the last mile
18 factor, which is the percentage of mail pieces that
19 get a valid stop the clock on its last destinating
20 incoming secondary sort program machine hit to the
21 time that it's delivered, that it's higher than our
22 first-class mail delivery factor. So we know that
23 we've got some opportunity to improve the delivery and
24 to dig into root cause around mail pieces that go
25 through our mail processing system all the way to its

1 last scan and then at some point fails delivery, to be
2 delivered on time the day that it's expected to be
3 delivered.

4 But primarily right now we are intensely
5 focused on reducing the amount of time that it takes
6 from the time that that truck arrives and we get a
7 container unload scan or we get a fast appointment
8 timestamp to the time that we get a first machine hit.
9 We know that there is a direct correlation that the
10 longer it takes for us to get mail off the dock to the
11 first machine it that when that time is long that the
12 service performance is less. So our focus from a
13 processing and network standpoint is really to focus
14 our operating managers at the field level to reduce
15 that time.

16 One of the things that we did for
17 periodicals last year was we published a periodicals
18 processing policy, and in that policy, we determined
19 that there was a gap in the way periodicals were
20 identified and that the service commitment, based on
21 the entry, the point of entry and the containerization
22 of that mail, what the service standard was. So we
23 put in a process that identified the service standard
24 and the delivery expectation of that volume and then
25 the use of the intelligent mail bar code data as we

1 started to measure the work in process cycle time, and
2 again, that's from the truck unload to the first
3 machine hit, that that time is being continuously
4 improved upon so that we're reducing that time.

5 In addition, we put out policies around --
6 to address the last mile delivery factor, we put in
7 policies that ensured that any flat mail, regardless
8 of the mail class, because we know that we have mail
9 classes that get merged at that last machine handling,
10 we know that for that incoming secondary process,
11 which is the last machine process in our plant before
12 it goes out for delivery which sorts mail to the
13 carrier route level, that that volume, that we merge
14 volumes.

15 We merge first-class mail, we merge second,
16 periodicals and we merge standard mail all in the same
17 sort program in some cases, and we dispatch that
18 volume in a flat tub. And we put out a policy to our
19 delivery unit managers to make sure that we don't
20 curtail that volume because we have the ability to
21 curtail standard mail in accordance with the service
22 standard in our color code policy, but the fact is
23 that there are occasions where periodicals are mixed
24 in and even first-class volumes are mixed in that
25 container.

1 So we put out a policy to ensure that if
2 flat mail is delivered at a delivery unit that the
3 carriers are to work that mail and take that mail out
4 for delivery. And that policy was put in place to
5 address this last mile factor that we've been seeing
6 as we look at root cause.

7 The primary focus from a periodical
8 standpoint and the other thing that we recently
9 focused on was a practice where sites were backflowing
10 volumes, periodical volumes, from the delivery unit
11 back to the FSS location to maximize the volume of FSS
12 processed mail, all in an attempt to drive
13 efficiencies around delivery operations.

14 So there was a practice that we had in the
15 field of backflowing. We call it backflowing mail
16 from the post office to our automated equipment. We
17 stopped that. We made sure that our operating
18 managers understood that we can't forego service on
19 periodicals and just drive efficiencies. We've got to
20 make sure that if periodicals are sent to the post
21 office for delivery that they don't backfill that
22 volume back to the FSS location. So we stopped that
23 practice as well.

24 So those were the primary things. The first
25 one is this whole work in process cycle time. We're

1 driving towards what we call from an operation
2 standpoint day zero processing. For periodicals, we
3 want to make sure that that first machine hit occurs
4 on day zero just to drive that cycle time because we
5 know and the data shows it's got a very high
6 correlation that when we get mail on the first machine
7 hit that the volume flows through our system
8 expeditiously. So it's all about driving those
9 primary operating objectives with the field.

10 Q There's a lot in that statement. Let me ask
11 you this. Do you expect in the transportation hubs to
12 require fast appointments?

13 A For periodicals?

14 Q Yes.

15 A I would say no. Today periodicals can drop
16 into a plant without a fast appointment. To the
17 extent that our mailers use fast appointments so that
18 we can make sure that resources are available to
19 unload trucks, we certainly want that. We would
20 certainly encourage mailers to continue using fast
21 appointments. But from a requirement standpoint, it's
22 not required today for periodicals mailers, and I
23 wouldn't expect that that policy would be changed.

24 Q Well, let me go back to my scenario of the
25 drop of let's say a mixed ADZ container at a hub full

1 of newspapers destined to the world dropped at 3 a.m.
2 let's say, no fast appointment. What does the start
3 clock? What creates the start clock in that
4 circumstance?

5 A What creates the start the clock? The start
6 the clock, it's my understanding from a service
7 measurement standpoint that the start the clock is
8 dependent on the time of entry and the critical
9 acceptance time or the critical entry time associated
10 with that product. So, if an entry is dropped before
11 the designated and published critical entry time, then
12 the start, the day zero start the clock would be that
13 day. If it's one hour after the critical entry time,
14 the start the clock would be the next, the following
15 day.

16 Q If there is no intelligent mail bar code on
17 the container, will there still be a start the clock
18 created for that mail?

19 A From an operations policy standpoint and the
20 way that the Postal Service processes volumes, yes, we
21 would consider that. Again, it goes back to the
22 processing policy that we published last July. As
23 volumes get entered in our system, our operations
24 managers and the people that are identifying that
25 volume and placing a placard on the container that

1 designates when that mail piece is expected to be
2 delivered in accordance with the service standard, we
3 will continue that practice.

4 From a service measurement system, again,
5 I'm not the expert. I can tell you my general
6 understanding is that we need a valid start the clock,
7 and that valid start the clock would be based on a
8 surface visibility scan or a fast appointment
9 timestamp. And of course, if the mail piece doesn't
10 have an intelligent mail bar code, full service
11 intelligent mail bar code that's unique to the mail
12 piece, I don't think -- there might be something in
13 the measurement system that would accommodate it.

14 I don't believe that there is. I believe
15 that you have to have an intelligent mail bar code to
16 measure the service performance of that mail piece
17 that has a valid start the clock and a valid stop the
18 clock. That's my understanding of the measurement
19 system.

20 Q If you were to get to the perfect world and
21 you had 100 percent adoption or the Postal Service
22 required the full service, but that mail never hit a
23 mail processing machine from origin to carrier, what
24 will measure that mail piece's visibility in your
25 system?

1 A I'm not sure how the measurement system
2 would treat that. I do know that we do get scans from
3 IBM reporters that scan an intelligent mail bar code.
4 Of course, that scan is outside of the processing
5 environment that you just described. So I'm not quite
6 sure about how that is currently treated in the
7 measurement system if we don't have an operational
8 scan on Postal Service processing equipment. I'm not
9 sure about how that's treated.

10 Q Do the IBM reporters mostly, are they in the
11 plants? Is that where they operate?

12 A No. It's my understanding that, number one,
13 the Postal Service doesn't know who the reporters are,
14 you know.

15 Q Understood.

16 A They're people that we deliver mail to.

17 Q They're people in homes. Homes or offices
18 or whatever.

19 A Right.

20 Q I realize you're not an expert on this, but
21 do you have any awareness that IBM monitors are used
22 for any class of mail other than first-class?

23 A That monitors mail?

24 Q Yes.

25 A It's my understanding that they scan the

1 intelligent mail bar code on first-class mail,
2 standard mail and periodicals.

3 Q If there's an intelligent mail bar code on
4 the piece.

5 A That's my understanding.

6 Q And if there is none, then the monitors do
7 what? Do they note it in a diary or any other kind of
8 recording?

9 A Really I'm not an expert. It's my
10 understanding that for single piece first-class mail
11 that they report through their systems on the receipt
12 of first-class mail, and there is first-class mail to
13 my understanding within the measurement system of
14 single piece first-class mail that does not have
15 intelligent mail bar codes. So they do report for --
16 I believe they report for first-class mail. I'm not
17 sure to the extent that they report any
18 characteristics of standard or periodicals.

19 Q If the Postal Service decides to engage in a
20 contracting relationship with anyone to operate the
21 transportation network or certainly the BMEs, will the
22 contracts require the contractors to conduct these
23 scans?

24 A That certainly could be part of the
25 requirements that are put in these contracts.

1 Q Has the Postal Service made any
2 determination that it's necessary to make that a
3 contract clause?

4 A I would say that that would be one of the
5 requirements that we would put forth in the contract.

6 Q If you didn't have that clause or the
7 contractor didn't do that scan, would the mail that
8 comes in through those hubs be basically invisible in
9 the Postal Service's system then?

10 A Well, certainly when volumes get processed
11 across our equipment, we get the visibility there.
12 And we see that today. We see that we've got a
13 portion of the volumes that don't get a container
14 unload scan that subsequently get single piece
15 processing scans on our equipment. So just like we do
16 today when that occurs, we go back to the field
17 managers and point that out and we try to shore up
18 that processing step. So I would envision a very
19 similar, a similar approach if we had this work
20 contracted out in hubs assuming that we were able to
21 do that, that that might be one of the performance-
22 based factors that we would have in our contract.

23 Q Would a basic level intelligent mail bar
24 code provide you a container scan that would give you
25 visibility at that hub level?

1 A A basic intelligent mail container bar code
2 scan?

3 Q Yes. Is there such a thing?

4 A Yes. I'm not sure about container bar code
5 scans, whether basic or full service. I don't know.

6 Q What would a basic intelligent mail bar code
7 give the Postal Service in visibility for mail that's
8 not on machines?

9 A For mail that's not on machines?

10 Q Well, we're talking about periodical
11 newspapers here.

12 A Okay.

13 Q And I think we've agreed it's probably never
14 going to see a machine, so what will you see? How
15 will you see the newspaper traveling through the
16 system?

17 A If we're not putting it on equipment that
18 provides scan data, we wouldn't see data because we
19 wouldn't be capturing it.

20 Q So let's assume there is a basic level, not
21 a full service level IMB available for a container.
22 What would it tell you? Do you know?

23 A I don't know the construct of a container
24 bar code at the basic level if in fact we have one. I
25 don't know what it would tell you.

1 Q What if it were a basic level on the piece?

2 A I believe it would tell you the mailer or
3 the producer of the mail piece, so it would have some
4 uniqueness around either who produced the piece or the
5 mail owner of the piece. But it's my understanding
6 that the difference between a basic piece and a full
7 service piece is the uniqueness of the pieces that are
8 presented that would allow us to individually see the
9 visibility of each individual piece, so there would be
10 uniqueness around each piece. So each piece would
11 have a unique license plate that is embedded within
12 the full service IMB. The basic IMB, it's my
13 understanding that that uniqueness is not there.

14 Q For the mail piece itself.

15 A For the mail piece itself.

16 Q Right. So you could pull a piece -- let's
17 say the piece actually did wind up on a machine. It
18 would tell you who the mail owner was and it would
19 tell you where it was entered? Not. It would not
20 tell you that?

21 A I can't testify to what information we would
22 be able to extract.

23 Q If there were information on there that was
24 of value, but the newspaper was never sorted on a
25 machine, would the Postal Service ever get any

1 information from it?

2 MR. TIDWELL: Madam Chairman, I believe that
3 that's clearly not instructive.

4 MS. RUSH: Well, I'm trying to determine,
5 counsel, whether, assuming that we have nonmachinable
6 mail pieces here and we do not have full service IMB,
7 which the witness has testified it's been pretty low
8 adoption level, what exactly the Postal Service is
9 going to know about this mail piece as it travels
10 through the system.

11 MR. TIDWELL: The witness just testified at
12 least several times that we would not have any data
13 that would reveal anything to us.

14 MS. RUSH: Well, I'm trying to find out if
15 he gets any data, can he get any data from a container
16 as opposed to a mail piece. That's all I'm trying to
17 find out.

18 MR. TIDWELL: And I think his answer was he
19 didn't know.

20 THE WITNESS: I think to the extent that
21 we've got a uniqueness around the container that it's
22 embedded, that that unique information is in the
23 container bar code. To the extent that that
24 information is unique, we'd be able to identify, for
25 example, which mailer, what mailing it was. But from

1 a piece standpoint, if we're not processing the pieces
2 on our equipment, then I can't tell you that we would
3 have that visibility other than the container was
4 received at a certain time at a certain location for a
5 certain mailing.

6 BY MS. RUSH:

7 Q And that will come in because someone at the
8 receiving facility scans in those containers at least
9 in theory.

10 A Correct.

11 Q All right.

12 A Or I'm sorry. Or through a fast appointment
13 timestamp.

14 CHAIRMAN GOLDWAY: Just to be clear, the
15 measurement systems are not expected to change in the
16 network realignment program?

17 THE WITNESS: That's my understanding.

18 CHAIRMAN GOLDWAY: The standard deliveries
19 would change.

20 THE WITNESS: That the standards would
21 change, the three digit to three digit day range
22 standards would change, but the business rules by
23 which the measurement system uses those tables to
24 determine whether a piece was on time, I believe that
25 all that stays the same. There will be tables that

1 certainly change because the three digit to three
2 digit, for example, would change, but the business
3 rules I believe are all intact, that we're not
4 considering those types of changes.

5 CHAIRMAN GOLDWAY: Okay. Thank you.

6 Do you have anything else on this?

7 MS. RUSH: I don't believe so, Madam
8 Chairman. I think, let me request of the Commission,
9 since this witness doesn't know a whole lot about the
10 measurement system and I do think we are going to need
11 to establish some answers to these questions for us to
12 have a sense of how service will change for
13 newspapers, that we hold our motion for a witness in
14 abeyance for a couple of days.

15 Let me attempt by working with counsel to
16 construct a document that would be a request for
17 admissions and possibly, if the Postal Service might
18 entertain an institutional response to interrogatories
19 or some other mechanism, to see if we can find out how
20 the service is viewing these measurement systems
21 without going through the pain and additional delay of
22 bringing another witness in.

23 CHAIRMAN GOLDWAY: I think it would be
24 helpful if you had an institutional explanation of
25 service measurement, but I don't think it's going to

1 be any different from what is currently the system.

2 MS. RUSH: Well, that may be the case, but
3 since I don't have a witness that has said that and
4 the Postal Service objected to our question when we
5 asked it, we probably are going to need to take
6 another swing at that with the Commission's permission
7 and if counsel is willing to entertain a couple more
8 questions.

9 CHAIRMAN GOLDWAY: It's easy enough to hold
10 the motion in abeyance. Does that conclude your --

11 MS. RUSH: That's all I have. Thank you.

12 THE WITNESS: Thank you.

13 CHAIRMAN GOLDWAY: It's now 12:35 and we
14 have two more witnesses. Do you think it's a good
15 time, Commissioners, to break for lunch? Okay. So we
16 will break now and reconvene at 1:45 sharp. Thank
17 you.

18 (Whereupon, at 12:35 p.m., the hearing in
19 the above-entitled matter was recessed, to reconvene
20 at 1:45 p.m. this same day, Tuesday, March 20, 2012.)

21 //

22 //

23 //

24 //

25 //

1 say?

2 A That's fair to say.

3 Q Okay. And would it also be fair to say that
4 through that process the Postal Service has already
5 consolidated what one might refer to as the obvious
6 choices for consolidation or the low-hanging fruit on
7 the branches?

8 A Yes.

9 Q Okay. And the Postal Service is now at a
10 point where the consolidations get more to the muscle
11 or the meat of the matter, would you agree?

12 A I would agree.

13 Q Okay. You've stated in your testimony that
14 it cannot be overemphasized that the degree to which
15 the service standards will actually change depends in
16 part upon the outcome of each of the AMP, area mail
17 processing, studies that has been conducted, is that
18 correct?

19 A Yes.

20 Q I'd like to turn to that AMP process. In
21 the winter of this year, January/February timeframe,
22 you reviewed a number of area mail processing studies
23 that had been completed, is that correct?

24 A In the what time period?

25 Q I said January/February 2012, but if that's

1 incorrect, please correct me.

2 A It's primarily in the February timeframe.

3 Q Okay. And a large number of those were
4 announced by you as a package on February 23, correct?

5 A They were announced by the local plant
6 management and district management out in the field on
7 February 23.

8 Q Thank you. Library Reference 73 that's been
9 filed with the Commission contains a number of those
10 approved studies. Library Reference 73, can you tell
11 me, does that contain all of the studies that were
12 approved, or are there some missing from that package?

13 A I don't know if I've got a copy of
14 Library 73. Do you have a copy of it?

15 Q I do not have a copy of the entirety of the
16 package. It would be quite large. If you don't know,
17 that's fine.

18 MS. KELLER: If the Postal Service attorneys
19 could put a representation on the record as to whether
20 or not it's a complete package, that might be helpful.

21 MR. TIDWELL: You've examined as much of it
22 as I have. I don't know whether it represents a
23 complete package of all. There's a list of AMPs
24 listed and there are documents corresponding to the
25 AMPs on the list. And the witness, if you ask the

1 witness, he will explain that there are about a half a
2 dozen AMPs still out there pending.

3 BY MS. KELLER:

4 Q Okay. Is that correct, there's about a half
5 a dozen out there that are still pending?

6 A I believe that there are nine still pending.

7 Q Okay, thank you.

8 CHAIRMAN GOLDWAY: Were there any that were
9 completed between February 23 and now?

10 THE WITNESS: Completed in terms of the
11 approvals?

12 CHAIRMAN GOLDWAY: Yes.

13 THE WITNESS: No.

14 CHAIRMAN GOLDWAY: Are there any PIRs that
15 were completed between February 23 and now?

16 THE WITNESS: I believe there was one PIR,
17 and I can't recall which one it was.

18 BY MS. KELLER:

19 Q Do you know if that has been filed with the
20 Commission?

21 A I do not know.

22 Q Library Reference 73, it appeared to me to
23 only include approved studies and not packages for
24 studies which had been disapproved. Is that
25 consistent with your understanding?

1 A I don't have Library 73 in front of me. I
2 can't testify to it.

3 Q Okay. Do you know if the packages or
4 paperwork for those studies which were disapproved
5 have been filed with the Commission?

6 A I do not know.

7 MS. KELLER: Okay. Again, if we could get a
8 representation from the Postal Service about whether
9 those have been filed and if not, if there's a plan
10 for filing those. I think that would be helpful.

11 CHAIRMAN GOLDWAY: Well, my staff has asked
12 me to ask for whatever PIRs or AMPs have been
13 completed that are not in the February 23 listing,
14 either ones that were missing or ones that have been
15 completed since that time. So can the attorneys
16 provide that?

17 MR. TIDWELL: The Postal Service will go
18 back through Library Reference 73 and determine its
19 contents and if necessary supplement those contents to
20 include documents reflecting all decisions, whether
21 the decision was to approve or not approve.

22 CHAIRMAN GOLDWAY: And up until this date
23 rather than February 23? Since we hear there's been
24 at least one PIR since then.

25 MR. TIDWELL: Well, the PIRs that have been

1 conducted would relate to AMPs that were prior to
2 this.

3 CHAIRMAN GOLDWAY: Yes, but the PIR is
4 important in terms of estimating the costs.

5 MR. TIDWELL: And we will go back. There's
6 another Library Reference I believe that contains
7 analysis of the previous AMPs, and we will go back and
8 ensure that we're meeting our obligation to update
9 that Library Reference.

10 CHAIRMAN GOLDWAY: Thank you. Does that
11 satisfy you?

12 MS. KELLER: Yes. Thank you, Madam Chair.

13 BY MS. KELLER:

14 Q For those studies that were disapproved, do
15 you receive across your desk a package of materials
16 that looks something like the AMP studies?

17 A Yes. I review the AMP study, I review the
18 public input, the summary of the public input that has
19 come out of the public input meeting as well as the
20 opportunity for any interested party to provide
21 written comments. I review those summaries. So yes,
22 I do review the package.

23 Q Okay. The process for approval of these AMP
24 studies, is it fair to say that ultimately the buck
25 stops with you, that you have the ultimate approval

1 over these?

2 A Yes.

3 Q And before the Postal Service made the
4 February 23 announcement, so subsequent to your
5 decision on these pending AMP studies, you did not
6 conduct anything in the nature of a computer
7 simulation to check these AMP decisions against one
8 another and see how the whole network would run
9 together, is that correct?

10 A Well, I'm a little bit confused about your
11 question. You said prior to and then you said
12 subsequent to.

13 Q Let me rephrase it because I can clarify
14 that. As part of your decision on this package of AMP
15 studies, you did not conduct, for instance, a computer
16 simulation to see how these various pieces of the
17 network would fit together, is that correct?

18 A The identification of opportunities to study
19 were born out of a modeling effort that included
20 various types of modeling efforts.

21 Q And that is the modeling effort that Witness
22 Rosenberg testified about and will be before the
23 Commission later this week, correct?

24 A Correct.

25 Q Okay. Would you say that it was part of

1 your job as the ultimate decider if I can use that
2 phrase on these studies to take that overall view and
3 to make sure these pieces would all fit together into
4 a cohesive network?

5 A Yes, and that was the purpose of the
6 modeling effort initially, to identify the
7 opportunities of potential AMP opportunities to study.

8 Q I'd like to take a minute and look at a few
9 of these AMP studies so we could get a little bit
10 clearer idea of how these worked in practice and what
11 your decisionmaking process was. These are all part
12 of Library Exhibit 73, which is voluminous, and I've
13 just selected out a couple of them that we can take as
14 examples.

15 MS. KELLER: If I may approach the
16 Commission and the witness, Madam Chairman?

17 CHAIRMAN GOLDWAY: Yes, you may.

18 BY MS. KELLER:

19 Q This first is the New Orleans AMP, New
20 Orleans into Baton Rouge.

21 A Thank you.

22 Q Now what I've just handed you is the AMP
23 study package for the consolidation of the New Orleans
24 P&DC into the Baton Rouge P&DC. And if we look at the
25 second page of that document, I believe that is your

1 signature at the bottom approving this consolidation
2 on February 18 of this year, is that correct?

3 A That is my signature.

4 Q Okay. And just above that we have the
5 signature of the area vice president? So, if I'm
6 understanding this process correctly, the people
7 locally, so for instance, the plant managers of the
8 losing and gaining facility compile this information?
9 Is this correct?

10 A The local staff of the local facility
11 typically populates the information. Now the approval
12 includes plant managers and district managers.

13 Q Okay. And it then goes up to your desk for
14 approval.

15 A It goes to the area vice president for
16 approval, and then it comes to me.

17 Q Okay. And when it comes to you, does it
18 come to you with a recommendation by the area vice
19 president, approve, disapprove?

20 A Yes.

21 Q These AMPs that you reviewed in February of
22 this year, were there any instances in which you
23 disagreed with the recommendation of an area vice
24 president?

25 A Yes.

1 Q Do you recall which facilities those were?

2 A The Cincinnati facility.

3 Q That was one where the area vice president
4 recommended that it be consolidated and you determined
5 that it should not be consolidated, is that correct?

6 A Correct.

7 Q Okay. Were there others?

8 A Delaware, Callas-Missoula, Montana. I
9 believe there were 35 disapprovals in all.

10 Q And in each of those disapprovals, is it
11 accurate that the area vice president had recommended
12 these for consolidation and you disagreed?

13 A No, I don't believe every one of them. I
14 believe of the 35, there were a handful of approvals
15 by the area vice president. Of the 35, the local and
16 the area vice president recommended disapproval and
17 headquarters agreed with them.

18 Q Okay. If you could turn to page 13 on this
19 package, the page titled "Service Standard Impacts".
20 And it appears that this page was for the large part
21 not completed, is that accurate?

22 A That's correct.

23 Q And on my observation it appears that this
24 page was not completed in any of the AMPs that I
25 reviewed out of Library Exhibit 73. Is that accurate?

1 A Correct.

2 Q Okay. And comparing this to the AMPs that
3 were done previous to this initiative, this page would
4 have been the part of the AMP in which you considered
5 the changes in service standards to specific three-
6 digit area codes, is that correct?

7 A That's correct.

8 Q And is it accurate that you omitted this
9 step in the current initiative because of the current
10 proposed changes to the service standards?

11 A Yes. These AMP proposals, the top-down AMP
12 proposals that were announced on September 15 were
13 contingent upon the service standard changes that we
14 were proposing. And so the approvals, these
15 approvals, and the approval letters to the area vice
16 presidents stated in the letter of approval that this
17 approval was contingent upon the service standard
18 changes as they are being proposed for this case.

19 Q Okay. So for these AMPs, the specific
20 three-digit zip code comparison was just not done, is
21 that correct?

22 A It was done in the sense of as we proposed
23 the business rules for the service standards for this
24 case, and as the final rule gets published, that
25 information would then be used to determine the

1 bottom-line impact.

2 Q Okay. Now can you tell me, did these AMP
3 studies contain information regarding how much of the
4 mail at a specific facility is turn-around mail?

5 A How much mail is turn-around mail? I would
6 defer that question to Witness Neri, who has overall
7 responsibility for the AMP process. When we look at
8 volumes, we look at them by operation. I know that
9 we've got them at the operational level. To the
10 extent that it gets aggregated in terms of a turn-
11 around, I'm just not quite sure.

12 Q Okay. But it's not something you look at
13 when you're looking at an AMP, is that correct?

14 A No.

15 Q And if you could educate me, when you at the
16 Postal Service use the term "turn-around mail", how is
17 that different from or the same as the term "intra-SCF
18 mail"?

19 A It's mail that is collected from the three-
20 digit zip codes that the plant is responsible for. As
21 that volume gets collected, it's that proportion of
22 the volume that then goes back to those same three-
23 digit areas that the plant is responsible for.

24 Q That's what you call turn-around mail?

25 A That's what I call turn-around mail.

1 Q And what about intra-SCF mail?

2 A Intra-SCF mail is mail that gets collected
3 from a plant's three-digit service area, comes into a
4 plant and then has to go to another plant for final
5 destination or incoming processing.

6 Q And I'm sorry, not to belabor that, but --

7 A And then vice versa, from other plants into
8 the --

9 Q Because the phrases both intra-SCF have been
10 used and inter-SCF have been used and I just want to
11 make sure that I have a clear understanding of what
12 the difference is between, so then how would you
13 describe inter-SCF mail?

14 A Inter-SCF mail is mail that gets exchanged
15 between plants.

16 Q Okay. Okay, thank you. If we could turn to
17 page 20 of this same AMP study. Now this is one of
18 the figures that I believe is contained in all the AMP
19 studies. The total FHP to be transferred from the
20 losing facility, which in this case is New Orleans,
21 correct? And that's for New Orleans about 2.3
22 million?

23 A Can you point me to the column?

24 Q It's down at the bottom. There's a
25 spreadsheet on the left-hand side, and then underneath

1 that there's three lines on page 20.

2 A Okay, got it.

3 Q Okay. So the total FHP for New Orleans is a
4 little over 2.3 million, is that correct?

5 A On an average day, correct.

6 Q And the current FHP at the gaining facility,
7 which would be Baton Rouge, is a little over 1.7
8 million?

9 A Correct.

10 Q Okay. So, with this consolidation, you're
11 looking at more than doubling the daily average FHP at
12 Baton Rouge, correct?

13 A Correct.

14 Q Okay. If we could flip back, I'm sorry, to
15 page 11 in this same package, there's a sheet that's
16 entitled "The 24-Hour Clock". This sheet contains
17 certain figures for both New Orleans, which appears to
18 be the top half of the sheet, and Baton Rouge, which
19 is the bottom half of the sheet. And again, this is a
20 piece of the AMP that's there for every one of the AMP
21 studies, correct?

22 A That's correct.

23 Q Okay. And is this something you look at
24 when you make your decisions?

25 A It is one of the things that I do look at.

1 Q And I apologize, these copies are not color
2 copies, but the originals that were filed with the
3 Commission have wonderful multi-colors and these
4 charts come out with red, green and yellow
5 highlighting. So I'm going to make an assumption that
6 those red, green and yellow highlightings have some
7 significance, is that correct?

8 A That is correct.

9 Q I'm going to go out on a limb and guess that
10 the red highlighting suggests that it's an area of
11 some concern?

12 A That is correct.

13 Q Okay. Whereas green indicates that it's
14 processing that's on target?

15 A I don't know if I'd call it on target. It's
16 near where we're expecting that performance to be.

17 Q Okay. And yellow would be a --

18 A Little bit less than where it needs to be.

19 Q Like a warning light sort of.

20 A Right.

21 Q Okay. And if you look at these charts, I'm
22 seeing across the top for each one it says "The 24-
23 hour indicator report", and there's a percentage for
24 each one of these various columns, categories. Is
25 that the Postal Service's target for that?

1 A Yes.

2 Q So, for instance, the trips on time, you've
3 got a sort of target of 86.9 percent trips on time?

4 A Correct.

5 Q Okay. And what shows here it appears to me
6 is each one of these lines represents one week and
7 it's a 21-week sample? Is that your understanding of
8 what this shows?

9 A That's my understanding.

10 Q Okay. So is it fair to say as I'm reading
11 this that Baton Rouge had about four weeks where they
12 didn't meet their trips-on-time target of 86.9
13 percent?

14 A Correct.

15 Q Okay. I want to talk a little bit about the
16 Memphis facility. You were asked in interrogatories
17 about certain problems that existed in Memphis over
18 the last holiday peak period, so I believe you're
19 familiar with these. There were some problems at the
20 holiday time with trucks stuck for hours waiting to
21 unload mail, newspaper reports reporting that the
22 lines were three miles long, with a 12-hour backup for
23 the trucks to deliver the mail? Is that accurate?

24 A Can you point me to the interrogatory,
25 please?

1 Q Yes. I believe it is NPMHU USPS T-1-7.

2 A Could you rephrase your or repeat your
3 question, please?

4 Q Sure. Actually I'll withdraw that and
5 rephrase it. In response to that interrogatory you
6 stated that there was an issue in December of 2011
7 caused by scheduling too many trips into the Memphis
8 facility during a narrow window, that the volume of
9 mail planned and directed through the Memphis service
10 transfer center exceeded the facility's capacity limit
11 and the facility could not handle the approximate 9-
12 percent increase in additional trips, is that correct?

13 A That's correct.

14 Q Okay. As part of this network redesign
15 you've approved plans to consolidate three facilities:
16 Jackson, Tennessee; Tupelo, Mississippi; and
17 Jonesboro, Arkansas, into Memphis, correct?

18 A Into the Memphis processing and distribution
19 center, correct.

20 Q Okay. As part of your review of these
21 proposed consolidations, did you consider the increase
22 in daily volume that this would create for the Memphis
23 facility?

24 A For which Memphis facility? You're talking
25 about two different Memphis facilities, so I want to

1 make sure I understand which one you're talking about.

2 Q Okay.

3 A The one that you referred to in the
4 interrogatory is the Memphis surface transfer center.
5 The one that you talked about with the three plants
6 going into the Memphis plant or P&DC is a separate
7 facility. Which facility are you asking me about?

8 Q Well, I'm asking with respect to the AMPs,
9 I'm asking about the P&DC.

10 A Okay.

11 Q Okay. But let me ask you, what is the
12 relationship between the Memphis surface transfer
13 center and the P&DC?

14 A What is the relationship?

15 Q How does the mail --

16 A They're in two separate facilities. They
17 have different roles, network roles. The Memphis
18 processing and distribution center processes outgoing
19 and incoming letters and flats, the typical processing
20 and distribution center. The Memphis surface transfer
21 center is a network facility that's used to transfer
22 containerloads of mail through our surface dispatch
23 and routing network system, so it's more of a
24 container, trucks come in, they unload containers,
25 those containers get loaded onto trucks going out to

1 other facilities. So a totally different role and
2 responsibility in terms of the role of those
3 facilities. Different facilities.

4 CHAIRMAN GOLDWAY: Is it like a hub?

5 THE WITNESS: It's like a hub. A surface
6 transfer center is when we use -- we use surface
7 transfer centers to drive efficient transportation, to
8 drive full trucks into the facility, consolidate loads
9 going to other plants in our network. So it's a
10 container build-and-break operation and a surface
11 transportation hub that allows very efficient use of
12 transportation.

13 BY MS. KELLER:

14 Q Okay. Is the relative productivity of the
15 facility something you look at when you're considering
16 the proposed consolidations?

17 A I look at the bottom-line business case in
18 terms of the financial business case. I look at the
19 public input that's received. That's the first thing
20 I do is evaluate the summaries of the public input,
21 both those summaries generated from the public input
22 meeting as well as the written input. I evaluate
23 essentially the business case in terms of the
24 finances, which is the bottom-line impact. I look at
25 what one-time costs there needs to be in evaluating

1 the availability of capital to affect the
2 implementation of a package among other things.

3 MS. KELLER: If I may approach?

4 CHAIRMAN GOLDWAY: Yes, you may.

5 THE WITNESS: Thank you.

6 BY MS. KELLER:

7 Q I've just handed you an AMP study, which is
8 the Jackson, Tennessee P&DF into the Memphis,
9 Tennessee P&DC. I think I just have a couple of
10 questions for you. On page 16 of this package, again,
11 this is a chart showing mail volume through the losing
12 and gaining facilities, and this is similar to what
13 would be found in all or almost all of the AMPs you
14 reviewed, correct?

15 A Correct.

16 Q Okay. And looking at Columns No. 6 and 13,
17 these purport to represent the current productivity.
18 It says TPH or NATPH. And that would appear to be the
19 TPH or NATPH volume divided by the work hours at the
20 facility, is that correct?

21 A I don't have the detailed knowledge about
22 how the individual sales are calculated. I would
23 defer that question to Witness Neri, who has overall
24 responsibility for the AMP process.

25 Q Okay. In reviewing the AMPs in making your

1 decision, if you wanted to assess the productivity
2 level of the two relative plants, where in the AMP
3 would you look for that number?

4 A Again, I would defer that question to
5 Witness Neri.

6 Q Okay. I want to talk for just a minute
7 about the Boston mail processing facility. As part of
8 these February package decisions, you approved
9 proposals to consolidate mail processing from three
10 facilities into Boston. Those are the Middlesex,
11 Essex, the Central Mass, and the Northwest Boston
12 facilities into Boston, is that correct?

13 A Middlesex, Central Mass, and what was the
14 other one?

15 Q Northwest Boston.

16 A Boston is a complicated package. I believe
17 that there were flats that were designated to go to
18 certain buildings; because of FSS, letters would go to
19 other buildings. I don't have the specific details
20 off the top of my head as it relates to that campus of
21 facilities in the Boston area.

22 Q Okay. Are you familiar with or do you have
23 any general knowledge of the nature of the Boston
24 facility? It's an urban facility in downtown Boston,
25 is that correct?

1 A I have been in Boston several times.

2 Q Okay. So this is a facility that's bounded
3 on one side by the channel, the name of which I can't
4 recall, but it's a body of water.

5 A It's a body of water.

6 Q And the interstate highway on the other
7 side, right?

8 A I'm not certain about the interstate. I
9 know there is the body of water on the one edge of the
10 facility.

11 Q Okay. I'd like to look at two of these
12 studies, the Central Mass study and the Middlesex
13 study, with you because I had a couple of questions
14 about some numbers that were contained therein and I
15 was hoping you could help me clear them up.

16 MS. KELLER: If I may approach, Madam Chair?

17 CHAIRMAN GOLDWAY: Yes.

18 THE WITNESS: Thank you.

19 BY MS. KELLER:

20 Q Okay. If you could turn to page 3 on each
21 of these studies. Now, in each of these studies, the
22 gaining facility is the Boston P&DC, correct?

23 A I'm not sure if I've got the right page 3.

24 Q Okay. It says at the top "Executive
25 Summary".

1 A Okay.

2 Q And one of them says "Losing Facility,
3 Middlesex-Essex P&DC", and the other says -- I'm
4 sorry, I'm not sure I have the right one.

5 CHAIRMAN GOLDWAY: They both say losing.

6 MS. KELLER: They both say Middlesex-Essex,
7 but I think it's a mistake on one of them.

8 THE WITNESS: If you can just point me which
9 sheet you want me to look at on this package, I think
10 we'll be okay.

11 MS. KELLER: I'm sorry, if I could just have
12 a minute. I'm sorry, did I give you two Middlesex-
13 Essexes?

14 CHAIRMAN GOLDWAY: No, one says --

15 THE WITNESS: One says "Central Mass Losing
16 Facility" and the other one says "Middlesex-Essex."

17 CHAIRMAN GOLDWAY: The other one says
18 "Middlesex Losing Facility". Two losing facilities.

19 MS. KELLER: Okay, I'm sorry, so I was the
20 only one that had the wrong thing.

21 BY MS. KELLER:

22 Q If you look at the first page of the one
23 that says "Central Mass" with the executive summary,
24 it's on the first page of that one. Middlesex-Essex,
25 the executive summary is on page 3.

1 A Okay.

2 Q Now both of these contain volume summaries
3 for the losing and gaining facilities, correct?

4 A Volume summaries?

5 Q Yes.

6 A Yes.

7 Q And the current FHP at the gaining facility,
8 I'm hoping you can help me out here. For the
9 Middlesex-Essex into Boston, it states a current FHP
10 volume of about 3.4 million, and then for the Central
11 Mass we've got a current FHP at the gaining facility
12 of about 2.7 million. Do you know why there would be
13 that inconsistency?

14 A I think you would have to ask Witness Neri.

15 Q Okay. This isn't something that you noticed
16 in your review?

17 A It's my understanding that these are
18 separate. AMP analyses are separate analyses because
19 we're identifying the specific business case for that
20 proposal. So the numbers, I wouldn't expect them to
21 totally match because they're separate individual
22 analyses. But I think for the record Witness Neri
23 would be in a better position to explain the
24 differences.

25 Q Well, isn't it important for your decision

1 to know how much volume there currently is at a
2 facility that's going to be gaining?

3 A Yes.

4 Q And were you aware that the combined effect
5 of these consolidations would be to more than double
6 the volume at the Boston facility?

7 A I don't recall off the top of my head
8 specifically looking at that during the review.

9 Q Okay. And if you don't recall specifically
10 looking at it, then I think it's probably fair to
11 assume that you did not engage any traffic experts or
12 those types of logistical experts to talk about the
13 impact of doubling the volume running through an urban
14 facility?

15 A No, I disagree with that statement. These
16 packages go through a very rigorous review at the
17 local level, at the area level and at the headquarters
18 level. I know each one of these packages are reviewed
19 from a transportation standpoint, a maintenance
20 standpoint, a processing standpoint, consumer-and-
21 industry-affairs standpoint. Facilities reviews them.
22 So it goes through a very rigorous review, each one of
23 these packages, to include the transportation.

24 Q Who would be responsible for reviewing the
25 transportation impacts?

1 A That would be Witness Martin.

2 Q Okay. In looking at the approval signatures
3 on either one of these AMPs, Witness Martin doesn't
4 have an official role in the approval process for
5 these AMPs, correct?

6 A Witness Martin, the Transportation Group,
7 does have a role. There is the standardized review
8 process at headquarters, which includes Witness
9 Martin. Her and her team review each one of these
10 packages. They analyze the transportation, the
11 routings and the costs. And her comments are used to
12 inform me as I make my decisions.

13 Q Were there any instances in which Witness
14 Martin or anyone else in the Transportation Group told
15 you we don't think this is a good idea, we've looked
16 at the transportation issues and we think that they
17 are too difficult or render this infeasible?

18 A I mean, this is an iterative process, this
19 review process. It's iterative at the field level, at
20 the area level and at headquarters level. And I do
21 know Witness Martin pushed back on transportation.

22 Q Were there specific consolidation proposals
23 that Ms. Martin pushed back on?

24 A I don't recall off the top of my head. I do
25 know that prior to me receiving the package that

1 Witness Martin approved the transportation contained
2 in the package. But during the iterative process of
3 going back and forth with the areas, as a lot of these
4 packages do, because our review is rigorous, there is
5 back-and-forth. If Witness Martin didn't agree with
6 what was initially proposed by the area or even the
7 field, there were iterative, a process that the field,
8 area and Witness Martin went through to come to a
9 package that she could agree to.

10 Q And when you were doing your review and your
11 approval process, were you aware of the results of the
12 modeling done by Witness Rosenberg? And I'll say
13 specifically for this particular package, were you
14 aware that that model had chosen or listed both
15 Central Mass and Northwest Boston as active facilities
16 in that model?

17 A I was aware that there were several
18 alternatives to the Boston metropolitan area.

19 MS. KELLER: If I may approach? I think
20 this is the last study that I'm going to ask you to
21 specifically look at.

22 THE WITNESS: Thank you.

23 BY MS. KELLER:

24 Q Okay. I've just handed you what is the
25 Colorado Springs P&DC into the Denver, Colorado P&DC

1 AMP, and this again is a decision that you approved,
2 correct?

3 A Correct.

4 Q And my reading of this is that the current
5 intention is at least for the foreseeable future to
6 keep this facility open as a BMEU and as a transfer
7 hub, is that correct?

8 A Can you point me to the page that you're
9 referring to?

10 Q If we go to page 4, the summary narrative,
11 the second paragraph from the bottom says "The BMEU
12 and retail unit located at the GMF main post office
13 will not be affected."

14 A Correct.

15 Q And then it says, "The Colorado Springs P&DC
16 will be retained as the Colorado Springs GMF Colorado
17 Post Office. There will be no changes to the current
18 retail window operations or hours."

19 Then on page 5, the first paragraph has a
20 reference to the remaining hub operations?

21 A The first paragraph?

22 Q Yes, first paragraph on page 5.

23 A Okay.

24 Q And I can read the whole paragraph, but I
25 believe the impact is that there would be a hub-and-

1 spoke operation as well if I'm reading that correctly?

2 A That's the hub concept.

3 Q Okay. Now, if we turn to page 35 in this
4 study, this is a page that is entitled "Staffing
5 Craft", and again, this is a standard part of all the
6 AMP studies that you reviewed, correct?

7 CHAIRMAN GOLDWAY: What page was that,
8 please?

9 MS. KELLER: I'm sorry. Page 35.

10 CHAIRMAN GOLDWAY: Thank you.

11 THE WITNESS: Could you repeat your
12 question?

13 BY MS. KELLER:

14 Q This staffing craft matrix or chart is a
15 standard part of the AMP studies that you reviewed,
16 correct?

17 A That's correct.

18 Q Okay. And looking, the top half of it is
19 the staffing matrix for the losing facility, Colorado
20 Springs, and it lists the current staffing by craft
21 and the proposed as well as the difference between the
22 two, correct?

23 A Yes.

24 Q Okay. And I'm looking at the third and
25 fourth row and Column No. 5, which is the total

1 proposed for Functions 1 and 4 mail handlers.

2 A Okay.

3 Q And it's showing a proposed total of zero
4 mail handlers at this facility, correct?

5 A Correct.

6 Q When you reviewed and approved this
7 proposal, did you have an understanding given the fact
8 that this facility will continue to have some
9 operations in the nature of retail, BMEU and hub-and-
10 spoke transfer of mail, did you have an understanding
11 of how mail would be moved with no mail handlers at
12 this facility?

13 A Well, I don't know if it was this specific
14 package, but I did notice that we did have instances
15 like this. And when you think about a hub-and-spoke
16 operation, it's for a very limited operating window.
17 It's not full-time work certainly. And I was not
18 concerned that we did not have mail handlers because -
19 - in this particular case I'm not concerned because
20 the nature of work that's going to be remaining in the
21 Colorado Springs Post Office, post office box, you
22 state it in the summary, and it's stated in the
23 summary it's not going to be impacted. Retail, not
24 impacted. BME operations, we're going to leave a BME.
25 That's all clerk work.

1 And to the extent that we can operate a hub
2 and spoke for a very limited period of time that would
3 not be considered enough time to have full-time mail
4 handlers, that does not concern me.

5 Q Were there specific calculations done about
6 how many hours of time it would take to do, for
7 instance, the cross-dock hub transfer?

8 A Not that I'm aware of.

9 Q In response to an interrogatory posed by the
10 Mail Handlers Union, NPMHU T-1-8, you responded that
11 the Postal Service would not implement major
12 consolidation efforts during what you referred to as
13 the peak mailing period. I was hoping to get from you
14 a little bit more detail on that answer. When would
15 you define the commencement of the peak mailing period
16 for these purposes?

17 A I would define -- and this would be for the
18 fall holiday mailing season as well as the peak
19 holiday season -- traditionally defined around
20 Christmastime as well as the election mail period. I
21 would define that as September through December.

22 Q Are there any type of consolidation
23 activities that you would engage in during that time
24 period?

25 A For the purposes of this network

1 rationalization effort, we would have no operational
2 moves related to mail processing operations during
3 this time period.

4 Q And how many consolidations, if any, do you
5 anticipate that you would be able to implement prior
6 to that period?

7 A Well, as I stated previously today, this is
8 going to be like a dimming switch; it's not a turn on
9 and off. We don't close an entire operation
10 overnight. There are a series of operations that will
11 move. Some plants, again, when we change the service
12 standards, there will be some level of activity of
13 implementation in every one of our mail processing
14 plants.

15 We'll be looking to change the operating
16 windows of our equipment, and the pace at which
17 operations could be moved from one facility to another
18 again are primarily dependent on any facility
19 modifications, any equipment moves that have to take
20 place, any transportation contracts that have to be
21 modified. We'd have to move the mail in accordance
22 with the labeling list and the structure-release
23 process. And then the employees have to be available
24 in the gaining site to be able to provide service for
25 the mail that does move.

1 And all that will have different paces for
2 each plant because each plant is going to be
3 different. Some plants may have more complex
4 transportation changes than others. Some plants may
5 not need any equipment moves. Some plants might not
6 need any facility modifications in terms of dropping
7 electrical outlets or moving walls or anything like
8 that.

9 So the pace at which we're expecting to
10 change, it's not going to be a complete turnkey
11 operation. We are going to have operational moves
12 that will take place. Once we implement, the service
13 standard changes. And through the period up to
14 September through December, we're not going to have
15 any operational changes. And then in January of 2003,
16 we'll continue the operational changes. So operations
17 will change for just about every processing plant.
18 They will start.

19 Q Do you have at this point a timeframe for
20 what you would expect to be able to complete before
21 September?

22 A I have a generalized idea of the magnitude
23 of the operational changes that will occur. The fact
24 is that the operational change schedule that I do have
25 is a notional schedule. The area offices have until

1 March 30 to provide their final project plans.

2 Every plant, 461 plants have project plans
3 associated with them. The gaining sites have a
4 separate project plan. The deactivating sites have
5 separate project plans. Even those plants that are
6 neither gaining nor losing work is going to have a
7 project plan because the nature of the operations are
8 going to change. Those project plans, there are about
9 476 separate plant operating plans; some plants have
10 multiple because work's moving to different locations,
11 so there are more than 461.

12 But when we total up all of those operation
13 project plans in terms of the number of tasks, we've
14 got about 262,000 tasks associated with those project
15 plans rolled up into a master project plan. And the
16 areas have been working on all the dates. The areas
17 have until March 30 to come up with their final
18 proposed operational moves. That schedule will be
19 vetted by headquarters, and we'll finalize that
20 operational move plan at that time.

21 Q And you referenced in your testimony the
22 dimmer switch metaphor. How long do you anticipate
23 for this whole dimming process to take?

24 A The notional schedule that we have -- and
25 again, I will preface this with it's not finalized

1 because we're still evaluating. We know that there is
2 going to be some long lead items that we're going to
3 have to program out. Particularly those lead items
4 that involve facility modifications, that will take
5 time. But the notional schedule that we have at this
6 point has our latest operational move occurring in the
7 summer of 2013.

8 MS. KELLER: Thank you. That's all I have.

9 THE WITNESS: Thank you.

10 CHAIRMAN GOLDWAY: Thank you. I just have
11 one question. I got a little confused in these
12 documents here. The executive summary says the losing
13 facility is Middlesex and the losing facility is
14 Central Mass, and then there's another one that says
15 the losing facility is Boston and the gaining facility
16 is Middlesex.

17 THE WITNESS: Can you point me to --

18 CHAIRMAN GOLDWAY: In the package you gave
19 me there are two closings combined here. The first
20 one, the executive summary says the losing facility is
21 Central Mass and the gaining facility is Middlesex.
22 And then this one says the losing facility is
23 Middlesex and the gaining facility is Boston PDC.

24 THE WITNESS: Yes. And I'd have to confer
25 with my team, but Boston has letters and flats going

1 to separate plants. Central Mass in this particular
2 AMP study has letters going to Boston, flats going to
3 Middlesex. And I believe the Middlesex AMP would have
4 the letters going to Boston.

5 CHAIRMAN GOLDWAY: Okay.

6 THE WITNESS: So we've essentially isolated
7 the processing by shape in those facilities. And I
8 think that's why --

9 CHAIRMAN GOLDWAY: Do you have an executive
10 summary and report for each of the gaining facilities?

11 THE WITNESS: I don't believe -- I think we
12 just summarized it by --

13 CHAIRMAN GOLDWAY: So, in other words, there
14 isn't a packet --

15 THE WITNESS: Right.

16 CHAIRMAN GOLDWAY: -- that says we're going
17 to have this many more employees and this much more
18 volume and this much more transportation and this much
19 more facility utilization for the gaining facility.
20 You're just sort of assuming that will happen.

21 THE WITNESS: I think that's an appropriate
22 question for Witness Neri.

23 CHAIRMAN GOLDWAY: But you don't sign off.

24 THE WITNESS: No.

25 CHAIRMAN GOLDWAY: You don't look at the

1 gaining facility.

2 THE WITNESS: I know that the work was done
3 in looking at capacities and looking at machine
4 schedules, an extensive modeling effort to make sure
5 that it fits.

6 CHAIRMAN GOLDWAY: But it's not in the
7 report that you --

8 THE WITNESS: Not in this, not in the AMP
9 package itself.

10 CHAIRMAN GOLDWAY: Okay. Thank you. You've
11 completed your testimony? I mean your questions?

12 MS. KELLER: Yes, thank you, Madam Chair.

13 CHAIRMAN GOLDWAY: Then we will go to our
14 final participant I think rather than taking a break.
15 It's Public Representative Mr. Laver.

16 MR. LAVER: Thank you, Madam Chairman. I
17 ask your indulgence for one moment. In your
18 December 7 order you asked me to identify the rest of
19 the members of the Public Representative team for the
20 record, and I'd like to do that now if I could. I
21 would like to also thank my co-counsel, Tracy
22 Ferguson. And Lyudmila, I apologize for butchering
23 your last name in advance, but Lyudmila Bzhilyanskaya.
24 And Larry Pfenster and Curtis Kidd. So again,
25 Lyudmila, I'm sorry.

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CROSS-EXAMINATION

BY MR. LAVER:

Q With that, Mr. Williams, thank you very much for being here today and thanks for your service to the Postal Service. I think we've found it's very helpful to have someone with your broad engineering operations and regional experience to bring expertise to the table in what I think you'll agree is a very complicated and very broad-reaching initiative by the Postal Service.

I have a series of questions for you. I've tried to break them up so that they're not compound or confusing, but if you need more context, just let me know. I'm not trying to trip you up. So, with that, earlier you spoke with Ms. Rush from the National Newspapers Association and you mentioned the backflow issue from, and correct me if I'm wrong, that this is items that were delivered to a DDU and originally they were being sent back to a processing facility to come back after being machined back to the DDU.

A I wouldn't describe it after. This is volumes that were sent to a post office that had sort programs assigned to FSS, so they would send that volume back to FSS for processing, in effect, having one day extra of delivery service.

1 Q Okay. And you made a statement that you
2 said that you changed that policy, the Postal Service
3 changed that policy so that you wouldn't be adding an
4 extra day of service to increase the efficiency of the
5 machine, is that correct?

6 A I wouldn't say changed the policy.
7 Emphasized with the field managers that that was not
8 consistent with the policy of ensuring that mail gets
9 processed in accordance with the service standard. So
10 it wasn't an existing policy to force that volume from
11 a post office to FSS; that wasn't the existing policy.
12 It was more of a reminder to the field that that's not
13 a proper flow of mail and to eliminate that practice.

14 Q Okay. This might be an oversimplification,
15 but would you characterize the current initiative as
16 sacrificing service in the same vein to promote
17 efficiency?

18 A I would characterize this initiative in a
19 different way. The manner in which we don't want to
20 backflow periodicals is a processing policy that needs
21 to be in place to honor the standards that we have
22 today.

23 Q Okay.

24 A For this particular case, it's a situation
25 of making sure that we extract out excess capacity by

1 expanding the operating window in our equipment to
2 fully utilize the operating window and, in doing that,
3 to ensure efficiencies, a service standard change
4 needs to take place.

5 Q That leads into the next question pretty
6 well. On page 1 of your testimony, lines 7 to 11, you
7 discuss the major impacts of the initiative being the
8 elimination of the expectation of the overnight
9 service standard for significant portions of first-
10 class mail and periodicals. The way it's worded in
11 your testimony, it sounds like you believe or the
12 Postal Service believes that there's a need to relax
13 the service standard in order to shrink the processing
14 and transportation networks. Do you think that's
15 accurate?

16 A That's a fair characterization.

17 Q Now this may have been covered already in
18 some responses to interrogatories such as your
19 response to the first of GCA's interrogatories and the
20 fifth of APWU's, but I just wanted to make sure I
21 understand. Did the Postal Service consider or model
22 realigning its processing and transportation networks
23 without relaxing the service standards or without
24 relaxing them so far as they did?

25 A In the response to which interrogatory?

1 GCA? You mentioned GCA.

2 Q GCA/USPS-T-1-1.

3 A T-1-1. Okay.

4 Q And APWU/USPS-T-1-5. They ask similar
5 questions, but not --

6 A So let me respond to GCA T-1-1. That was an
7 initiative to evaluate to the extent that our delivery
8 point sequencing operating window, the number of hours
9 that we process on our second pass because it requires
10 two passes on the equipment. Same volume runs through
11 the equipment twice. The operating window of that
12 second pass operation, to the extent that we expand
13 it, how much square footage within our network based
14 on various levels of expansion could create
15 efficiencies in the ability to eliminate that excess
16 capacity, whether, you know, primarily translated into
17 square feet, but in that translation there's inference
18 of the number of pieces of equipment as well.

19 So that analysis looked at to what extent we
20 could eliminate excess square feet and equipment based
21 on the expansion of that delivery point sequencing
22 window.

23 Q It sounds to me like it's a matter of degree
24 because your testimony talks about in the last six
25 years how much has been done to eliminate some of the

1 excess capacity given the constraints that you
2 currently have. And it sounds like you're saying in
3 order to get more, we have to give up these service
4 standards and it has to be elimination of overnight,
5 the overnight expectation for first-class and
6 periodicals.

7 A Yes.

8 Q Now, and this might be asking the question
9 just in a slightly different way, you say that there's
10 only so much time, and this is in T-1 again on GCA's,
11 only so much time between mail collection and mail
12 delivery as being the reason, that's one of the
13 constraints that you identify for eliminating excess
14 capacity. Could the Postal Service have say moved the
15 critical entry time up further in the day so that
16 there was still an expectation of overnight but only
17 for mail that entered from an earlier time, or would
18 that not be a realistic way to try to capture some of
19 that excess capacity?

20 A I would say that's not a realistic way to
21 capture it. Now we could move collection box times to
22 midnight. You know, that's essentially what we're
23 doing in terms of changing the delivery service
24 expectations in this particular case, but the fact is
25 that we're not changing the nature in which our

1 networks run. Our internet works. Whether it's
2 commercial air or FedEx or UPS, internet works.

3 That part of the operation is not changing.
4 So there is an expectation that we want mail to be
5 able to be inducted into our network and still meet
6 that transportation, and so changing that collection
7 time would force more mail out of that process.

8 Q Now I don't have a reference right in front
9 of you, but you mentioned not changing air
10 transportation. It's my understanding that there will
11 be more air transportation or more reliance on air
12 transportation in your proposed network than there is
13 currently. Is that accurate?

14 A That is accurate.

15 Q Okay: Now, on page 5 of your testimony, and
16 I'm referring specifically to lines 19 and 23, you
17 discuss the modeling exercise that Witness Rosenberg
18 performed. You state that the objective of the
19 modeling exercise was to determine whether excess
20 capacity could be reduced significantly within the
21 network if certain service -- I'm paraphrasing -- if
22 certain service obligations and constraints were
23 relaxed.

24 A Can you point me to the specific line that
25 you're referring to on page 5?

1 Q Lines 19 to 23.

2 A The objective of the modeling exercise was
3 to determine whether excess capacity could be reduced
4 significantly within the network if service
5 obligations and operating constraints driven by
6 current overnight first-class service standards were
7 changed. That's the modeling exercise that I
8 described in GCA T-1-1. We looked at expanding that
9 delivery point sequencing operating window to varying
10 degrees up to eight hours, and that's how we
11 determined the opportunity for reducing square feet
12 and equipment.

13 Q My question is slightly different. It's was
14 there a modeling exercise undertaken using the same
15 modeling technique to see if there was excess capacity
16 that could be eliminated without changing the service
17 standards, or was that a predicate to the analysis?

18 A This analysis didn't deal with service
19 standards. It dealt with opening up delivery point
20 sequencing operating time. That was the premise of
21 the analysis.

22 MR. LAVER: Okay.

23 CHAIRMAN GOLDWAY: I think he's talking
24 about the current model that he did now.

25 //

1 BY MR. LAVER:

2 Q I'm essentially asking if you used the same
3 modeling techniques that Witness Rosenberg described
4 to see if there were efficiencies to be captured
5 without, as you say, opening up the window to the full
6 extent, to opening up the window to the point where it
7 would require eliminating the overnight standard.

8 A This modeling exercise in my testimony on
9 page 20 or on page 5, lines 19 and 20 and into 21 and
10 22 was an exercise that looked at, specifically looked
11 at opening up DPS operating window time.

12 Q Okay. I don't mean to belabor the point.
13 There was no modeling undertaken in the same vein to
14 see if there was excess capacity that could be
15 eliminated without changing the service standards,
16 without opening up the window as you say.

17 A Not in this reference, no.

18 Q Okay. Now, on page 6 of your testimony, you
19 talk about an analysis of the inefficiencies in the
20 mail processing network that was initiated in
21 September of 2010.

22 A Which particular line?

23 Q Let me see if I can pull it up. I believe
24 it's on lines 14 and 15.

25 A Okay. Your question again? I'm sorry.

1 Q Well, I was just asking you to find that
2 first, and then, when did the analysis end, the one
3 that started in September of 2010? Was that a year
4 long?

5 A Where do you see December 2010?

6 Q September.

7 A September. Okay.

8 Q The September reference is from the previous
9 page.

10 A Okay. Okay. I understand. So September
11 2010 was the analysis that identified what excess
12 capacity could be attributed to the constraint of the
13 delivery point sequencing operating window. The
14 reference on Slide 6 starts out in June of 2011. So
15 your question again?

16 Q I see. The June of 2011, was that a year-
17 long examination or study, or was this just a single
18 point in time?

19 A I would describe it as a modeling effort
20 that, and I couldn't give you the exact month, but
21 after the September 2010 analysis which showed that
22 significant excess capacity could be extracted out of
23 the mail processing and transportation network if we
24 expanded the delivery point sequencing up to eight
25 hours for the second pass operation, there was another

1 round of modeling, a different type of modeling that
2 Witness Rosenberg could testify to that used a
3 different modeling tool called a mixed integer, least
4 cost optimization program using net logic to identify
5 how a first cut of this network would look like given
6 the operating window expansion of delivery point
7 sequencing.

8 Again, if you think about a letter being
9 dropped in a collection box today at 5 p.m., that
10 delivery point sequencing starts around 11, goes until
11 about 6, 7:00 in the morning. By expanding that, that
12 produces that excess capacity, it produces a reduction
13 in equipment and square footage, and her modeling
14 exercise came up with a least cost solution based on
15 the inputs and our current network. But I think she
16 might be the better person to testify to the modeling
17 effort in that regard.

18 Q We can talk to her more about that. So
19 moving on to page 7 of your testimony, and this is
20 lines 1 to 11, it's a general question about you talk
21 about a multidisciplinary task force or team at Postal
22 Service headquarters that includes economists, legal,
23 operations, transportation you referenced before. I
24 assume the way you talk about this that you were a
25 member of this team.

1 A Yes.

2 Q Would it be fair to say that you were in
3 charge of this team or the decisionmaker on this team?

4 A I was the leader of the team and am the
5 leader of the team.

6 Q Did those experts in this multidisciplinary
7 team, did they discuss how -- and I'm going to refer
8 to it as the initiative, both the service changes and
9 the mail processing consolidation -- how it fits into
10 the broader postal framework? I mean, for example,
11 how a change in the service standards may impact
12 whether the Postal Service is still meeting the
13 requirement to give the utmost consideration to prompt
14 delivery.

15 A Yes. Now I wouldn't say every member of the
16 team had those discussions, but some members of that
17 team did have that discussion.

18 Q So, as a general matter, can I assume you're
19 familiar, I know you're not an expert, but familiar
20 with the Postal Service's rate setting, price setting
21 process?

22 A You know what, I'm not an expert.

23 Q Neither am I.

24 A I'm an operations guy. I'm not a pricing or
25 costing, and, you know, I've got a very high level

1 understanding.

2 Q Is it fair to say that you understand that
3 the Postal Service is constrained by an inflation-
4 based price cap on each class of mail?

5 A I don't know each class of mail.

6 Q Would you accept subject to check that on
7 each class of mail the Postal Service is constrained
8 by a price cap that's --

9 A CPI price cap. I understand it's for market
10 dominant. I'm not sure about --

11 Q It is only for market dominant. Each market
12 dominant class of mail --

13 A Okay. When you said each class, I was --
14 okay.

15 Q I apologize. Each market dominant class of
16 mail. Now, and I understand you're not an attorney or
17 an economist, but you make decisions in your capacity
18 both as leader of this multidisciplinary team and as
19 the vice president of network operations that involve
20 implementing both the law and economic tradeoffs when
21 it comes to how you're going to process the mail, how
22 you're going to get it delivered. Based on your
23 expertise, could you describe in your own words what
24 you think the relationship between quality of service
25 and the price paid for service is?

1 A Quality of service and the price paid for
2 service. I would say that from a reliability
3 standpoint, certainly as we, as I look at the
4 reliability of service relative to the service
5 standards and the achievement of that through our
6 service measurement that the price paid for services
7 generally get much higher levels of service
8 performance as it relates to the specific service
9 standards for that particular product.

10 Q So do you think it's fair to accept that
11 when I pay the price for something, a postal product,
12 I expect a certain quality of service in return for
13 paying that price?

14 A Yes.

15 Q So everything else being equal, you know, as
16 Postal Service prices go up year to year, same as the
17 price of gas seems to go up year to year, you're
18 paying more for the same amount of service just like
19 I'm paying more now for the same gallon of gas I got a
20 year ago.

21 A In this particular case, as we look at our
22 postal finances that Witness Masse laid out, the cost
23 of providing that service is going much higher than
24 the prices.

25 Q I'm sure. The same as with gas. The

1 refiners would like us to think that costs are going
2 up very quickly too.

3 A Right. The costs are.

4 Q But in the same vein, if you reduce service
5 and you're paying the same price, same as when your
6 cereal box stays the same size, but the volume goes
7 down a couple of ounces, would you say it's fair to
8 say that you are paying more for the same amount?

9 A I would say from a value proposition and
10 considering our financial situation that this is a
11 necessary step that the Postal Service has to take to
12 be financially stable so that the Postal Service can
13 continue as an ongoing institution and organization
14 and provide services in the future.

15 Q Do you think it's a fair characterization
16 that because the Postal Service is constrained in the
17 amount it can charge and the prices it can charge for
18 its products that it is then necessary in order for it
19 to survive to let service slip?

20 A Repeat that question, please.

21 Q Do you think it's a fair characterization to
22 say that because the Postal Service is constrained in
23 the amount they can charge for its products by this
24 market dominant CPI price cap, do you think it's fair
25 to say that the Postal Service sees it necessary to

1 reduce service in order to survive?

2 A Based on our financial situation -- now I
3 don't know to the degree that the price cap has been
4 influencing our financial situation. I would leave
5 that to a pricing witness. But our financial
6 situation, when we're faced with our current financial
7 situation, given the revenues and volumes that we see
8 today, but more importantly, the revenues and volumes
9 specifically on the first-class mail side, as we look
10 at our forecast moving into the future, we're
11 expecting a 47 percent drop between now and 2020.
12 When we look at that situation, notwithstanding the
13 serious financial condition that we're in today, I
14 would say that it's a fair characterization to say
15 that we need to change these service standards to keep
16 this organization more aligned on a path of financial
17 stability to keep this organization viable.

18 Q So, to boil it down, if you have to pay for
19 it through rates or you have to pay for it through
20 less service, that the Postal Service seems to be
21 saying since we can't get it through rates, we're
22 going to have to get it through less service.

23 A I'm not sure if I would say that.

24 Q You think that's an oversimplification?

25 A I'm not an expert of the CPI and the pricing

1 and the elasticities and what that would do. I could
2 not testify to the CPI impact on our financial
3 situation.

4 Q That's fair enough. That's fair enough.
5 Now, on page 8 of your testimony starting around line
6 18, you mention that as part of the initiative you've
7 considered customer feedback and concerns. Are you
8 familiar with at a general level the types of concerns
9 articulated by customers?

10 A Yes, I am.

11 Q Can you provide an example?

12 A Concerns around BME operations or business
13 mail entry operations. We've looked at keeping our
14 BME operations where they're at or in close proximity.
15 We didn't want to impact the manner in which revenue
16 and volumes were entered into our system. Had some
17 concerns about collection box times. In each one of
18 the AMP packages we made sure that there was standard
19 language that collection box times would not be
20 altered. Retail operations, the same thing.

21 Based on the advanced notice of proposed
22 rulemaking, we decided that we needed an overnight
23 service standard, that we could accommodate it within
24 our operating plan design for presort mail that's
25 properly prepared, containerized and entered at

1 certain times, that we would provide an overnight
2 service for that.

3 We looked at dedicating machines for 16 to
4 20 hours for caller service and remittance operations
5 in the plants that would remain to make sure that we
6 have a better flow of remittance in caller service
7 volumes. So we made that tweak to our proposal that
8 we filed or in our operating plan design from an
9 equipment set standpoint. So those are some of the
10 examples that I can recite off the top of my head.

11 Q I appreciate that. Now you talked at
12 length, earlier especially, about the possibility that
13 certain presort mail that comes in by either 8 a.m. or
14 noon, depending on where it's entered, whether it's
15 entered at the destinating SCF or the originating SCF,
16 still meeting that overnight service standard if it's
17 properly containerized and all the other requirements.
18 Now, to your understanding, is there any level of
19 preparation or location that a single piece mailer
20 would be able to enter a piece of mail and still
21 expect an overnight service standard?

22 A From an overnight service standard, no, but
23 from an overnight service performance, yes. We will
24 still deliver mail that's dropped in a collection box,
25 we will still have overnight service performance.

1 It's just like we do today. We advance mail when
2 there's an opportunity. When mail gets identified and
3 there's capacity, we will advance it. We do it today.
4 We have same day service as a matter of fact for
5 caller service or remittance mail today.

6 And that operating philosophy and model will
7 extend even after this network change. Mail that gets
8 identified either through mail that's entered into the
9 business mail entry unit or mail that's extracted out
10 of our outgoing primary operations, and that's the
11 mail that gets dropped in a blue collection box, we're
12 going to continue to collect that mail, consolidate
13 it, transport it to the plant, put a postmark on it
14 the same day just like we do today. That's not going
15 to change.

16 We're still going to run it through outgoing
17 primary operation just like we do today. We're going
18 to make sure that the two-day mail and the three-day
19 mail gets inducted into our network either through air
20 transportation or service transportation. That's
21 going to continue. The mail that's destined for that
22 intra plant, destinating plant, local service area, if
23 that delivery point sequencing operation, if that
24 first pass of that delivery point sequencing operation
25 has not finished and we extract that mail, whether

1 it's mail from our business mail entry unit or if it's
2 mail that gets extracted out of our outgoing
3 operations, we're going to continue to identify it,
4 we're going to continue to put it into our delivery
5 point sequencing processing.

6 So, yes, there will still be overnight
7 service performance for mail that's dropped in a blue
8 collection box, but because there are going to be some
9 delivery point sequencing sort programs that finish up
10 before all of that mail gets extracted, we can't have
11 an overnight service standard for some part and not
12 the others.

13 Q Understood. Understood. On page 12 of your
14 testimony around line 3, you mention that increasing
15 facility space and machinery space was logical when
16 volumes were increasing, but now that volumes are
17 declining that it makes sense that you should reduce
18 both facility count and the space dedicated to those
19 machines. Is that an accurate --

20 A That is accurate.

21 Q Now, on page 11, which is the page before,
22 you mention that the initiative will increase the
23 window for delivery point sequencing, and we've
24 discussed this at length, allowing more time to use
25 these fewer number of machines. Is that accurate?

1 A Yes. It's expanding the operating window,
2 drives out the number of pieces of machines that you
3 need, drives out number of square footage that you
4 need and therefore allows consolidation opportunities.

5 Q Now, as a result of this consolidation and
6 this expanded window, do you think there will be a
7 significant amount of mail being held at facilities
8 once it's missed the start of that window until the
9 next window opens?

10 A Yes. Just like I mentioned in my previous
11 response, if we have a delivery point sequencing
12 operation that finishes and we identify mail for a
13 piece that was dropped in a collection box for that
14 day, that mail will remain in that plant until the
15 next day's delivery point sequencing operation.

16 Q Now has the space been taken into account to
17 hold that mail which currently you wouldn't have to
18 hold, but currently you would turn around? Has that
19 been taken into account?

20 A Yes, that has been taken into account.

21 Q Was it taken into account in the modeling or
22 was it taken into account later by the area managers
23 at the AMPs under review?

24 A I believe it was. I know it was taken into
25 account by the area mail process because we

1 established what we call OSLs or operational space
2 layouts. It's an auto CAD drawing of the workroom
3 floor that lays out the pieces of equipment and the
4 staging area. I know that modeling was done to
5 identify how much staging area space was needed.
6 Witness Rosenberg would have to testify about when
7 that modeling was done.

8 Q Now I won't hold you to this number because
9 I'm trying to remember and I'm not certain of it
10 myself, but I believe that Witness Rosenberg said that
11 10 percent of facility space was being allocated for
12 staging. Do you think that 10 percent would include,
13 if it is 10 percent, do you think that 10 percent
14 would include the area to store this mail that would
15 come in after the window before it would be processed
16 at the next pass?

17 A I'm not familiar with her statement and the
18 context of that statement. I'm not sure.

19 Q That's fair.

20 A I couldn't testify and speculate what she
21 meant by that.

22 Q But you think that she probably did in her
23 modeling take into account the space needed to store
24 the mail over --

25 A I believe that to be the case.

1 Q Okay.

2 A And I know for certain that the areas in the
3 field evaluated staging space as they looked at the
4 operational space layouts because each one of these,
5 you know, each one of these consolidation
6 opportunities have some level of equipment
7 adjustments. Those layouts, we conducted layouts to
8 make sure that it was operationally feasible to fit
9 everything that we said would fit into those
10 buildings.

11 Q Okay. Now I'm switching gears a little bit.
12 Is it your understanding that the priority mail
13 product travels on the same network as the first-class
14 mail network currently?

15 A No.

16 Q No? Could you describe how the priority
17 mail product travels differently?

18 A Well, we have priority, we have an air
19 network that, FedEx, that priority mail travels on.
20 Not all first-class mail travels on FedEx. So there
21 are different networks, there are different labeling
22 lists associated with priority mail, different
23 facilities that process priority mail. We've got some
24 facilities dedicated for priority mail processing. So
25 I wouldn't describe the network as being the same as

1 first-class mail.

2 Q Understood. Now, in your response to
3 PR/USPS-T-1-2 you state that the Postal Service has no
4 method or basis for predicting the percentage of mail
5 that in the future network, which is yet to be
6 determined, would be delivered beyond the service
7 standard, which is the four- or five-day question.
8 You know, how much mail would be delivered on the
9 fourth or fifth day compared to --

10 A I'm sorry. Can you -- let me get to the
11 right --

12 Q Sorry. It's PR/USPS-T-1-2.

13 A Question 2?

14 Q Yes.

15 A Okay.

16 Q And this is where you say that you have no
17 method or basis for predicting how much mail would be
18 on that fourth or fifth day delivery due to a service
19 failure in a new processing network.

20 A Can you direct me to the specific language
21 that says fourth or fifth day?

22 Q It's the language you use that ends with
23 service failure.

24 A I'm sorry. Let me get -- I thought I looked
25 at -- I've got Question 2 to Request 5. That's what I

1 was looking at. Let me get to the right
2 interrogatory.

3 MR. TIDWELL: It would be PR/USPS-T-1-2.

4 THE WITNESS: PR?

5 MR. TIDWELL: PR.

6 THE WITNESS: Okay.

7 MR. LAVER: I apologize. I probably spoke
8 too quickly.

9 THE WITNESS: I was thinking POIR. Okay.
10 I'm sorry. Okay. Can you direct me to the response
11 that says four and five days in this?

12 BY MR. LAVER:

13 Q It's beyond -- I paraphrased four or five
14 days because that's the language you used and APWU
15 asked a similar question. And our question was
16 basically how much would be beyond the service
17 standard, which the longest service standard is three.
18 So how much would be on the fourth and fifth day? And
19 you responded to APWU the same way you responded to
20 ours with saying you don't know how much mail will be
21 due to a service failure pushed beyond its service
22 standards in the future mail processing network.

23 A Yes. Just like today, I mean, we have a
24 continuous improvement philosophy. We want to
25 continually improve service performance. I couldn't

1 predict what our service achievement levels are going
2 to be next week. I can't predict what they're going
3 to be next month or next year. We do have a goal. We
4 continually strive to improve upon that goal through
5 improving our operational processes, but to be able to
6 predict a service performance level for some time into
7 the future, I can't speculate on what that's going to
8 be.

9 Q And I'm not going to ask you to actually put
10 a number on it or answer it in that way, but you said
11 earlier that the new network would be more reliant on
12 air transportation, is that correct?

13 A The new network will have more air
14 transportation, that is correct, and that's to achieve
15 our operating model design, our incoming primary
16 operations. As mail is entered at a destinating
17 facility from the world, so coming from surface
18 transportation and air transportation, that operating
19 model design is designed to start up at 8:00 in the
20 morning and it's designed to go until noon.

21 And we have some surface trips today that
22 arrive at our processing plants after the noon time,
23 so we've got to make sure that volume gets into that
24 operating window. So there will be a shift of mail
25 that's on surface today that will go to air

1 transportation in this future model design, and it's
2 all to make sure that we've got mail available within
3 that operating window that allows us to finish
4 processing by noon.

5 Q So would you agree that the new processing
6 environment, this new processing environment that uses
7 air transportation more, all geared toward getting the
8 mail there on time, would be less forgiving than the
9 current model in that, and by forgiving, I mean, you
10 know, if the truck is 15 minutes late and it's meeting
11 the truck, it could probably still get there a half an
12 hour late, if it's arriving or traveling by plane, it
13 won't have the same flexibility.

14 A Well, I mean, we've got an operating plan
15 design. That operating plan calls for certain
16 capacities to be able to be in place to process and
17 transport mail. And we think that this operating
18 model design has that capacity to do it, to achieve
19 that operating plan that we expect to have in place.

20 Q So I'm not going to ask you for an estimate
21 but a direction. Do you think in this proposed new
22 processing environment and service standard
23 environment, do you think the Postal Service will be
24 better at meeting its service standards, will struggle
25 more with it because the network might not be as

1 forgiving, or do you think it will be about the same
2 as it is currently?

3 A I think it's going to be at least as good as
4 it is today in terms of achieving service performance.
5 Number one, we've modeled our capacity to handle peak
6 day, which is the 95 percentile day in terms of our
7 volume. We use 2010 volumes. We know that our
8 volumes have declined since 2010, so there is latent
9 capacity in terms of our operating design.

10 The other key thing, and this is a real
11 beauty of this operating model is that today, in
12 today's environment, those trucks that I talked about
13 that arrive late afternoon, we don't know how much
14 mail's on them typically, so we have a level of
15 variability in the current operating model because we
16 don't know in many instances how much mail is going to
17 arrive, so we may not have capacity.

18 We may have decided to shut off a certain
19 process that we would either have to start back up or
20 it might even be too late to start back up, which
21 could cause service failures or which could cause mail
22 to go outside of the most efficient path. That's in
23 today's environment. In the future environment,
24 because we have this operating model design that says
25 for the most part all mail destined to be delivered

1 the following day, with the exception of the
2 collection box mail, should be in that destinating
3 plant by 8:00 in the morning.

4 So, at 8:00 in the morning, our operating
5 managers will be able to much better evaluate the
6 resources required in terms of equipment, facilities,
7 operating processes that have to be established and
8 scheduled. That will take place much earlier in the
9 day than in the current operating environment, so the
10 level of variability in terms of resource scheduling
11 becomes much easier in this future concept.

12 Q I appreciate that. Now, looking forward in
13 your role here as VP of operations, if the volume
14 trends continue as they currently are, would you
15 foresee this happening again in terms of would you
16 foresee dropping the service standards again, or do
17 you think this is a one off shot that will add as much
18 flexibility and as much excess capacity elimination
19 that can be had?

20 A The beauty of the service standard change is
21 that it allows us to be much more flexible as we look
22 down the future. I don't anticipate needing to change
23 service standards to drive out excess mail processing
24 capacity in terms of facility space, equipment and
25 human resources, but I do expect as volume continues

1 to decline, just like the Postal Service has
2 historically done, we historically evaluate the
3 opportunity for consolidation and to make sure that we
4 can to the extent of the current operating environment
5 that we're under continue to take out excess capacity.

6 Q I'm going to ask you a little bit about
7 full-up savings, and you may tell me that I should ask
8 Witness Bradley or Witness Neri, but I thought I'd
9 check with you before you leave us. Would you agree
10 that full-up savings estimates are the savings that
11 would occur as a result of the proposed changes using
12 mostly this Fiscal Year 2010 data rolling forward into
13 the future?

14 A I would have to defer that response to
15 Witness Bradley and Witness Smith in terms of the role
16 forward calculations that were considered.

17 Q Would you agree that the calculation of
18 full-up savings does not include one-time transitional
19 costs?

20 A I don't believe it was calculated, but for
21 the record, I would ask Witness Bradley and Witness
22 Smith.

23 Q Okay. I won't belabor the point. I can ask
24 Witness Bradley and Witness Smith on those questions.
25 So I'm referring to your response to NPPC USPS T-1-1.

1 This is where you discuss the cost of monitoring
2 service performance metrics.

3 A NPPC 1-1?

4 Q 1-1.

5 A Okay.

6 Q Would you say that these extra costs
7 associated with monitoring performance metrics, would
8 you say these are a short-term or a long-term cost?

9 A The cost of monitoring, it's ongoing. I
10 mean, that's what we do today. We do that ever since
11 I've been in the Postal Service. We've had monitoring
12 of service performance, identification of root cause,
13 continuous improvement of processes through the
14 evaluation of performance-level data from a service
15 standpoint. That's going to continue.

16 Q My question is more on the cost side. You
17 wouldn't expect the cost to increase, the cost of
18 service performance measurement to increase as a
19 result of this initiative. Would that be accurate?

20 A Service performance measurement to increase?

21 Q You discuss the performance metrics that you
22 use now and you say you're going to use the same ones.
23 Do you think it will be about the same cost as you're
24 incurring now because they'll be the same methods?

25 A I mean, we always look to improve even the

1 metrics. You know, as we get more data coming out of
2 say, for instance, the intelligent mail bar code, the
3 data that I talked about with periodicals in terms of
4 work in process, we're going to continue to improve
5 upon the metrics by which we can continuously improve
6 service performance. That's a given. And the degree
7 that those metrics will evolve will be based on a lot
8 of factors, one being availability of data and our
9 ability to mine data.

10 We get better at that all the time, and the
11 ability for us to identify ways to analyze the data so
12 that we can identify root cause, that's a continuing
13 effort, and I see that continuing well into the future
14 because our interest in continuing to improve service
15 performance will not stop.

16 Q That's good to hear. I have two more, and
17 they're brief. I promise. You spoke with APWU's
18 counsel about the distinction between the change in
19 service standards, the light switch analogy, versus
20 the change in the actual operations, the dimmer switch
21 analogy. Now, in this new processing environment,
22 during the transition, even though the service
23 standards have changed, could I assume that I will
24 still receive the previous service until my local AMP
25 is consolidated? Is that what you mean by the dimmer,

1 that the actual service I receive as a postal customer
2 will probably still be the old service standard until
3 the operational changes are made?

4 A I will say that the primary driver is that
5 delivery point sequencing window. As we change the
6 delivery point sequencing window from midnight to
7 something earlier or 11 p.m. to something earlier, as
8 we do that and as mail gets identified through our
9 business mail entry unit or the collection outgoing
10 primary cancellation process, just like I said, as we
11 identify it, we're going to continue to induct that
12 volume into the sort programs that have not completed.

13 So just like from an operational move
14 standpoint, I would consider the service achievement
15 of a service performance will be a dimmer as well as
16 operations change. If we don't have significant
17 changes in delivery point sequencing start times up
18 front, we'll continue to provide overnight service.

19 Q Okay. So it may be anytime between now and
20 what you had said hypothetically a year from now,
21 around May of 2013?

22 A Notionally, if the current schedule that I
23 was looking at had the last operational move, I
24 believe it was July of next year, if that sticks as
25 the areas evaluate the operational moves over the next

1 couple weeks, yes.

2 Q That's helpful I think. As your
3 communication witness demonstrated, I think the more
4 the public knows about when it might affect them and
5 how I think the better they can deal with the change.

6 A But I will go back to we will. Even when
7 this network is fully up, we will still have overnight
8 service performance for mail that's dropped in a blue
9 collection box. We will have same day service
10 performance for mail dropped in a collection box
11 that's destined for the destinating plants caller
12 service operation. So this isn't once we finish with
13 the network there is no more overnight service
14 performance. There will be overnight service
15 performance at each one of these locations.

16 Q I appreciate that. Very last question. You
17 described with counsel for NPMHU the iterative process
18 for this AMP review process. Would you describe the
19 Postal Service initiative here as an iterative process
20 where you did the modeling, you got feedback from the
21 managers? Did you go back and do the modeling again
22 in an iterative, repetitive sort of process to try to
23 iron out all the kinks so to speak?

24 A Yes, we did.

25 Q So after getting feedback from the local

1 managers, after having the results of the model and
2 then getting feedback from the local managers, you
3 went back to the model again to make sure everything
4 was feasible and rerun the model?

5 A That's my understanding, yes.

6 MR. LAVER: Okay. That's all I have, and I
7 thank you very much for being helpful, forthcoming and
8 being with us today.

9 THE WITNESS: Thank you very much.

10 CHAIRMAN GOLDWAY: Thank you. I just want
11 to follow up on that last question. So the
12 information that's in the testimony includes followup
13 modeling or just the initial modeling?

14 THE WITNESS: There was an iterative process
15 that we went back because models don't have perfect
16 information. We went to the areas, and, I mean, there
17 were iterations of modeling occurring. We looked at
18 modeling in terms of we call them run plans for
19 equipment sets. There are iterations of that. There
20 are iterations of modeling of what was called
21 operational space layouts. There were modeling around
22 transportation, modeling through the AMP process. So
23 a lot of iterations of modeling occurred after we ran
24 the initial model and shared those results with the
25 areas.

1 CHAIRMAN GOLDWAY: So the cost savings that
2 you've presented reflect some of the further modeling
3 that was done inputting the actual results from AMPs?

4 THE WITNESS: No. That's not, no.

5 CHAIRMAN GOLDWAY: The operational
6 efficiencies that you presented in testimony reflect
7 changes made to the model after you've had actual AMPs
8 and you've gone back and inputted new information?

9 THE WITNESS: No, no, no.

10 CHAIRMAN GOLDWAY: No? Just the original
11 modeling had several different --

12 THE WITNESS: Yes, there were iterations.

13 CHAIRMAN GOLDWAY: But subsequent to
14 adopting the model, you have not taken information
15 from the AMPs and PIRs and gone back to input new
16 information, after all there's more savings in some
17 than others, to adjust that modeling?

18 THE WITNESS: To adjust which modeling are
19 you referring to?

20 CHAIRMAN GOLDWAY: The initial modeling.
21 You didn't go back and say hey, look, we've saved this
22 many more employees or it looks like in this AMP we
23 could actually save this much more transportation and
24 therefore, our initial modeling was not correct, so we
25 better put in some new numbers?

1 THE WITNESS: Are you talking about the cost
2 modeling? Which modeling are you referring to?

3 CHAIRMAN GOLDWAY: The cost modeling and the
4 operational modeling, so there were generations of
5 models.

6 THE WITNESS: Yes. Lots of models were used
7 in this as we evaluated the feasibility.

8 CHAIRMAN GOLDWAY: But did you adjust those
9 models after getting real data from changes that have
10 been already implemented in the AMPs or the PIRs? Did
11 you go back and look at the models which had
12 presumptions and make any adjustments to have a second
13 modeling?

14 MR. TIDWELL: Madam Chairman, I think there
15 may be some confusion. I think the witness may be
16 using modeling in a much broader sense than it sounds
17 like the question is implying. There's Witness
18 Rosenberg's model, and then there are various
19 analytical techniques that I believe the witness is
20 describing as modeling that are separate and apart
21 from her modeling exercise, and it may be that the
22 questions and the answers are talking past each other
23 in that regard.

24 THE WITNESS: Yes. The modeling that I'm
25 referring to is subsequent modeling. Number one, the

1 AMP business case is one version of a model that was
2 iterative. There's run-plan generators models. We
3 have a delivery-point sequencing model that we used to
4 identify which sort programs would be likely
5 candidates to be combined. We had operational space
6 layout modeling. So there were a number of different
7 operational models used that were iterative in the
8 process.

9 CHAIRMAN GOLDWAY: So I'm just trying to
10 understand what information we have in the testimony
11 that shows what the operational adjustments will be,
12 where the cost savings are based on the initial model
13 that was done by Ms. Rosenberg, or do you have
14 information in the testimony that includes the actual
15 experiences from the AMPs and the PIRs?

16 THE WITNESS: I would defer to the costing
17 witnesses.

18 CHAIRMAN GOLDWAY: Okay. I just wanted to
19 clarify that one question. I'm still not sure I
20 understand it, but we'll try and get it from another
21 one.

22 THE WITNESS: Okay.

23 CHAIRMAN GOLDWAY: It appears that some of
24 the participants have some further questions based on
25 information that was discussed subsequent to their

1 question.

2 MR. ANDERSON: Madam Chairman, Daryl
3 Anderson for the American Postal Workers Union. For
4 that reason and also because the APWU received this
5 morning a response to APWU USPS T-1-46, which I had an
6 opportunity to examine during the break, and it
7 actually is on point with some of the discussion
8 that's occurred with regard to AMPs and their use in
9 this proceeding, so at the appropriate time, I'd like
10 an opportunity to ask questions in following up this
11 interrogatory response and to pursue some of the
12 matters that were discussed earlier today.

13 CHAIRMAN GOLDWAY: Well, I think I'll allow
14 you to ask your questions now. Is there any other
15 participant who's going to want to ask questions? And
16 then the bench will ask questions before have a break
17 and do whatever redirect is necessary, so go ahead.

18 MR. ANDERSON: Okay. Thank you, Madam
19 Chairman.

20 BY MR. ANDERSON:

21 Q Mr. Williams, do you have before you APWU
22 USPS T-1-46?

23 A I do.

24 Q Okay. And I'd also like you to have before
25 you the response to the mail handlers' T-1-19, which

1 was redirected and made a Postal Service response. I
2 would ask you if you have that before you. That would
3 be useful as well.

4 A T-1-19?

5 Q Yes, for mail handlers T-1-19.

6 A Okay.

7 Q Thank you for looking at that. With
8 reference to APWU No. T-1-46, that makes reference to
9 the February 23 release dealing with the AMPs that had
10 been approved and the cost savings estimates rather,
11 and it would appear that there's, as we see it, a
12 major disparity between the cost savings that are
13 emerging from the completed AMPs and the projected
14 cost savings, and this document actually makes
15 reference to \$2.1 billion, but I think that that's a
16 net number. The real cost savings, and let's pause on
17 this point, were \$2.6 billion, is that correct?

18 A Cost savings, yes, that's correct.

19 Q Okay. So we're looking at a disparity
20 between \$1 billion and \$2.6 billion, is that correct?

21 A A disparity between?

22 Q The \$1 billion that seems to be emerging as
23 the number, the total savings shown by the AMPs and
24 the total that the Postal Service projected as the
25 savings from this initiative?

1 A Yes. There are different methodologies.
2 There are a number of cost elements that are not
3 included in the AMPs, so naturally there would be
4 differences in the two estimates.

5 Q I understand that that's the position of the
6 Postal Service. Now I understand that when the
7 modeling was done for the projected savings that the
8 Postal Service looked at AMP savings that had been
9 achieved in the 2009, 2010 timeframe and using those
10 as a basis for estimating how much per AMP could be
11 saved they projected forward the amount of savings
12 that might be achieved through this initiative, is
13 that correct?

14 A I'm not the costing witness. I think that's
15 a question you would have to ask Witnesses Bradley and
16 Smith.

17 Q Okay. So I respect that answer. I
18 appreciate it, and I'll desist on some of the
19 questions I intended to ask you, but I do want to ask
20 you this. With reference to the mail handlers' No. 19
21 that was redirected to the Postal Service, the mail
22 handlers were asking in essence, and this is a
23 question that came up earlier today with regard to
24 Library Reference 73, what are the Postal Service's
25 plans to update Library Reference 73 in light of the

1 fact that the AMPs are only adding up to a billion
2 dollars worth of savings and something needs to be
3 done to update that number?

4 I understand from the Postal Service
5 interrogatory response to the Interrogatory 19
6 redirected from you to the Postal Service, as I'm
7 looking at it here, it seems to be saying, and I'm
8 looking at the bottom part of that response --

9 A Can you refer to me which line that you're -
10 -

11 Q It's not a line number, but if you look it's
12 about 10 lines from the bottom of the interrogatory
13 response from the Postal Service, and it begins, "The
14 request in this docket seeks an advisory opinion on
15 whether pursuit of the proposed service changes and
16 consequent improved balance between costs and revenues
17 would for those reasons be consistent with applicable
18 policies of Title 39."

19 Then it says, "Nothing contained in the
20 announcement of February 23 changes or detracts from
21 the aforementioned basic principles underlying the
22 service changes, and inasmuch as the February 23
23 decisions do not alter the fundamental nature of the
24 proposed service changes, the Postal Service does not
25 currently anticipate any significant or fundamental

1 updates or revisions to its direct case."

2 So, as the person, the policy witness here
3 and the person who's directing this task force, do you
4 endorse that statement that there's no need for an
5 update of the Postal Service's direct case in light of
6 the February 23 announcement of the AMP totals?

7 A Well, I would certainly endorse that we do
8 not anticipate any significant or fundamental updates
9 or revisions to the case based on the fundamental
10 premise of what we're trying to do, that is, expand
11 the delivery point sequencing window, provide an
12 opportunity to extract a significant amount of excess
13 number of machines, square feet and a significant
14 change in the cost structure of our mail processing
15 and transportation network.

16 Q So even if you only saved a \$1 billion and
17 not \$2.6 billion, that would still be a significant
18 change in the cost structure and the Postal Service
19 would be prepared to go forward regardless, is that
20 correct?

21 A I wouldn't speculate on what that number
22 threshold might be.

23 Q All right. And do you, sir, have the
24 authority to direct Mr. Bradley to do a recalculation
25 of cost savings in light of the February 23 notice?

1 A Of Dr. Bradley?

2 Q Is it Mr., Ms., Dr.? I don't know which it
3 is.

4 A Witness Bradley.

5 Q Witness Bradley. It seems undignified to
6 call somebody Witness Bradley.

7 A Witness Bradley.

8 Q I assume we're referring to you as Witness
9 Williams. Okay, Witness Williams. Dr. Williams, do
10 you have the authority?

11 A Certainly I would have influence in making a
12 recommendation, but Witness Bradley does not work for
13 me.

14 Q Under your leadership, do you suppose you
15 could persuade Dr. Bradley to recalculate?

16 A If I thought that there was a compelling
17 need to do so, I would.

18 MR. TIDWELL: He would confer with counsel,
19 and a determination would ultimately be made.

20 CHAIRMAN GOLDWAY: I think the witness
21 should answer the question.

22 MR. ANDERSON: Thank you, Madam Chairman.

23 BY MR. ANDERSON:

24 Q So do you think in your view would you
25 recommend that Dr. Bradley recalculate in light of the

1 fact that only 183 were approved and that they're
2 showing savings of approximately \$1 billion? Don't
3 you think it would be useful to the Commission for Dr.
4 Bradley to recalculate now?

5 A At this point, I don't think so.

6 Q You made a passing reference in your
7 testimony to reviewing comments made from the public
8 as part of the AMP process. Is there some place where
9 those public comments on AMPs are collected and
10 reviewed as part of the AMP process?

11 A They are reviewed at the area level, the
12 area Vice President reviews them, and I review them.

13 Q Is that included in the PO408, or is that
14 something separate?

15 A I believe it is included in the PO408, but
16 for the record, Frank Neri can testify to that, but
17 that is the first thing that I look at. Before I look
18 at the actual business case presented, I look at the
19 public input, the summaries of the public input.

20 Q Are those summaries published to your
21 knowledge?

22 A I believe it is posted up on the website.

23 Q You were asked about whether priority mail
24 and express mail ride the same rails as all the other
25 less exalted mail, and you said no, but they do. They

1 are actually then processed ultimately in many of the
2 same facilities, isn't that correct?

3 A Could you repeat that question?

4 Q Yes. I'm sorry. Metaphors and similes are
5 just not working today. Let's go with the more
6 prosaic explanation or question rather, which is that
7 it's my understanding that in order to maintain
8 service standards, cutting to the chase here, in order
9 to maintain service standards on priority mail and
10 express mail, it may be necessary to incur some
11 additional costs to elaborate the network to ensure
12 that those service standards can be maintained, isn't
13 that the case?

14 A Yes. There will be tradeoff between cost of
15 service, a particular three-digit to three-digit pair
16 for priority and express service.

17 Q As part of the AMP process, can you tell me,
18 Mr. Williams, where it is written who's entitled to
19 receive notice of the AMP process and to have input
20 into that?

21 A Who is entitled?

22 Q Who among the public citizens who may be
23 affected by an AMP?

24 A It's my understanding that we have what we
25 call stakeholders, it's the local and government

1 officials, employees, mailers. It's in the 408, and
2 Frank Neri can testify to --

3 Q Is it consistent with your recollection that
4 it would be everybody in the impacted three-digit zip
5 codes should be given notice?

6 A Everybody in the impacted zip codes? I
7 would defer that question to Witness Neri.

8 Q Fair enough. I thought maybe that would jog
9 your memory. You asserted in response to a question
10 by the public representative that boy, once we get
11 this -- you didn't use the word boy. That's my
12 editorializing. Once we get this network
13 consolidation done, we're set. Hard to imagine in the
14 future having to do anything else to accommodate mail
15 volume changes as we see the universe unfolding here.

16 As you said that, I was envisioning a
17 universe in which by virtue of the impact of the
18 service changes at issue in this case elimination of
19 Saturday delivery, the closing of 10,000 or so post
20 offices and the increase of rates above the rate of
21 inflation that actually mail volume does plummet and
22 the Postal Service goes into what has been predicted
23 to be a death spiral, which might then result in
24 having excess capacity even as this new network is now
25 being designed. Isn't that a possibility?

1 MR. TIDWELL: Counsel, can you refresh my
2 recollection on the 10,000 post office closings?

3 MR. ANDERSON: Yes. Do have a question in
4 mind? Mr. Williams, hold that thought.

5 THE WITNESS: You're going to have to repeat
6 it.

7 MR. ANDERSON: As I recall, the retail
8 office initiative was some 3,700 post offices that
9 were considered for closure.

10 CHAIRMAN GOLDWAY: And there was a
11 projection for 15,000, not 10,000.

12 MR. ANDERSON: Simultaneously, the
13 Postmaster General was talking about the possibility
14 of eventually closing up to 15,000 post offices, so
15 it's in the public domain. Certainly I think it's
16 commonly understood in the postal community that up to
17 15,000, 10 or 15,000 post offices could have to be
18 closed given the financial constraints the Postal
19 Service finds itself under, so I didn't think I was
20 being overly rhetorical in suggesting the possibility
21 that that would be one element that might affect the
22 future viability of the Postal Service.

23 BY MR. ANDERSON:

24 Q So I don't want to argue with you, Mr.
25 Williams. You've been a good witness, and you've

1 answered forthrightly. I respect you, and I
2 appreciate that, but I would submit to you, sir, that
3 it is imaginable ~~that~~ in fact the Postal Service would
4 someday go to three-day delivery and would have to cut
5 the network it's designing in this process in half
6 again. Isn't that a possibility?

7 A Well, when you say three-day delivery, what
8 do you mean?

9 Q Three days a week. They're going to five
10 now. Won't they someday have to go to three if the
11 volume drops too far?

12 A Well, I would request a reading of the
13 testimony back to me, but I believe what I said in
14 response to the question, and the question was around
15 service standards as it's being presented in this
16 case, not talking about delivery frequency or retail
17 access, I believe my response was that from a mail
18 processing operation standpoint in terms of equipment
19 and space that this service standard change case
20 because we've expanded the operating window would
21 provide the ability for the Postal Service to shed the
22 excess mail processing in terms of equipment space and
23 the human resources within the plants.

24 I did not refer to delivery frequency or
25 retail access, specifically talking about the service

1 standards in this particular case and as it relates to
2 mail processing operations.

3 Q What got you in trouble with me is I think
4 that you added a comment that for the foreseeable
5 future, this really ought to, or words to that effect,
6 that we're really now with this initiative set in
7 terms of service standards and --

8 A In terms of service standards as being
9 defined by this case.

10 Q Yes.

11 A In terms of impact to mail processing
12 operations, in terms of equipment, space and employees
13 and mail processing.

14 Q Right. And five years from now, if volumes
15 have been cut in half, it may well be that the Postal
16 Service finds it necessary to once again have its
17 network reduced more dramatically, its delivery days,
18 to accommodate the new reality of much lower volumes.

19 A I can't speculate what initiatives the
20 Postal Service might entertain, and I think my
21 response to the previous question that you're
22 referring to was the Postal Service always looks at
23 capacity. We always look at the opportunity to align
24 our resources to match workload and revenues.

25 With this service standard change case, as

1 volumes continue to drop, I don't expect the Postal
2 Service from a mail processing standpoint to require
3 additional service standard changes to make the
4 alignment of equipment, facilities and human resources
5 within the plants to align that workload in response
6 to any volume declines that we might see in the
7 future. What this service standard change does is it
8 allows us to expand that operating window 16 to 20
9 hours.

10 Q Excuse me, Mr. Williams. I understand.

11 A I need to respond to your question.

12 Q There's no pending question.

13 MR. TIDWELL: Madam Chairman, there was a
14 pending question.

15 THE WITNESS: I need to respond.

16 MR. ANDERSON: No, there is no pending
17 question.

18 CHAIRMAN GOLDWAY: All right. Then I think
19 we ought to cut this dialogue short.

20 MR. ANDERSON: I've offered not to argue
21 with Mr. Williams, and he's arguing with me, so I'm
22 willing to argue back, but I don't want to --

23 CHAIRMAN GOLDWAY: I don't think this is
24 based on factual discussion at this point. We've gone
25 beyond that.

1 MR. ANDERSON: Thank you.

2 CHAIRMAN GOLDWAY: I should have called it
3 sooner.

4 MR. ANDERSON: I should have. Pardon me for
5 not desisting sooner. Mr. Williams, again thank you
6 for your time.

7 THE WITNESS: Thank you very much.

8 CHAIRMAN GOLDWAY: I think we have questions
9 from the bench, and I'll begin with Mark.

10 COMMISSIONER ACTON: Thank you, Madam
11 Chairman. You're in the home stretch here, Mr.
12 Williams. This part of our program includes questions
13 from the Commission about parts of the testimony we
14 like to plug the holes that we feel that you might be
15 able to contribute toward the record in completing.
16 My question is that the Commission is aware that the
17 analysis in this docket is based on Fiscal Year 2010
18 information, but can you please explain how recent
19 changes in the APWU contract may impact the ability of
20 the Postal Service to achieve expected cost savings?

21 THE WITNESS: One of the beauties of this
22 network design is we have modeled requirements and
23 capacity based on 2010 peak-day volumes and we've
24 modeled this delivery-point sequencing operation to
25 start at noon and on a peak day finish at 4:00 in the

1 morning. On the non-peak days, we ought to be
2 finishing earlier than 4:00 in the morning, so the
3 back end of our operating window as we process
4 delivery point sequencing, there is an opportunity as
5 we have variation in volume that we process either on
6 a seasonal basis, first of the month or day of the
7 week, we traditionally have variation in volumes that
8 we process.

9 And the APWU contract, as we look at the use
10 of the PSE employees as well as the nontraditional
11 full-time employees, which are employees that could
12 work different hours each day of the week potentially,
13 we could schedule very efficiently with the new
14 contract as it relates to this operating window that
15 we've established, which provides flexibility. As we
16 finish delivery point sequencing on any day of the
17 week on any given machine, we've got the flexibility
18 to allow those employees to go home on the back end to
19 a much larger extent than we've got today.

20 In today's environment, we're pretty much
21 locked into when volumes start and when they have to
22 finish, and there are inefficiencies in that network
23 design. This future design allows us and the
24 collective bargaining agreement that we signed with
25 the APWU allows us to take advantage of that

1 flexibility as we put this operating model in place.

2 COMMISSIONER ACTON: Okay. And that helps
3 with that question. This matter of resource
4 scheduling that you were discussing earlier with some
5 of the counsel, is that an approach that the Service
6 presently uses in order to optimize or better achieve
7 your operational outcomes in meeting service standards
8 as they presently exist?

9 THE WITNESS: Yes. We have a variety of
10 resource scheduling tools available to us. We've got
11 machine schedules. We've got Delivery Point
12 Sequencing, DPS. We call it DPS models that program
13 certain zones on a sort program to minimize the number
14 of machines, so we do have resource models that we do
15 use to efficiently to the extent that we can given our
16 current constraints drive costs out of the system.

17 COMMISSIONER ACTON: Well, I had the sense
18 from the discussion that certain parties are
19 interested in knowing if you were using that
20 capability now outside of the context of this proposal
21 to better meet present standards.

22 THE WITNESS: Yes, we do use resource
23 modeling tools to help us put in the appropriate
24 resources during a specific operating window to
25 provide the intended service.

1 COMMISSIONER ACTON: And I've developed a
2 little milestone sort of calendar that I gleaned for
3 my own information here that I want to review with you
4 to see if it seems accurate, and I think you say in
5 your testimony that on the 30th of this month you'll
6 be finalizing your operational plans, is that correct?

7 THE WITNESS: That is. The project plans
8 are due back from the area offices for each AMP that
9 we approved, the project plans that would lay out when
10 operational moves would occur. There are various
11 operational moves that would apply to any specific
12 AMP. For example, we might move outgoing letters well
13 in advance of moving outgoing flats.

14 So the timeframes of each operational
15 product, whether it be outgoing letters or outgoing
16 flats, outgoing packages, incoming operations,
17 delivery point sequencing operations, priority mail,
18 incoming and outgoing operations, those operations
19 could move at different times for any individual AMP,
20 and so the areas on the 30th, we're expecting to get
21 their final operational move plans that will be
22 contained within their individual project plans.

23 COMMISSIONER ACTON: Okay.

24 CHAIRMAN GOLDWAY: Does that include the
25 receiving facility as well?

1 THE WITNESS: Yes. As you can imagine --

2 CHAIRMAN GOLDWAY: I mean the operational
3 plans for receiving facilities.

4 THE WITNESS: Yes. As you can imagine,
5 there are a lot of interrelated and interdependent
6 activities that need to take place. The model
7 construct of our project management, as all of these
8 project plans roll up into a master schedule, we've
9 got these handoffs that occur to make sure that
10 there's alignment that a plant that is losing an
11 operation that it's on alignment from a timeframe
12 standpoint of the plant that is gaining that
13 operation. So there are those handshakes that are in
14 our projects plans, and there are interdependencies
15 that we review.

16 COMMISSIONER ACTON: Okay. Well, my
17 milestones here are four in length, and they're sort
18 of pieced together from your written testimony and
19 what you've told us here today, so the next step I see
20 that seems of reasonable import would be in early
21 April of this year you will initiate a change in
22 service standards in early April at the earliest.

23 THE WITNESS: In mid-April, it's our goal to
24 publish the final rule, and in that final rule, we
25 will establish an implementation date by which the

1 service standards would change.

2 CHAIRMAN GOLDWAY: Don't you usually need to
3 wait a certain amount of time in the *Federal Register*
4 after you publish the final rule, counsel? I know we
5 had to wait a certain amount of time before
6 implementing rules. Is that standard procedure?

7 MR. TIDWELL: Madam Chairman, there are some
8 rules that are implemented almost immediately. The
9 Postal Service has made it clear that it will
10 establish an implementation date no earlier than 30
11 days.

12 CHAIRMAN GOLDWAY: After?

13 MR. TIDWELL: After let's say whatever the
14 mid-April date is.

15 CHAIRMAN GOLDWAY: Okay. That's what I
16 wanted to clarify.

17 COMMISSIONER ACTON: And I'm sorry, Mr.
18 Williams, were you finished with that?

19 THE WITNESS: Well, I just wanted to say
20 that when we publish the final rule in the *Federal*
21 *Register*, in that final rule, we would establish an
22 implementation date. We don't expect to implement
23 this network change earlier than May 15.

24 COMMISSIONER ACTON: That's just for the
25 change in service standards because I understood you

1 to say there's a differential between when you will
2 change the service standards from what they are to
3 what you're proposing, and then there will be an
4 ongoing effort to change the operational arrangements
5 and rationalize the network in a way that makes the
6 entire system in keeping with the new standard.

7 THE WITNESS: That's correct. The date that
8 the service standards change will start the
9 implementation activity in just about every single
10 plant. How long it takes will be dependent on a lot
11 of things, but the start of the implementation will
12 start on the day that the service standards are
13 changed.

14 COMMISSIONER ACTON: But at that point, you
15 still would have the operational capability to meet
16 the previous standard until you begin that process of
17 changing the network.

18 THE WITNESS: Yes.

19 COMMISSIONER ACTON: Okay.

20 THE WITNESS: Yes, to my response as just
21 like we do today, as we've got the capability to
22 advance mail and the mail is there to process, we will
23 continue that longstanding practice of advancing mail,
24 so there will be overnight service performance in a
25 lot of instances for those operations that have not

1 moved yet.

2 COMMISSIONER ACTON: Okay. And just a
3 couple more points. We have a moratorium later this
4 year, August to November, is that right, for your
5 operational changes?

6 THE WITNESS: The moratorium in terms of?

7 COMMISSIONER ACTON: I'm not talking about
8 the post office closings.

9 THE WITNESS: Okay.

10 COMMISSIONER ACTON: I'm talking about these
11 operational revisions to meet these new service
12 standards. I believe the Service has agreed that
13 there are some valid concerns that surround vote-by-
14 mail for instance.

15 CHAIRMAN GOLDWAY: Peak mail, election mail
16 and holiday season.

17 THE WITNESS: Right. Fall-mailing season,
18 peak holiday season, the election mail.

19 CHAIRMAN GOLDWAY: And I think you said
20 September through December?

21 THE WITNESS: September through December.

22 COMMISSIONER ACTON: December. Okay.

23 CHAIRMAN GOLDWAY: But will that be a
24 moratorium?

25 THE WITNESS: There will be no operational

1 changes that will take place during that time period
2 for this initiative.

3 COMMISSIONER ACTON: You want your delivery
4 capabilities to be static for that period of time so
5 that you can ameliorate these concerns that the
6 Chairman just itemized?

7 THE WITNESS: We want to make sure that our
8 operations managers are focused on that peak holiday
9 season, the fall mailing season and the election mail
10 season.

11 COMMISSIONER ACTON: Okay. And then I had
12 that you anticipate that your latest operational move
13 will be sometime in the summer of 2013.

14 THE WITNESS: The notional schedule that we
15 have today, and again the areas are updating those.

16 COMMISSIONER ACTON: Sure.

17 THE WITNESS: But the latest information
18 that we have, and certainly it's got to be vetted by a
19 number of people at headquarters because timeframes
20 for facility modifications might extend what the local
21 people might think is doable, but the notional
22 schedule that we have at this point has our last
23 operational move taking place I believe it's in the
24 July timeframe of next year.

25 COMMISSIONER ACTON: Okay. That's helpful

1 to know. I'm just trying to get a picture here of how
2 things may unfold if they go according to your plan.

3 CHAIRMAN GOLDWAY: And I have a couple of
4 more details to add to this calendar so we better
5 understand it. In the testimony today, you said that
6 there will be changes necessary in the mailing
7 labeling systems and that mailers and the Postal
8 Service itself will have to have time to adjust their
9 computer programs so that the new sorts and the timing
10 are supportive of the new standards and that will take
11 some time. You said 75 days, I believe you said, so
12 would you give that notice to mailers on May 15?

13 THE WITNESS: Well, I believe I was
14 referring to the manner in which labeling lists are
15 changed, and I believe the current time period is a
16 70-day period. That includes some period of time of
17 notification and some period of time of an exception
18 period. I believe that time period in total is about
19 75 days.

20 CHAIRMAN GOLDWAY: Would that time period
21 start for at least those plants that you want to close
22 immediately on May 15, or would it start earlier or
23 later, that time period for noticing mailers of the
24 changes that are necessary?

25 THE WITNESS: Yes, we've been working with

1 the mailing industry through Task Team 11 because we
2 want to be very solutions-oriented with the industry
3 to make sure that they can make the changes in
4 accordance with what we finally agree to in terms of
5 what that process looks like in the future, which will
6 include how many times a year the structured release
7 that we're expecting, I believe it's six times a year
8 right now. We're looking at with this team of maybe
9 revising that. We're looking at revising the time
10 period.

11 CHAIRMAN GOLDWAY: So my question is, I
12 don't care exactly how many days, I just want to know
13 you won't be able to start this process until after
14 May 15, or will you start the process on April 15?

15 THE WITNESS: We will notify the industry
16 when the service standard change is expected to be
17 implemented in our final notice that it's our goal to
18 have published by mid-April.

19 CHAIRMAN GOLDWAY: Okay. So let's say you
20 start working with the industry in mid-April. Given
21 this process, it's going to take May 15, June 15,
22 somewhere in July before the computer systems are up
23 to adjust to the changes for the new operating systems
24 in the plants?

25 THE WITNESS: I'm not sure what your

1 question really is.

2 CHAIRMAN GOLDWAY: You don't think it will
3 take that long.

4 VICE CHAIRMAN LANGLEY: Has a 75-day period
5 to start.

6 CHAIRMAN GOLDWAY: You had a 75-day process
7 for notifying the mailers and for coming up with the
8 right labeling so that they can label the mail and
9 provide it in the sorts and the designations that work
10 for the new service standard system, and it appears
11 from the testimony that that's going to take some
12 time, so I don't imagine that on May 15 all the
13 mailers will be ready to go with a new system. Am I
14 right in saying that?

15 THE WITNESS: Well, when I said today it's
16 75 days, in the future, I believe it's going to be
17 shorter because we have been working.

18 CHAIRMAN GOLDWAY: That may be, but let's
19 hope that you work that out so these transitions are
20 shorter in the future.

21 THE WITNESS: Right.

22 CHAIRMAN GOLDWAY: But for this particular
23 calendar that we're talking about to get us through
24 the immediate problem, it appears to me that it's
25 going to be difficult to implement changes even at the

1 plants you've identified to change for a month or two
2 after May 15. Is that a fair assessment?

3 THE WITNESS: I do not think that's a fair
4 assessment.

5 CHAIRMAN GOLDWAY: You think it will happen
6 faster?

7 THE WITNESS: I think it will happen faster
8 because very shortly after April, mid-April when we
9 publish the final rule, we will have published what
10 labeling lists we would expect to have in place, and
11 very shortly after that, we will have labeling lists
12 that we would have expected for the next release, and
13 I couldn't tell you off the top of my head when that
14 timing is for the next release, but I would say within
15 30 to 60 days after mid-April we could have mailings
16 that would be able to be presented by mailers that
17 would fit into the new network.

18 CHAIRMAN GOLDWAY: And don't you have time
19 that's required to notify employees to give them the
20 opportunity to move to different locations?

21 THE WITNESS: Yes.

22 CHAIRMAN GOLDWAY: And how much time is
23 involved in that?

24 THE WITNESS: Well, there's different time
25 periods within the collective bargaining process. I

1 am not an expert at the collective bargaining process.
2 That might be a question for Witness Rachel, but it's
3 my understanding that there's a time period that's
4 associated with notifying the union at the national
5 level. There's a time period that's associated with
6 notifying the unions at the regional level, and then
7 there are timeframes associated with notifying
8 employees. It's my understanding that we have a 60-
9 day obligation before we access employees to notify
10 employees.

11 CHAIRMAN GOLDWAY: But don't you also have
12 to offer them the opportunity to move to a new
13 location? And I understand there's some opportunity
14 for early retirement. It just seems to me that if
15 you've got to wait to know actually how many employees
16 you're going to have in a particular facility that
17 will be leaving before you can decide where to move
18 the new employees to the new facility that you have
19 some time lag, and I want a sort of realistic estimate
20 of how many plants you think are actually going to be
21 impacted between May 15 and the September moratorium.

22 THE WITNESS: There are collective
23 bargaining requirements at least in the APWU contract
24 that limits the number of times. We have the
25 opportunity to move employees once every three months.

1 We're expecting to move employees around the June 30
2 timeframe. That's how we've programmed the national
3 move date. But to your second question, when we
4 change service standards, every plant is going to be
5 impacted. We will start making operational changes
6 even within the four walls of plants that are neither
7 gaining nor losing volume, so to the extent that we're
8 going to be impacting employees, we are going to be
9 impacting just about every employee in our mail
10 processing network.

11 CHAIRMAN GOLDWAY: Starting in May?

12 THE WITNESS: It's starting after May 15.

13 CHAIRMAN GOLDWAY: May 15. Okay. Those
14 were my questions on the calendaring. Do you have
15 any?

16 COMMISSIONER ACTON: Yes. I'm done with
17 calendaring, but I have one last. This is a little
18 more esoteric, Mr. Williams, and it may be out of your
19 wheelhouse, but I think it would be interesting to
20 hear from a member of the executive leadership team at
21 the Postal Service management.

22 When you guys are contemplating this sort of
23 question and you're talking here today about
24 optimizing your operational efficiencies and cost
25 savings, using the most of your personnel and your

1 equipment, it seems like it's come down to a question
2 of cost management versus brand management because
3 it's true you are proposing a plan which will optimize
4 your machines and your personnel, but it will cost you
5 in terms of the appeal of the product to most
6 individuals, so I'm trying to get a sense for what
7 brought you to the table to craft this proposal.

8 Is it something that someone said that the
9 executive leadership there, it would be a good thing
10 for the Postal Service to slow down, to change our
11 service standards from what they are to what we're
12 proposing today, or is it more that the cost savings
13 are so good with this proposal and our financial
14 situation is so dire that we don't have many places to
15 go where we can make this sort of change ourselves and
16 reap the financial gains that are at stake?

17 THE WITNESS: I would answer that, number
18 one, the financial situation of the Postal Service is
19 so dire that if we continue down this path of losses
20 in the billions, and we're projected I believe to lose
21 about \$14 billion this year, the tradeoff between this
22 proposal and brand is if we continue down the path in
23 today's volumes, notwithstanding what we're expecting,
24 we're expecting to lose 47 percent of the first-class
25 mail between now and 2020, we won't have a brand at

1 all if the Postal Services ceases to have operations.

2 And if we can't pay the bills and we can't
3 pay our employees because the losses have been so
4 great and the revenues are not coming in and we don't
5 adjust the cost structure of our organization, we
6 won't have to worry about the brand, so I think that's
7 the tradeoff.

8 COMMISSIONER ACTON: Okay. I appreciate the
9 responsible notion behind that thought. I just was
10 trying to gain some truthful insight, and I think
11 you've provided it, on whether or not the Postal
12 Service management thought we need to make this change
13 because this will bring the product more in keeping
14 with what modern demand is and will be or you're doing
15 it because you can't get any other form of relief on
16 the Hill in terms of what you need as far as
17 legislative change to bring the sort of cost savings
18 that will enable you to not have to make these sorts
19 of proposals.

20 THE WITNESS: This is part of a \$20 billion
21 cost-reduction strategy that the Postal Service has to
22 pull \$20 billion of cost out by 2015 to put the Postal
23 Service on a path of profitability, and that's all
24 about keeping the Postal Service viable, but there is
25 this element of we've got to make sure that our

1 resources match the market realities that we're
2 facing.

3 Witness Masse testifies about the forecasted
4 first-class mail volume. We're losing volume. We
5 expect to continue to lose volume to the market
6 reality, so the revenues aren't coming in, so it is
7 about making sure that we're aligning our
8 infrastructure to match the volume and revenues that
9 we have today but more importantly also into the
10 future.

11 COMMISSIONER ACTON: Okay. I appreciate
12 your time and your answers today. Thank you.

13 THE WITNESS: Thank you.

14 CHAIRMAN GOLDWAY: Commissioner Taub?

15 COMMISSIONER TAUB: I have questions, but
16 let me defer to the Vice Chairman for a moment and let
17 her go through hers.

18 CHAIRMAN GOLDWAY: Okay.

19 VICE CHAIRMAN LANGLEY: Thank you so much,
20 and, Mr. Williams, thank you for being a good witness.
21 You've been cheerful, and I do know that certainly
22 you've had a long experience and professional career
23 with the Postal Service, and I think you're bringing
24 to bear your perspectives having been out in the
25 field. I was curious about your exchange just now

1 with Commissioner Acton, and I do know that the idea
2 of realigning the network, changing the service
3 standards is part of the plan that was issued by the
4 Postal Service in February.

5 And so I think one of the questions, and I'm
6 not going to ask a question of it right now to you,
7 but how the different concepts and proposals in the
8 February plan all mesh together, and I think later on
9 when we have other witnesses there will be opportunity
10 to find out how everything is working together.

11 I have a couple questions. One, could you
12 please explain what currently distinguishes first-
13 class mail with a two-day delivery versus first-class
14 mail with a three-day delivery standard? Is there a
15 specific transportation time between facilities,
16 distance between facilities?

17 THE WITNESS: It's a 12-hour drive time
18 between the origin P&DC and what we refer to as the
19 area distribution center. It's a 12-hour drive time,
20 and the area distribution center is just a role of a
21 plant that performs distribution of incoming mails
22 that could impact downstream SCFs. So it's a 12-hour
23 drive time between origin plant to area distribution
24 center plant, and it excludes any overnight mail
25 within that 12-hour drive time.

1 VICE CHAIRMAN LANGLEY: So it excludes
2 express mail or overnight first class?

3 THE WITNESS: It would exclude overnight
4 first-class mail area.

5 VICE CHAIRMAN LANGLEY: Will the 12-hour
6 drive time be used once the realignment goes into
7 effect on --

8 THE WITNESS: I'm sorry. In the proposal
9 that we published on December 15 in the *Federal*
10 *Register*, we proposed a four-hour drive time between
11 origin plant and destinating plant.

12 VICE CHAIRMAN LANGLEY: Thank you. Let me
13 ask you about your testimony in which you discuss
14 proposed changes for noncontiguous destinations or the
15 Postal Service would like to align them to actual
16 transportation availability for periodical standard
17 mail package services, and you indicate that the
18 changes would modify the upper range of these products
19 to 26 days. That's for periodicals and package
20 services. Standard mail would go to 27 days.

21 And according to the special study of
22 service performance in noncontiguous areas that was
23 included with the Postal Service's 2011 ACR, service
24 standards for parcels, for example, are met between 6
25 and 8 percent of the time in Hawaii, Guam and the

1 Northern Marianas. I certainly understand the
2 logistical issues with these areas, but given that
3 performance scores for parcels are in the single
4 digits in these areas, will increasing the number of
5 maximum days for service standards help them meet
6 these standards?

7 THE WITNESS: Yes, they will. The
8 logistics, as you say, are -- well, I don't know if
9 you said this, but they are complicated. They're
10 based on the frequency of trips that go to these
11 noncontiguous locations. We have boat trips, for
12 example, that don't go every day. Some boats go out
13 three times a week. Some boats go out twice a week.
14 I even believe we've got boats that go out once a week
15 to some of these locations.

16 So making a standard that is operationally
17 capable, we need to make these changes so that the
18 service performance and that the expectations that our
19 customers have that we're capable of achieving those
20 expectations, so it's all about making sure that the
21 capability of the network with respect to the
22 frequency of these intermodal trips, whether they're
23 air taxis or boats, that we align them to that
24 reality, and that's the nature of the changes for the
25 noncontiguous locations.

1 VICE CHAIRMAN LANGLEY: Well, interestingly
2 enough, Guam and the Northern Marianas have a higher
3 score than Honolulu and the other islands. Do you
4 know what percentage of parcels are delivered now in
5 this proposed upper limit that is being proposed for
6 noncontiguous areas?

7 THE WITNESS: No, I do not have that number
8 off the top of my head.

9 VICE CHAIRMAN LANGLEY: Could you provide
10 that to us?

11 THE WITNESS: I could, yes.

12 VICE CHAIRMAN LANGLEY: Thank you. That's
13 all I have for right now. Thank you.

14 THE WITNESS: Thank you.

15 COMMISSIONER TAUB: Thank you. This has
16 been a long day, and we will try to hopefully meet our
17 service standard of announcing 4:30 as the end time,
18 but we may be a little over. I had just wanted to
19 look at APWU had brought up the response to the
20 National Postal Mail Handlers Union interrogatory, and
21 if we could just take a quick look at that? That's
22 the NPMHU of course, USPS T-1-19.

23 THE WITNESS: Okay.

24 COMMISSIONER TAUB: And there was some
25 discussion on the followup with APWU on that, and not

1 to go over that ground again, I think you helped
2 outline from your perspective why you didn't see the
3 February 23 results necessarily looking to update in
4 the Postal Service's direct case, but in the first
5 page of that, on the second paragraph, the first
6 sentence, the Postal Services notes as required by
7 Commission rules the Postal Service continually
8 reviews all aspects of its case to determine if
9 updates or corrections are required because of new or
10 previously unknown information.

11 Even if, assuming the discussion here as
12 outlined, the impacts aren't necessarily viewed as
13 significant enough to update the case, will there be
14 finalized data available as to what has gone on with
15 the reviews as of February 23 so that other witnesses
16 that are looking at the cost savings can update their
17 models and estimates?

18 THE WITNESS: Or is the data available for
19 the witnesses? Yes, the data is available for the
20 witnesses to review that data.

21 COMMISSIONER TAUB: Is that something that
22 we could commit the Postal Service could provide as
23 part of the record?

24 THE WITNESS: If you could let me know which
25 data that is.

1 COMMISSIONER TAUB: Okay. I think what
2 we're looking at largely here is --

3 THE WITNESS: The AMP study results?

4 COMMISSIONER TAUB: Yes, the AMP study
5 results.

6 THE WITNESS: Yes, we could certainly
7 provide a summary of the AMP study results.

8 COMMISSIONER TAUB: Yes, and given those
9 results, there was some discussion earlier, in fact,
10 there was the figure of \$1 billion that was put out
11 vis-à-vis the \$2 billion outlined as the savings
12 expected, and as you outline, the Postal Service's
13 perspective is that \$2 billion factors in more than
14 just necessarily what's coming out of the AMP, but
15 looking at the AMP study results themselves, are they
16 indicating more or less cost savings than what you
17 expected based on the filing and the case coming into
18 this before the February 23 tranche was done?

19 THE WITNESS: Well, historically when we've
20 looked at AMPs that have been implemented, and in our
21 AMP process we go through two post-implementation
22 reviews to see if the service expectations and cost
23 savings have been achieved, and when we go through
24 that final post-implementation review, at least in the
25 studies that we reviewed I believe since the network

1 operation plan was published in 2008, the AMP savings
2 have traditionally been significantly higher, and I
3 think in aggregate it's about 4.8 times higher than
4 what was estimated in the AMP package.

5 And our AMP process in my opinion is a very
6 conservative look at an isolated business case because
7 to make a decision to move operations from one
8 facility to another is a serious decision. We want to
9 be as conservative as possible in that analysis, so
10 historically and traditionally, AMP packages have
11 always, let's say always, have traditionally been well
12 above what was initially estimated in the AMP package.

13 COMMISSIONER TAUB: In terms of the records
14 as part of this docket we have the Inspector General's
15 reviews, which generally speaking in the aggregate as
16 he and his office has looked at each of those
17 individually I think on whole bears out what you're
18 saying. Speaking of the post-implementation reviews,
19 there was some discussion earlier today about those
20 that were completed but not included yet in the Postal
21 Service's Library Reference. Specifically it's
22 reference NP-12, and there was some discussion about
23 making sure that it was included in the record. I had
24 just wanted to make sure we could get that.

25 CHAIRMAN GOLDWAY: We had asked for that,

1 and I'm glad you clarified it.

2 COMMISSIONER TAUB: To make sure.

3 CHAIRMAN GOLDWAY: Yes, we want any PIRs
4 that have been completed that are not in the testimony
5 so far and also any AMPs that have been completed. We
6 understand there are nine still pending, but there may
7 have been some others that were completed but are not
8 in the record, and I believe that you committed to
9 checking on that and making sure that we had a
10 complete record going forward.

11 THE WITNESS: Yes.

12 COMMISSIONER TAUB: And the last question I
13 have to wrap it up. I'm at 4:30, but I know the Chair
14 has some additional, so I won't extend it. We did get
15 today the errata to your response to Question 2 of the
16 presiding officer's Information Request No. 5. It
17 really was just correcting a few things but outlined
18 the perspective on 3691, which is the statutory
19 provision that provides the Postal Service the
20 authority to modify its service standards as it deems
21 appropriate going forward from the first time it was
22 done six months after enactment of PAEA.

23 So hence, this is what the proposal is
24 that's moving forward in the rulemaking in mid-April.
25 I was just wondering if I might be able to nail you

1 down with any more specificity beyond mid-April. Is
2 there a date that if we were betting people we could
3 bet on to see the rule?

4 THE WITNESS: I would just say mid-April.

5 COMMISSIONER TAUB: Mid-April. Fair enough.

6 THE WITNESS: That's our goal.

7 COMMISSIONER TAUB: Tax Day or thereabouts?

8 Thanks a lot, Madam Chair.

9 THE WITNESS: Thank you.

10 CHAIRMAN GOLDWAY: Thank you. I believe
11 Vice Chair Langley has another question.

12 VICE CHAIRMAN LANGLEY: Yes, I have one
13 additional question that was triggered by something
14 that Commissioner Taub asked. In response to the Mail
15 Handlers' Interrogatory T-1-5, you state that the
16 transition and implementation costs were not included
17 in the Postal Service's estimate of savings, and you
18 also note that the Postal Service hasn't yet concluded
19 the estimate of these savings, so I'm curious since
20 there will be transition and implementation costs, why
21 weren't they included initially?

22 THE WITNESS: Why were they not included
23 initially?

24 VICE CHAIRMAN LANGLEY: Right. Could you
25 explain why?

1 THE WITNESS: I would have to defer to the
2 costing witnesses, Bradley and Smith.

3 VICE CHAIRMAN LANGLEY: I will do so. Thank
4 you so much.

5 THE WITNESS: Thank you.

6 CHAIRMAN GOLDWAY: I have a couple of
7 questions. I hope I can get them all in. When you
8 were developing the AMP, you established a certain
9 number of employees that were at the facility, and
10 then you at the PIR established the number of
11 employees that remain after consolidation, is that
12 correct?

13 THE WITNESS: In the AMPs, we establish the
14 number of employees that are --

15 CHAIRMAN GOLDWAY: Before and after the
16 consolidation?

17 THE WITNESS: Before and then after, in the
18 PIR, I believe there is a worksheet that calculates
19 how many employees are on the rolls post-
20 implementation, and I would defer to Witness Neri to
21 testify that there is in fact, I believe there is, but
22 I would have Witness Neri double-check.

23 CHAIRMAN GOLDWAY: Although I may ask him as
24 well, but then I understand that for each facility
25 that there is an allotted number of staff, an

1 authorized number of staff and then a current on-rolls
2 staff.

3 THE WITNESS: There is --

4 CHAIRMAN GOLDWAY: We are authorized a
5 certain number of positions in our office, and we may
6 or may not carry the full authorization, so I
7 understand that for each facility there's an
8 authorized list and a current rolls list, is that
9 true?

10 THE WITNESS: For management employees,
11 there is an authorized complement that authorizes
12 management employees, and there is obviously a current
13 number of management employees.

14 CHAIRMAN GOLDWAY: But at each facility, is
15 there also an authorized number of employees for a
16 facility that includes management and/or passover?

17 THE WITNESS: Well, to the extent that it's
18 authorized is locally determined. Headquarters
19 doesn't establish authorized employees in terms of the
20 number of employees.

21 CHAIRMAN GOLDWAY: I guess what I'm trying
22 to determine is whether when you're looking at the
23 potential savings at AMPs you're looking at the number
24 of employees that are authorized or that are expected
25 to be there on the roles versus the actual number, and

1 when you compare the savings with what happens after a
2 PIR, are you using the actual number of employees that
3 have been reduced or the number that you might have
4 had versus the actual number that are reduced? We see
5 this kind of wishful thinking in the expectations of
6 economic savings in our post office closings, so I
7 just wanted to see what you have here.

8 THE WITNESS: I will defer that question to
9 Witness Neri, who's the expert on AMPs. It's my
10 understanding that we use work hours to evaluate the
11 cost. We use a work-hour rate. It's not an
12 authorized employee. It's actual cost.

13 CHAIRMAN GOLDWAY: Actual work hours from
14 2010?

15 THE WITNESS: Work hours and the cost of
16 those work hours for the data collection period
17 associated with each AMP, and Witness Neri can testify
18 to what that period is and how those costs are
19 derived.

20 CHAIRMAN GOLDWAY: Okay. And then I guess
21 this question has been asked many different ways, but
22 when we were discussing it first thing this morning,
23 you said that the critical entry time has been moved
24 to 8 in the morning, and the hours of operation for
25 the sorting machines have been moved to 20 hours, but

1 they're the evening hours. I was wondering whether
2 any efforts had been made to estimate what kind of
3 savings you might have if instead of consolidating all
4 the plants you simply switched hours of operations to
5 just two shifts and eliminated the expense of night
6 shift. So was any modeling done for any kind of other
7 configuration other than closing facilities?

8 THE WITNESS: To my knowledge, we did not
9 model compressing shifts. I'm not aware of that
10 modeling taking place.

11 CHAIRMAN GOLDWAY: In the cost figures that
12 we have, it appears that there's about \$375 million in
13 facility-related savings. When you do the AMP studies
14 and add up the \$1 billion, does that include the
15 facility-related savings?

16 THE WITNESS: I'm not sure what's included
17 in that line called facility-related savings, so I
18 would have to defer to Witnesses Bradley and Smith and
19 Witness Neri. I don't know what's included in that
20 facility-related savings.

21 CHAIRMAN GOLDWAY: Could you have closed
22 these numbers of facilities, saved us \$375 million and
23 come up with some operational scheme that didn't
24 involve eliminating overnight delivery? Do you think
25 you could have modeled that? You may not have saved

1 as much, but --

2 THE WITNESS: Well, that's what we did since
3 the 2008 network plan where we did AMPs. We did a
4 large number of AMPs. We implemented a large number
5 of AMPs since 2008, but we're at the point now where
6 we have to make a structural change in our operating
7 window which involves this service standard change
8 that allows us to get to these long windows, fewer
9 machines and fewer pieces of equipment.

10 CHAIRMAN GOLDWAY: So the real savings come
11 from reducing the number of employees, not the
12 facility savings?

13 THE WITNESS: I believe at least 80 percent
14 of the savings is labor-related. There are other
15 related savings as the other witnesses could testify
16 to in transportation, in maintenance.

17 CHAIRMAN GOLDWAY: The representative from
18 the Greeting Cards Association mentioned that there is
19 legislation being discussed in the Senate in which the
20 Postal Service has asked for an increase over and
21 above the CPI rate for first-class single piece mail
22 in exchange for reducing the number of operating
23 plants that will be closed, and in my conversations
24 with the Postmaster General, it appears that there
25 have been some estimates made as to what the cost

1 savings would be if you only closed 100 plants or 80
2 plants instead of the 200 that are on the list now.

3 Was a study done, a kind of phase study how
4 much you would save if you only closed 100 plants or
5 150 plants or 200 plants?

6 THE WITNESS: No, we did not do a study that
7 iterated the number of plants. What we studied was at
8 a high level based on the current network design in
9 this case if we restricted the service just to the
10 intra-plants service area would have on overnight,
11 what would be the feasibility of continuing to either
12 close facilities or leave them open.

13 CHAIRMAN GOLDWAY: So how did you estimate
14 the cost differential between those two options?

15 THE WITNESS: I don't have the specifics
16 about how those cost differentials were calculated,
17 and again, this was a high-level analysis that was
18 conducted. I believe it was based on the number of
19 facilities that would stay open or close, and I
20 believe it was an average savings per facility, and I
21 believe again this is a high-level analysis that was
22 conducted.

23 CHAIRMAN GOLDWAY: Would any one of the
24 other witnesses who's coming before us in this case
25 know more about this?

1 THE WITNESS: I believe Witness Rosenberg
2 could testify to that analysis.

3 CHAIRMAN GOLDWAY: Okay. Thank you. I'd
4 appreciate that. And one final question. You did
5 clearly say, and I'm relieved to hear it, that there
6 will be some sort of moratorium on this plant closing
7 initiative during this election year cycle, but I'm
8 concerned about whether the Postal Service has plans
9 to inform vote-by-mail customers who may be impacted
10 in the areas where the plant consolidations have
11 already occurred and to clarify to those where it
12 hasn't occurred what the situation will be.

13 There's been so much discussion about
14 changing service standards and voting is so important.
15 We want to make sure that citizens both in the
16 affected areas and in the moratorium areas are clear
17 about what the service is that's going to be provided
18 by the Postal Service. Are you aware of any plans
19 that have been made to inform?

20 THE WITNESS: To inform customers?

21 CHAIRMAN GOLDWAY: To inform customers.

22 THE WITNESS: There is a communication plan
23 that's associated with our AMP process. When it's
24 determined when an AMP would start the implementation,
25 there's a communication process by which we will

1 notify stakeholders on the implementation of that AMP
2 package.

3 CHAIRMAN GOLDWAY: Is there a special
4 addendum to note when those AMPs are in areas where
5 there's a lot of use of vote-by-mail?

6 THE WITNESS: I'm not aware of that, but I
7 will take a note of that.

8 CHAIRMAN GOLDWAY: All right. I may ask a
9 further question about that so customers know. I
10 believe that that concludes my series of questions.
11 Any more from the bench? We're okay? I know we're
12 going a little bit late, but it was a full day, and I
13 really appreciate your patience for answering all
14 these questions. We do have an opportunity now for a
15 break so that the witness can consult with his
16 attorneys to determine how much rebuttal testimony is
17 required. You'd like a 20-minute break?

18 MR. TIDWELL: Yes, ma'am. Twenty minutes.

19 CHAIRMAN GOLDWAY: Okay. We will have a 20-
20 minute break and reconvene at five after 5.

21 THE WITNESS: Thank you.

22 (Whereupon, a short recess was taken.)

23 CHAIRMAN GOLDWAY: We're back in session for
24 the redirect.

25 MR. TIDWELL: Yes, Madam Chairman.

1 Witness Williams, Commissioner Langley
2 commented that you were so cheerful earlier today. Is
3 there any way that you could capture that attitude and
4 bring it back so that people at headquarters could see
5 it, and you don't have to answer the question, but
6 that's the only question I have. We have no
7 questions, Madam Chairman.

8 CHAIRMAN GOLDWAY: Excellent. That's good.
9 Well, Mr. Williams, that completes your testimony here
10 today. We certainly appreciate your appearance and
11 your contributions to the record. Your enthusiasm for
12 the work you do and the strong presentation you made
13 on behalf of the Postal Service, I think we all
14 appreciate that, and I'm pleased to tell you that you
15 are excused.

16 THE WITNESS: Thank you very much.

17 CHAIRMAN GOLDWAY: There may be some written
18 submissions in the next few days, but you're excused
19 from this meeting.

20 (Witness excused.)

21 CHAIRMAN GOLDWAY: I'd like to announce that
22 three witnesses have been scheduled for tomorrow,
23 Witnesses LaChance, Elmore-Yalch and Whiteman. There
24 are no requests for oral cross-examination for Witness
25 LaChance, so at this time, I'm excusing Witness

1 LaChance from having to appear at the hearing. Her
2 testimony and written cross-examination can be entered
3 into the record by motion as we did earlier today with
4 two other witnesses. And with that, I will adjourn
5 this hearing until tomorrow morning at 9:30 where we
6 will begin again, and once again, thank you all for
7 your participation, and we look forward to at least
8 seeing some of you here tomorrow.

9 (Whereupon, at 5:09 p.m., the hearing in the
10 above-entitled matter was adjourned, to reconvene at
11 9:30 a.m. the following day, Wednesday, March 21,
12 2012.)

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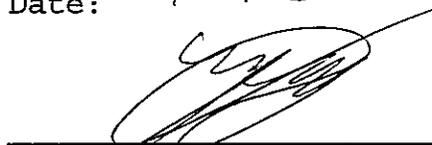
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REPORTER'S CERTIFICATE

DOCKET NO.: N 2012-1
CASE TITLE: Mail Processing Network Rationalization
Service Changes, 2012
HEARING DATE: 3/20/12
LOCATION: WDC

I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before Postal Regulatory Commission.

Date: 3/20/12



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