

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION

Before Commissioners:

Ruth Y. Goldway, Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton;
Tony Hammond; and
Robert G. Taub

Post Office Structure Plan

Docket No. N2012-2

ADVISORY OPINION ON
POST OFFICE STRUCTURE PLAN



Washington, DC 20268-0001

August 23, 2012

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I. EXECUTIVE SUMMARY

The Postal Regulatory Commission has analyzed the Postal Service's Post Office Structure Plan (POStPlan), an initiative to match post office retail hours with workload. Under the POStPlan, the hours of operation at more than 13,000 post offices nationwide will be reduced to 6, 4, or 2 hours per weekday. In approximately 73 locations, hours of operation will increase.

The POStPlan reflects a determination by the Postal Service to explore options to adjust its retail window hours without closing post offices. The Commission finds that the POStPlan is a significant improvement over the previous Retail Access Optimization Initiative (RAOI), a program that initially identified more than 3,650 postal retail locations for possible closing. The Commission commends the Postal Service for maintaining its current retail presence, especially in remote areas.

The POStPlan may reduce retail service and customer convenience at post offices by reducing weekday hours of operation. Through written and oral testimony, the Postal Service has assured the Commission that access to postal services will be maintained in the following ways:

- Post offices will continue to provide the same services they provide today.
- Access to post office boxes will remain unchanged.
- Collection boxes at post offices will remain in place.
- Saturday hours will not be affected.
- Post offices in the most remote and isolated locations will remain open at least 6 hours each weekday.

The POStPlan is intended to achieve cost savings with limited reductions in access and service. The Commission finds that the objective of the POStPlan is consistent with public policy. By matching retail hours to workload, the Postal Service

expects to save several hundred million dollars each year. If implemented properly, the POSTPlan should help balance service and cost savings in a manner consistent with title 39.

The Postal Service emphasizes that it generally will not close offices unless a community expresses a strong preference for discontinuance. It proposes a markedly improved process for obtaining input from affected communities. All customers of each POSTPlan post office will be mailed a survey on which they can indicate whether they prefer reduced hours or discontinuance. Community meetings will be held to explain the process and ascertain service preferences. The Postal Service expects that few post offices will be discontinued as a result of the POSTPlan.

To further enhance the implementation of the POSTPlan, the Commission's advisory opinion provides recommendations concerning access, community input, revenue, and staffing. Among the Commission's findings are:

- The customer preference survey should provide customers with a clear choice between (1) keeping their post office open with reduced hours, or (2) closing their post office and providing replacement delivery service.
- To the extent possible, the Postal Service should not implement a reduction in retail hours at POSTPlan facilities prior to making necessary modifications to buildings and/or operations so that current levels of access for existing post office box customers continues.
- The Postal Service's instructional memorandum to area vice presidents and district managers should explain that every effort should be made to locate qualified staff and successfully negotiate a lease before overriding a community's preference for a POSTPlan post office with realigned hours.
- The Postal Service's instructional memorandum should reflect the Postal Service's stated POSTPlan policy, especially as it relates to Village Post Offices (VPOs).
- An internal review and data collection plan will help the Postal Service evaluate whether the POSTPlan is meeting its objectives and goals. Monitoring and measuring changes in revenue at POSTPlan post offices should be part of post-implementation reviews.

II. INTRODUCTION

The Postal Service requests an advisory opinion from the Commission on the POSTPlan. The POSTPlan is an initiative to systematically realign the hours of operation at approximately 17,700 of the more than 32,000 postal retail locations.¹ Under the POSTPlan, the Postal Service will review the workload at all EAS Level 16² and lower post offices and determine whether (1) the post office will be upgraded to EAS Level 18 or above; (2) window hours will be realigned to reflect actual workload; or (3) the post office will undergo a discontinuance study. *Id.* at 1-2.

Since FY 2009, the Postal Service has submitted five requests for an advisory opinion on changes in the nature of service under 39 U.S.C. § 3661(b).³ In three of the requests, including this docket, the Postal Service asked the Commission to evaluate proposed changes to its retail network.⁴ In each case, the changes were intended to better align the Postal Service's retail footprint with customer demand.⁵ By doing so, the Postal Service expected to realize substantial cost savings while meeting its obligation to provide adequate and efficient postal services. See 39 U.S.C. § 3661(a).

¹ United States Postal Service Request for an Advisory Opinion on Changes in the Nature of Postal Services, May 25, 2012, at 1 (Request).

² Post offices are categorized by an EAS designation. The EAS designation reflects the Executive and Administrative Pay Schedule level of the postmaster assigned to the post office.

³ See Docket No. N2009-1, Request of the United States Postal Service for an Advisory Opinion on Changes in Postal Services, July 2, 2009 (SBOC Request); Docket No. N2010-1, Request of the United States Postal Service for an Advisory Opinion on Changes in the Nature of Postal Services, March 30, 2010; Docket No. N2011-1, Request of the United States Postal Service for an Advisory Opinion on Changes in the Nature of Postal Services, July 27, 2011 (RAOI Request); 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; Docket No. N2012-2, *supra*, note 1.

⁴ SBOC Request at 1; RAOI Request at 1; Request at 1.

⁵ SBOC Request at 6; RAOI Request at 3-4; Request at 3.

The Commission's most recent advisory opinion concerning the Postal Service's retail network evaluated the RAOI.⁶ The RAOI was a centrally directed plan to consider whether the Postal Service should continue providing service at approximately 3,650 retail facilities. *Id.* at 14. Among the retail facilities that were part of the RAOI were 2,825 post offices with less than 2 hours of earned workload and no greater than \$27,500 in annual walk-in revenue. *Id.* at 15. Under the RAOI, the Postal Service intended to review these and subsequently other facilities to determine whether they should be discontinued. *Id.* at 19.

In its advisory opinion on the RAOI, the Commission expressed concern that the RAOI initiative, if fully implemented, could unacceptably diminish affected customers' access to postal services. *Id.* at 110-15. It stated that closing facilities would impact service and put a strain on the Postal Service's network and customer access to the postal system. *Id.* at 111. It recommended that the Postal Service improve alternate access channels, but noted that those channels cannot, in many instances, replace actual postal facilities. *Id.* at 104. The Commission also recommended that the Postal Service make optimization of its retail network one of the primary goals of the RAOI. *Id.* at 39.

The Commission advised the Postal Service to explore options other than closing postal facilities. It stated, "optimization of the retail network should consider operational changes within a given facility as opposed to focusing exclusively on whether or not to close it. It may make sense to adjust the operating hours of a facility...to maximize net revenue or provide appropriate access to postal services." *Id.* at 74.

⁶ Docket No. N2011-1, Advisory Opinion on Retail Access Optimization Initiative, December 23, 2011 (RAOI Opinion).

The POSTPlan represents a more fully realized Postal Service effort to optimize its retail network. The Postal Service proposes to reduce hours rather than discontinue post offices. The POSTPlan incorporates many of the recommendations the Commission made in its RAOI Advisory Opinion.

The current advisory opinion examines the POSTPlan in light of the policies of title 39 and is based on record evidence developed in accordance with 5 U.S.C. §§ 556 and 557. Chapter III summarizes the procedural history of the case. Chapter IV examines whether the POSTPlan is well-designed to achieve its efficiency objective. Chapter V analyzes the screening and designation methodology used to select POSTPlan offices. Chapter VI discusses the POSTPlan implementation issues, such as customer access, community input, discontinuance procedures, VPOs, and post-implementation review. Chapter VII evaluates how the POSTPlan incorporates previous Commission advice.

III. PROCEDURAL HISTORY

On May 25, 2012, the Postal Service filed a request with the Commission for an advisory opinion under 39 U.S.C. § 3661 regarding the POSTPlan.⁷ 39 U.S.C. § 3661(b) reads:

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.

The Postal Service requests that the Commission issue an advisory opinion to explain whether the service changes resulting from the POSTPlan conform to applicable policies of title 39 of the United States Code. *Id.*; see 39 U.S.C. § 3661(c).

39 U.S.C. § 3661 sets forth the procedures governing advisory opinions. Section 3661(c) requires that:

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.

In Order No. 1361, the Commission established Docket No. N2012-2 to consider the Request, noticed the proceeding in the *Federal Register*, appointed a Public Representative pursuant to 39 U.S.C. §§ 505 and 3661(c), and set a procedural

⁷ Request at 1. On May 9, 2012, the Postal Service first published a list of post offices affected by the POSTPlan, along with the number of proposed retail hours after realignment. See <http://about.usps.com/news/electronic-press-kits/our-future-network/assets/pdf/postplan-affected-post-offices-120509.pdf>.

schedule.⁸ Vice Chairman Nanci E. Langley was designated to serve as Presiding Officer in the N2012-2 docket.⁹

In support of its Request, the Postal Service submitted testimony from Jeffrey C. Day, its Manager, Retail Operations, in the Office of Delivery and Post Office Operations.¹⁰ The Postal Service also filed 14 public library references¹¹ and 1 nonpublic library reference.¹² Nine parties intervened in the proceeding.¹³ Intervening parties and the Public Representative propounded discovery to clarify the Request and witness testimony. Five Presiding Officer Information Requests were issued to further develop the record in this proceeding.

On July 11, 2012, a hearing was held to enter the Postal Service's direct testimony into evidence and to provide an opportunity for oral cross-examination. The record also includes designated cross-examination responses and other materials incorporated pursuant to Presiding Officer Rulings 3, 6, and 8. See Tr. 1/14-42, 44-140; Tr. 2/332-41.

⁸ Notice and Order Concerning the Postal Service's Request for an Advisory Opinion on its Post Office Structure Plan, May 31, 2012 (Order No. 1361).

⁹ Notice of the Chairman Designating Presiding Officer, June 1, 2012.

¹⁰ Direct Testimony of Jeffrey C. Day on Behalf of the United States Postal Service, May 25, 2012, at i (USPS-T-1).

¹¹ See USPS-LR-N2012-2/1 through USPS-LR-N2012-2/14.

¹² See USPS-LR-N2012-2/NP1.

¹³ See Notice of Intervention of David B. Popkin, May 30, 2012; Notice of Intervention of the American Postal Workers Union, AFL-CIO, June 5, 2012; Notice of Intervention of Pitney Bowes Inc., June 13, 2012; Notice of Intervention of Elaine Mittleman, June 18, 2012; Notice of Intervention of Coalition to Save the Venice Post Office, June 18, 2012; Valpak Direct Marketing Systems, Inc. Notice of Intervention, June 18, 2012; Valpak Dealers' Association, Inc. Notice of Intervention, June 18, 2012; Notice of Intervention of Greta Cobar for Docket N2012-2, June 18, 2012; Greeting Card Association Notice of Intervention as a Limited Participator, June 21, 2012.

No participants submitted rebuttal testimony in response to the Postal Service's direct case. Five participants, including the Postal Service and the Public Representative, submitted briefs.¹⁴ Three participants submitted reply briefs.¹⁵

The Presiding Officer closed the evidentiary record on July 18, 2012, and incorporated designations of written cross-examination into the evidentiary record, subject to the filing of additional materials.¹⁶ In a subsequent ruling, these materials were included in the evidentiary record.¹⁷ Participants were also provided an opportunity to comment on these materials. *Id.* at 2.

¹⁴ Initial Brief of David B. Popkin, July 19, 2012 (Popkin Brief); Initial Brief of the American Postal Workers Union, AFL-CIO, July 20, 2012; Initial Brief of United States Postal Service, July 20, 2012 (Postal Service Brief); Public Representative Initial Brief, July 20, 2012 (PR Brief); Initial Brief of Elaine Mittleman, July 20, 2012 (Mittleman Brief). On July 23, 2012, the American Postal Workers Union (APWU) filed a revised version of its initial brief. Initial Brief of the American Postal Workers Union, AFL-CIO Notice of Errata [Errata], July 23, 2012; Initial Brief of the American Postal Workers Union, AFL-CIO [Revised], July 23, 2012 (APWU Brief). All references to APWU's initial brief are to the revised version filed on July 23, 2012.

¹⁵ Reply Brief of United States Postal Service, July 27, 2012 (Postal Service Reply Brief); Public Representative Reply Brief, July 27, 2012 (PR Reply Brief); Reply Brief of the American Postal Workers Union, AFL-CIO, July 27, 2012. On July 30, 2012, the APWU filed a revised version of its reply brief. Reply Brief of the American Postal Workers Union, AFL-CIO Notice of Errata [Errata], July 30, 2012; Reply Brief of the American Postal Workers Union, AFL-CIO [Revised], July 30, 2012 (APWU Reply Brief). All references to APWU's reply brief are to the revised version filed on July 30, 2012.

¹⁶ P.O. Ruling N2012-2/6, Presiding Officer's Ruling Designating Additional Responses and Closing the Evidentiary Record, July 18, 2012. These additional materials are the updated list of the POSTPlan offices; the update to the cost savings estimate in Library Reference No. 6; the customer survey; and the instructional memorandum. *Id.* at 2.

¹⁷ P.O. Ruling N2012-2/8, Presiding Officer's Ruling Incorporating Final Designations into the Evidentiary Record, July 26, 2012.

IV. THE POSTPLAN OBJECTIVES

In this chapter, the Commission reviews the objectives of the POSTPlan and describes how the POSTPlan is designed to achieve them. The Commission analyzes the efficiency component of the POSTPlan to measure the Postal Service's success in achieving its objectives.

The Postal Service articulates the objectives of the POSTPlan as:

to evaluate certain categories of Post Offices within the postal retail network to determine the feasibility of realigning their retail window service hours, or studying their operations for discontinuance, without preventing the Postal Service from 'maintain[ing] postal facilities of such character and in such locations, that postal patrons throughout the Nation will, consistent with reasonable economies of postal operations, have ready access to essential postal services.'

Request at 3 (citing 39 U.S.C. § 403(b)(3)). The objective in pursuing the POSTPlan is "to improve efficiency and meet customer needs by matching retail hours and services to community postal needs and use patterns." Request at 3. The Postal Service plans to become more efficient by reducing retail hours and by using less costly labor.

A. Realigning Window Service Hours with Customer Use

The Postal Service seeks to improve efficiency in part by realigning window service hours to reflect actual customer use. Tr. 1/120. The realignment process begins by reclassifying POSTPlan offices. Approximately 17,700 EAS Level 16 and below post offices have been identified for review under the POSTPlan.¹⁸ The Postal

¹⁸ Request at 1 n.1. Witness Day states that "the term POSTPlan offices includes all 17,728 EAS Level 16 or below Post Offices that were operational as of the close of FY 2011." USPS-T-1, 1 n.1. He explains that suspended or non-operational post offices will not be part of the POSTPlan. *Id.* Since the close of FY 2011, 102 post offices have been suspended or become non-operational. USPS-LR-N2012-2/11. Thus, 17,626 EAS Level 16 or below post offices are currently under review in the POSTPlan.

Service has already determined how many hours of window service each of those offices will provide.¹⁹ For each of these post offices, the POStPlan could result in (1) an upgrade of the post office to EAS Level 18 or above; (2) a realignment of retail window service hours to match actual workload; or (3) a discontinuance study. USPS-T-1 at 11.

The Postal Service begins its review by examining the earned workload of each POStPlan office.

Earned workload represents the sum total of employee hours spent performing mail distribution, post office box distribution, retail sales, and administrative functions such as personnel and time and attendance work.²⁰ Each POStPlan post office's calculated earned workload is inflated by 10 percent to arrive at its daily Adjusted Earned Workload (Workload). The Postal Service explains that this 1.1 multiplier accounts for minor variations in calculating earned workload using Customer Service Variance (CSV) or Small Office Variance (SOV). USPS-T-1 at 12.

POStPlan offices with more than 5.74 hours of Workload will be upgraded to EAS Level 18 or above and be open at least 8 hours on weekdays. *Id.* POStPlan offices with a Workload of 5.74 hours or less will either experience a realignment of window service hours or be studied for discontinuance. *Id.* at 22. The Postal Service states that it will generally not study a POStPlan post office for discontinuance unless the community expresses a "strong preference" for discontinuance. *Id.* at 15. POStPlan offices that have their window service hours realigned will be classified as either

¹⁹ See <http://about.usps.com/news/electronic-press-kits/our-future-network/assets/pdf/postplan-affected-post-offices-120509.pdf>.

²⁰ Tr. 1/90; see Summary Description of USPS Development of Costs by Segments and Components Fiscal Year 2010 § 2.3.1. Earned workload and the Customer Service Variance/Small Office Variance programs are discussed in detail in Section V.A.1.

Remotely Managed Post Offices (RMPOs) or Part-Time Post Offices (PTPOs). *Id.* at 11.

The Postal Service will classify RMPOs as Level 2, 4, or 6 post offices based on their Workload. RMPOs with a Workload of 1.99 hours or less will be classified as Level 2 post offices and will have 2 hours of window service each weekday. RMPOs with between 2 and 3.99 hours of Workload will be classified as Level 4 post offices and will have 4 hours of window service each weekday. RMPOs that have a Workload between 4 and 5.74 hours will be classified as Level 6 post offices and will have 6 hours of window service each weekday. Saturday hours for all post offices will remain unchanged as a result of the POSTPlan. *Id.* at 13.

The Postal Service will recalculate the Workload of each POSTPlan post office annually, and may, depending on the circumstances, increase or decrease window service hours to reflect changes.

Level 6 RMPOs will be staffed by career employees. Level 4 and Level 2 RMPOs will be staffed by noncareer employees. RMPOs will report to, and be managed by, a postmaster located at an Administrative Post Office (APO) geographically apart from the RMPO. All RMPOs will be grouped into “clusters” containing no more than 10 RMPOs. Each cluster will be administratively managed by one APO.²¹ In general, the Postal Service will designate an EAS Level 18 or above post office to serve as an APO for each cluster. If there are no EAS Level 18 post offices located near a cluster of RMPOs, the Postal Service will upgrade a post office

²¹ The Postal Service states that on average, each APO will manage two RMPOs. *Id.*

that would otherwise be an RMPO to EAS Level 18, and the upgraded post office will serve as an APO for that cluster.²²

Remote post offices that would otherwise be classified as RMPOs will be classified as PTPOs based on driving distance to the nearest post office or geographic distance to the nearest APO. Specifically, POSTPlan offices that are 25 or more driving miles from the nearest post office, or outside of a 25-mile radius of the nearest APO, will be classified as PTPOs. Each PTPO will provide 6 hours of window service each weekday, regardless of Workload, and will be staffed by a career employee. PTPOs will report to a district post office rather than an APO. USPS-T-1 at 13-14.

Library References USPS-LR-N2012-2/1 and USPS-LR-N2012-2/11 contain the list of candidate offices under the POSTPlan and their locations and certain other operating data. POSTPlan offices comprise approximately 55 percent of the 31,642 post offices, stations, and branches. Of the 17,626 POSTPlan post offices, 12,801 or nearly 73 percent of these post offices will have decreased hours; 73 post offices or 0.4 percent will have increased hours; and 4,752 or 27.0 percent will see no change in hours.

Table IV-1 shows the number of post offices that will be reclassified as a result of the POSTPlan.

²² *Id.* at 13. Due to internal budgeting and monitoring procedures, clusters will not cross district or area boundaries. Tr. 1/271.

**Table IV-1: Classification of Post Offices Under the POSTPlan
New Post Office Level**

Current Post Office Level	<u>2</u>	<u>4</u>	<u>6</u>	<u>PTPO</u>	<u>18</u>	Total
11	730	3,315	120	208	15	4,388
13	38	3,018	2,168	59	845	6,128
15		144	863	2	1,797	2,806
16		127	770		1,908	2,805
51	70	1		4		75
52	1			1		2
53	482	46	3	64		595
54	1					1
55	569	186	1	70		826
Total	1,891	6,837	3,925	408	4,565	17,626
Source: USPS-LR-N2012-2/11. The table does not include post offices that have already been closed or suspended.						

Under the POSTPlan, the Postal Service will consider three criteria: the Workload of a post office, the distribution of RMPOs into clusters, and the distance between post offices. The POSTPlan analysis does not consider profitability of a post office or the demographic that is served by the post office. The Postal Service states that the POSTPlan “is designed to tailor the Postal Service retail network to actual customer use of postal services, using [Workload] as a proxy for customer use.” *Id.* at 16.

B. Cost Savings

The Postal Service also seeks to accomplish its objective to “improve efficiency” by reducing costs. Tr. 1/120. It states that decreasing the number of underutilized hours at a POSTPlan post office will make the post office more efficient. *Id.* The Postal

Service anticipates that “the POSTPlan will provide significant labor cost savings due to lower salary and benefit costs and a reduction in overall retail window hours.”

USPS-T-1 at 9.

The Postal Service expects to save approximately \$516 million annually in labor costs.²³ The Postal Service maintains that implementation of the POSTPlan is not contingent on realizing a specific amount of cost savings. Tr.1/95, 120. However, it concedes that it would not pursue the POSTPlan if it would not realize any cost savings. *Id.* at 120.

C. Commission Analysis

The Postal Service proposes to improve efficiency by reducing hours and using less costly labor. However, efficiency gains under the POSTPlan may be reduced by losses in revenue due to reduced hours. In this section, the Commission discusses efficiency gains under the POSTPlan.

1. Cost Savings

The estimated savings of \$516 million represents the difference between postmaster labor costs before and after implementation of the POSTPlan.²⁴ To make this calculation, the Postal Service multiplies the number of postmasters at each EAS level by the average salary and benefits for a postmaster at the respective EAS level. *See Id.* at 132.

²³ See USPS-LR-N2012-2/6 and USPS-LR-N2012-2/12.

²⁴ *Id.* at 164. The financial model used to develop the estimated savings is presented in Library Reference USPS-LR-N2012-2/6. An updated version of this model is presented in Library Reference USPS-LR-N2012-2/12.

A corresponding salary and benefits calculation is made for each new EAS level under the POSTPlan. In calculating labor costs after the POSTPlan is implemented, the Postal Service assumes that employees at Level 2 and Level 4 post offices will be compensated based on the new hire projected salary and benefits scale.²⁵ For EAS Level 6 post offices, the Postal Service uses the incumbent projected salary and benefits scale.²⁶ It assumes that a large number of incumbents from current EAS Level 55 post offices will fill these positions. The Postal Service's calculations do not assume any costs associated with the possible additional staffing at APOs. See Tr. 1/184. Nor does the cost savings estimate include any one-time or recurring costs associated with implementing the POSTPlan.²⁷ There are no savings calculated for Saturday hours since Saturday hours will not change as a result of the POSTPlan. USPS-T-1 at 16.

Mittleman challenges the assumption that reducing post office hours will improve the financial situation of the Postal Service. Mittleman Brief at 22. She contends that despite actual labor costs saved, there may be offsetting costs and revenue declines. *Id.* at 23.

The Commission has evaluated the Postal Service's projected cost savings, and finds the projected cost savings reasonable. However, using an average postmaster salary for each EAS level to calculate present labor costs at POSTPlan post offices is imprecise. Postmaster salaries and benefits at each EAS level vary, on average, more

²⁵ A new hire's projected salary and benefits at Level 2 are \$9,015 while an incumbent's projected salary and benefits are \$15,039. A new hire's projected salary and benefits at Level 4 are \$17,675 while an incumbent's projected salary and benefits are \$30,024. Library Reference USPS-LR-N2012-2/12.

²⁶ A new hire's projected salary and benefits at Level 6 are \$34,264 while an incumbent's projected salary and benefits are \$38,835. *Id.*

²⁷ *Id.* at 186. The Postal Service has budgeted approximately \$5 million for mostly one-time expenses of retrofitting facilities to maintain post office box access. *Id.* at 186-88.

than \$20,000 from the lowest to highest salary. These variations add up considerably when thousands of post offices are considered under the POSTPlan.

Witness Day indicates that the use of average postmaster salaries to calculate current labor costs results in “a conservative” cost savings projection because approximately 60 percent of postmasters at POSTPlan offices are eligible to retire and are therefore at the higher end of their respective salary ranges. Tr. 1/167. As such, witness Day believes that the Postal Service will see higher savings than estimated. See Postal Service Brief at 18.

The Postal Service cost savings calculation also assumes that postmasters upgraded to EAS Level 18 post offices will receive the average EAS Level 18 postmaster salary rather than the minimum salary for that grade upon promotion, a difference of as much as \$25,000. By using the average EAS Level 18 salary for postmasters at newly upgraded post offices, the Postal Service may overstate these costs.

Approximately 3,100 post offices have postmaster vacancies and are currently operated by a postmaster relief (PMR) or officer in charge (OIC). For these post offices, as with all post offices, in calculating current labor costs, the Postal Service uses the average postmaster salary rather than the generally lower salaries that PMRs and OICs receive.²⁸ Witness Day acknowledges that the cost savings projection did not account

²⁸ Tr. 1/167-68. Witness Day states that it is possible, in some cases, that an OIC might earn more than an incumbent postmaster. *Id.* at 168. As an example, he stated that a higher level postmaster OIC could work for a lower salary in a lower level post office. *Id.* Witness Day admits that “it’s rare, but it could happen.” *Id.*

for POSTPlan post offices operated by PMRs or OICs.²⁹ *Id.* at 282-83. He concludes that the “conservative” approach of using average postmaster salaries would more than compensate for this “anomaly.” *Id.* at 283. Notwithstanding the imprecision inherent in using average salaries rather than actual salaries, the Commission agrees that the Postal Service is likely to realize substantial savings in implementing the POSTPlan.

To evaluate the Postal Service’s projected cost savings under the POSTPlan, the Commission analyzes three scenarios: the Base Case, a Low Case, and a High Case.³⁰ The Base Case uses the Postal Service’s assumptions and projects savings of approximately \$513 million.³¹

The Low Case modifies one assumption used by the Postal Service. It assumes current salaries at POSTPlan offices with current postmaster vacancies are at a level more representative of the PMR/OIC level. The Low Case results in cost savings of \$386 million, \$127 million less than the Base Case.

The High Case modifies two assumptions used by the Postal Service. First, the Commission assumes the current postmaster salary and benefits for retiring postmasters is equal to 85 percent of the maximum for a given EAS level. Second, the Commission assumes that postmasters at post offices to be upgraded to EAS Level 18 as part of the POSTPlan will receive the minimum EAS Level 18 postmaster salary and

²⁹ “The cost savings estimate does not include the average salaries of OICs or PMRs acting as Postmasters in POSTPlan post offices. See Tr. 1/132. This is in part because the Postal Service maintains salary and benefit data based on employee grade level, not employee assignment. See Response to Questions Raised During Oral Cross-Examination at Tr. 1/309.” Postal Service Brief at 18 n.7.

³⁰ Library Reference PRC-N2012-2/LR1.

³¹ The Postal Service’s projected savings estimate of approximately \$516 million includes closed and suspended post offices. The Commission’s restatement of the Postal Service’s estimate in the Base Case excludes these post offices because they are not functionally a part of the POSTPlan. See USPS-T-1 at 1 n.1.

benefits. With these two modifications, the High Case results in cost savings of \$704 million, \$191 million more than the Base Case.

The Postal Service's projected cost savings is approximately midway between the Low Case projected cost savings and the High Case projected cost savings.

2. Impact on Revenue

In the RAOI Advisory Opinion, the Commission stated that the objective of a retail optimization model should be to maximize net revenue. The Postal Service has chosen an approach designed to increase efficiency by focusing primarily on the cost of retail service. However, the Commission is concerned that reduced retail hours may lead to reduced revenues. Witness Day asserts the Postal Service does not anticipate losing revenue as a result of the POSTPlan. Tr. 1/200. He explains that EAS Level 16 or below post offices were selected for consideration under the POSTPlan "because the level of retail activity at these Post Offices indicated that [these post offices] would continue to serve customer needs...with realigned retail window service hours." *Id.* at 110. However, the Postal Service did not perform a financial analysis before selecting the EAS Level 16 and below criterion. *Id.*

Witness Day acknowledges that specific POSTPlan post offices may lose revenue. *Id.* at 201. He states that while the Postal Service will measure revenue in POSTPlan post offices, it will not assume that revenue reductions in those offices are caused by implementing the POSTPlan. *Id.* at 201-02, 233-34. He asserts there are "too many moving parts to adequately measure whether or not POSTPlan had an impact on revenue." *Id.* at 234.

Further, the Postal Service indicates that it has conducted a statistical analysis of the effect on revenue of different levels of retail hours. Although it found a correlation between hours and revenue, the coefficient that measures the effect did not prove a

statistically significant relationship. Statistically speaking, that means that changes in hours may have no effect on revenue.

The Postal Service also states that it “has made efforts to estimate the POSTPlan’s expected impact on revenue, but has been unable to identify or determine any accurate method for doing so.” *Id.* at 96. The Postal Service cites unchanged customer access to post office boxes and mail receptacles, as well as the availability of alternative access opportunities, as reasons for why it has been unable to estimate the POSTPlan’s expected impact on revenue. *Id.* It notes that it observes “the correlation between window service hours and revenue,” but concludes that “[s]uch inferences do not provide an accurate or representative assessment of causation between a decrease in window service hours and consequent decrease in revenue.” *Id.*

To achieve its objective of “improving efficiency,” the Postal Service should minimize future lost revenues that might result from reduced retail hours. This would allow the Postal Service to maximize gains in net revenue (revenue minus cost) achieved by implementing the POSTPlan. In this regard, it appears that the Postal Service is rightly focused on preserving the time it takes to complete a retail transaction rather than the revenue per transaction. From this perspective, the aggregate efficiency gains of the POSTPlan are more important than the change in net revenue (gain or loss) at any individual post office. Nevertheless, analysis of the benefits of the POSTPlan as a whole begins with the effect at each affected post office.

The Commission recommends that the Postal Service undertake a post-implementation review of the POSTPlan to measure changes in revenue at POSTPlan offices.³² The Postal Service states that it is unable to measure expected impact on

³² In the RAOI Opinion, the Commission noted that “[r]ecent reductions in the hours of operation of facilities may have caused reduced revenues.” RAOI Opinion at 62. It accordingly recommended that the Postal Service take account of such changes. *Id.*

revenue in part because “the Postal Service has not reduced window service hours in this manner before and therefore has no empirical evidence on which to base such an estimate.” Tr. 1/96. Given the unprecedented scale of the POStPlan in terms of reduced hours at post offices nationwide, the Commission recognizes the difficulties that the Postal Service has in accurately determining the effect that the POStPlan will have on revenue. See discussion, *Id.* at 200-01. However, the POStPlan presents an opportunity to collect data to attempt to measure the impact of reducing hours at retail facilities on revenue, and the Postal Service should track revenue when hours are reduced. If reducing retail hours significantly reduces revenues, the Postal Service should reevaluate whether to continue the POStPlan in future years.

V. SCREENING AND DESIGNATION METHODOLOGY

The POSTPlan is based, in part, on two methodologies. One methodology is used to select the post offices for the POSTPlan and set retail hours applicable to each POSTPlan post office. The other methodology is used to create clusters of post offices for administrative purposes. Each of these methodologies is discussed below.

A. Selection of POSTPlan Offices

1. Using the Workload Measurement

The Postal Service uses Workload as the primary criterion for selecting the 17,626 post offices as candidates to participate in the POSTPlan. USPS-T-1 at 10. It contends that Workload reflects actual customer use of post offices, and therefore serves as a “proxy for customer use.” *Id.* at 16. The Postal Service used a similar measure of Workload in the RAOI as a screening mechanism to identify post offices for discontinuance studies. See RAOI Opinion at 15-16. Workload is calculated somewhat differently for the POSTPlan than it was for the RAOI. For the POSTPlan, Workload is calculated using data from two variance databases: the SOV, which was used in the RAOI, and the CSV, which was not.

The Postal Service describes how it calculates Workload in USPS-LR-N2012-2/9 and in a few interrogatory responses. Tr. 1/127-28; Tr. 2/335, 41. Following the methodology for calculating Workload that the Postal Service describes, the Commission reconstructed the Postal Service calculation of Workload for POSTPlan offices.³³

³³ The Commission used data provided in USPS-LR-N2012-2/1 and USPS-LR-N2012-2/2.

Workload is measured in two parts — the daily adjusted earned retail window workload (Daily Retail Workload) and the daily adjusted earned workload related to distribution activities, such as post office box distributions and administrative services (Daily Distribution Workload). To calculate Daily Retail Workload, the Postal Service collects data on annual earned retail window workload (measured in hours) from the SOV or CSV database, depending on the post office. It divides the annual retail window workload by the number of days of retail operations (either 308 or 257, depending on the availability of Saturday retail operations). It adjusts the resulting figure using two multipliers: a 1.1 factor and a second multiplier, 6/5.5, which applies solely to post offices with Saturday retail window hours.³⁴

To calculate Daily Distribution Workload, the Postal Service subtracts annual earned retail window workload from total annual workload and multiplies the remaining figure by 1.1. It then subtracts postmaster administrative workload from this figure. The Postal Service then divides the resulting figure by the number of annual days of delivery.³⁵ Workload is the sum of Daily Retail Workload and Daily Distribution Workload.

The Postal Service explains that the 1.1 multiplier accounts “for minor variations in [the] calculation of earned workload using CSV and SOV” databases and that it provides “a means for an RMPO to adjust upward its window service hours if its number of retail transactions increases.” *Id.* The Postal Service’s rationale for using this multiplier is “management’s determination of operational needs and consultations with Postmaster associations.” Tr. 1/104.

³⁴ The Postal Service explains that the second multiplier of 6/5.5 is used to account for reduced Saturday retail hours at post offices with Saturday retail operations. USPS-T-1 at 12.

³⁵ For post offices that utilize CSV variance technology, earned administrative hours include the following sub-components: earned hours for automation, business services, and administrative/miscellaneous customer service duties.

The Commission concludes that, in general, the methodology for calculating Workload is reasonable. However, there are a few issues that the Postal Service should consider in regard to the methodology for calculating Workload and applying it to realign retail hours.

The number of retail hours should be adequate to handle customer transactions. This is particularly relevant for post offices where the retail transactions might increase. The POSTPlan addresses this, in part, through an annual review process to “ensure that customers’ postal needs continue to align with the Postal Service’s retail network.” Postal Service Brief at 17. The 1.1 multiplier is designed to ensure the post office will be able to meet the demand with its reduced hours even if there is an increase in retail transactions. By applying the 1.1 multiplier, the Postal Service assumes that the potential increase in transactions will not be greater than 10 percent. However, it is possible that transactions in some areas will increase by more than 10 percent. The annual realignment process is critical for the Postal Service to ensure that the POSTPlan realignment does not cause it to miss growth opportunities due to demographic or other changes.

2. Accuracy of Workload Calculations

The Commission performed an analysis to determine whether Workload at each POSTPlan post office is calculated in accordance with the methodology provided. For more than 95 percent of the POSTPlan post offices, the Postal Service utilized data from the SOV program. For POSTPlan post offices using the SOV program, the Commission was able to match the POSTPlan post offices listed in the Summary Spreadsheet submitted as Library Reference No. 1 with the POSTPlan post offices presented in the

SOV data source.³⁶ The Commission replicated the Workload calculations using an algorithm that the Postal Service provided. See USPS-LR-N2012-2/9; Tr. 1/131. The replicated figures are very similar to those that the Postal Service provided in the Summary Spreadsheet. See USPS-LR-N2012-2/1. With one exception, the calculations of Workload for POSTPlan post offices that utilize the SOV program conform to the methodology described by the Postal Service in its brief. See Postal Service Brief at 8. The one exception is that the Postmaster administrative workload, which should have been excluded from Workload in accordance with the Postal Service's methodology, is partially included in the Workload calculation for post offices that use SOV data.³⁷ The reason for the partial inclusion is not clear.

The Commission replicated the Workload calculation for the POSTPlan post offices that utilize the CSV program. All post offices listed in the Summary Spreadsheet as using the CSV program match post offices listed in the CSV program data source.³⁸ However, the Commission found a mismatch between total annual earned workload numbers presented in the CSV source file and in the Summary Spreadsheet.³⁹

There are a small number of POSTPlan post offices for which no SOV or CSV source data are available. For these post offices, the Postal Service indicates that it determined Workload by constructing a calculation "consistent with a CSV or SOV

³⁶ The data in USPS-LR-N2012-2/1 were matched with the data in USPS-LR-N2012-2/2 (Spreadsheet 2011_SOV_Calc.xls).

³⁷ Ten percent of the earned postmaster administrative workload is included in Workload for post offices that utilize SOV. See USPS-LR-R/2012-2/9.

³⁸ The data in USPS-LR-N2012-2/1 matches with the data in USPS-LR-N2012-2/2 (Spreadsheet 2011_CSV_Calc.xls).

³⁹ The Commission recalculated Workload for the POSTPlan post offices that use CSV source data. For approximately 89 percent of these offices, the difference between Workload as calculated by the Commission and the workload presented on the Summary Spreadsheet is less than 0.01 hours. However, for 3 percent of post offices, the discrepancy is greater than 1 hour. The maximum discrepancy is 4.13 hours.

calculation.” Tr. 1/127. The Postal Service does not provide any methodology for the reconstruction, although witness Day explained that the determination is based on “the amount of money the facility took in, the type of facility that it is.” *Id.* at 304. For these offices, the Commission cannot independently verify the accuracy of the Workload determination.⁴⁰

The Postal Service has, for the most part, calculated Workload in accordance with its stated methodology. There are some minor discrepancies between the methodology and the actual calculations, but these do not bring the overall application of the screening process into question.

3. Application of 5.74 as a Benchmark

Under the POSStPlan methodology, daily Workload of 5.74 hours serves as a benchmark to separate post offices currently classified at EAS Level 16 or below into two groups. USPS-T-1 at 10. Offices with a daily Workload greater than 5.74 hours will be upgraded to EAS Level 18, while offices with a daily Workload of 5.74 hours or less will be classified as RMPOs or PTPOs and will have their retail hours realigned or be subject to a discontinuance study.⁴¹ *Id.* at 10-11. The Postal Service indicates that the justification for “using greater than 5.74 hours of [daily Workload] as the threshold was based on management’s determination of operational needs, and consultations with Postmaster associations.” Tr. 1/38.

The Commission analyzed the Workload data for all POSStPlan offices. See Chart 1. For POSStPlan offices, the arithmetic mean Workload is 4.59 hours and the median Workload is 3.87 hours, well below the 5.74 hour benchmark. The majority of

⁴⁰ The number of post offices with no source data account for 0.1 percent of the overall number of POSStPlan post offices.

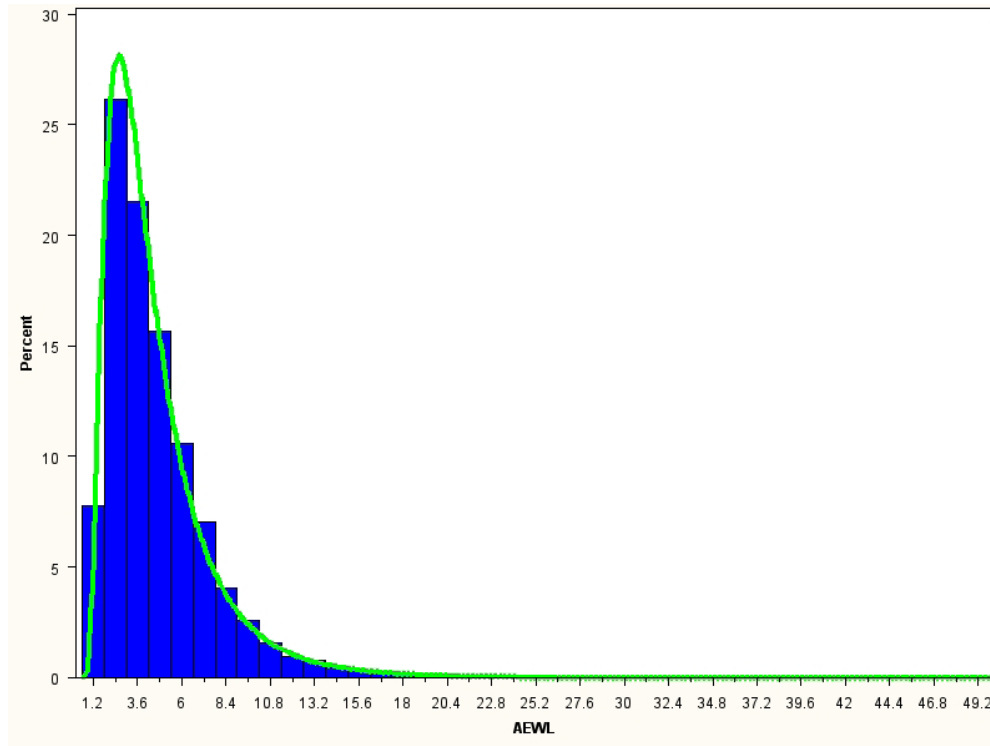
⁴¹ Discontinuance studies are discussed in more detail in Section VI.C.

POStPlan offices (almost 75 percent) will have the number of weekday retail window service hours reduced.

Offices with current Workload above 5.74 hours will have at least 8 hours of retail window hours on weekdays under the POStPlan. For offices that fall close to the benchmark, this is approximately 25 percent more retail hours than are currently being used. The Commission has no basis for concluding that this benchmark is unreasonable.

Chart 1.

Distribution of POStPlan Offices by Daily Adjusted Earned Workload
(By Percentage)



B. Preserving Access

1. Applying the PTPO Criteria

In addition to the Workload criterion, the Postal Service also considers two geographic criteria. The geographic criteria measure the relative isolation of POSTPlan post offices designated for realigned retail hours. POSTPlan post offices that would otherwise be designated as RMPOs are instead designated as PTPOs if the post office is more than 25 miles driving distance from the nearest post office or is outside a 25-mile radius of the nearest APO. USPS-T-1 at 13-14. POSTPlan post offices designated as PTPOs will be staffed by a career employee and will provide 6 hours of window service each weekday, regardless of Workload. *Id.* at 13. Designating POSTPlan post offices as PTPOs mitigates the adverse effect of reducing retail access in the most remote parts of the country. As the Appendix shows, PTPOs are located almost exclusively in the rural west and Alaska.

The geographic criteria have been applied correctly to nearly all of the 12,553 POSTPlan post offices designated as RMPOs. However, there are at least 11 POSTPlan post offices designated to become Level 2 or Level 4 RMPOs which should be, according to the geographic criteria, classified as PTPOs. Six of these post offices are located more than 25-miles radial distance from the closest APO and more than 25-miles driving distance from the nearest post office.⁴² During implementation of the POSTPlan, particularly when the selection of APOs is finalized, the Commission suggests that the Postal Service ensure that POSTPlan criteria are applied consistently to designate PTPOs.

⁴² A list of these Level 2 and 4 RMPO candidates that satisfy the PTPO criteria is provided in a library reference accompanying this advisory opinion. See Library Reference PRC-N2012-2-LR2.

2. Reasonableness of the PTPO Criteria

The Postal Service states that “the 25 mile threshold is based on management’s determination of operational needs, customer impact, and consultations with Postmaster associations.” Tr. 1/93. According to witness Day, the Postal Service judged that 25 miles was a “reasonable distance.” *Id.* at 313. This 25 mile threshold is an additional criterion used to lessen the impact of the POSStPlan on customers. The Commission has no basis to conclude 25 miles is not a reasonable distance for this purpose.

VI. IMPLEMENTATION

Preparations for implementing the POSTPlan are underway. In June 2012, the Postal Service began upgrading eligible offices to EAS Level 18; as of the end of June, 951 post offices had been so upgraded. Tr. 1/30. In September 2012, the Postal Service intends to begin distributing surveys to communities served by post offices that are being considered for a realignment of retail hours.⁴³ In October 2012, the Postal Service intends to begin classifying POSTPlan post offices as RMPOs and PTPOs. USPS-T- 1 at 22.

In the following section, the Commission reviews the Postal Service's plans for implementing the POSTPlan. The Commission has focused its consideration on five aspects of implementation: (1) customer access to products, services, and facilities; (2) community input; (3) discontinuance procedures; (4) village post offices (VPOs); and (5) post-implementation review.⁴⁴

A. Access

The POSTPlan is designed to “meet customer needs” by ensuring that customers continue to have “ready access to essential postal services.” Request at 3 (citing 39 U.S.C. § 403(b)(3)). Witness Day testifies that after the POSTPlan is implemented, the Postal Service will continue to serve the needs of its customers and provide the products and services that are currently available, including products and services that are unavailable through alternate access means. USPS-T-1 at 9. He asserts that the

⁴³ USPS-T-1 at 22. On August 7, 2012, the Postal Service published a final rule amending 39 CFR Part 241 to reflect the addition of RMPOs and PTPOs under the POSTPlan. 77 FR 46950.

⁴⁴ VPOs are non-postal owned and operated establishments that sell Forever stamps and prepaid Priority Mail Flat Rate boxes and envelopes. RAOI Opinion at 107. They are not expected to be full-service offices, although some VPOs are expected to have post office boxes serviced by postal employees. *Id.*

“POStPlan sustains regular and effective service via Postal Service retail locations and fosters the ongoing expansion of alternative access while improving overall efficiency of postal operations.” *Id.*

Section 101(a) of title 39 specifies that the Postal Service has “the obligation to provide postal services to bind the Nation together through the...correspondence of the people...[by providing]...services to patrons in all areas and...to all communities.” Geographic scope and access to facilities are two of the seven principal attributes of the universal service obligation.⁴⁵ In rural areas, communities, and small towns where post offices are not self-sustaining, the Postal Service shall provide a maximum degree of effective and regular postal services. 39 U.S.C. § 101(b). The Postal Service may not close a small post office solely for operating at a deficit, “it being the specific intent of the Congress that effective postal services be insured to residents of both urban and rural communities.” *Id.* Congressional intent to preserve small post offices continues to be expressed in appropriations bills that prohibit the Postal Service from using appropriated funds “to consolidate or close small rural and other small post offices....”⁴⁶

The Commission remains aware of the importance of access to postal services. Rural access, in particular, has been a long-standing concern for the Commission. In the most recent FY 2011 Annual Compliance Determination, the Commission recommended “that the Postal Service discuss how widely access was expanded throughout the nation for both urban and rural areas” in the next Annual Performance Report and Performance Plan.⁴⁷

⁴⁵ Report on Universal Postal Service and the Postal Monopoly, December 19, 2008, at 18.

⁴⁶ See, e.g., Consolidated Appropriation Act, 2012, Pub. L. No. 112-74, 125 Stat 786, 923 (2012).

⁴⁷ Docket No. ACR 2012, Annual Compliance Determination, March 28, 2012, at 59.

Implementation of the POSTPlan will impact customer access to postal products, services, and facilities. Customers may obtain postal services from a variety of sources, including post offices, stations, and branches. USPS-T-1 at 3. Customers also may obtain postal services through alternative access channels. *Id.* However, not all services are available at all access points, and the types of services available depend on conditions in the local community. Tr. 1/107.

Access at an individual post office has three components: (1) access to retail services such as purchasing stamps or supplies, (2) access to a post office box, and (3) access to collection and delivery services.

1. Elements of Retail Access

The elements of retail access include: (1) the location of the post office, both in terms of convenience and driving distance, (2) the variety of services available at the post office, and (3) the retail hours of operation, which may affect customer wait time.

Reducing retail hours of operation at some individual offices under the POSTPlan could affect retail access, customer wait time, customer convenience, and the ability to pick up accountable or oversize mail from the retail window. Because no post offices are closing, there will be no change in the location or travel distance to a post office. Further, despite a reduction in customer convenience, post office hours remain sufficient to allow customers to complete their postal transactions. This allows the Postal Service to continue to provide adequate service.

The services that are available at POSTPlan post offices will also remain unchanged. Reduced retail window hours at many post offices means a customer has a smaller window of time to pick up accountable or oversize mail from the retail window. *See Id.* at 55. The Postal Service explains that customers may currently obtain accountable or oversize mail through options that do not involve pick up at a post office retail window. *Id.*

In determining the time of day during which a post office will be open, the Postal Service will evaluate its operational needs and, when possible, implement the community's preference for hours the POSTPlan post office will be open. *Id.* at 224. Operational needs will impose a variety of limitations on the retail hours. For example, in a post office that uses carriers, retail hours need to account for the fact that (1) the employee who staffs the retail counter will need to sort the mail before the carriers deliver the mail, and (2) mail needs to be sent to a mail processing plant at the end of the day. *Id.* at 145, 147.

For Level 2 and Level 4 post offices within a single cluster, it is possible that a single employee could service two or more post offices. However, if two or more adjacent communities both express a preference for the same hours, the Postal Service may assign different employees to service these offices. *Id.* at 239.

A reduction in weekday hours may reduce customer convenience. Reduced hours may be less convenient for customers who, for example, currently access a post office during hours that will be eliminated under the POSTPlan. In addition, customer wait time may increase depending on the number of customers obtaining services at particular times during the realigned hours. The reduced convenience of retail hours could be mitigated by staggering retail hours within a given cluster and with existing retail alternatives.

Some aspects of the POSTPlan implementation will not impact service. As noted above, the types of services that a POSTPlan post office offers will not change. In addition, Saturday retail hours will not be affected by the POSTPlan implementation. USPS-T-1 at 16. Even if a POSTPlan post office that currently provides 4 hours of Saturday service is designated as a Level 2 post office that provides 2 hours of weekday retail service, that post office will continue to provide 4 hours of Saturday retail service after the POSTPlan is implemented. Tr. 1/111.

The Postal Service explains that it will maintain the same level of Saturday service because it anticipates that Saturday hour usage may increase with the implementation of the POSTPlan. *Id.* at 39. However, the Postal Service does not plan to offer Saturday hours to POSTPlan post offices that do not currently offer them, even if the community indicates that it would like to have Saturday hours. *See Id.* at 31, 310. Once the POSTPlan is fully implemented, the Postal Service will evaluate the need for Saturday window service hours at RMPOs and PTPOs in the same manner it evaluates the need for Saturday window service hours for all other post offices. *Id.* at 39-40.

2. Elements of Post Office Box Access

The elements of post office box access at an individual post office include the location of the post office, both in terms of convenience and driving distance, and the daily hours of access to post office boxes.

Witness Day states that access to post office boxes will remain unchanged under the POSTPlan. USPS-T-1 at 16. He estimates that approximately 40 percent of POSTPlan post offices currently provide 24-hour access to post office boxes. Tr. 1/252. For the remaining 60 percent, the Postal Service will make modifications to post office box lobbies or identify other solutions where necessary to avoid any reduction in customer access. *Id.* at 62, 251. These solutions include cluster box units or alternate access locations, such as VPOs and contract postal units (CPUs).⁴⁸ The Postal Service has budgeted approximately \$5 million for the one-time expenses of retrofitting facilities to provide access to post office boxes. Tr. 1/186-88. The Commission urges the Postal

⁴⁸ *Id.* at 67. CPUs are non-postal owned and operated retail facilities. RAOI Opinion at 109. They are usually privately-owned and operated retail businesses that, under contract with the Postal Service, conduct many retail window transactions ordinarily available at post offices. In contrast to VPOs, CPUs accept mail on behalf of the Postal Service. *Id.* *See also* Glossary of Postal Terms, Postal Service Publication 32, April 2011.

Service to monitor this process and ensure that sufficient resources are made available to quickly achieve the goal of undiminished access.

Implementation of the POSTPlan may affect customer access to Post Office Box service with respect to the time of day that post office boxes receive mail. Box-up time, the time when mail is normally delivered to mail receptacles, will take place during the post office retail hours of operation.⁴⁹ In the draft POSTPlan customer survey, the Postal Service notes that box-up time “could be affected by the range of hours selected.”⁵⁰ The Postal Service indicates that the community will be apprised of this fact during the community meeting, when the Postal Service solicits feedback regarding the hours during which window service will be provided. See *id.* at 1.

Popkin expresses concern that mail may not be placed into boxes until the afternoon, rather than in the morning as is currently done. Popkin Brief at 2-3. APWU recommends that the Postal Service provide further details about box-up time on the POSTPlan customer survey. APWU Reply Brief at 6.

Approximately 8,200 POSTPlan offices offer only Post Office Box service and no carrier delivery service. USPS-LR-N2012-2/11. The Commission agrees that post office box holders at POSTPlan offices should be aware of how retail hours impact box-up time.

3. Elements of Collection and Delivery Services

The Postal Service indicates that mail delivery and collection times will not change as a result of the POSTPlan. Postal Service Brief at 14; Tr. 1/222. The Postal Service states that the following will remain unchanged by the POSTPlan:

⁴⁹ *Id.* at 64. See USPS-LR-N2012-2/13 at 2.

⁵⁰ *Id.* The POSTPlan customer survey is discussed in Section VI.B.1.

- Collection times for blue collection boxes;
- Dispatch times from a post office to a processing center;
- Dispatch times of mail collected by city delivery, rural delivery, or highway contract route carrier from customers along their routes; and
- Carrier start times for carrier operations.

Tr. 1/53-54, 56, 101, 222. The Postal Service explains that employees other than postmasters will continue to perform responsibilities associated with collection and dispatch. *Id.* at 59-60.

Popkin raises concerns regarding when incoming mail will be sorted for delivery, when outgoing mail will be prepared for dispatch to processing centers, and when customers will be able to collect parcels and accountable mail. Popkin Brief at 2. He contends that sorting for delivery currently takes place in the morning, sorting for dispatch takes place in the afternoon, and customers call for oversize and accountable mail throughout the day. *Id.* He notes that after the POSStPlan is implemented, it is possible that these activities will take place at different times of the day. *Id.* at 2-3. The Postal Service responds that the policies and procedures regarding dispatch and collection of mail will remain in effect. Postal Service Reply Brief at 32.

Because sorting, both for delivery and for dispatch to processing centers, is handled by an employee in the post office, the POSStPlan will impact when these activities will take place at some post offices. It is possible that this will impact when delivery service is provided to customers. The Postal Service has indicated that this is an “operational need” that it will consider when it decides what hours to open the retail window at POSStPlan post offices. Tr. 1/63.

4. Alternative Access

In FY 2011, the Postal Service had total retail revenue of \$16.9 billion. USPS-T-1 at 4, Figure 1. More than 60 percent of this revenue was collected at post offices. *Id.* The remaining revenue is derived via “alternative access” sources such as the internet, stamps on consignment, Automated Postal Centers, CPUs, and VPOs. *Id.* Alternative access sources—particularly the internet—provide a growing proportion of the retail revenue, and the Postal Service expects this trend to continue. *Id.* at 4.

The products and services available through alternative channels depend on the individual facility rather than the type of facility. The Postal Service describes the services generally available at each of these channels. CPUs and VPOs offer a limited range of products, including the sale of stamps, First-Class, Express and Priority Mail services, shipping supplies, change of address, packaging products, collection boxes, post office boxes, and a number of ancillary services. Tr. 1/107. Automated Postal Centers offer stamps, First-Class, Express and Priority Mail services, the ability to pay post office box rent, and a few ancillary services. *Id.* at 108. The internet permits customers to access a range of products and services at *usps.com*, including stamps, shipping supplies, packaging products, and change of address. *Id.* Retailers participating in the Stamps on Consignment program sell stamps. *Id.*

Alternative access sources are important, but they do not provide a completely adequate alternative for customers of POSTPlan post offices. For example, Automated Postal Centers tend to be located in high-traffic areas. These are not likely to be a viable alternative access option for customers of POSTPlan post offices. *Id.* at 319. VPOs, an alternative access channel that the Postal Service announced in July 2011, are still relatively few in number. See RAOI Opinion at 107. As of July 2012, only 26 VPOs were in operation. Tr. 1/264.

A major benefit of the POSTPlan over the RAOI is that it maintains brick and mortar postal facilities in addition to alternative access options. The realignment of

hours may inconvenience customers who currently access a post office during hours that the facility will no longer be open, but the option of the continued presence of a post office is expected to be preferable to closing the post office.

5. Commission Recommendations Regarding Access

The Commission suggests that the Postal Service inform communities facing reduced hours how daily retail hours will impact the time of day that mail will be delivered to post office boxes and whether delivery service will change. The Postal Service should provide this information in both the POSTPlan customer survey and during the community meeting. The Commission recommends that to the extent possible, the Postal Service not implement a reduction in retail hours at POSTPlan facilities prior to making necessary modifications to buildings and/or operations so as to continue current levels of access for existing post office box customers.

Regardless of the POSTPlan, the Commission recommends that the Postal Service continue to expand its alternative retail access channels to ensure that customers have ready access to essential postal services. See 39 U.S.C. § 403(b)(3), and Postal Accountability and Enhancement Act (PAEA) section 302(d), Pub. L. No. 109-435, 120 Stat. 3198, 3221 (2006).

B. Community Input

Once a POSTPlan post office has been classified as an RMPO or PTPO, as described in Part IV.A, the Postal Service will elicit community feedback. The procedure will generally be identical for all POSTPlan post offices, but the process will

be slightly modified for those offices that are currently undergoing discontinuance studies.⁵¹

First, Postal Service personnel will survey customers to elicit their preferences for reduced window service hours or a discontinuance study. *Id.* at 17. Second, the Postal Service will review the surveys and its operational needs to determine whether a post office will continue with reduced window service hours. *Id.* at 17-18. Third, the Postal Service will hold a community meeting to discuss the results of the survey. *Id.* at 18. Fourth, if the Postal Service decides to proceed with reduced window service hours, it will consider feedback gathered at the community meeting to determine the time of day in which retail service will be provided. *Id.* The survey, community meeting, and notice are discussed below. The decision as to whether to discontinue a post office is discussed in Part VI.C.

1. Customer Survey

At the Commission's request, the Postal Service submitted a draft cover letter and customer survey. See USPS-LR-N2012-2/13. The cover letter explains to customers that the post office is a candidate for the POSTPlan, which it describes as a plan that "establishes a review process for certain Post Offices." *Id.* at 2. The letter explains that the Postal Service is soliciting community input through the survey to help guide it "in determining the best course of action for providing postal service to your community." *Id.* It indicates that the Postal Service will realign hours "unless the

⁵¹ USPS-T-1 at 16-17. For POSTPlan post offices that are currently undergoing discontinuance studies, the Postal Service will hold the discontinuance process in abeyance while it determines whether to realign window service hours. *Id.* at 18. If the Postal Service decides to continue the post office with reduced window service hours, the Postal Service will terminate the discontinuance study. *Id.* at 19. If the POSTPlan post office is not continued with realigned hours, the Postal Service will likely resume the discontinuance study. *Id.* It will explain its decision not to realign window service hours in either a revised proposal or revised final determination, depending on the stage of the discontinuance study. *Id.*

community has a strong preference for discontinuing the **[[Name]]** Post Office and offering one of the replacement services described below....”⁵² It provides a date, time, and location information for a community meeting at which the Postal Service will answer questions, provide additional information about the POSTPlan, and share the results of the survey. USPS-LR-N2012-2/13 at 2. The cover letter also solicits local businesses to serve as contractor-operated retail units. *Id.*

In the customer survey, the Postal Service asks customers to express their preference for one of four service options:

- (1) Keep the post office open, but at reduced weekday window service hours based on actual post office workload;
- (2) Discontinue the post office and offer curbside delivery;
- (3) Find a suitable alternative location operated by a contractor, usually at a local business; or
- (4) Provide Post Office Box Service via another nearby post office and relocate post office box delivery to that post office.

Id. at 2.

The survey also asks customers to indicate what their preferred weekday window service hours will be if the hours are reduced. It notes that box-up time could be affected by the range of hours selected. *Id.* The survey also provides space for customers to offer comments. *Id.* at 3.

APWU asserts that the survey options are unclear and potentially misleading. With respect to the second option to “[d]iscontinue the office and offer curbside delivery,” the APWU contends that a current recipient of curbside delivery might

⁵² *Id.* A “strong preference” would be demonstrated if over 60 percent of the returned customer surveys reflect a preference for a discontinuance study. Tr. 1/91.

erroneously believe that retention of curbside delivery requires selecting this option. APWU Reply Brief at 4-5. It argues that rather than instruct customers to choose just one option, they should be permitted to choose the option to find a contractor location (option 3) in addition to weighing in on the options to keep the post office open (option 1) or to discontinue the post office (option 2). *Id.* at 5. It recommends that the Postal Service adapt the survey to local circumstances by, for example, providing further details about box-up time when available. *Id.* at 6.

APWU warns that the decision to close a post office based on 60 percent of returned surveys could be based on a mistaken impression that there is a strong preference for discontinuance when there is not. *Id.* at 2-3. It uses an example of a survey that receives a low response rate, such that 12 percent of the community could trigger the “strong preference” discontinuance threshold. *Id.* It suggests that the Postal Service consider factors outside the survey for determining the community’s preference for discontinuance. *Id.*

The Commission finds that a short customer survey that solicits customer preferences can be a valuable tool for determining how to implement the POSTPlan on the local level. However, the Commission is concerned that the Postal Service’s draft survey could confuse customers. The survey does not make clear that the Postal Service may consider those choosing the third or fourth option as expressing a preference for closing the post office.⁵³ Customers who choose option 3 or option 4 might reasonably but erroneously believe that if the Postal Service proceeds with those options, their post office will remain open.

⁵³ Compare USPS-LR-N2012-2/14 at 3-4 (draft instructional memorandum) with USPS-LR-N2012-2/13 at 2 (customer survey).

2. Instructional Memorandum

At the Commission's request, the Postal Service also provided a draft instructional memorandum that it will distribute to area and district offices. See USPS-LR-N2012-2/14. The instructional memorandum describes the procedures for implementing the POSTPlan to assist district coordinators responsible for implementing the POSTPlan. *Id.* at 1. The instructional memorandum explains that a cover letter and customer survey will be sent to all addresses serviced by the POSTPlan post office under consideration. *Id.* at 3. Surveys also will be made available to customers who request them at the retail counter. *Id.* A notice will be posted in the POSTPlan post office explaining that the post office is being considered for review under the POSTPlan. *Id.*

After the deadline for returning the surveys passes, field officials will analyze the data and comments received from all the surveys. *Id.* at 4. The instructional memorandum states that “[u]nless there is a strong preference (measured at sixty percent) for any options relating to the discontinuance study process, the Post Office will be maintained with realigned window service hours.” *Id.* It directs the district post office to analyze the survey results and determine customer preferences for window service hours. *Id.*

The instructional memorandum is inconsistent with the Postal Service testimony regarding VPOs. On one hand, the instructional memorandum states that survey respondents expressing a preference for a VPO should be considered as expressing a preference for having their post office discontinued. See *Id.* at 3-4. On the other hand, witness Day has stated that VPOs are to be viewed as supplements to, rather than replacements for, POSTPlan post offices. Tr. 1/265. The draft instruction should reflect POSTPlan policies.

3. Community Meeting

After reviewing the surveys, the Postal Service will hold a community meeting to discuss whether it has decided to maintain the post office with realigned hours, and to discuss the results of the survey. USPS-T-1 at 18. If the Postal Service decides to maintain the post office with reduced hours, Postal Service personnel will solicit feedback during the community meeting to determine the time of day in which retail window service will be available and the timeframe for implementation. *Id.* The Postal Service will also consider input provided in response to customer surveys. Tr. 1/31. Once the hours of the POSTPlan post office have been determined, the Postal Service will provide notice to the community. *Id.* at 315-16.

Mittleman asserts that the Postal Service should take into account the opinions of customers when it conducts community meetings. She claims that a common concern that was raised about community meetings conducted as part of the post office closing process was that the “Postal Service had already made its decision and it was just going through the motions in conducting community meetings.” Mittleman Brief at 17. She contends that customers will feel alienated by the Postal Service if customers ask if hours can be increased, but are told that the number of hours has already been determined at headquarters. *Id.* at 20.

The Postal Service contends its use of objective factors—Workload and driving distance to the nearest post office—is “a fair and appropriate method for determining the retail window service hours....” Postal Service Reply Brief at 16. With respect to its responsiveness to customers, the Postal Service notes that by implementing the POSTPlan, it is providing customers with an option that many requested during the post office closing appeals. *Id.* at 17-18.

The draft cover letter reasonably informs customers of the number of weekday retail service hours. A reader of the cover letter should infer that the words “the Postal Service intends to maintain the **[[Name]]** Post Office with **[[Hours]]** of window service

on weekdays[,]” means that the Postal Service has already decided the number of hours of weekday window service that will be provided at the post office. See USPS-LR-N2012-2/13. In these proceedings, the Postal Service has indicated that a purpose of the community meeting is to share and discuss the results of the survey. USPS-T-1 at 18; Tr. 1/91. Customers should know beforehand what will be considered at the community meeting.

4. Notice

The Postal Service is revising its Postal Operations Manual to reflect changes from the POSTPlan. The revised manual provides that: “[t]he postmaster is responsible for informing customers 30 days in advance of any change in hours of operation by posting temporary signs on the entrance doors. These temporary signs should identify the nearest Post Office that can provide retail service outside of the new hours of operation.” Tr. 1/40-41. The Commission finds that the Postal Service could improve the process for notifying customers of the new retail hours of operation.

5. Commission Recommendations

Because the POSTPlan may represent significant changes for the affected communities, the Postal Service should make as clear as possible how service may change for customers. The Commission recommends the following changes.

If the Postal Service ultimately determines to change retail hours of operation, the Postal Service should do more than post temporary signs on the entrance door of the post office. The Postal Service should mail notices to all customers affected by the change, including those who received the customer survey, specifying the new hours of operation. If nearby post offices will have realigned hours, the Postal Service should consider providing that information to customers. In addition, the Postal Service should consider providing internet access to this information on its website.

The Commission suggests that the Postal Service modify the draft cover letter to explicitly notify customers that if the Postal Service chooses to keep the post office open with reduced hours, it will use the community meeting to solicit feedback on the hours of weekday operation (but not the number of hours). If the Postal Service instructs district managers to maintain the post office with reduced window hours unless 60 percent of the returned questionnaires reflect a preference for discontinuance, the Commission recommends that this policy be explained to the customers completing the survey. See *Id.* at 91; USPS-LR-N2012-2/14 at 4.

The Commission recommends that the POSTPlan customer survey present customers with a clear choice: (1) to keep the post office open with reduced weekday window service hours, or (2) to close the post office and provide replacement delivery service. In a separate section, the survey could seek information concerning what alternate means of delivery customers prefer, assuming their post office is closed. If the Postal Service wishes to solicit customer interest in VPOs, it should do so in a way that makes clear that such service will be, as witness Day testified, “an enhancement rather than a replacement” of the POSTPlan post office. Tr. 1/265.

It is possible that a survey might fail to capture the community’s preference. To avoid the problem that APWU identifies, and to ensure that the community’s preference is being heard, the Commission suggests that the Postal Service instruct the district managers to monitor the survey process to ensure that customers are receiving adequate notice and are being apprised of how service may change.

The Postal Service indicates that personnel will gather feedback at the community meeting to determine, subject to operational needs, the time of day during which retail window service will be provided. USPS-T-1 at 18; Tr. 1/145. Customers should know that the Postal Service is eliciting this information. At the community meeting, the Postal Service may also want to pay careful attention to customer needs and preferences in facilities where Workload is increasing.

C. Discontinuance Procedures

Although the POSTPlan's focus is to avoid closing post offices by reducing hours, discontinuance remains a part of the POSTPlan. First, as indicated above, during the implementation of the POSTPlan, customers may express a preference for discontinuance of their post office. Second, the challenge of filling thousands of positions and negotiating leases raises concerns about the possibility of emergency suspensions. The POSTPlan introduces changes to USPS Handbook PO-101, which governs how post offices are closed.⁵⁴

1. Discontinuance Option in the POSTPlan

If the Postal Service chooses to not continue a post office with realigned window service hours, it will study the facility for discontinuance consistent with USPS Handbook PO-101. USPS-T-1 at 18; Tr. 1/18. The Postal Service expects that most POSTPlan post offices will not be studied for discontinuance as part of the POSTPlan. USPS-T-1 at 18. However, witness Day indicated that he expects some communities will exhibit a strong preference for discontinuance. Tr. 1/159.

The record is ambiguous as to how the strong preference for discontinuance will be measured. The Postal Service states that a strong preference "would be demonstrated where over sixty percent of the returned questionnaires reflect a preference for a discontinuance study." *Id.* at 91. This suggests that if 60 percent of customers indicate a preference for any option other than continuance with reduced hours in any combination, the Postal Service will conduct a discontinuance study. For example, a discontinuance study could be initiated if 20 percent select each of the three discontinuance options, but 40 percent select reduced hours. This raises the possibility

⁵⁴ The Postal Service provided a copy of the handbook in USPS-LR-N2012-2/5.

that a plurality of customers could select reduced window hours, yet the Postal Service would treat this as a strong preference for discontinuance.

However, at times witness Day's testimony suggests that a strong preference for discontinuance would be demonstrated only if 60 percent of the returned questionnaires reflect a preference for *one* of the three discontinuance options on the survey.⁵⁵ This raises the possibility that hours would be reduced even if the community expressed a preference to not continue with reduced hours. Neither result is ideal. Both underscore the need to provide clarity to the community so that members of the community understand how service may change when they complete the survey. The Commission's recommendations in this area are set forth in Section VI.C.3.

2. Emergency Suspensions

a. Lack of Qualified Personnel

The realignment of the POSTPlan post offices could create a significant burden in terms of finding staff to fill the many thousands of newly-created part-time positions. The Postal Service states that the POSTPlan reflects a determination by senior management "to explore options other than discontinuance of underutilized Post

⁵⁵ With regard to post offices for which a final determination to close the post office was previously made but the post office remains open, witness Day indicated that the Postal Service would offer the community reduced hours:

Our intention is to go back in with a community meeting, offer the four paths, see what the community says and move forward. If they say leave us open with reduced realigned retail hours, we will leave them open with realigned retail hours. If they show a strong preference *for one of the paths* for closure, it now comes out of POSTPlan and goes into [the discontinuance] process where they do a study for closure.

Id. at 236-37 (emphasis added).

Offices....” USPS-T-1 at 10. Witness Day assures the Commission that the Postal Service does not anticipate any difficulty in staffing the POSTPlan offices. Tr. 1/206-08. The Commission accepts the Postal Service representation that it is committed to maintaining POSTPlan post offices, but the Commission highlights a few challenges that it foresees.

When considering whether to continue a post office with reduced hours, the Postal Service will consider its “operational needs.” USPS-T-1 at 17-18. The Postal Service indicates that these operational needs include the availability of the facility, utilities, and staffing. Tr. 1/33. For example, if the Postal Service is unable to acquire necessary staffing to operate a facility, it may initiate a discontinuance study.⁵⁶ In addition, Handbook PO-101 vests district managers with the discretion to suspend operations when there is a “[l]ack of qualified personnel to operate the office.” *Id.* at 39.

Staffing more than 13,000 post offices that will be open for two, four, or six hours with qualified employees will be a major undertaking. The Postal Service indicates that it will follow the same policies and procedures that it uses today to recruit career and non-career employees. *Id.* at 42. In addition, the Postal Service has offered postmasters who are eligible for optional early retirement the opportunity to return and serve as PMRs without any effect on their annuity payments. *Id.*

The Public Representative argues that the Postal Service’s consideration of “operational needs” enables field personnel to initiate a discontinuance study when they determine that operational needs outweigh the community’s preference. PR Reply Brief at 2. The Public Representative contends that it is unclear how field personnel will balance community preference against operational needs. *Id.* He claims that if the

⁵⁶ *Id.* Handbook PO-101 permits the district manager to recommend that the Vice President, Delivery and Post Office Operations, initiate this process when there is a “vacancy in the position of postmaster or that of other responsible personnel....” USPS-LR-N2012-2/5 at 7.

Postal Service employs the same policies and procedures that it uses today to recruit career and noncareer employees, it will not be able to attract qualified personnel, and suggests that this may trigger discontinuance studies. *Id.* at 3-4.

APWU suggests that if staffing difficulties created by what it characterizes as “low wages, a lack of benefits, and minimal hours” arise, the Postal Service will have significant financial flexibility, due to the money that it will save through the POSTPlan, to prevent a staffing shortage. APWU Brief at 16.

The Postal Service maintains, as it has throughout these proceedings, that the POSTPlan annual evaluation process will rarely lead to a discontinuance study. Postal Service Reply Brief at 2; Tr. 1/102-03. According to the Postal Service, the goal of the POSTPlan is to explore options other than discontinuance at underutilized post offices. Postal Service Reply Brief at 3; USPS-T-1 at 10. The Postal Service emphasizes that the consideration of operational needs “serves to address the rare occurrence of unlikely and largely unforeseeable circumstances” such as emergency suspensions caused by a fire, or the inability to staff a post office. Postal Service Reply Brief at 5.

b. Lease Negotiations

Another area in which routine activities have the ability to trigger a suspension or discontinuance study is lease negotiations.⁵⁷ The Postal Service states that when negotiating the renewal of leases, it will consider changes in the market lease rates applicable to a post office location and negotiate a rate that is fair and reasonable and serves the best interest of the Postal Service. Tr. 2/337. It acknowledges the possibility

⁵⁷ Handbook PO-101 provides that a circumstance justifying a suspension includes the “[t]ermination of a lease or rental agreement when suitable alternate quarters are not available in the community, especially when the termination is sudden or unexpected.” USPS-LR-N2012-2/5 at 39. It further provides that a suspension on this basis serves as the basis for a discontinuance study. *Id.* at 7.

that a POStPlan post office may also be suspended because of lease negotiations.⁵⁸ However, it states that it “has no plan for using the lease negotiation process as a pretext to close Post Offices.” Postal Service Reply Brief at 23.

3. Commission Recommendations Regarding Discontinuance Procedures

The Commission recommends that field personnel be given sufficient guidance on the circumstances in which operational needs will require the Postal Service to initiate an emergency suspension or discontinuance study. The instructional memorandum to area vice presidents and district managers should explain that every effort should be made to locate qualified staff or successfully negotiate a lease before overriding a community’s preference for a post office with realigned hours.

The Commission recommends that the Postal Service carefully monitor the implementation of the POStPlan to ensure that qualified employees are successfully recruited. The Postal Service should take steps, if necessary, to mitigate staffing difficulties.

D. Village Post Offices

There is some ambiguity in the record regarding the role of VPOs. During this case, the Postal Service has presented testimony that under the POStPlan, VPOs are not being established to replace POStPlan post offices. In response to Presiding Officer’s Information Request No. 3, the Postal Service states that “[c]ontractor-operated units may operate in addition to an RMPO or PTPO.” Tr. 1/124. Witness Day testifies that the Postal Service sees VPOs “now as an enhancement rather than a

⁵⁸ Postal Service Reply Brief at 22. The Postal Service’s policy regarding lease negotiations is found in Handbook RE-1, filed as Library Reference USPS-LR-N2012-2/10. Tr. 2/336.

replacement” of a POSTPlan post office and that the Postal Service will “make a maximum effort to get village post offices in those communities” with POSTPlan offices. *Id.* at 265; *see Id.* at 318.

Witness Day asserts that it is not the Postal Service’s plan or goal to close a POSTPlan post office if a local business contracts with the Postal Service to serve as a VPO. *Id.* at 265. He affirms that “[t]he purpose of the VPO is not to go in and ultimately close down the post office.” *Id.* at 292. He explains that in the past businesses did not want to become VPOs because they did not want to be perceived as the “death knell” of the post office. *Id.* at 196. Under the POSTPlan, POSTPlan post offices will continue notwithstanding the presence of a VPO, which the Postal Service is offering in conjunction with POSTPlan post offices. *Id.* at 196, 292.

The Postal Service makes similar representations in its briefs. It states that it is “aggressively working to establish Village Post Offices (VPOs) in affected communities as supplemental access to postal customers, and not only as a replacement option.” Postal Service Brief at 13. It explains that “the VPO option is not limited to communities impacted by a discontinuance study, and a Village Post Office may be established in communities served by Post Offices that experience a realignment of retail window service hours.” Postal Service Reply Brief at 7.

The draft instructional memorandum to area vice presidents and district managers does not reflect this policy. It indicates that if customers choose to “[e]ngage a local establishment within the community and establish a Village Post Office,” they have chosen to “discontinue the Post Office.” USPS-LR-N2012-2/14 at 3. The draft instructional memorandum should reflect the Postal Service’s stated policy for the POSTPlan.

E. Post-Implementation Review

Beginning in 2014, the Postal Service will annually review Workload for the prior fiscal year at all RMPOs and PTPOs to ensure that post offices are classified at the appropriate level. USPS-T-1 at 16 n.13; Tr. 1/188; Postal Service Reply Brief at 13 (citations omitted). Based on this review, the Postal Service may increase or decrease the level for each RMPO and PTPO. USPS-T-1 at 16. The Postal Service will also monitor other changes that cause reclassification of RMPOs and PTPOs, such as long-term changes to transportation access points. Tr. 1/86.

1. Annual Review Process

Like the initial POSTPlan review, the annual review will focus on Workload and the proximity to the nearest post office. *Id.* Witness Day states that there would probably be a “zone of tolerance” (Tr.1/840) to prevent a POSTPlan post office from switching back-and-forth between levels. *Id.* at 190.

If the number of retail hours at a RMPO or PTPO changes, the Postal Service will consider community input when determining the new time of day for those hours. *Id.* at 86. However, unlike the initial POSTPlan implementation, the Postal Service will not resend customer surveys or questionnaires soliciting customer preferences for times of day of realigned hours. *Id.* at 198. Also, the Postal Service will not hold another community meeting when there is a subsequent change in hours. *Id.* at 119, 198. The Postal Service would likely select the new hours of operation based on community input that was previously provided during the initial POSTPlan implementation process. *Id.* at 198.

Witness Day testifies that the Postal Service will monitor labor costs monthly and will track cost savings after implementing the POSTPlan. *Id.* at 172-73. He states that the Postal Service will look at POSTPlan post offices at the district level to ensure that savings are achieved. *Id.* at 173. He asserts that if there does not appear to be any difference in labor costs before and after the POSTPlan, that situation would “raise a red

flag, and someone would address it.” *Id.* at 177. He notes that labor costs will be monitored throughout the entire structure of the POSTPlan to ensure that the Postal Service is achieving the savings it is supposed to be obtaining. *Id.* at 178.

2. Commission Analysis

The APWU argues the Postal Service should establish pre-POSTPlan baselines to track and analyze the impact and consequences of the POSTPlan. It recommends that the Commission advise the Postal Service to regularly report to the Commission on its concurrent assessments of the POSTPlan and any substantive resulting changes. APWU Brief at 13.

The Commission finds that an internal review and data collection plan will help the Postal Service evaluate whether the POSTPlan is meeting its objectives and goals.⁵⁹ An internal review and data collection plan is especially important because an initial reduction in hours could lead to a decline in Workload as customers adjust to the new reduced hours, perpetuating a downward spiral of declining hours of service. The Postal Service should monitor the number of POSTPlan post offices whose Workload decreases after implementation. The Commission finds it reasonable to use a “zone of tolerance” between RMPO levels, particularly after the initial adjustment.

3. Commission Recommendations Regarding Post-Implementation Review

In addition to monitoring labor costs monthly, the Commission recommends that the Postal Service measure changes in revenue at POSTPlan post offices. By monitoring revenue, the Postal Service may be able to determine whether significant

⁵⁹ See RAOI Opinion at 43; Docket No. N2009-1, Advisory Opinion Concerning the Process for Evaluating Closing Stations and Branches, March 10, 2010, at 69.

revenue is leaking out of the system as a result of the POStPlan and make changes accordingly. The Commission recommends that after a certain number of years, the Postal Service solicit customer preferences in ways such as through new customer surveys before it reduces the hours at a POStPlan post office as a result of an annual review.

VII. CONSISTENCY WITH PRIOR COMMISSION ADVICE

In the RAOI, the Postal Service indicated that in moving forward with subsequent reviews of its retail network, it intended to incorporate lessons from the RAOI and the Commission's Advisory Opinion and craft its plans accordingly.⁶⁰ The Commission recognizes the Postal Service's commitment to improving its discontinuance procedures and ongoing access initiatives. The Postal Service has, in its POSTPlan initiative, demonstrated its continued commitment to refining its efforts to improve efficiency while providing access. It also has incorporated many of the Commission's recommendations from the RAOI Advisory Opinion and improved its discontinuance procedures.

A. Screening Criteria

In the RAOI Advisory Opinion, the Commission considered the Postal Service's screening criteria for determining which post offices would be part of that initiative. The Postal Service's stated goals in the RAOI were to better align service with demand (a goal it also hopes to accomplish through the POSTPlan) and to improve efficiency and enhance convenience by providing alternative access to customers. RAOI Opinion at 40.

1. Optimization

The Commission's fundamental suggestion in the RAOI Advisory Opinion was that the Postal Service should broaden its goals to make optimization of the retail network a primary goal of the RAOI. *Id.* at 39. The Commission concluded that were the Postal Service to attempt to optimize the retail network, it should consider operational changes at post office facilities, such as an adjustment of operating hours.

⁶⁰ Docket No. N2011-1, Tr. 2/834; *see also* USPS-T-1 at 24.

Id. at 74. A retail optimization plan would align customer demand with the number of post offices. The Postal Service has taken a different approach in the POSTPlan. It has chosen to measure the time that is needed to handle customer transactions at each POSTPlan post office. A general retail optimization is not needed because the Postal Service, consistent with prior advice, will reduce retail hours rather than close post offices.

2. Driving Distance

In the RAOI Advisory Opinion, the Commission stated that using travel distance instead of geometric distance to screen post offices would be an improvement when optimizing the retail network. *Id.* at 64. It noted that the RAOI screening criteria measured distance to the nearest alternate access sites “as the crow flies” rather than driving distance. *Id.* at 62. The Commission found that the most relevant distance available is driving distance because it measures the inconvenience to consumers. *Id.*

In applying the screening methodology that segregates PTPOs and RMPOs, the Postal Service used both driving distance and geometric distance. By using driving distance to determine which post offices will provide 6 hours of service regardless of Workload, the POSTPlan screening criteria, consistent with prior Commission advice, account for impediments that may make a customer’s visit to the post office inconvenient due to its remote or isolated location.

3. Capturing Non-Revenue Transactions in Workload Measurements

In the RAOI Advisory Opinion, the Commission advised the Postal Service to use the “most relevant and robust data available when utilizing screening procedures.” *Id.* at 62. Specifically, the Commission noted that the SOV database that was used to measure Workload failed to account for non-revenue transactions, such as post office box visits. *Id.* The Commission suggested that during the screening process, the Postal

Service account for non-revenue transactions that reflect community usage of a post office. *Id.*

The Postal Service has taken the Commission's suggestion and includes non-revenue transactions in the Workload screening criteria. For the POSTPlan, the Postal Service uses a modified version of the SOV database and the CSV database. Tr. 1/87. In addition to retail transactions, both the CSV and the SOV tools calculate the time that employees spend performing mail distribution, post office box distribution, and administrative functions. *Id.* at 90. The CSV tool also calculates the time that employees spend performing automation activities and business services. *Id.* For post offices with point-of-sale terminals, non-revenue transactions are accounted for using data input by retail employees. For post offices without point-of-sale terminals, the Postal Service estimates the amount of non-revenue transactions by using the ratio of non-revenue transactions to revenue transactions at post offices that use point-of-sale terminals. *Id.* at 87. Once Workload is determined, the Postal Service adjusts this figure upward by 10 percent before determining whether a post office will have its hours adjusted. This marks a substantial improvement in the POSTPlan screening process over the RAOI screening process.

4. Clustered and Isolated Facilities

In the RAOI Advisory Opinion, the Commission observed that some RAOI facilities may be clustered geographically with other RAOI facilities or objectively isolated from other facilities. RAOI Opinion at 63. Because of the dramatic impact that it might have on customer access, isolated facilities were unsuitable candidates for the RAOI. Although the Postal Service maintained that the discontinuance procedure was the appropriate stage to consider such factors, the Commission suggested that the Postal Service could improve its discontinuance process by identifying these post offices with additional screening criteria. *Id.*

In creating the concept of a PTPO, the Postal Service has responded to the Commission's advice on geographically clustered and objectively isolated post offices. PTPOs provide customers in isolated and remote regions with 6 hours of retail window service regardless of Workload. The screening criterion that designates POSTPlan post offices located more than 25 miles driving distance from the nearest post office as PTPOs ensures that customers in isolated and remote regions will have access to a post office that is open for 6 hours each weekday. The POSTPlan also provides that an APO, which provides full service hours, will be within 25 miles of every RMPO.

B. Implementation

1. Alternative Access

In the RAOI Advisory Opinion, the Commission found that in many instances, alternative access channels cannot replace actual postal facilities that provide certain services, such as parcel pickup or mailing, which may not be feasible except at a staffed retail facility. *Id.* at 111. The Commission stated, "It is not enough for alternative access channels to have the potential to become available in the future. The effectiveness of particular alternative access channels and alternative retail facilities must be considered prior to, and simultaneously with, discontinuance studies." *Id.* The POSTPlan is consistent with past Commission recommendations to maintain brick and mortar postal facilities in addition to alternative access options.

2. Discontinuance Procedures—Changes to Handbook PO-101

Handbook PO-101, the *Postal Service-Operated Retail Facilities Discontinuance Guide*, serves as a tool for providing district discontinuance coordinators information on policies and procedures in conducting discontinuances. USPS-LR-N2012-2/5. The Postal Service indicates that it has implemented refinements and enhancements to its processes for discontinuance studies. USPS-T-1 at 23.

The most significant change is that the Postal Service will now use actual employee costs in its analysis of savings due to reduced labor costs. In the past, the Postal Service calculated savings as the salary and benefits for a postmaster hired to fill the vacant position. In some cases, however, at the time that the discontinuance study was undertaken, the postmaster position was vacant, and the post office was staffed with an OIC or PMR, generally with a lower salary and benefits package. The Postal Service will now rely on historical salary and benefit data, which is used to develop an average of actual employee costs for the past year. *Id.*

The Postal Service indicates that it has also made a number of updates to its Change, Suspension & Discontinuance Center (CSDC) computer system. The updates address a number of concerns that the Commission expressed in the RAOI Advisory Opinion. See RAOI Opinion at 102-03.

Field personnel will now input detailed financial information about one-time costs associated with closing a post office, such as the cost of constructing cluster box units, the cost of removing equipment from the closing facility, and the cost of installing additional equipment at a nearby post office to account for increased usage. These costs were not previously accounted for in the economic analysis of the savings that closing the post office would provide. USPS-T-1 at 23. The updates will now automatically create a comprehensive workbook for a post office being studied for discontinuance. *Id.*

Additional modifications to the CSDC system include a new customer survey with more questions that measure non-revenue transactions at post offices, as well as instructions to field personnel on how to calculate driving distances between a post office being studied for discontinuance and an alternative access point or another postal service facility. The CSDC system includes more detail on lease information and the number of vacant and assigned post office boxes at affected facilities. *Id.* at 24.

In the RAOI Advisory Opinion, the Commission suggested that the Postal Service account for non-revenue transactions that reflect community usage of a post office. RAOI Opinion at 62. This concern is also relevant to the discontinuance process. By including questions covering non-revenue transactions in customer surveys, the Postal Service may now obtain a better picture as to how the post office serves the local community.

The Commission also suggested that improvements in training would improve the discontinuance process. *Id.* at 89. The Commission recommended that the Postal Service continue to train local managers to ensure community input is given appropriate consideration and that it train the individuals responsible for determining which facilities to close in identifying legal issues and in applying statutory standards. *Id.*

The Postal Service indicates that it is developing additional training materials for discontinuance coordinators. USPS-T-1 at 24. It states that it expects to conduct training at the national level to discuss and implement many of the recommendations that the Commission made in the RAOI Advisory Opinion. *Id.* The Postal Service's instructions on calculating driving distances to alternative facilities, development of additional training materials for discontinuance coordinators, and plans to provide training at the national level are steps to ensure that discontinuance procedures are applied consistently, though handled locally.

3. Access to Information

In the RAOI Advisory Opinion, the Commission suggested that the Postal Service provide internet access to information on the status of facilities undergoing review for discontinuance and to provide information concerning the comment deadline and public meeting. RAOI Opinion at 89. To date, it appears that this recommendation has not been implemented. The Commission continues to believe that providing information on the status of facilities undergoing review for discontinuance would be beneficial. The

internet provides a convenient place for interested persons to obtain information on the status of the discontinuance process.

In addition, the Commission recommends that the Postal Service provide internet access to information on the status of all POStPlan post offices. Information should include potential changes to hours of operation at the post office, copies of the customer survey and cover letter, information concerning deadlines for returning the survey, and when known, the date, time, and location of the public meeting.

VIII. CERTIFICATION

It is the opinion of each of the undersigned Commissioners, pursuant to 39 U.S.C. 3661(c) that this opinion conforms to the policies established under title 39, United States Code.

Ruth Y. Goldway, Chairman

Nanci E. Langley, Vice Chairman

Mark Acton, Commissioner

Tony Hammond, Commissioner

Robert G. Taub, Commissioner

CONCURRING OPINION OF CHAIRMAN GOLDWAY

The law requires the Postal Service to provide appropriate levels of postal service to all parts of the nation. Unlike other retailers, which have narrower, profit-driven objectives, and may use well-developed methods for reconfiguring their retail network in light of changing circumstances, the Postal Service faces a more complex task.

The Postal Service's revenue from retail operations is much smaller than revenues from business mailers. As a result, the amount and distribution of retail revenue is an unsatisfactory driver for decision-making regarding post offices. Under the law, the Postal Service is not permitted, as are other retailers, to pick and choose its geographic markets or customer segments.

I commend the Postal Service for developing a plan that accommodates many of the concerns described by the Commission in its previous Advisory Opinion on proposed changes to the Postal Service's retail network (RAOI), as well as some of the concerns identified by legislators and the public.

While I agree with my colleagues on the findings and recommendations in this Advisory Opinion, I have several remaining concerns with the POSTPlan proposal, which the Postal Service is currently implementing before receiving the Commission's advice, and I continue to have general concerns regarding the Postal Service's efforts to reduce its retail network.

First, the Postal Service has not provided a quantitative basis for the 25 mile distance criteria used to designate Part Time Post Offices (PTPOs). In the record, the Postal Service cited as reasons for the 25 mile standard: management's determination

of operational needs, customer impact and consultations with Postmaster associations.⁶¹ No analysis that correlates with the special needs of remote areas was presented as part of the record. The Postal Service should identify measurements and develop a more robust quantitative basis for the criteria to designate PTPOs so that the standard may be adjusted to better meet community needs of remote areas in the coming years.

Second, as my colleagues have noted, there is a discrepancy between the Postal Service's testimony on the role of Village Post Offices (VPOs) and the draft written instructions concerning interpretation of the community surveys. VPOs differ from post offices and contract postal units in that they provide only a very limited subset of postal services. The Postal Service witness in this docket stated that VPOs are not intended to substitute for post offices, that they are to be viewed as enhancements and supplements to, rather than replacements for, POSTPlan offices.⁶² However, the current draft written instructions specify that survey respondents expressing a preference for a VPO should be considered as expressing a preference for having their post office discontinued. This discrepancy is troubling. The Postal Service should take steps to ensure that those taking community surveys are aware of the actual outcome that will result from their response, and should adhere to its stated policy treating VPOs as a supplemental to POSTPlan offices rather than a replacement service.

Third, my colleagues and I previously highlighted in the RAOI advisory opinion, the value of the internet for informing communities on the status of facilities undergoing review for discontinuance, and recommended providing information concerning

⁶¹ Tr. 1/93 ("The 25 mile threshold is based on management's determination of operational needs, customer impact and consultations with Postmaster associations.") See also USPS Response to POIR No. 1, question 8.

⁶² See Tr. 1/265, 292-93

comment deadlines and public meetings. This recommendation, which the Postal Service has not yet responded to, much less adopted, has become even more crucial.

This is not to say that the internet should be the sole source of information for the public. Alternative ways of reaching people where they are, such as posting information on post office doors, at postal counters and mailing local residents (both households and post office boxes), are tried and true and should remain as standard practice. But a large portion of the population also uses the internet and information published online tends to be readily shared and disseminated. The Postal Service has indicated that it seeks to integrate the hard copy mail system with customers' use of the internet and digital communications. It seems obvious to me that the Postal Service should provide supplemental public notice via the internet to provide enhanced transparency by better informing customers.

Fourth, I am concerned about the current ability of the Postal Service to secure staff for post offices that are open fewer than 8 hours each day. There is a sizable risk that the Postal Service will encounter difficulties recruiting qualified employees for these positions in many communities, and the consequences of not finding those employees is that service to the community would be impaired or eliminated. The Postal Service should place a priority on recruiting qualified employees for its offices in the POSTPlan.

Moreover, there have already been news media reports of emergency suspensions of post offices stemming from an inability to hire employees. Emergency suspensions should be limited to true emergencies and should not be applied wholesale as a means of responding to systemic staffing deficiencies. The discontinuance of multiple post offices resulting from emergency suspensions predicated on the inability to find staff would be, in my opinion, a failure of the POSTPlan—if not an outright attempt to increase the number of post offices closures.

Finally, news reports indicate there are post offices, not identified as part of the POSTPlan, whose retail hours are also being reduced. It appears that the customer-

friendly mechanisms by which the Postal Service will address most customer concerns in the POSTPlan are not being applied in non-POSTPlan service reduction decisions. I believe the Postal Service should apply no less than the same procedures outlined in the POSTPlan to other offices being considered for service hours' reduction. Further, the Postal Service should be consistent in using the selection criteria identified in POSTPlan for selecting additional offices for service hours' reduction.

In summary, without more information from the Postal Service and transparent reporting of its actions with regard to all post office hours of service reductions and closing decisions, I am concerned that, in addition to reducing the hours of approximately 13,000 post offices, the Postal Service will either close and/or reduce the hours of hundreds more.

Ruth Y. Goldway, Chairman

CONCURRING OPINION OF COMMISSIONER HAMMOND

The Postal Service originally presented a plan (the Retail Access Optimization Initiative) that generated more comments and complaints from patrons, and more questions about what the future of people's business dealings with their Postal Service would be, than any other Advisory Opinion request this Commission had ever received.

Closing thousands of post offices could have caused more harm to the communities and businesses that rely on those post offices, generated more negative reaction from customers, and saved less money than other proposals the Postal Service has put forth to deal with the billions of dollars they have been losing.

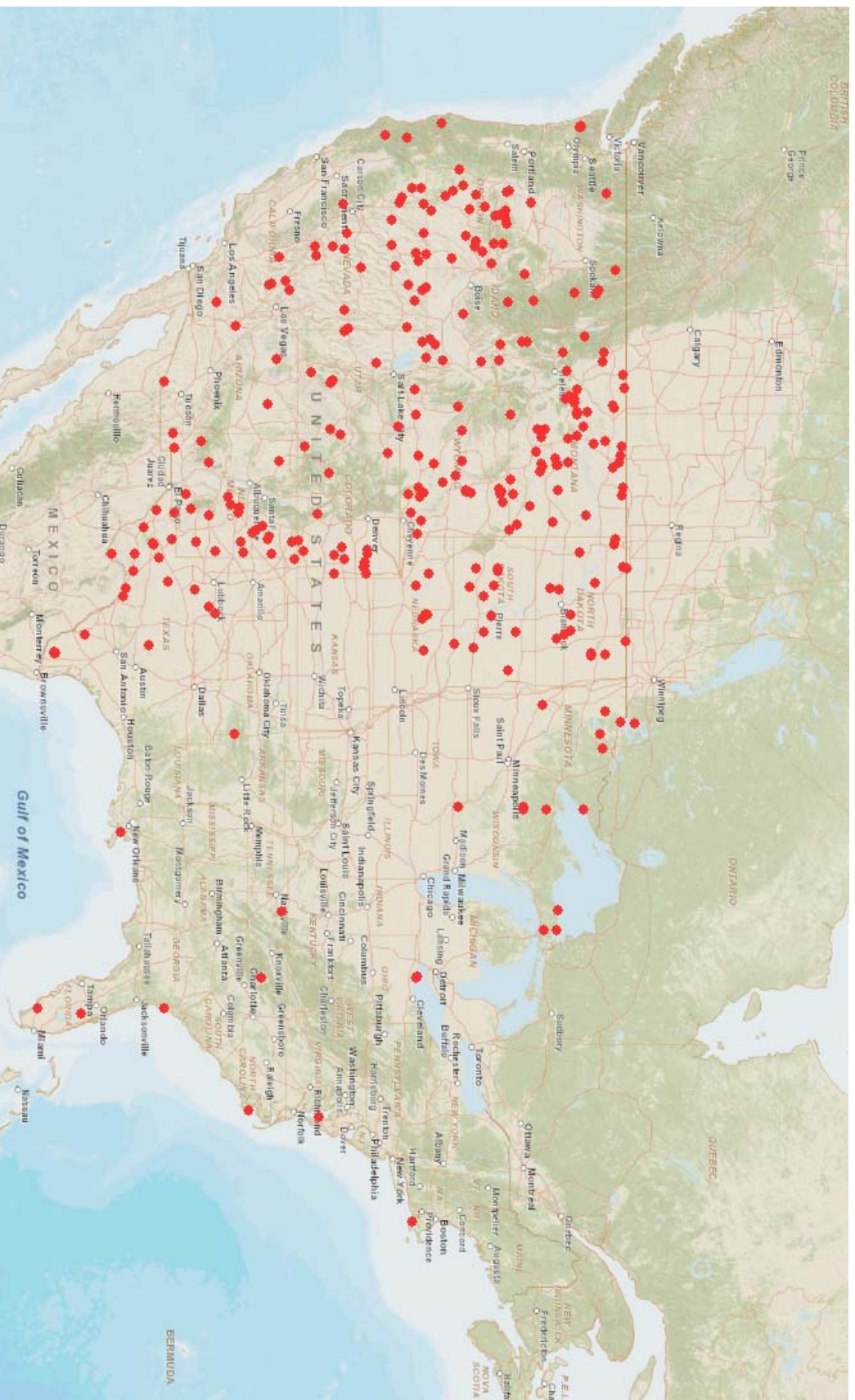
In response to the public's comments and the Commission's RAOI Advisory Opinion recommendations, the Postal Service came up with a constructive plan that adjusts its retail operations yet keeps post offices open. It will do so in a way that allows POSTPlan post offices to continue to provide the same services they provide today.

The Postal Service is also taking extra steps to be a responsible member of the communities where they are making these changes. The Postal Service is accommodating patrons at literally thousands of post offices by getting their input into what kind of facility they want, what hours of operation would be most convenient and what alternative access would be beneficial to the community.

I know of no other federal agency that has been so specific in outreach to the people they serve. These are positive actions that should be acknowledged.

While the Commission's Advisory Opinion includes recommendations for implementation of the Post Office Structure Plan, I think it is important also to recognize that POSTPlan is a responsive improvement over the Postal Service's original intention—to simply close thousands of post offices around the country.

Tony Hammond



● Part-time Post Offices

408 Post Offices are listed as Part-Time Post Offices under the POSPlan.

Five states account for 59 percent of all PTPOs: AK with 29%, MT 13%, OR 6%, NM 6% and WY 6%.



