

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

DSCF Standard Mail Load Leveling

Docket No. N2014-1

INITIAL BRIEF OF THE PUBLIC REPRESENTATIVE

(February 20, 2014)

Respectfully Submitted,

/s/ Anne J. Siarnacki

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I. INTRODUCTION AND BACKGROUND

A. Introduction

In this proceeding, the Postal Service seeks an advisory opinion from the Postal Regulatory Commission (Commission) regarding its Load Leveling Plan, which has not been studied or extensively tested, and for which there is no implementation plan or timetable.¹ This nationwide plan proposes to extend the service standard for approximately 40 percent of Destination Sectional Center Facility (DSCF) Standard Mail by one day in order to more evenly distribute the volume of DSCF Standard Mail delivered throughout the week. *Id.* at 1-2; USPS-T-1 at 4. The Postal Service expects that implementation of the Load Leveling Plan will lead to cost savings; allow for earlier completion of carrier routes and earlier return of mail collected on carrier routes; and create “a positive ripple effect on downstream operations and service.” Request at 6. The Public Representative finds the record in this proceeding to be too deficient in data and substance to conduct a thorough analysis of the Postal Service’s Request, and consequently, for the Commission to make a sound decision regarding its advisability.

The issue in this proceeding is not whether the Postal Service’s proposal conforms to the policies of title 39, but whether this proceeding gives the parties and the Commission the opportunity to examine the potential benefits and costs of nationwide implementation of the Postal Service’s proposal. Unfortunately, the record in this proceeding is incomplete, lacking study of potential consequences of nationwide implementation, consideration of potential customer and volume loss, and quantification of potential benefits. The Postal Service fails to provide support for its expectation of operational benefits and cost savings from nationwide implementation.

While the Public Representative does not oppose the Load Leveling Plan *per se*, this brief will show that the Postal Service’s Request is premature, incomplete, and devoid of documented evidence showing the potential benefits of nationwide

¹ United States Postal Service Request for An Advisory Opinion on Changes in the Nature of Postal Services, December 27, 2013 (Request).

implementation are likely and outweigh potential costs. Significant questions remain unanswered based on the record before the Commission. Those questions include:

- How will the Load Leveling Plan impact the Postal Service's finances?
- How and when will the Load Leveling Plan be implemented?
- What cost savings does the Postal Service expect to realize from implementation of the Load Leveling Plan, and how will it measure the success of the plan?
- How will implementation of the Load Leveling Plan impact the cost and value of postal services?
- Will mailers change their entry dates and reduce the value and impact of the Load Leveling Plan?
- How will the Load Leveling Plan impact and be impacted by ongoing changes to the postal network?

The following chapters discuss how the Postal Service has failed to show, based on the evidence in the record, that it has meaningfully considered and analyzed the issues raised by these questions. Chapter II illustrates that the record is devoid of the type of study and analysis that the Commission needs to provide thorough advice. It also explains that the Postal Service has not studied the potential costs and benefits of nationwide implementation; does not believe the operations test on which the Request is based is representative of the national postal network; and has not considered whether a change in mailer behavior will prevent the service change from actually load leveling mail volume. Chapter III describes why the Postal Service's lack of study and analysis, in conjunction with a failure to consider customer needs and industry practices, demonstrates a failure to adopt "best practices of honest, efficient, and economical management." Chapter IV uses the limited data provided in the record to show that the possible outcomes of the Load Leveling Plan range from modest cost savings to modest cost increases.

The Public Representative cannot endorse the Postal Service's proposal. While nationwide implementation could result in savings for the Postal Service, it could also result in revenue and volume loss and increase the Postal Service's costs. The

Commission should find the Postal Service's Request premature and hold the Request in abeyance for the development of reliable and substantive responses to the questions outlined above.

The remainder of this chapter addresses procedural and background issues associated with this proceeding.

B. Postal Service's Proposal

On December 27, 2013, the Postal Service requested an advisory opinion from the Commission on a proposed change to the nature of postal services pursuant to 39 U.S.C. § 3661(b). Request at 1. In support of the Request, the Postal Service provided the direct testimony of two witnesses, Linda M. Malone (Witness Malone) and Mark H. Anderson (Witness Anderson).² The proposed change, the Load Leveling Plan, impacts Standard Mail that qualifies for a DSCF discounted rate. Request at 1. Currently, DSCF Standard Mail has a three-day service standard. Due to mail entry patterns, a disproportionate amount of DSCF Standard Mail is delivered on Mondays. *Id.* In order to more evenly distribute the volume of DSCF Standard Mail throughout the week, the Load Leveling Plan proposes to extend the delivery standard to four days for DSCF Standard Mail entered on Fridays and Saturdays. *Id.* at 4-5.³

1. The South Jersey Operations Test

From September 10, 2013 to September 26, 2013, the Postal Service conducted a load leveling operations test at the South Jersey Plant (South Jersey Operations Test). USPS-T-2 at 2. The purpose of the South Jersey Operations Test was to simulate load leveling by specifying processing days for DSCF Standard Mail letters and

² Direct Testimony of Linda M. Malone on Behalf of the United States Postal Service (USPS-T-1), December 27, 2013 (USPS-T-1); Direct Testimony of Mark H. Anderson on Behalf of the United States Postal Service (USPS-T-2), December 27, 2013 (USPS-T-2).

³ DSCF Standard Mail destined for the U.S. Virgin Islands and for American Samoa currently has a four-day delivery standard. USPS-T-1 at 2. The Load Leveling Plan would extend that standard to five days for mail entered on Fridays and Saturdays. *Id.* at 5-6.

flats entered on Fridays and Saturdays to reflect a four-day service standard. *Id.* The test required that some DSCF Standard Mail be deferred, and that mail be stored by staging it on the workroom floor or in secure trailers at the plant. USPS-T-1 at 13.

The South Jersey Operations Test resulted in beneficial impacts for the South Jersey Plant and for delivery operations affected by the operations test. According to Witness Anderson, in the South Jersey Plant, managers and supervisors experienced increased ability to manage staff, equipment, and transportation resources. USPS-T-2 at 3. The more predictable volumes allowed resources to be scheduled more precisely and saved weekend work hours. *Id.* The South Jersey Plant also experienced increased productivity on Mondays and Tuesdays, improvement in mail transportation, and a rise in employee morale. *Id.* at 3-4. Delivery operations experienced improved productivity, including a reduction in Monday overtime hours and carriers out past 17:00 on Mondays. *Id.* at 4-5. This resulted in earlier dispatch of mail for processing and earlier preparation of mail for the following day's delivery. *Id.* at 5. Delivery operations also experienced a more consistent workload and an increase in employee morale. *Id.* at 6.

2. The Capital District Operations Test

From December 5, 2013 to December 19, 2013, the Postal Service conducted the first of three Capital District tests of the Load Leveling Plan.⁴ The Capital District is served by three mail processing plants: (1) the Curseen-Morris Plant, (2) the Suburban Maryland Plant, and (3) the Southern Maryland Plant. USPS-T-1 at 16. The Southern Maryland Plant Operations Test began on December 5, 2013;⁵ the Curseen-Morris Operations Test began the week of January 6, 2014; and the Suburban Maryland

⁴ USPS-T-1 at 16; Library Reference USPS-LR-N2014-1/7.

⁵ According to the data provided in Library Reference USPS-LR-N2014-1/NP8, filed on February 19, 2014, the Southern Maryland Plant Operations Test ran from January 4-27, 2014.

Operations Test was scheduled to begin the week of January 27, 2014.⁶ Operationally, the Southern Maryland and Curseen-Morris Plants have space available for staging in a holding area, eliminating the need for trailer storage.⁷ The Postal Service expected that trailers may be used at Suburban Maryland Plant due to space constraints. *Id.*

The Southern Maryland Operations Test's results were more mixed than those of South Jersey. While the number of carriers out after 17:00 was reduced during the test, City Carrier overtime hours increased. *Id.* Witness Malone believes this increase was due to December holiday period volumes, including increased parcel volume. *Id.*

C. Legal Requirements

1. 39 U.S.C. § 3661

The Postal Service asks for an advisory opinion from the Commission regarding whether implementation of the Load Leveling Plan “would conform to applicable policies in Title 39, United States Code.” Request at 1. The Request includes extensive discussion of why the Postal Service believes the Load Leveling Plan is in accordance with and conforms to the policies of title 39. *Id.* at 7-9. By framing the Request in this manner, the Postal Service misconstrues the applicable statutory provision, 39 U.S.C. § 3661.⁸

Section 3661 of title 39 requires that the Commission's advisory opinion conform to the applicable policies of title 39—not that the Commission review the Request for

⁶ Response to PR/USPS-T1-19. The record does not reflect whether the Suburban Maryland Plant Operations Test occurred as scheduled.

⁷ Response to PR/USPS-T1-18. This was facilitated in part by the fact that several delivery units had space available to hold Standard Mail for programmed color code day of delivery. *Id.*

⁸ The Postal Service has repeatedly framed its requests for advisory opinions with this erroneous interpretation of 39 U.S.C. § 3661. See, e.g., Docket No. N2012-2, United States Postal Service Request for an Advisory Opinion on Changes in the Nature of Postal Services, May 25, 2012 at 1; Docket No. N2012-1, Request of the United States Postal Service for an Advisory Opinion on Changes in the Nature of Postal Services, December 5, 2011, at 1.

conformance to the policies of title 39. The applicable part of 39 U.S.C. § 3661 reads as follows:

...

(b) When the Postal Service determines that there should be a change in the nature of postal services which will generally affect service on a nationwide or substantially nationwide basis, it shall submit a proposal, within a reasonable time prior to the effective date of such proposal, to the Postal Regulatory Commission requesting an advisory opinion on the change.

(c) The Commission shall not issue its opinion on any proposal until an opportunity for hearing on the record under sections 556 and 557 of title 5 has been accorded to the Postal Service, users of the mail, and an officer of the Commission who shall be required to represent the interests of the general public. The opinion shall be in writing and shall include a certification by each Commissioner agreeing with the opinion that in his judgment **the opinion conforms to the policies established under this title.**

39 U.S.C. § 3661 (emphasis added). The statute does not require that the Commission issue an advisory opinion concerning whether the Postal Service's proposal conforms to the policies of title 39. Rather, the statute requires that the Commission offer its advice on the proposal and requires that *the Commission's advice* conform to the policies of title 39. The statute thus does not require the Commission to provide simple approval or disapproval of a proposal, but rather demands the Commission provide its expert advice to the Postal Service, in conformance with the policies of the statute.

2. 39 U.S.C. § 3691

Section 3691 of title 39 sets forth the provisions regarding establishment of modern service standards for the Postal Service and provides, in relevant part:

(a) Authority Generally.— Not later than 12 months after the date of enactment of this section, the Postal Service shall, in consultation with the Postal Regulatory Commission, by regulation establish (and may from time to time thereafter by regulation revise) a set of service standards for market-dominant products.

...

39 U.S.C. § 3691(a). The Commission previously found that section 3691 requires the Postal Service to engage in consultation with the Commission before changing service standards.⁹ However, in 39 U.S.C. § 3661 cases, the Commission has accepted a request for an advisory opinion as sufficient to fulfill the requirements of both 39 U.S.C. § 3661 and § 3691(a).¹⁰

As discussed extensively in Chapter II *infra*, the Request was filed prematurely, and as a result of both the premature request and expedited proceeding schedule, the record in this proceeding has not been sufficiently developed to allow the Commission to provide thorough and meaningful advice about the Load Leveling Plan.¹¹ A 39 U.S.C. § 3691(a) consultation between the Commission and the Postal Service prior to the filing of the Request would have provided the Commission the opportunity to discuss the type of information and study the Postal Service should undertake prior to filing a request for an advisory opinion.¹² This approach would ensure that the Postal Service understood the Commission's concerns and expectations, while encouraging the Postal Service to engage in sufficient study and analysis prior to filing a 39 U.S.C. § 3661 request.

II. THE RECORD IS DEVOID OF THE INFORMATION NECESSARY FOR THE COMMISSION TO PROVIDE AN ACCURATE AND THOROUGH EVALUATION

The Postal Service's Request was filed prematurely, and the record lacks the study, data, and analysis necessary to accurately and thoroughly evaluate the Postal Service's proposal. The Postal Service has not conducted any recent studies concerning the

⁹ See Section 701 Report, Analysis of the Postal Accountability and Enhancement Act of 2006, Postal Regulatory Commission, September 22, 2011, at 64.

¹⁰ See Docket No. N2012-1, Advisory Opinion on Mail Processing Network Rationalization Service Changes, September 28, 2012, at 6-7.

¹¹ See Chapter II.D for an extended discussion of this proceeding's expedited schedule.

¹² Such consultations could not occur after a request is filed due to the prohibitions of 39 C.F.R. § 3001.7.

peak load effects of Standard Mail.¹³ The operations tests conducted by the Postal Service do not provide accurate insight into the likely impact of nationwide implementation of the Load Leveling Plan because even in the opinion of the Postal Service's witnesses,¹⁴ the tests are not representative of nationwide implementation and have yielded some contradictory results. Furthermore, the Request is premature because the Postal Service is undertaking representative operations testing during the pendency of this proceeding and is developing a nationwide implementation plan based on those key tests. Finally, the Postal Service failed to study and analyze the potential cost savings, volume and revenue losses, and increased costs that may arise from nationwide implementation of the Load Leveling Plan and has not studied whether changes in mailer behavior could erode the benefits expected from nationwide implementation. Due to the inadequate record and premature filing, the Commission should hold the proceeding in abeyance to allow the Postal Service to engage in study and analysis and complete a representative sample of operations tests.

A. The Operations Tests Provide Little Insight.

1. The South Jersey Operations Test is not representative.

The results of the South Jersey Operations Test are not representative of projected effects of nationwide implementation of load leveling. South Jersey was not selected for its representative nature. Rather, it was selected for the initial operations test because: (1) it was a pilot site for the roll-out of several Lean Mail Processing initiatives; (2) it was reasonably accessible to headquarters personnel; and (3) headquarters staff was acquainted with the plant's management team.¹⁵ Witness

¹³ Response to PR/USPS-T1-29.

¹⁴ Response to PR/USPS-T1-9; Response to PR/USPS-T2-1.

¹⁵ USPS-T-1 at 12; Response to PR/USPS-T1-5. The Capital District was also not selected for representative purposes but because: (1) it has "a very high percentage of carriers out on their routes after 17:00 hours" and (2) its proximity to headquarters provided opportunity to observe the testing first-hand. Response to PR/USPS-T1-6.

Anderson testified that the South Jersey Operations Test was not intended to provide representation of the nation as a whole.¹⁶ Witness Malone admitted that the Postal Service does “not regard the South Jersey District to be representative of the mail processing and delivery network as a whole.”¹⁷ She cautioned against projecting the results of the South Jersey Operations Test “as being indicative of national results.” *Id.* The Postal Service has not provided any information allowing the Commission to independently assess whether the South Jersey District is representative of the nation as whole. The Postal Service is in the process of testing the Load Leveling Plan on a nationwide basis and thus developing the information needed to estimate the nationwide impact of the proposal. Since that information was not provided in this docket, the record lacks any study of the effects of nationwide implementation of the proposal.

2. The operations tests paint an inconclusive picture.

The operations tests provide inconsistent and inconclusive information concerning the likely consequences and benefits of nationwide implementation of the Load Leveling Plan. For example, the record reveals several anomalies that arose during the South Jersey Operations Test. Comments from different locations noted a need to “tweak mail flow Mon/Tues” and “[e]ven out Flats on Mon/Tues” and observed a “mail spike on Saturday”, “spiking in volume from Tues to Wed”, and “[v]ery heavy presort on Tuesday.”¹⁸ Several locations indicated that the increase in Tuesday Standard Mail volume resulted in increased Tuesday workload. USPS-T-2 at 6. In response to this information, the Postal Service started “an informal evaluation of the information received about Tuesday workloads” during the operations test.¹⁹ When

¹⁶ Response to PR/USPS-T2-1.

¹⁷ Response to PR/USPS-T1-9.

¹⁸ Response to PR/USPS-T2-3 at A-1.

¹⁹ Response to PR/USPS-T2-3.

asked for a methodology and approach to the informal evaluation, Witness Anderson explained that the informal evaluation “consists of ongoing discussions among my mail processing and delivery managers” concerning whether the Postal Service should implement “any measures we do not already employ when we face higher than usual Tuesday volume.”²⁰ The feedback received during the South Jersey Operations Test shows that the Load Leveling Plan may not be fully successful in achieving its intended effects. Further study is necessary to understand the issues associated with increased Tuesday workloads and what additional changes to the Load Leveling Plan may be necessary in order for the proposal to achieve its intended goal.

Data from South Jersey raises additional questions. For example, city carrier overtime hours in South Jersey were lower in 2013 for eight of twelve months as compared to the same month in 2012.²¹ This includes the three months both preceding and following the South Jersey Operations Test. In fact, the reductions in overtime hours seen during the month that the operations test was conducted (as compared to the same month in 2012) are consistent with improvements seen in August 2013, October 2013, and November 2013 when no test was conducted. *Id.* Thus, it is possible that reductions in city carrier overtime hours may have occurred in September 2013 regardless of the Load Leveling operations test.

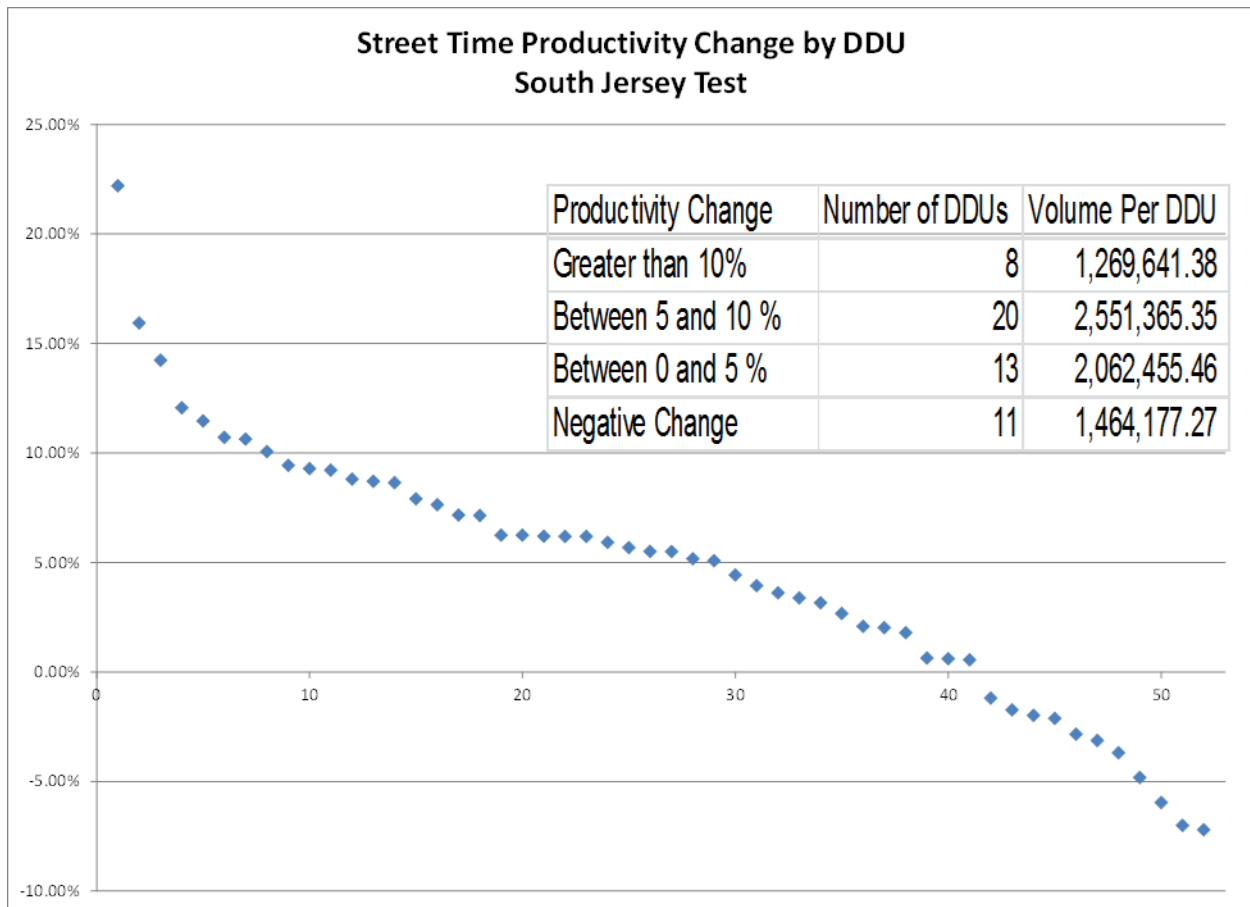
The data provided by the Postal Service details the wide variation in street time productivity outcomes from the South Jersey Operations Test.²² The following chart illustrates the change in street time productivity during the South Jersey Operations Test, disaggregated by Destination Delivery Unit (DDU).²³

²⁰ Response to PR/USPS-T2-5.

²¹ Response to POIR No. 1, question 10.

²² Library Reference USPS-LR-N2014-1/NP3.

²³ The data used to create this chart is contained in Library Reference USPS-LR-N2014-1/NP3.



As further discussed in Chapter IV *infra*, carrier productivity can be measured by pieces delivered per carrier street workhour. The impact of load leveling on delivery operations in South Jersey can be analyzed by comparing the productivity before and during the operations test. The data provided by the Postal Service indicates that DDUs in South Jersey experienced wide variations in productivity changes associated with the operations test. As estimated by the Postal Service in Library Reference USPS-LR-N2014-1/2, the overall change in carrier street time productivity improved nearly 5 percent. However, as detailed in Chapter IV *infra*, the 5 percent increase may have been due to the increase in volume during the test period, rather than actual improvements in productivity. In addition, the variation around the 5 percent change was considerable. The street time productivity of eleven DDUs decreased, 21 percent

of the fifty-two DDUs in the South Jersey Plant's operating area. Similarly, eight DDUs, or 15 percent of the test area, experienced productivity gains of over 10 percent during the operations test.

The results of the Southern Maryland Operations Test were more mixed than those from South Jersey. During the Southern Maryland Operations Test, the number of cancellation runs that extended past their usual time increased during the operations test.²⁴ Witness Malone explained this was due to higher than normal cancellation volumes in December, as well some inclement weather effects.²⁵ Similarly, City Carrier overtime hours increased during the testing.²⁶ Witness Malone believes this increase was due to December holiday period volumes with an increase in parcel deliveries. *Id.* While December volumes and weather issues are reasonable explanations for inconsistent results in Southern Maryland, without additional analysis and study, one cannot tell whether Load Leveling caused, exacerbated, or improved these negative indications, thereby lending further uncertainty to the outcomes to be expected from nationwide implementation.

B. The Request is Premature.

1. Key testing is currently ongoing.

The Postal Service scheduled critical ongoing operations testing after the filing of its Request. Thus, key data concerning the benefits and consequences of nationwide implementation of the Load Leveling Plan is unavailable for consideration in this proceeding.²⁷ Since the South Jersey Operations Test is not representative of the

²⁴ Library Reference USPS-LR-N2014-1/13.

²⁵ Response to APWU/USPS-T1-1.

²⁶ Response to PR/USPS-T1-18.

²⁷ Several members of the mailing industry expressed concern about the quality of the Postal Service's operations testing and the adequacy of using a single test to make a final determination. Library Reference USPS-LR-N2014-1/12 at 12, 18, 23. In fact, several emphasized that the South Jersey Operations Test was a small test sample that utilized a methodology that did not mirror realistic mail processing and did not represent the diversity of both the mailing industry and the postal network. *Id.*

nation as a whole, Witness Malone stated it is the Postal Service's objective to test Load Leveling in one administrative District in each administrative Area of the postal system.²⁸ She acknowledged that the Postal Service has "established no criteria that would define a representative cross-section," but she stated that the Postal Service "will likely end up selecting mail processing plant service areas that vary in size and operational complexity." *Id.* In all, the Postal Service plans to conduct nine District operations tests, which will result in testing at twenty-seven plants.²⁹ The results of these tests are key to developing a more thorough understanding of the likely impacts of nationwide implementation of the Load Leveling Plan. However, eighteen of the twenty-seven tests are not yet scheduled. *Id.*

The record does not contain the complete testing results from even one of these administrative Districts. The South Jersey Plant is scheduled to be retested, and testing at the two other plants in the South Jersey District will be conducted to complete the South Jersey District testing. *Id.* The results of only two of the three Capital District tests have been included in the record.³⁰ Without results from even one complete District test, it is virtually impossible to assess what the impacts of nationwide implementation of the Load Leveling Plan will be.³¹

²⁸ Response to PR/USPS-T1-7.

²⁹ Response to PR/USPS-T1-19. This count does not include the initial South Jersey Operations Test.

³⁰ Library Reference USPS-LR-N2014-1/NP4. The results of Curseen-Morris Operations Test were filed on the afternoon prior to the briefing deadline, as was additional data from the Southern Maryland Operations Test, the timing of which deprived all parties of the ability to consider and analyze the additional information in their briefs. See United States Postal Service Notice of Filing Library References and Application for Non-Public Treatment, February 19, 2014. The Public Representative reserves the right to supplement her brief as a result of this late-filed information.

³¹ This was verified by Witness Malone who explained that "[m]anagement selected all plants within a District because there are some natural dependencies between plants within a District." Response to PR/USPS-T1-19.

2. The Postal Service does not have an implementation plan nor is it understood how the Load Leveling Plan will interact with ongoing network changes.
 - i. The Postal Service does not have a Load Leveling implementation plan.

The Postal Service has yet to develop a plan for nationwide implementation of the Load Leveling Plan and an implementation timetable. The purpose of the additional testing is to obtain experience in implementing the planned service change, so the Postal Service has not yet determined whether the proposal will be implemented on a rolling or nationwide basis, what specific outreach will be made to affected mailers, and how facilities will be prepared for implementation.³² The Postal Service also has not yet set an implementation timetable for the Load Leveling Plan and plans to establish it after it has an opportunity to review and consider the comments it received in response to the *Federal Register* notice of the proposal.³³ The absence of an implementation plan and timetable further indicates that the Request was filed prematurely.

- ii. The Postal Service has not considered how the Load Leveling Plan will interact with ongoing network changes.

The Postal Service is rushing implementation of the Load Leveling Plan without consideration of other changes being made to the Postal Service's network. For example, Witness Malone explained the Lean Mail Processing program standardizes mail processing activities common to mail processing plants, in order to reduce cycle times, identify waste, and minimize local practices and variations in process that increase the likelihood of error in staging and transfer of mail between operations.³⁴ The Postal Service has been rolling out Lean Mail Processing, but it has yet to reach each administrative district. *Id.* Witness Anderson testified that he believes that the

³² See e.g., Response to APWU/USPS-T1-1; Response to PR/USPS-T1-27.

³³ Response to PR/USPS-T1-27.

³⁴ Response to PR/USPS-T1-5.

South Jersey Plant is in a position to handle challenges that load leveling may bring because it is “in the forefront on Lean Mail Processing.”³⁵

Details about the Lean Mail Processing program lend further support to its interaction with and importance to the Load Leveling Plan and highlight a major issue with nationwide Postal Service initiatives: differences in local processing. A publicly available 2013 Postal Service Leadership Forum presentation by Postal Service Vice President Megan Brennan details the ten projects the South Jersey Plant implemented as part of the Lean Mail Processing program.³⁶ Several of the projects will be vital to implementation of the Load Leveling Plan at all facilities nationwide. These include “Letter Staging,” “Flat Staging,” “Improve Dock Operations,” and “Signage and Visual Management.” The Postal Service’s Office of the Inspector General has released a series of reports in recent years detailing how various facilities have difficulty consistently staging the mail in a first-in-first-out method with the correct color tags.³⁷ In short, the Lean Mail Processing program is designed to ensure that mail is color coded, staged, and worked in a methodical manner and to address inconsistencies in local processing.

Successful implementation of the Lean Mail Processing initiative is vital to achieving success with the Load Levelling Plan. Longer service windows for Standard Mail will lead to more mail staged in postal facilities waiting to be processed. While the Postal Service has stated that its facilities should not need to acquire additional capacity to accommodate the extra volume, ensuring the mail is processed consistent with the

³⁵ Response to PR/USPS-T2-5.

³⁶ See https://ribbs.usps.gov/mtac/documents/tech_guides/2013/presentations/leadershipforum/May2013Brennan.pdf, slide 28 (Brennan Presentation).

³⁷ See <https://uspsoidg.gov/sites/default/files/document-library-files/2013/NO-AR-09-008.pdf> (concerning Santa Clara P & DC); <https://uspsoidg.gov/sites/default/files/document-library-files/2013/NO-AR-10-005.pdf> (concerning Albany P & DC); <http://www.uspsoidg.gov/sites/default/files/document-library-files/2013/NO-AR-12-010.pdf> (concerning timeliness of mail processing at P & DCs); <http://www.uspsoidg.gov/sites/default/files/document-library-files/2013/no-ar-13-002.pdf> (concerning performance during FY 2013 fall mailing season).

first-in-first-out protocol will become more difficult.³⁸ If the Postal Service experiences difficulty labeling and staging the additional volume, the Load Leveling Plan could easily create unintended volume backups and new peak load issues.

In addition to the Load Leveling Plan and the Lean Mail Processing program, the Postal Service is implementing additional changes across mail processing and delivery networks. Phase 1 of Mail Processing Network Rationalization (MPNR) transformed the mail processing network by consolidating mail processing facilities and altering service standards. Phase 2 of MPNR has been delayed.³⁹ The Postal Service also continues to implement Delivery Unit Optimization, with “2,300 Delivery Unit Consolidations” occurring in FY 2013.⁴⁰ In FY 2014, a facility that recently gained workload from a MPNR Phase 1 consolidation could also be simultaneously implementing the Lean Mail Processing program and the Load Leveling Plan. Downstream delivery units could have recently been consolidated via Delivery Unit Optimization or assigned new postmasters via PostPlan. The magnitude of these simultaneous changes and the ways in which they may impact one another and service overall should be studied to ensure they are implemented in such a way that minimizes negative impacts and maximizes cost savings.

The Postal Service has implemented each of these programs to realize cost savings. However, the Postal Service’s failure to study the Load Leveling Plan’s impacts and its failure to consider how the Load Leveling Plan will impact the cost savings of other network changes is alarming.⁴¹ With so many ongoing network changes, measuring the impact of each change may be a difficult task, but the quantity and scope of ongoing network changes elevate the importance of measuring the impact of each change. Such study also ensures that the most cost-beneficial changes are

³⁸ Response to PR/USPS-T1-22.

³⁹ See Revised Service Standards for Market-Dominant Mail Products; Postponement of Implementation Date, 79 Fed. Reg. 4079 (January 24, 2014).

⁴⁰ Brennan Presentation at slide 16.

⁴¹ See, e.g., Response to PR/USPS-T1-9.

made and the cross-impacts of the changes are understood and analyzed prior to implementation. Without engaging in such study and creating benchmarks for measuring success, the Postal Service is simply degrading DSCF Standard Mail service. The Commission should hold the Request in abeyance until the interactions between the Postal Service's ongoing initiatives are studied and understood and benchmarks for measuring success are formed.

The Postal Service did consider the impact of the Load Leveling Plan in the context of a five-day delivery schedule, despite the fact five-day delivery cannot be implemented without congressional approval. However, that analysis was underdeveloped, as it assumed that mailers would dropship mail on the same days in a five-day environment as they presently do.⁴² The Postal Service did not engage in further study of the impact of five-day delivery on the Load Leveling Plan.⁴³ Despite consideration of five-day delivery in connection with MTAC Group 157,⁴⁴ several members of the mailing industry raised concerns that five-day delivery implications have not been thoroughly vetted and considered.⁴⁵ Prior to implementation of five-day delivery, the Postal Service should engage in analysis of how the Load Leveling Plan and other ongoing network changes impact its assumptions about costs and savings that can be achieved from a plan to reduce market-dominant delivery by a day.

C. The Record is Devoid of the Study and Analysis Necessary to Analyze the Impacts of Nationwide Implementation

The Postal Service anticipates that a national roll-out of the Load Leveling Plan will lead to positive operational results throughout the postal network, but has failed to support this assumption with analysis or study. USPS-T-1 at 15-16. The Postal Service

⁴² Response to PR/USPS-T1-24.

⁴³ *Id.* The Postal Service also did not study the impact of the Load Leveling Plan on projected savings from 5-Day Delivery. *Id.*

⁴⁴ See, e.g., Library Reference USPS-LR-N2014-1/6, file "6-12-13" at 3-6; file "8-7-13" at 8, 11, 13, 15; file "Flats Update 8.13-Final" at 16, 29; file "1-10-14" at 25.

⁴⁵ Library Reference USPS-LR-N2014-1/12 at 12, 18, 24, 26.

has not analyzed potential cost savings, studied potential volume and revenue losses, or considered whether mailers may change their entry dates, eroding the effectiveness of load leveling. Without further study and analysis, it is not possible to assess whether nationwide implementation of the Load Leveling Plan will achieve the positive results anticipated by the Postal Service.

1. The Postal Service has not analyzed potential cost savings.

The Postal Service provides no estimates of what cost savings it expects to realize as a result of nationwide implementation of the Load Leveling Plan. Instead, the Postal Service uses its incorrect interpretation of 39 U.S.C. § 3661⁴⁶ to defend its failure to generate cost savings estimates. The Postal Service argues, “[t]hough it may be ideal to some that a national cost savings estimate be generated and debated, the Postal Service is of the view that an advisory opinion regarding whether the service change comports with Title 39 can be issued without an estimate of what those cost savings are expected to be.”⁴⁷ In fact, the Postal Service acknowledges that “while it is feasible to produce some type of workload or cost savings estimate . . . it is unlikely that the cost of conducting such an extensive study would be worthwhile.” *Id.* The Public Representative disagrees and believes that a meaningful study of potential cost savings is not only worthwhile, but critical to the Commission’s assessment of the Load Leveling Plan.

Cost savings estimates have played a key role in the Commission’s assessment of several other proposed service changes. In Docket Nos. N2006-1 and N2012-1, the Postal Service used IBM LogicNet Software for network modeling to show the impacts of nationwide changes in service. Although IBM LogicNet Software would have allowed the Postal Service to model the mail processing network impact of nationwide implementation of the Load Leveling Plan, the Postal Service did not use IBM LogicNet

⁴⁶ See Chapter I.C.1 *supra*.

⁴⁷ Response to PR/USPS-T1-21.

or any other network modeling software to better understand the potential impacts of the Load Leveling Plan.⁴⁸ Despite touting the benefits of load leveling, the Postal Service has not performed any analysis “that would provide a basis for estimating mail processing or delivery workload reductions or cost savings” as a result of nationwide implementation of the Load Leveling Plan.⁴⁹ The most the Postal Service has offered is that it expects “positive results that will vary by locality.”⁵⁰ The Commission should require the Postal Service to use the analytical tools at its disposal, such as IBM LogicNet or other network modeling software, to conduct a formal cost savings and network impact analysis.

2. The Postal Service has not analyzed potential adverse effects.

The Public Representative is alarmed that the Postal Service has not analyzed the potential adverse effects of the Load Leveling Plan, including areas where costs may increase as a result of the plan. When asked specifically whether the Load Leveling Plan will increase or decrease the amount of processing equipment or physical capacity of network, the Postal Service was unable provide a definitive answer.⁵¹ Concerning possible changes to the amount of processing equipment needed, Witness Malone explained that impacts are expected to be minimal but noted “this impact has not been studied fully.” *Id.* Witness Malone also stated that the Load Leveling Plan “could increase the use of existing facility square footage at some plants” but she does not believe it will “require the Postal Service to acquire additional capacity.” *Id.* However, this seems to contradict the experience of several of the operations tests. Excess square footage in the form of trailers was required during the South Jersey

⁴⁸ Response to PR/USPS-T1-23.

⁴⁹ Response to PR/USPS-T1-9. *See also* Response to PR/USPS-T2-4 (“The Postal Service has not conducted a formal cost savings analysis but as productivity increases and both regular and overtime work hours decrease, the Postal Service expects cost savings will result.”).

⁵⁰ Response to PR/USPS-T1-9.

⁵¹ Response to PR/USPS-T1-22.

Operations Test and is expected to be required during the Suburban Maryland Operations Test due to limited facility square footage at those facilities.⁵² The Southern Maryland and Curseen-Morris Operations Tests did not require trailers because several delivery units had space available to hold Standard Mail for programmed color code day of delivery. *Id.* Since excess square footage was required in all four known operations tests, either in the form of trailers or delivery unit storage space, additional capacity is likely to be required to effectively implement load leveling nationwide. Mailers have also explained that Postal Service costs will increase when commingling and comailing pools are reduced and less efficient mail is introduced into the postal network as a result of load leveling.⁵³ Without further study of these potential costs, neither the Commission nor the Postal Service can determine whether load leveling will result in unplanned increases in costs.

The Public Representative is concerned that the Postal Service has not developed an estimate of the extent to which the planned service change may adversely affect volume, revenue, or contribution.⁵⁴ The Postal Service argues “[t]he degree of any change in volume is difficult to predict, especially given the proximity to the exigent price increase.”⁵⁵ While the volume loss may be difficult to predict, understanding what volume loss may result from implementation of load leveling is important to gauge in advance and for the Commission to consider when making its assessment of the Load Leveling Plan. In addition, comments from mailers clearly indicate some volume loss is likely.⁵⁶ The Postal Service states that it is working with

⁵² Response to PR/USPS-T1-18.

⁵³ Library Reference USPS-LR-N2014-1/12 at 14, 17. Mailer costs will also increase as mailers that prioritize Monday deliveries will need to restructure operations to allow for earlier entry. Such operational changes will likely reduce commingling and comailing opportunities, increasing overall costs for those mailers.

⁵⁴ Response to APWU/USPS-T1-5.

⁵⁵ Response to PR/USPS-T1-28.

⁵⁶ Library Reference USPS-LR-N2014-1/12 at 1, 2, 5, 10, 14, 17, 23. This makes sense because many mailers will view the service change as a de facto price increase. In economic terms, paying the same for less service is equivalent to paying more for the same amount of service.

these mailers, but “[b]ecause the results of these efforts and the gravity of the complaints are still uncertain, it is not possible to definitely answer whether or how much volume will be impacted.”⁵⁷ Although volume loss may be difficult to predict, a thorough analysis of how much volume and revenue loss may result from nationwide implementation of the Load Leveling Plan is a critical component to a full assessment by both the Postal Service and the Commission as to whether the Load Leveling Plan is advisable and will provide a net benefit to the Postal Service. Failure by the Postal Service to investigate these potential downsides raises serious questions concerning the overall advisability of the Load Leveling Plan.

3. The Postal Service has not studied how mailers will change their behavior.

The Postal Service has failed to explore whether the Load Leveling Plan will succeed in practice. The Postal Service did not undertake a nationwide or substantially nationwide survey to assess the volume of DSCF Standard Mail that would be entered on a different day under the adjusted service standard nor did the Postal Service survey DSCF Standard mailers to assess how many want Monday delivery and may change their entry date accordingly.⁵⁸ In addition, the Postal Service did not track mailer adjustments made in connection with the tests despite the fact most mailers received some notice of the operations tests and may have adjusted their entry dates accordingly.⁵⁹ Without study of whether mailers will change their entry days as a result of the Load Leveling Plan, the effectiveness of nationwide implementation of the Load Leveling Plan is in question.

The Postal Service appears to be making an unfounded and faulty assumption in anticipating that many mailers will not change their production schedules or mail entry

⁵⁷ Response to PR/USPS-T1-28.

⁵⁸ Response to PR/USPS-T1-4; Response to APWU/USPS-T1-6.

⁵⁹ Library Reference USPS-LR-N2014-1/15; Library Reference USPS-LR-N2014-1/1, Appendix A; Library Reference USPS-LR-N2014-1/7, Appendix C; Response to PR/USPS-T1-12.

patterns.⁶⁰ The Postal Service assumed that feedback received through MTAC Group 157 and as part of the rulemaking would provide necessary insight into how mailers may respond.⁶¹ The feedback from mailers appearing in the record raises the concern that the effectiveness of load leveling will be impacted by changes in mail entry dates. Even prior to the operations test, mailers informed the Postal Service that the effectiveness of load leveling may be reduced by mailers desiring the same Monday delivery target.⁶² Mailer comments in response to the Postal Service's rulemaking clarify that many mailers will change their entry days in response to implementation of the Load Leveling Plan because many mailers have a strong preference for Monday delivery.⁶³ As one industry organization stated, "[c]hanging the service standard through load leveling does not change customer delivery requirements." *Id.* at 22. Feedback from mailers suggests that the Load Leveling Plan may not actually succeed in leveling mail volume throughout the week because many mailers plan to change their entry days in order meet business needs.

D. Procedural Barriers Prevented Adequate Development of the Record.

While the Postal Service's failure to thoroughly study the impacts of its proposed plan was the primary contributor to the inadequate record that now sits before the Commission, the expedited procedural schedule set forth in Order No. 1932 also prevented adequate development of the record.⁶⁴ Addressing concerns that 39 U.S.C. § 3661 cases had become excessively long, the Commission sought ways to expedite

⁶⁰ This assumption is "based on earlier discussion with mailers." USPS-T-1 at 15. The fact that this assumption is contradicted by many mailers' more recent statements lends additional support for the need for further study and analysis of whether mailers will change entry dates as a result of nationwide implementation of the Load Leveling Plan.

⁶¹ Response to PR/USPS-T1-4.

⁶² *Id.*, Attachment at 2.

⁶³ Library Reference USPS-LR-N2014-1/12 at 6, 12, 13, 16, 22, 26.

⁶⁴ Notice and Order on a Request for an Advisory Opinion on Changes in the Nature of Postal Services, December 30, 2013 (Order No. 1932).

these types of proceedings by proposing expedited rules for resolution of 39 U.S.C. § 3661 cases.⁶⁵ In this proceeding, the Commission sought to follow an expedited timeline similar to the proposed rules, but did not build in the procedural protections that the proposed rules included.

Unlike a proceeding occurring under the proposed rules, this proceeding did not offer a pre-filing phase for information exchange and extension of deadlines for incomplete requests. The pre-filing phase for information exchange envisioned under the Commission's proposed rules would provide an opportunity for interested parties to exchange information and provide the Postal Service with feedback, thus aiding the Postal Service in the development of its proposal. *Id.* at 12.⁶⁶ Since the proposed rules require that the Postal Service make a good faith effort to address criticisms and suggestions that arise during the pre-filing phase, it is likely a pre-filing phase in this proceeding would have resulted in more detailed and thorough filing by the Postal Service. Order No. 1738 at 13. The proposed rules also provide for extension of deadlines when the Postal Service's Request is incomplete or significantly modified, which would have provided a vehicle in this proceeding to request additional discovery due to the incomplete Request. *Id.* at 14.

While this proceeding may demonstrate that it is possible to adjudicate a 39 U.S.C. § 3661 case in 90 days, it also demonstrates an important trade-off between a fully developed record and the conduct of a formal proceeding on a significantly expedited timeline. The problem with this trade-off is that it creates a perverse incentive for the Postal Service to file an incomplete request; conduct minimal study or analysis (thereby reducing the scope of substantive discoverable material and ultimately the

⁶⁵ Docket No. RM2012-4, Notice of Proposed Rulemaking Regarding Modern Rules of Procedure for Nature of Service Cases Under 39 U.S.C. 3661, May 31, 2013 (Order No. 1738).

⁶⁶ In Docket No. RM2012-4, the Public Representative's suggested a "conditional acceptance" phase of a docketed proceeding to facilitate the development of the record prior to starting the 90-day clock in lieu of the "pre-filing phase." Docket No. RM2012-4, Public Representative's Comments, July 29, 2013 at 10-12. The Public Representative believes that a "conditional acceptance" phase would have resolved many of the record-related issues seen in this proceeding.

scope of the Commission's decision); and delay responses to discovery requests. For example, despite the fact the Southern Maryland and Curseen-Morris Operations Tests had been concluded for more than a month, the Postal Service filed substantive results concerning two of the three Capital District operations tests yesterday, effectively denying parties the opportunity to consider those results in their briefs.⁶⁷ In future cases, the Commission should ensure procedural protections are in place for participating parties; incomplete requests are dismissed or subject to an extended discovery period; and that the Postal Service is incentivized to provide evidence of study and analysis of its proposal.

III. THE POSTAL SERVICE'S PROPOSAL IS INCONSISTENT WITH "BEST PRACTICES OF HONEST, EFFICIENT, AND ECONOMICAL MANAGEMENT"

The Postal Service's proposal is inconsistent with "best practices of honest, efficient, and economical management." In Order No. 1926, the Commission granted the Postal Service an exigent rate increase and found that the Postal Service was under an ongoing obligation to use "best practices of honest, efficient, and economical management."⁶⁸ The Commission found that the best practices concept must encompass the unique framework within which the Postal Service must operate and consider that "the PAEA requires the Postal Service to operate both as a financially responsible business and as a public service." *Id.* at 127, n.119. The Postal Service's Load Leveling Plan demonstrates neither "financially responsible business" practices nor practices demonstrative of "public service."

⁶⁷ See United States Postal Service Notice of Filing Library References and Application for Non-Public Treatment, February 19, 2014. For another example, see Response to PR/USPS-T2-2(c). Interrogatory PR/USPS-T2-2(c) was asked of Witness Anderson on January 4, 2014 (the third business day after the Public Representative's appointment); redirected to the Postal Service for an institutional response on January 10, 2014; and finally answered February 4, 2014 (one month after the interrogatory was asked and after the close of discovery in this proceeding).

⁶⁸ Docket No. R2013-11, Order Granting Exigent Price Increase, December 24, 2013, at 30-31 (Order No. 1926) (finding "[t]he 'best practices of honest, efficient, and economical management' standard is primarily a forward looking concept that allows consideration of past management practices relevant to the issue of whether rate adjustments are 'necessary.'")

The Postal Service's proposal ignores the mailing industry's prevailing best practices: (1) keeping the mail relevant by providing customers with the services they want and (2) maintaining a flexible workforce to address customer needs. The industry as a whole enters mail according to customer delivery requirements based on service standards and utilizes a flexible workforce to meet customer demands.⁶⁹ For example, a large segment of Quad Graphics' Standard Mail client base requires Monday delivery, making peak loading time for trailers Wednesday and Thursday.⁷⁰ Rather than load leveling at the cost of client relationships, Quad Graphics utilizes a flexible workforce that can be scheduled for peak periods—a practice that allows the company to meet client expectations and manage costs. *Id.* While the Postal Service has some unique labor constraints, more than ever before, the Postal Service has flexibility to make workforce adjustments due to an increased non-career labor pool.⁷¹ Offering services customers want, particularly concerning market dominant products like Standard Mail, is a key component of the PAEA's mandate that the Postal Service operate as a public service. Offering services that customers want is also key to ensuring another of the PAEA's objectives—that the Postal Service maintains adequate revenues and overall financial stability. Order No. 1926 at 127, n.119. The Load Leveling Plan does not demonstrate “best practices of honest, efficient, and economical management” because it fails to consider industry best practices, customer needs, and the long term effects on the Postal Service's revenues and overall financial stability.

The Postal Service's lack of study and analysis of potential cost savings, volume losses, changes in mailer behavior, interactions with ongoing network changes, and cost increases is plainly not “best practices of honest, efficient, and economical management.” When a business implements a widespread change to its business model, best practices unquestionably include study of the potential savings, revenue

⁶⁹ Library Reference USPS-LR-N2014-1/12 at 22.

⁷⁰ Library Reference USPS-LR-N2014-1/12 at 13.

⁷¹ Library Reference USPS-LR-N2014-1/12 at 5.

loss, and cost changes. Best practices would require analysis be undertaken to consider whether customers would be gained or lost and how customers may alter their behavior. Best practices would ensure an implementation plan was developed, tested, reviewed, and communicated to customers well in advance of any major change. As illustrated by Chapter II *supra*, the Postal Service has failed to do any of these things. In fact, the Postal Service claims that an extensive cost savings study on the Load Leveling Plan is not a worthwhile endeavor.⁷² Failure to study and analyze the potential costs and benefits of a significant business decision can hardly be considered “best practices of honest, efficient, and economical management.”

The Public Representative urges the Commission to find that nationwide implementation of the Load Leveling Plan without further study and analysis is inconsistent with “best practices of honest, efficient, and economical management.” Since the Postal Service is obligated under title 39 and Order No. 1926 to engage in best practices, the Commission should require that the Postal Service: (1) consider alternatives to load leveling, including maintenance of a flexible workforce; (2) engage in thorough study and analysis of the potential costs and benefits to be realized from nationwide implementation; and (3) develop and communicate an implementation plan that gives customers adequate notice to adapt to the proposed change.

IV. AVAILABLE DATA SUGGESTS COST IMPACT OF LOAD LEVELING PLAN IS UNCERTAIN

The Postal Service has not attempted to study the cost impact of the Load Leveling Plan.⁷³ While the Postal Service provided detailed analysis of the impact of the South Jersey Operations Test on South Jersey mail processing and delivery workhours (and thus costs), Witness Malone stated that the Postal Service does “not regard the South Jersey District to be representative of the mail processing and delivery network

⁷² Response to PR/USPS-T1-21.

⁷³ See Chapter II.C.1 *supra*.

as a whole.”⁷⁴ She cautioned against projecting the results of the South Jersey Operations Test “as being indicative of national results.” *Id.*

The overall results of the South Jersey Operations Test may not be suitable for developing a precise analysis or detailed study of the impact of national implementation of load leveling, but the data generated by the South Jersey Operations Test can provide context and a demonstration of what is at stake with the Load Leveling Plan. The Postal Service did not provide any basis for the blanket statement that it expects the Load Leveling Plan to yield “positive results that will vary by locality.” *Id.* The Public Representative has reviewed the detailed South Jersey delivery unit data provided by the Postal Service in Library Reference USPS-LR-N2014-1/NP3 and uses it to explain why the cost impact of the Load Leveling Plan is uncertain. In particular, the Public Representative uses disaggregated data by delivery unit to triangulate a range of potential outcomes resulting from the Load Leveling Plan. Without additional data, an implementation plan, and a plan to measure the effectiveness of implementation, it is impossible to offer anything more concrete than the uncertain picture described in the remainder of this Chapter.

A. South Jersey Change in Delivery Productivity

Library Reference USPS-LR-N2014-1/2 provides summary results of the mail processing and delivery workhours for South Jersey before and during the two-week September 2013 operations test. USPS-T-1 at 14. The table below summarizes the Postal Service’s initial estimate of the impact of the South Jersey Operations Test on delivery workhours.

⁷⁴ Response to PR/USPS-T1-9.

Delivery Workhours Impact- Without Variability		
Base vs Test	Revised Hrs	Revised OT Hrs
93.91%	51,453	6,117
Avg Save-->	2,519	2,144
% Saved	4.90%	35.05%

The Postal Service estimates that overall carrier hours decreased 4.9 percent due to the South Jersey Operations Test. Because volume increased by 6.5 percent during the test period, the Postal Service estimates that, without the test, City Carrier Hours and Overtime Hours would have increased by 6.5 percent. The actual increase in overall hours was only 1.2 percent, and thus the Postal Service estimates that the difference between the expected increase in hours and actual increase in hours of 4.9 percent should be credited to the benefits of load leveling. The calculation of overtime hours is the same, except that the number overtime hours during the operations test decreased. The table below details a step-by-step calculation of the delivery workhour change estimate contained in Library Reference USPS-LR-N2014-1/2.

	Total Volume	CC Hrs	Productivity (Volume/Workhours)	Overtime Hours
Baseline Weekly Average	12,832,701	48,318	265.59	5,744
Test Weekly Average	13,665,424	48,934	279.26	3,973
Test/Baseline	106.5%			
Expected Increase in Workhours		3,135		373
Expected Workhours With Baseline Productivity	13,665,424	51,453	265.59	6,117
Test vs Expected		(2,519)		(2,144)
Impact		-4.90%		-35.0%

In Response to POIR No. 1, Question 3, the Postal Service provided an alternate version of the savings estimate that incorporated volume variability factors.⁷⁵ This estimate of savings was lower, reduced to 1.75 percent. The table below contains the revised savings estimate calculated using volume variability.

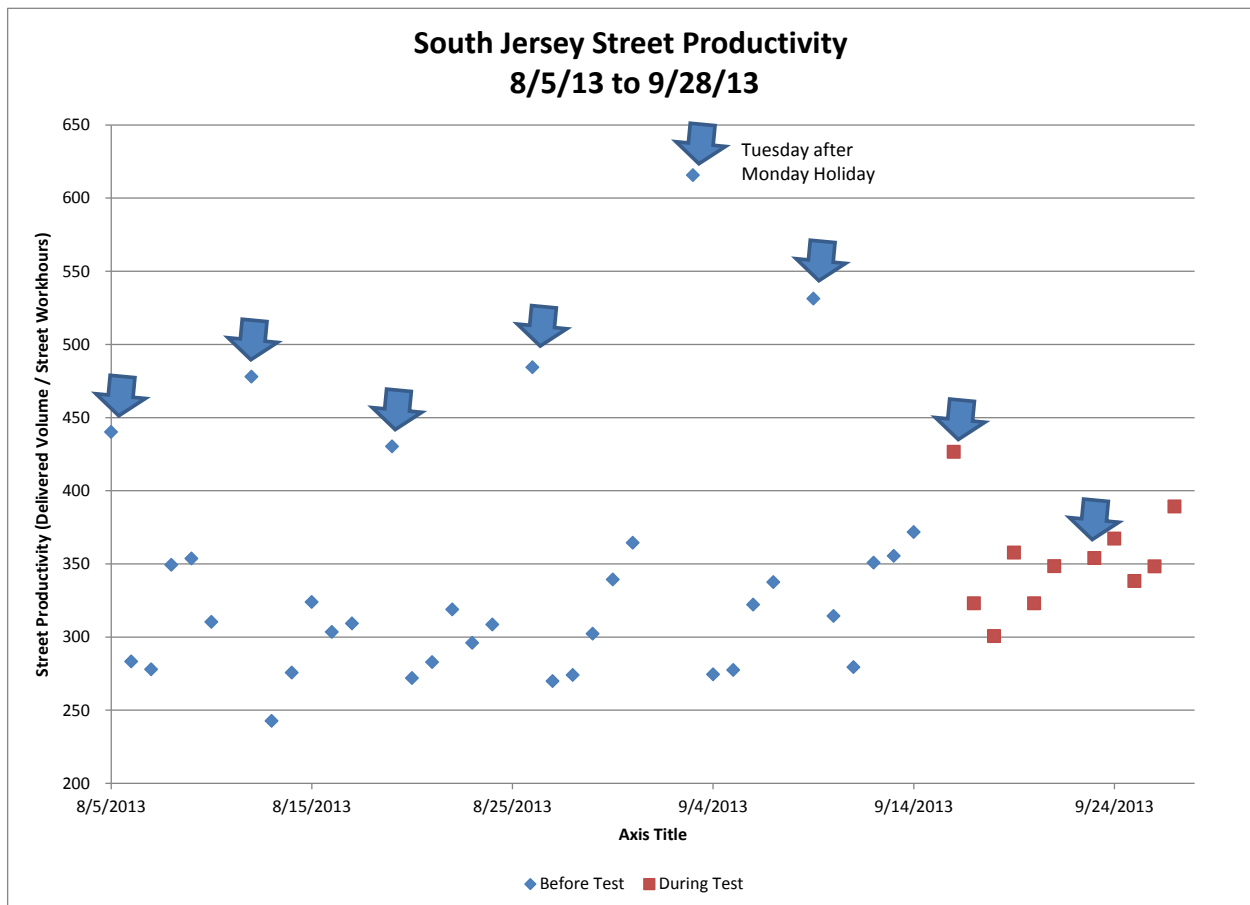
⁷⁵ Library Reference USPS-LR-N2014-1/17.

Delivery Workhours Impact - With Volume Variability		
Base Vol /Test Vol	Revised Hrs	Revised OT Hrs
93.91%	49,808	5,921
Avg Save-->	874	1,948
% Saved	1.75%	32.90%

The methodology using volume variability is generally the same, except the workhour increase anticipated due to the volume increase is reduced by the volume variability factors. The Public Representative notes that the Postal Service used the same growth in volume, 6.5 percent, for the “Office”, “Street”, and “Others” workhour categories. Office hours generally vary with cased volume, which increased 9.4 percent during the test. If cased volume is used instead of total volume, the overall workhour savings increase from 1.75 percent to 2.3 percent. Regardless of the methodology used to estimate workhour savings, the Postal Service demonstrates in Library Reference USPS-LR-N2014-1/2 that carrier workhours increased during the test, but by less than anticipated given the increase in mail volume.

The daily workhour, volume, and productivity data provided by the Postal Service further illuminates how the South Jersey Operations Test impacted carrier operations. The following chart details the variation in street time productivity by day from August 3, 2013 to September 27, 2013.⁷⁶

⁷⁶ The data contained in the chart “South Jersey Street Productivity” can be found in Library Reference USPS-LR-N2014-1/2, file “LR-2 – SJ F2 Results –FINAL.xls,” tab “data.” The “data” tab contains workhour and volume information for South Jersey from August 1, 2013 to September 30, 2013 by day. For the chart, only full weeks are displayed. The street productivity is calculated by dividing column F “Street Hours” by column L “Total Volume Delivered.”



The chart illustrates the primary operational impact of the load leveling on street delivery. During the South Jersey Operations Test, more mail volume is delivered on Mondays than any other day of the week.⁷⁷ Study in previous Commission proceedings, such as in Docket No. N2010-1, revealed that both more volume and more volume per hour are delivered on Mondays.⁷⁸ That is, Mondays generally have both a peak in volume and a peak in street delivery productivity. During the period prior to

⁷⁷ From August 5, 2013 to September 14, 2013, the period before the Load Leveling Test, the South Jersey District averaged a total delivered volume of 3.1 million pieces on Mondays, 53 percent higher than the Tuesday-Saturday average of 2.0 million pieces per day.

⁷⁸ See Docket No. N2010-1, Advisory Opinion on Elimination of Saturday Delivery, March 24, 2011, at 46, Table IV-4 (detailing that in FY 2009 delivered volume and street time productivity were highest on Mondays).

operations test, the productivity on Mondays in South Jersey was a clear outlier, the highest of the week.⁷⁹ During the load leveling test, the second Monday exhibits nearly average total volume and productivity. The following table details the productivity difference before and during the operations test.⁸⁰

	Average Daily Volume	Volume Per Workhour	Maximum Daily Productivity	Minimum Daily Productivity
Before Test	2,185,655	342	616	243
During Test	2,300,365	358	427	301

The data demonstrates that operations test in South Jersey accomplished its stated goal of leveling the total delivered volume across the week. USPS-T-1 at 14-15. The South Jersey Operations Test results display the best case results of the Load Leveling Plan: lower workload and street productivity on Mondays and higher workload and street productivity the rest of the week. The variation in street productivity by day declined significantly during the operations test. Before the test, Mondays were highly productive days, with one Monday 55 percent more productive than average.⁸¹ The following table details the street productivity by for South Jersey before the Load Leveling Test.

⁷⁹ Note that the lone Tuesday highlighted in the chart was after a Monday holiday. This was the day with both the highest delivered volume and the highest street delivery productivity.

⁸⁰ The table was calculated using Library Reference USPS-LR-N2014-1/2, file "LR-2 – SJ F2 Results –FINAL.xls," tab "data." The "data" tab contains workhour and volume information for South Jersey from August 1, 2013 to September 30, 2013 by day. For the table, only the full weekly data from August 5, 2013 to September 28, 2013 was used. The volume per workhour is calculated by dividing column F "Street Hours" by column L "Total Volume Delivered."

⁸¹ On Monday, September 9, 2013, 3.5 million pieces were delivered in 6,591 street workhours. The street productivity of 531 pieces per hour is 55 percent higher than the average productivity of 342 pieces per street workhour in the baseline period. $((531-342)/342)=0.55$. It should be noted that the highest delivery street productivity day for South Jersey during the evaluated period was September 3, 2013, the Tuesday after the Monday Labor Day holiday. On that day, 4.2 million pieces were delivered with 6,876 street workhours for a productivity of 616, 79 percent higher than the daily average during the baseline period. $((616-342)/(342))=0.79$. In Docket No. N2010-1, the Postal Service argued that there was a substantial "absorption factor" when volume from a reduced day of delivery is transferred to another delivery day, such as a Monday holiday or eliminated Saturday delivery. See Docket No. N2010-1, Advisory Opinion on Elimination of Saturday Delivery, March 24, 2011, at 43, Figure IV-1.

South Jersey Daily Street Productivity 8/5/13 to 9/14/13				
Day	Total Delivered Volume	Total Street Workhours	Productivity	Percent Difference from Average
Mon	15,545,072	32,862	473	38%
Tue	12,900,401	38,213	338	-1%
Wed	10,497,554	37,843	277	-19%
Thu	12,463,241	38,884	321	-6%
Fri	12,665,027	38,555	328	-4%
Sat	12,426,633	37,223	334	-2%
Total	76,497,928	223,580	342	
Tue- Sat	60,952,856	190,718	320	-7%

Before the test, street productivity on Mondays was 38 percent higher than the average, and the productivity during the rest of the week was 7 percent below the average (bolstered by higher Monday productivities). During the operations test, the variance of daily productivity decreased. The following table details the street productivity by for South Jersey during the Load Leveling Test.⁸²

South Jersey Daily Street Productivity 9/16/13 to 9/28/13				
Day	Total Delivered Volume	Total Street Workhours	Productivity	Percent Difference from Average
Mon	5,107,260	13,076	391	9%
Tue	4,405,466	12,761	345	-3%
Wed	4,071,230	12,742	320	-11%
Thu	4,647,151	13,165	353	-1%
Fri	4,614,937	12,952	356	0%
Sat	4,758,337	12,501	381	6%
Total	27,604,381	77,198	358	
Tue- Sat	22,497,121	64,122	351	-2%

Thus, during the operations test, the Postal Service traded lower productivity on Monday for higher productivity the rest of the week. In South Jersey during the two-

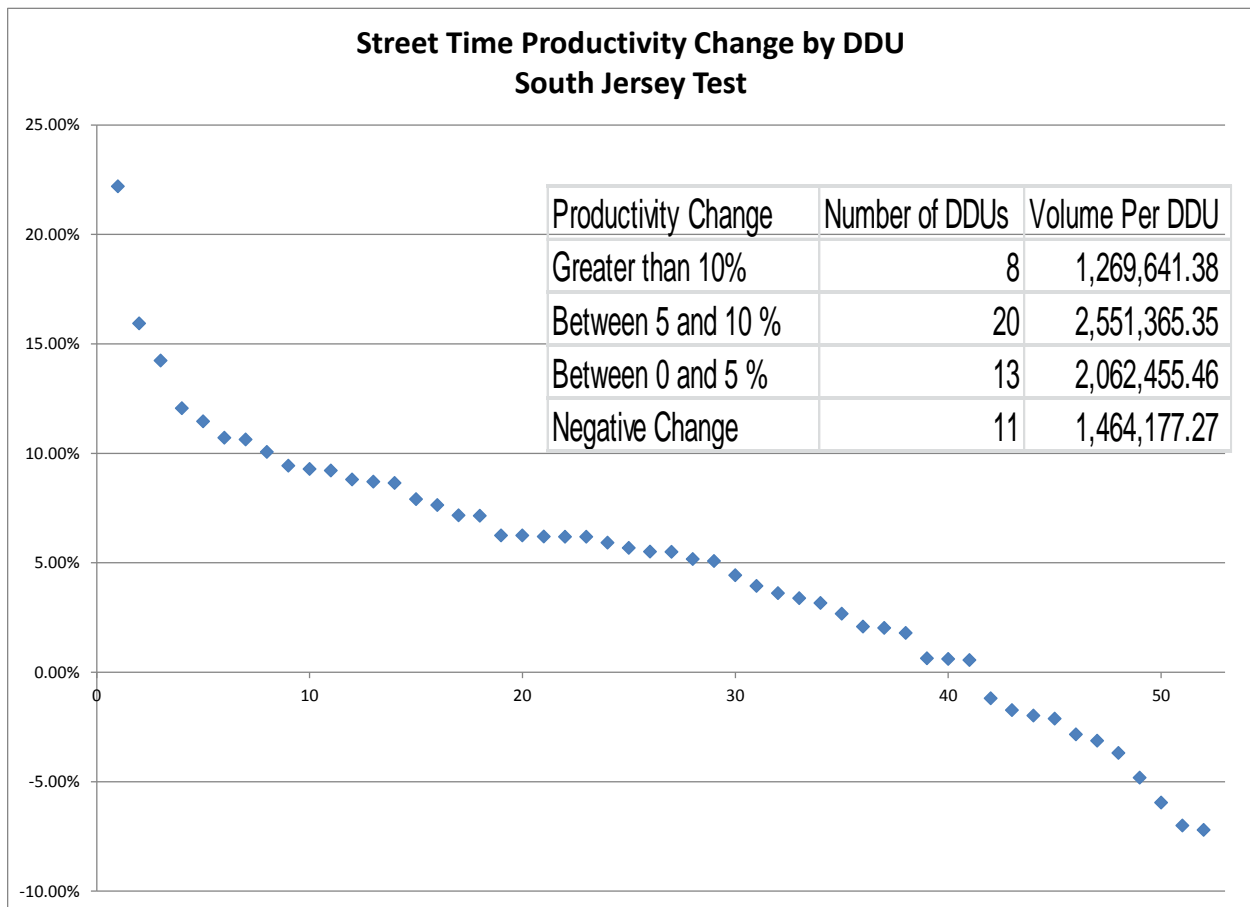
⁸² The table was calculated using Library Reference USPS-LR-N2014-1/2, file "LR-2 – SJ F2 Results –FINAL.xls," tab "data." The "data" tab contains workhour and volume information for South Jersey from August 1, 2013 to September 30, 2013 by day. For the table, only the full weekly data from August 5, 2013 to September 28, 2013 was used. The volume per workhour is calculated by dividing column F "Street Hours" by column L "Total Volume Delivered."

week operations test, the trade increased overall productivity by 4.5 percent. As the Postal Service states, this may not be representative of what will occur with nationwide implementation.

B. South Jersey DDU Street Time Productivity

The delivery operational impacts of the South Jersey Operations Test can also be analyzed at a more nuanced level with Library Reference USPS-LR-N2014-1/NP3, which provides the DOIS data used to develop Library Reference USPS-LR-N2014-1/2 disaggregated by DDU and Route, by day. The following examples highlight the results of the test by DDU. A DDU is essentially a grouping of carrier routes, and reviewing productivity data by DDU removes some of the considerable variation of productivity one sees when reviewing data from individual carrier routes. The following chart summarizes how street productivity by DDU changed during the South Jersey Operations Test.⁸³

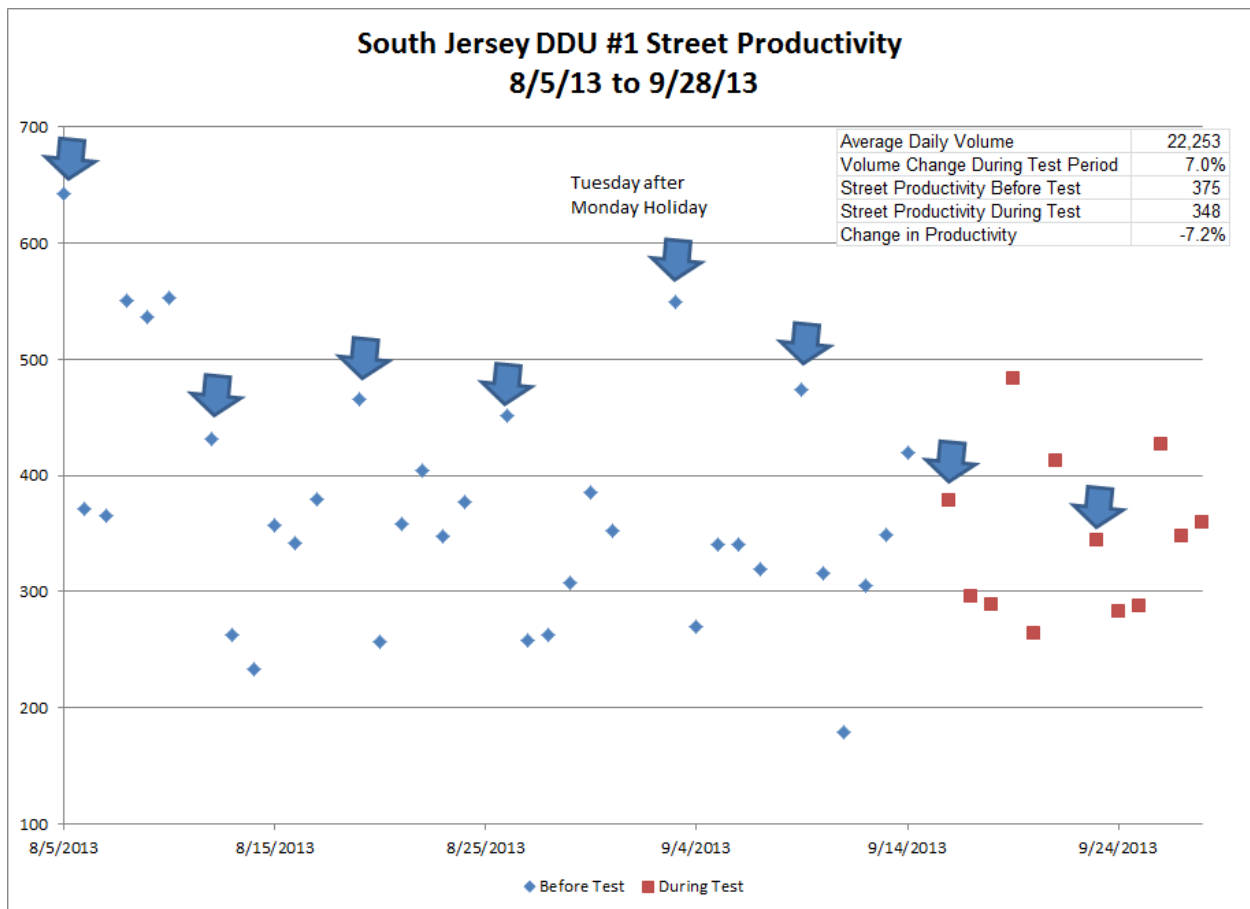
⁸³ The table "Street Time Productivity Change by DDU" was developed using data from Library Reference USPS-LR-N2014-1/NP3, file "DissaggregatedDOIS.xls," tab "Data by Delivery Unit". The Public Representative used the "Date" in column A, "Delivery Unit" identifiers in column B, the "Street Hours" in column E, and the "Total Volume" in column K.



The range of results and the clustering therein suggest that there is a significant range of possible delivery-related outcomes that could result from implementation of load leveling. Of the fifty-two South Jersey DDUs, forty-three had productivity changes between -5 percent and 10 percent. Furthermore, the DDUs that exhibited the most extreme changes in productivity had lower volumes throughout the measured period.⁸⁴

⁸⁴ As detailed in the table inlaid in the chart, the DDUs that experienced greater than 10 percent increases in productivity had a total volume of 1.3 million pieces. The delivered volume per DDU is 2.0 million pieces. The total delivered volume for South Jersey from August 5, 2013 to September 28, 2013 was 104 million pieces, and there are 52 DDUs. $104/52=2.0$. The DDUs that experienced a decline in productivity had, on average, a total of 1.5 million pieces of delivered volume from August 5, 2013 to September 28, 2013; also well below the South Jersey average. DDUs with lower volume generally had fewer routes, and can be expected to exhibit a wider range of variation in productivity from day-to-day and month-to-month.

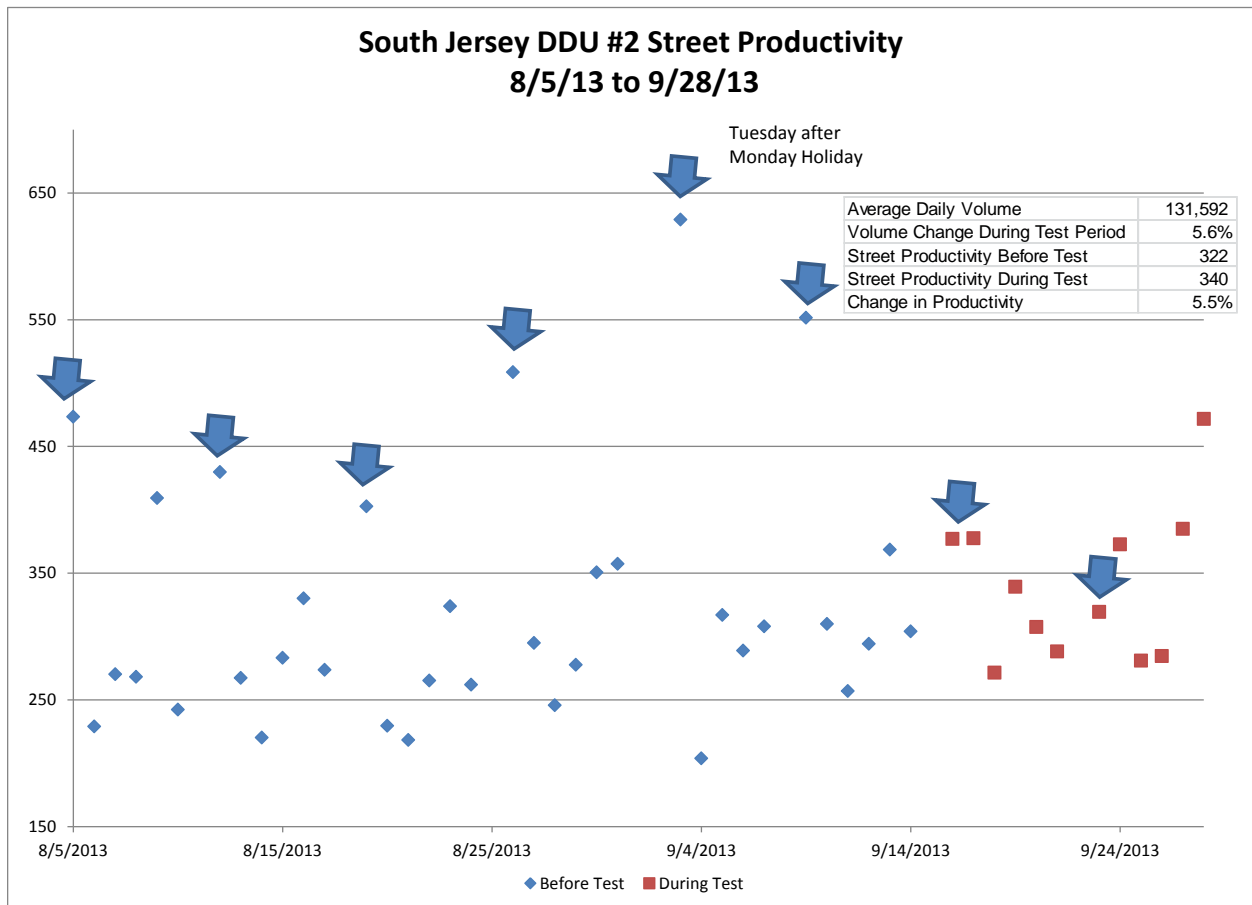
The following charts detail the experience of three selected DDUs. The first DDU experienced a 7.2 percent decline in productivity during the operations test.⁸⁵ This decline in productivity was against expectation, as daily volume during the test period was 7 percent lower than during the baseline period. The productivity of the carrier routes from this DDU are very close to the overall South Jersey productivity.⁸⁶



⁸⁵ This DDU is identified in cell B15 of Library Reference USPS-LR-N2014-1/NP3, file "DissaggregatedDOIS.xls," tab "Data by Delivery Unit."

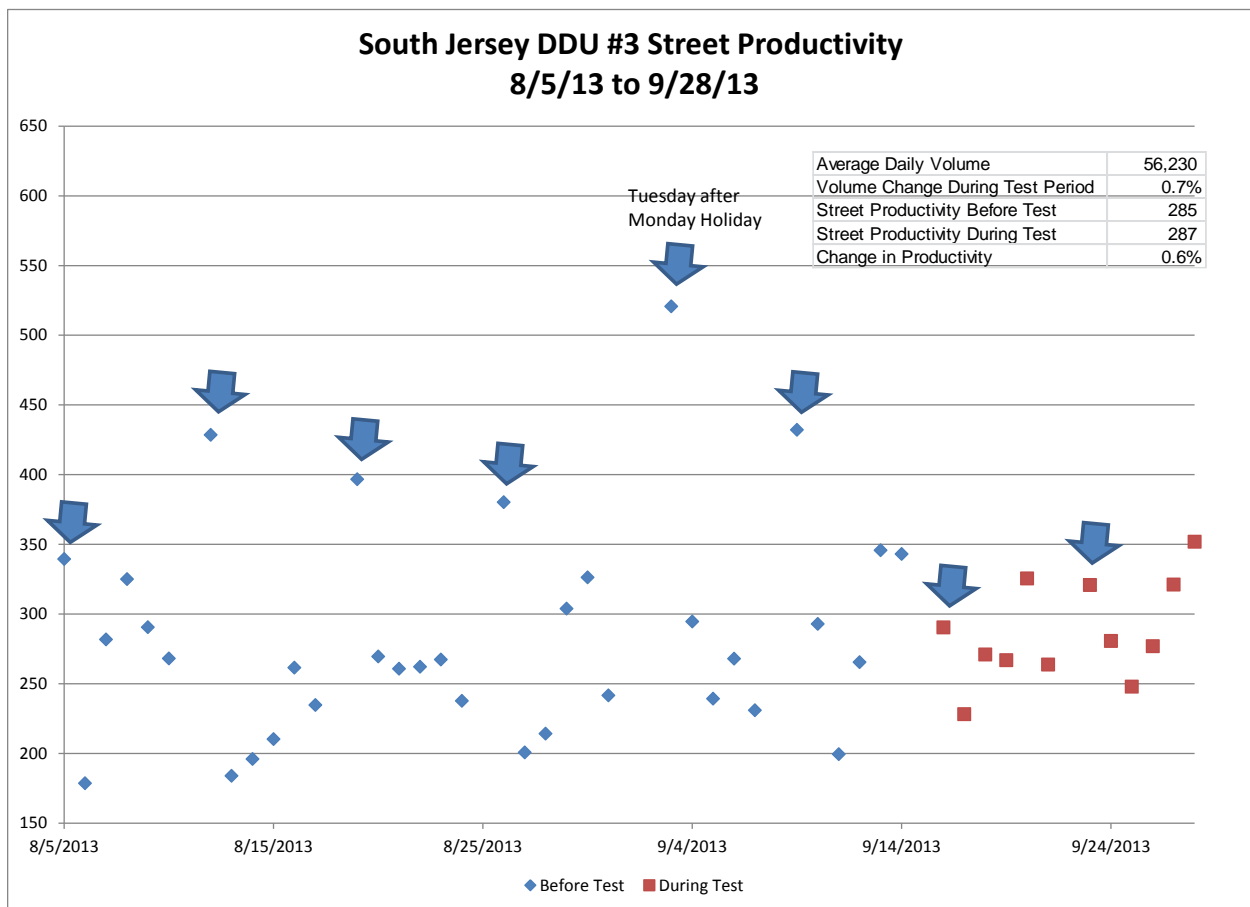
⁸⁶ The average South Jersey street productivity was 342 pieces per hour before the test and 358 during the test. DDU #1 had productivity of 375 pieces per hour before the test (less than 10 percent above the South Jersey average) and 348 during the test (less than 4 percent below the South Jersey average).

The second DDU experienced a 5.5 percent increase in productivity during the operations test.⁸⁷ This decline in productivity was as expected, as daily volume during the test period was 5.5 percent higher than during the baseline period. The productivity of the carrier routes from this DDU (a delivery unit with many carrier routes and a large daily volume) is slightly lower than the overall South Jersey productivity.



⁸⁷ This DDU is identified in cell B89 of Library Reference USPS-LR-N2014-1/NP3, file "DissaggregatedDOIS.xls," tab "Data by Delivery Unit."

The third DDU experienced a 0.6 percent increase in productivity during the operations test.⁸⁸ This increase in productivity was as expected, as daily volume during the test period was 0.7 percent higher than during the baseline period. The productivity of the carrier routes from this DDU with is lower than the overall South Jersey productivity.



The variation in productivity by DDU highlights different possible outcomes of the Load Leveling Plan and shows that higher delivery productivity is not a foregone conclusion.

⁸⁸ This DDU is identified in cell B70 of USPS-LR-N2014-1/NP3, file “DissaggregatedDOIS.xls,” tab “Data by Delivery Unit.”

The South Jersey Operations Test results do not provide a solid foundation to estimate of the overall impact of the Load Leveling Plan. The data shows that overall during the operations test, the Postal Service is traded lower productivity on Monday for higher productivity the rest of the week. Although the South Jersey Operations Test resulted in slightly higher average productivity during the test period, closer analysis shows that the increase in volume would have likely resulted in increased productivity regardless of the test.

C. Lessons from the South Jersey Operations Test

The disaggregated city carrier information shows that the Load Leveling Plan has a wide range of potential outcomes. The summary information regarding the South Jersey provided by the Postal Service paints a positive picture of the Load Leveling Plan—“modest improvement in city carrier regular workhours . . . [and] substantial reductions in overtime hours.” USPS-T-1 at 14. The Postal Service’s analysis of the South Jersey Operations Test found that it led to an increase in delivery productivity of nearly 5 percent.⁸⁹ But more detailed and nuanced examination of the South Jersey Operations Test reveals a range of very different outcomes.

As was highlighted in POIR No. 1, the volume during the South Jersey Operations Test was higher than the baseline, and generally higher volumes lead to higher productivity. Adjusting for city carrier street time volume variability, the delivery productivity increase declined by nearly two thirds, to an improvement of only 1.75 percent.

But those numbers alone do not tell the full story. The Postal Service has historically had a highly productive Mondays, followed by a less productive week. In Docket No. N2010-1, the Postal Service argued that the volume delivered on Saturday could be delivered on Monday at 10 percent of the cost.⁹⁰ The Postal Service still cites

⁸⁹ Library Reference USPS-LR-N2014-1/2.

⁹⁰ Docket No. N2010-1, Advisory Opinion on Elimination of Saturday Delivery, March 24, 2011, at 43, Figure IV-1.

the \$3 billion cost savings figure it developed using the “absorption factor,” which assumed volume peaks lead to lower costs. In this proceeding, the Postal Service does a complete 180 in proposing the Load Leveling Plan. The South Jersey Operations Test’s productivity increase was predicated on two changes: (1) lower volumes on Monday and (2) higher volumes the rest of the week. The financial impact of the proposal depends on the result of this “trade-off.” The key to determining if the Postal Service will realize delivery cost benefits depends solely on whether the “absorption factor” reflects operational reality. If the “absorption factor” reflects operational reality, the Postal Service will experience higher costs as a result of the Load Leveling Plan. If the “absorption factor” does not reflect operational reality and street time productivity increases on the remaining days of the week, the Postal Service may experience delivery cost savings as a result of the Load Leveling Plan.

During the South Jersey Operations Test, there was a 30 percent swing in productivity changes at the DDU level. Twenty-one percent of all DDUs experienced productivity declines. The wide range of productivity changes even over a two-week test period in South Jersey highlight the risks of the Load Leveling Plan and the uncertainty of the outcome at the national level.

V. CONCLUSION

The Public Representative urges the Commission to hold this proceeding in abeyance for the development of thorough study and analysis of the impacts of the Load Leveling Plan. Using a misinterpretation of 39 U.S.C. § 3661 to defend its failure to consider the proposal’s consequences, the Postal Service proposes to implement the Load Leveling Plan nationwide without knowing whether it will reduce or increase costs; result in volume, contribution, and revenue loss; impact the effectiveness of ongoing network changes; and be successful in leveling mail volumes during the week. In short, although the Postal Service expects that the Load Leveling Plan will result in positive impacts nationwide, it decided that confirming its predictions through quantitative study

and analysis was not a worthwhile endeavor. This does not reflect “best practices of honest, efficient, and economical management.”

The Commission should find that the Postal Service’s Request is premature. The Request was based on the unrepresentative South Jersey Operations Test, and the operations testing information provided in the proceeding was inconclusive and contradictory. In fact, Witness Malone notes the importance of testing entire administrative Districts—but no complete District level testing results were included in this proceeding’s record. Nine District level tests are ongoing, which will result in testing at twenty-seven plants nationwide. The results of those tests, rather than of the unrepresentative South Jersey Operations Test, would provide the parties and the Commission with an adequate basis to consider the costs and benefits of the Load Leveling Plan. Holding the proceeding in abeyance until representative testing is concluded will give the Commission a thorough record on which to advise the Postal Service.

While this proceeding demonstrates it is possible to conduct a 39 U.S.C. § 3661 proceeding on an expedited schedule, the Commission should hold the proceeding abeyance while a more thorough record is developed. To do otherwise encourages the Postal Service handle future cases exactly as it handled this one—filing incomplete requests; conducting minimal study or analysis (thereby reducing the scope of substantive discoverable material and ultimately the scope of the Commission’s decision); and delaying responses to discovery requests. Such practices erode the rights granted to parties by 39 U.S.C. § 3661, as well as the value of the Commission’s advice. To protect the integrity of 39 U.S.C. § 3661 specifically, and title 39 as a whole, the Commission should hold this proceeding in abeyance until a fully developed record is available.