

## CONCURRING OPINION OF COMMISSIONER GOLDWAY

The Commission's Advisory Opinion thoroughly analyzes the need for, and provides excellent suggestions for, improving the accuracy of the Postal Service's forecasting and planning for systemwide consolidation and network reorganization as envisioned in the END process. I urge the Board of Governors and the operations management of the Service — not just the attorneys assigned to Commission cases — to carefully review our advisory opinion and to fully adopt our recommendations for improved econometric and statistical analysis and more meaningful public involvement in the planning process.

However, I believe that the Commission's opinion fails to express sufficiently serious concern about the problems that have arisen in initial stages of the Postal Service's consolidation efforts, in places such as Southern California, El Paso, Texas and Las Vegas, Nevada.

I am concerned that unless the Postal Service management is truly attentive to improving the AMP change process, implementation of network realignment is likely to result in substantial, unexpected, and potentially expensive service disruptions throughout the nation. A clear example is that the AMP change analysis performed prior to the recent consolidation of the Marina Del Rey facility into the existing Los Angeles facility totally failed to predict the myriad of service disruptions that occurred in the weeks and months after implementation.

I understand that no single AMP change is representative of all of the types of effects that might result from network realignment. But because the Marina Del Rey AMP change failed to predict or prevent the service problems that immediately followed this consolidation, and, perhaps more importantly, because the belated Post-Implementation Review document failed to analyze and identify the causes of this disruption, I must conclude that the Postal Service is at substantial risk of experiencing unexpected, major service disruptions if it employs its present AMP process to evaluate proposed consolidations.

The Marina Del Rey AMP proposal estimated the volume of mail that would be transferred as a result of the consolidation as 2.8 billion pieces. Total first year savings were projected to be \$17.4 million.<sup>1</sup> The net effect on service commitments, assessed by comparing the relative number of mailpieces expected to undergo service upgrades with the number expected to undergo downgrades, was anticipated to be positive.<sup>2</sup>

However, I am personally aware that for many weeks and months following the consolidation, mail service in this region was severely disrupted. Late deliveries following the Marina Del Rey consolidation received considerable attention in the popular press.<sup>3</sup> Congressional representatives from all over Southern California received angry letters from constituents. The Postal Service received hundreds of direct complaints. Other consolidations in other parts of the country have apparently caused remarkably similar delays.<sup>4</sup>

It was further reported that local postal service management was then required to spend time and resources to respond to the press, to plan to redress the service problems and then to expend considerable sums to rebuild service levels to an acceptable level, if not as good as before consolidation.

The AMP change process not only failed to predict service disruption, but the subsequent Post Implementation Review of the Marina Del Rey consolidation neither recognized any failure nor provided a guide for avoiding similar problems in the future.

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<sup>1</sup> Reduced workhours were expected to result in a reduction of 264 craft and 29 management employees. USPS-LR-N2006-1/6.

<sup>2</sup> *Id.*

<sup>3</sup> See, for example, *Message in a Bottleneck*, May 25, 2006, *Congressman Delivers Strong Message to USPS*, August 19, 2006, SANTA MONICA DAILY PRESS.

<sup>4</sup> See, for example, *Mail Delivery Outcry*, EL PASO TIMES, March 22, 2006; *Mail Slow*, EL PASO TIMES, March 16, 2006; *Calabasas Goes Postal over Mail Delays*, THE ACORN, March 16, 2006; and *Mail Collection Time Change Vexes Some*, THE BIRMINGHAM NEWS, April 4, 2006.

Post implementation reviews are the best way for the Postal Service to evaluate its current AMP process, and to identify ways it can improve this process to more accurately project the impacts of facility consolidations.

The Post Implementation Review of the Marina Del Rey AMP found the savings to be slightly overestimated. The projected savings of \$17.4 million was reduced to \$14.6 million.<sup>5</sup> It further concluded a “net increase in the volume committed to overnight service was accomplished by the AMP.”<sup>6</sup>

Behaving as though it is not at all accountable to the end users of the mail (whether households or businesses), Postal Service management did not even discuss how the consolidation of the Marina Del Rey facility might have contributed to service disruptions in the Los Angeles basin, and no analysis of the short term and long term costs of fixing those problems was conducted. Local Postal officials acknowledged to the press and to Congress that there had been excessive workforce cuts during consolidation. They promised to and ultimately did rehire additional workers after the AMP implementation. But the added costs of these additional work hours were not recognized or included in the Post Implementation Review, leading me to conclude that the reported cost savings were overstated. Thus, the existing cost savings measurement procedures in the systemwide AMP change process may well be inaccurate.

“Service performance is one area of concern. Quarter III, fiscal year 2006 External First-Class (EXFC) overnight service performance for the Los Angeles District was 94.3 percent, 0.7 percent points below our target.”

*Id.*, Galligan Memorandum, September 15, 2006.

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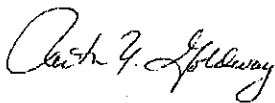
<sup>5</sup> USPS-LR-N2006-1/27, Galligan Memorandum, September 15, 2006.

<sup>6</sup> *Id.* at 3.

Service performance reviews (*supra*) that focus on EXFC scores for an entire district such as Los Angeles are inadequate. They measure only a fraction of the mail volume in the area. The vast majority of mail is workshared, yet there is no measurement system for such mail. Furthermore, the large mail volume in such a large district can mask substantial service deterioration in those portions of the district directly affected by a facility consolidation. Completely absent from the current Postal Service methodology is any means to factor in customer complaints in assessing service levels. Post-implementation reviews should include analyses of service degradation or improvement for individual facilities, should factor in actual customer complaints, and should focus on to what extent, and why, the initial AMP evaluation proved to be inaccurate.

Before the Postal Service implements the dozens of consolidations required by network realignment, it should improve the AMP change process to insure that service disruptions are minimized. The best way to improve that process is to fully review each consolidation that has already occurred. It should honestly face and thoroughly analyze mis-estimates and determine the lessons learned. Going forward, the Postal Service should require forecasts of possible changes in service levels to the end users in planning every AMP change, require measurement of customer feedback in any post implementation review, and then accurately measure the net cost savings by including changes in post-implementation workforce, transportation or other adjustments.

Adequate up-front attention to the impact on service performance of facility consolidations and network reorganization actions will ultimately save the Postal Service money and will help preserve its value to the nation.



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Ruth Y. Goldway, Commissioner