

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

MAIL PROCESSING NETWORK
RATIONALIZATION SERVICE CHANGES, 2012

Docket No. N2012-1

SUPPLEMENTAL TESTIMONY OF
MARC SCHILLER
ON BEHALF OF
AMERICAN POSTAL WORKERS UNION, AFL-CIO
APWU-ST-1

June 12, 2012

1 **PURPOSE OF SUPPLEMENTAL TESTIMONY**

2 The purpose of this supplemental testimony is to update the estimated number
3 and respective percentage of 3-digit origin/destination pairs that would experience a
4 change in service standards under Phase 1 of the Postal Service’s modified plan
5 disclosed in the USPS Postal News, Release No. 12-058, dated May 17, 2012, and
6 further described in the Revised Service Standards for Market-Dominant Mail Products,
7 final rule, published in the Federal Register on May 25, 2012. The final rule includes
8 phased implementation of the network rationalization proposal.

9 My rebuttal testimony, revised May 1, 2012, assumed implementation of the
10 proposed mail processing operational consolidations as presented by the Postal Service
11 as of the date of my testimony. On page 17 of my rebuttal testimony I present a table
12 depicting the number of 3-digit origin/destination pairs that will receive faster, slower or
13 unchanged service upon full implementation of the network rationalization plan.

14 My supplemental testimony incorporates my direct testimony by reference and
15 presents a revised version of this table that depicts the impact of the proposed “Phase
16 1” implementation.

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**Table 1 – AS SUBMITTED in TESTIMONY
Service Standard Changes (Proposed)
3-digit Zip Code Origin/Destination Pairs**

Change in Standard	First Class Mail	Periodicals	Package Services	Standard Mail
Slower	136,980	222,040	42,623	28,321
Faster	230	186,725	37,106	436,631
No Change	711,896	440,341	769,377	384,154
Slower	16.1%	26.2%	5.0%	3.3%
Faster	0.0%	22.0%	4.4%	51.4%
No Change	83.8%	51.9%	90.6%	45.2%

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**Table 1 – REVISED for INTERIM STANDARDS
Service Standard Changes (Proposed)
3-digit Zip Code Origin/Destination Pairs**

Change in Standard	First Class Mail	Periodicals	Package Services	Standard Mail
Slower	131,812	156,963	21,922	21,922
Faster	132	6,837	0	0
No Change	717,162	685,306	827,184	827,184
Slower	15.5%	18.5%	2.6%	2.6%
Faster	0.0%	0.8%	0.0%	0.0%
No Change	84.5%	80.7%	97.4%	97.4%

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4 Analysis of the interim service standards recently posted on RIBBS indicates that
5 the majority of service degradation 3-digit Origin/Destination pairs¹ expected upon full
6 implementation, and nearly all negative changes to FCM, will in fact occur in the interim
7 phase. In the end state, a significant number of 3-digit Origin/Destination pairs are
8 expected to experience improved (faster) standards for Periodicals and Standard Mail.
9 However, these improvements are not expected to occur during the interim phase of
10 implementation.

¹ The number of 3-digit Origin/Destination pairs does not reflect the volume of mail affected.

1 When the final version of the rule takes effect, FCM overnight delivery will only be
2 available for intra-SCF destinations and will be subject to the following requirements:

- 3 • Mail must be injected at the SCF
- 4 • Critical Entry Times (CETs) at the SCF will become 8:00 a.m., with a 12:00
5 p.m. exception available only to intra-SCF Presort First-Class Mail that is
6 sorted and containerized to the 5-digit ZIP Code or 5-digit scheme level.

7 In our in-depth customer interviews, mailers indicated that they are very sensitive to
8 CETs. For example, a 6:00 p.m. CET (day zero) and an overnight standard results in
9 an expectation of delivery in about 15 to 23 hours (9:00 a.m. to 5:00 p.m. on day one).
10 With an 8:00 a.m. CET (day zero) and an overnight standard, the expectation would be
11 delivery in about 25 to 33 hours. Thus, the above restrictions effectively eliminate any
12 meaningful overnight service from the customer perspective.