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

EVOLUTIONARY NETWORK DEVELOPMENT  
SERVICE CHANGES, 2006

Docket No. N2006-1

DIRECT TESTIMONY OF  
DAVID E. WILLIAMS  
ON BEHALF OF  
UNITED STATES POSTAL SERVICE

1 Purpose of Testimony

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3 The purpose of my testimony is to describe the Postal Service's process for

4 identifying potential facility and network realignment opportunities using its

5 Evolutionary Network Development (END) model and to review these

6 potential opportunities based on the guidelines of the USPS Area Mail

7 Processing (AMP) Handbook PO-408. I will describe how the review process

8 in the Handbook PO-408 traditionally has been utilized. I then will explain

9 how the Postal Service plans to use this process as a basis for studying and

10 implementing realignment opportunities identified by the END initiative and

11 any resulting service standard changes on a phased basis over the next

12 several years.

1 I. USPS Area Mail Processing Review

2 A. Introduction

3 In recent decades, the Postal Service has found it necessary to modify its  
4 mail processing and distribution network based on such factors as technological  
5 advancements, population and mail volume, and changes in customer mailing  
6 patterns. For these purposes, the Postal Service utilizes an established Area  
7 Mail Processing (AMP) review process which has served as the mechanism for  
8 reviewing and implementing proposals for originating and/or destinating mail  
9 processing consolidations.

10 Current AMP review procedures are reflected in *Area Mail Processing*  
11 *Guidelines*, USPS Handbook PO-408, a copy of which has been filed as USPS  
12 Library Reference N02006-1/3. In the summer of 2005, postal management  
13 began to focus on how to evaluate and implement operational changes as part of  
14 the Evolutionary Network Development strategy described by witness Shah  
15 (USPS-T-1). At that time, my unit began to determine how to use the existing  
16 AMP review procedures for the purpose of evaluating and implementing network  
17 redesign possibilities that may be proposed in response to the END modeling  
18 effort. With reference to the Handbook PO-408, my testimony will summarize the  
19 procedures and principles that will guide the Postal Service as it schedules  
20 reviews, approves and implements the numerous feasibility studies that will result  
21 in the realignment of its mail processing network and the implementation of  
22 resulting service standard changes.

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B. Area Mail Processing Review Guidelines

1. The Typical AMP Approval Process

Generally speaking, Area Mail Processing (AMP) review is a process used by postal management to consider site-specific proposals to consolidate all originating and/or destinating distribution operations from one or more postal facilities into other automated and/or mechanized facilities, for the purpose of improving operational efficiency and/or service. By consolidating operations into other facilities, the Postal Service can make better use of space, staffing, equipment, and transportation, and more efficiently process mail. In years past, the vast majority of AMP proposals have involved consolidation of outgoing First-Class Mail operations.

Typically, a local AMP study is initiated whenever deemed appropriate by a District Office, or Processing & Distribution Center (P&DC) management. After the initiating office preliminarily determines that service and/or efficiency could be improved by consolidating all originating and/or destinating distribution operations, the initiating office notifies its Area Office that it intends to conduct an AMP study. Once an Area Office has been notified by a District and/or P&DC manager about a study, the Area Vice President informs the Senior Vice President, Operations, at Headquarters that an AMP review is being conducted. Barring some directive not to proceed, the initiating office is then given up to six months to complete the study.

1 Generally, an AMP review analyzes the feasibility of a proposal to relocate  
2 processing and distribution operations, as well as necessary support functions,  
3 from one facility to another. The AMP review process consists of the local  
4 development of a feasibility study and the submission of a resulting proposal  
5 regarding mail processing and transportation (with supporting documentation)  
6 through the appropriate approving officials for final Headquarters consideration.  
7 Samples of AMP feasibility study worksheets are appended to USPS Handbook  
8 PO-408.

9 When completed for the typical AMP proposal, these standardized  
10 worksheets reflect analysis of such local variables as a comparison of the  
11 consolidated and the gaining facilities' operations, volumes, and workhours  
12 before and after the consolidation; impacts on craft and management personnel  
13 associated with mail processing and support functions, both current and  
14 proposed; evaluation of possible changes in service for mail to and from affected  
15 3-digit ZIP Code origin-destination pairs; identifying necessary distribution-  
16 labeling list changes; planning of transportation route modifications to ensure  
17 effective and efficient transportation; an analysis of annual associated and one-  
18 time costs related to the operation consolidation (such as maintenance, training,  
19 energy, and remote encoding center operations). The AMP analysis also details  
20 the necessary changes in location of mail processing equipment at the  
21 consolidated office, the gaining facility, any other nearby facilities. The study  
22 also identifies equipment deemed to be in excess of local or nearby needs.

1           The AMP approval process begins at the local level with the signatures of  
2 the managers of each affected P&DC, after their evaluation of the operational  
3 feasibility of a local plan. The District manager then evaluates business and  
4 retail customer impacts and, upon approval, forwards the local AMP proposal to  
5 the appropriate Vice President, Area Operations.

6           The Area Vice President reviews all aspects of the AMP proposal to,  
7 among other things, ensure that all human resource and employee impacts were  
8 properly evaluated, and to ensure that plans are in place to notify postal union  
9 and employee associations, local and Federal government officials, local  
10 business mailers, and the general public (through local print and broadcast news  
11 outlets). The Area VP also assesses whether community service (retail window  
12 operations, business mail entry, collection box times, and post office box delivery  
13 times) will be affected and whether feasible options were considered. At this  
14 level of review, the Area VP also is responsible for ensuring that operational  
15 impacts and service level options for affected 3-digit ZIP Code pairs (e.g., 2-day  
16 vs. 3-day) were appropriately examined and resolved; that workhour, costs,  
17 savings, and budget adjustments were addressed; and that all transportation and  
18 network modifications were correct for each class of mail. The Area Office has  
19 up to thirty days for its review process. At this stage, consultations between the  
20 P&DC or District sponsoring the AMP study and the Area Office may lead to  
21 modifications to the original proposal. Once this evaluation is completed, the  
22 Area Office will either disapprove and return the AMP proposal package to the  
23 local originator, or recommend approval and forward it to Headquarters.

1           The Senior Vice President, Operations, at Headquarters, coordinates the  
2 final review of the AMP proposal with other functional offices at Headquarters. A  
3 critical element of Headquarters review is an evaluation of potential service  
4 standard upgrades and/or downgrades that would result if the operational  
5 changes implied by an AMP proposal were implemented. At this stage,  
6 consultations between the Area Office and Headquarters may lead to  
7 modifications to the proposal. Once the Headquarters review is completed, and  
8 any material issues are resolved, a final decision is made. The AMP review and  
9 approval process at Headquarters also has up to thirty days for completion.

## 10           2.       AMP Implementation

11           As soon as practicable following Headquarters approval of an AMP  
12 proposal, the downstream managers of the facilities, District, and Area affected  
13 by the AMP decision determine the schedule for implementing the planned  
14 changes. As scheduled, notification is provided to affected employees, national  
15 and local employee organization representatives,<sup>1</sup> local and Federal government  
16 officials, and business mail entry unit customers. Press releases are  
17 disseminated in order to inform the general public through local news media.  
18 Implementation follows. Depending on the complexity of a particular AMP  
19 change, implementation may take up to six months to complete.

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<sup>1</sup> There must be close coordination between USPS Area and local Human Resources managers throughout the implementation to ensure that reassignment and/or excessing of bargaining and non-bargaining unit employees is accomplished in accordance with applicable provisions of the USPS Employee and Labor Relations Manual and employee organization National Agreements.

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### 3. Post-Implementation Review

To ensure that the projected operational and/or transportation changes are in place, and the projected efficiencies and/or service improvements outlined in the AMP proposal are being accomplished, post-implementation reviews must be completed within 30 days after the second full quarter following implementation and after the first full year following implementation. This post-implementation review (PIR) is conducted by the Area Office whose oversight responsibilities include the affected facilities. The analysis is reviewed for accuracy by the Vice President, Area Operations, and then submitted to the Senior VP Operations, Headquarters. The PIR analysis is circulated among the Headquarters functional units that participated in the approval process, including various units responsible for such matters as implementing and managing service standard changes, the achievement of cost savings projected in the approved AMP packages, and mail processing and transportation network management.

In summary, the standard AMP process utilizes a bottom-up approach to evaluate and assess the impact of individual plant consolidations on network consolidations, based on the evaluation of mail processing operations for specific facilities within a District. The AMP process begins at the local level. Once a preliminary determination is made that there may be an AMP opportunity, management at the facilities involved in the potential consolidation prepares a study to analyze the feasibility of relocating mail processing operations from one

1 location to another. If the feasibility study shows that consolidation will improve  
2 efficiency and/or service, local management prepares the AMP proposal  
3 documentation. In succession, Area office and Headquarters management then  
4 review the AMP proposals to ensure that they conform to the guidelines in the  
5 PO-408 Handbook.

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## 7 II. Resumption of AMP Evaluations

8 While the Postal Service was developing the END model, there were  
9 about two dozen local AMP studies in progress. In order to ensure that the local  
10 changes to the network that might result from these studies were consistent with  
11 the future national network, AMP review activity was generally suspended. This  
12 suspension also afforded the Postal Service the opportunity to consider any  
13 constructive criticism offered by external audits that were being conducted by the  
14 Government Accountability Office and the USPS Office of the Inspector General.<sup>2</sup>

15 My functional area was given the responsibility for designing an  
16 administrative process that could ensure compliance with the AMP guidelines in  
17 USPS Handbook PO-408, in the event that a centralized and accelerated  
18 process for managing facility and operational reviews using the Evolutionary  
19 Network Development model were initiated. As postal management considered  
20 whether and when to move forward with END, my unit determined that a  
21 coordinated review and implementation of 10 pending AMP proposals submitted  
22 by different Area Offices could serve as a laboratory for the development and

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<sup>2</sup> Copies of the GAO and OIG audit reports have been filed in USPS Library References N2006-1/7 and N2006-1/8, respectively.

1 testing of internal administrative processes that might be useful in a “full-up”  
2 implementation of END.

3 In 2005, the Postal Service lifted the general suspension of the AMP  
4 process. Affected District offices were directed to reevaluate their proposals to  
5 ensure that they fit within the future network strategy. The AMP process  
6 resumed with District managers notifying Area Offices of their study intentions,  
7 and the Areas notifying Headquarters.

8 In the summer of 2005, 10 AMP proposals were subjected to analysis at  
9 Headquarters using the END simulation process described by witness Shah in  
10 USPS-T-1. The initiation of a merger of the END model and the AMP process  
11 was thus underway.<sup>3</sup> The 10 AMP proposals were approved at Headquarters on  
12 various dates from October 11–25, 2005. Once each AMP proposal was  
13 approved, postal employee association and union representatives, as well as  
14 local and Federal government officials and affected business mailers were  
15 notified, and information was provided to local news publishing and/or  
16 broadcasting media for dissemination to the general public. These 10 AMP  
17 decisions currently are in various stages of implementation and all are expected  
18 to be completed by June 2006.

19 The facilities affected by these 10 AMP decisions are identifiable through  
20 a review of the final approved packages, which have been compiled in USPS  
21 Library Reference N2006-1/5. A brief summary of the Postal Service’s

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<sup>3</sup> Aside from the operational benefits described below, the accelerated implementation of the 10 AMP proposals has served as a basis for developing an AMP Communications Plan for future use. A copy of the plan has been provided as USPS Library Reference N2006-1/4.

1 expectations and anticipated employee and service impacts from these ten AMP  
2 packages, on a cumulative basis, is as follows:

- 3 • with one exception, consolidation and transfer of originating mail  
4 processing to an adjacent facility;
- 5
- 6 • annual savings of approximately \$12.6 million;
- 7
- 8 • 538 employees impacted, with an estimated net complement reduction of  
9 225 employees.
- 10
- 11 • no service standard downgrades, however, a total of 39 First-Class Mail  
12 three-digit ZIP Code origin-destination pairs upgraded to overnight.
- 13

14 The Postal Service does not regard these 10 AMP proposals or their  
15 results to be typical or representative of AMP proposals or results that are  
16 expected to be reviewed and implemented when the process is rolled out  
17 nationwide.<sup>4</sup> The current Postal Service mail processing network is not a web of  
18 service areas with identical clusters of facilities. The facilities within each service  
19 area share many functions, but the numbers, roles and relationships of nearby  
20 mail processing facilities can vary from District to District, as can equipment  
21 deployments and configurations, as well as available transportation  
22 requirements. Accordingly, each future AMP proposal will be unique, based on  
23 local variables. The cost savings and employee complement impacts from any  
24 AMP decision are only projections for the implementation of that specific AMP.

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<sup>4</sup> As an example, for comparison, consider the 2005 Marina, CA AMP consolidation (into Los Angeles & Long Beach), which was the subject of PRC complaint Docket No. C2005-2. This one AMP consolidation project is expected to save about \$17 million annually and its estimated complement reduction is approximately 290 positions (craft & management). The Marina CA consolidation resulted in adjustment to First-Class Mail service standards for 28 3-digit ZIP Code area origin-destination pairs, with 12 upgraded from 2-day to overnight service, and 16 downgraded from 2-day to 3-day service. See USPS Library Reference N2006-1/6; Docket No. C2005-1, Declaration of Robert W. Field, Jr., at ¶9 (May 17, 2005).

1 The Postal Service will not know particular outcomes until each AMP Post  
2 Implementation Review (PIR) is completed.

3

4 III. Procedures For Moving Forward

5 As a result of its experience with the aforementioned group of 10 AMP  
6 reviews, the Postal Service has determined that the implementation of the bulk of  
7 the network changes it will implement in pursuit of the objectives of Evolutionary  
8 Network Development can be based on the principles underlying the USPS PO-  
9 408 Handbook. Going forward, the Postal Service expects to abide by the  
10 following general principles:

- 11 ▪ District and Area Office analysis and concurrence on END model  
12 simulation results;
- 13
- 14 ▪ Consideration of locally-developed alternative network realignment  
15 proposals and changes in the application of service standards;
- 16
- 17 ▪ Area Office review and approval of proposed changes in operations,  
18 transportation and service;
- 19
- 20 ▪ Headquarters analysis and approval of proposals for operational changes  
21 and related changes in the application of current service standards for  
22 each mail class for affected 3-digit ZIP Code pairs;
- 23
- 24 ▪ local public notice of agency decision;
- 25
- 26 ▪ communication of impacts on mailing and labeling requirements;
- 27
- 28 ▪ implementation; and
- 29 ▪ post-implementation review.

30 In the fall of 2005, preliminary determinations by local and district  
31 management revealed that there was considerable opportunity for originating  
32 AMP studies systemwide. Area managers notified Headquarters of their

1 intention to begin 46 AMP feasibility studies, with plans to submit the completed  
2 AMP proposals for review and approval by Headquarters in early 2006. A list of  
3 the studies currently underway is attached to my testimony.

4 The Postal Service expects to repeat the AMP feasibility study and review  
5 process outlined above with two more phases in calendar year 2006. Phase 1 is  
6 expected to include the above-referenced AMP review candidates, with  
7 Headquarters review and approval to be completed in time for implementation to  
8 occur in late spring/early summer – as early as the middle of May, 2006.  
9 Headquarters review and approval of the next grouping of AMP proposals is  
10 anticipated for late summer/early fall. In addition to the numerous AMP review  
11 opportunities for consolidating operations from mail processing plants (and some  
12 post offices), the Postal Service will use the END model to identify candidate  
13 facilities for AMP originating consolidations whose future distribution network role  
14 is expected to be that of a destinating processing facility. Similar review and  
15 approval cycles are expected for calendar year 2007 and beyond.

16

#### 17 IV. AMP Decision Communications

18 Stakeholder response to the announcement of the aforementioned group of  
19 10 AMP feasibility studies varied from site to site, with little or no response in  
20 most cases to considerable interest in others. From this experience, the Postal  
21 Service learned that effective and timely communication of its decisions to  
22 internal and external stakeholders is critical to the success of AMP  
23 implementation.

1 Experience has shown that the mere rumor about the possibility of a plan  
2 to conduct a local AMP feasibility study can generate public inquiries about  
3 potential service standard changes and expressions of concern about possible  
4 loss of community identity as a result of postmark changes. In addition, such  
5 rumors can spark postal employees to express concern about job security and  
6 lead to Congressional inquiries on behalf of constituent mailers and postal  
7 employees.<sup>5</sup> Moreover, in an organization as large as the Postal Service,  
8 management proposals are often subject to various levels of review and may go  
9 through multiple iterations along their way to a final decision. Sometimes, pre-  
10 decisional confidences are breached and incomplete or obsolete information (not  
11 to mention speculation and misinformation) finds its way into the public  
12 discourse.

13 The Postal Service considers dissemination of reliable information to  
14 stakeholders to be an essential element of its plan to implement Area Mail  
15 Processing reviews in the years ahead. Accordingly, the Postal Service has  
16 organized an AMP Communications Group, which is responsible for developing  
17 and implementing an AMP Communications Plan. A copy of the September  
18 2005 version of the plan has been filed as USPS Library Reference N2006-1/4.  
19 The AMP Communications Plan is not a “chiseled-in-stone” document. The  
20 Group expects to refine it as necessary, in order to ensure that our stakeholders

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<sup>5</sup> It is worth emphasizing that just because a particular facility is identified by the END model as a candidate for a feasibility study or an AMP review is initiated does not guarantee that the final decision will be to implement change at a given location. Nor is a recommendation from a District or an Area office necessarily indicative of the final Headquarters decision.

1 -- employees, employee organizations, members of Congress and local political  
2 leaders, as well as impacted business mailers and the general mailing public --  
3 are all provided with timely and accurate information about the scheduling of  
4 AMP feasibility studies, and the consequences of final decisions resulting from  
5 those studies.

6 As local major customers are notified of potential mail entry and  
7 processing changes, they have an opportunity to consult with local postal  
8 operations managers. Likewise, the concerns of potentially affected members of  
9 the general mailing public in areas under study are sometimes expressed directly  
10 and also are brought to the attention of the Postal Service during consultations  
11 with local public officials and members of Congress as study plans are  
12 announced and as study results are communicated.

13 The AMP Communications group is chaired by the Manager, Processing  
14 Operations, and includes representation from Government Relations, Public  
15 Affairs & Communication, Labor Relations, Human Resources, Organizational  
16 Design, Marketing, and the Law Department. Each member of the group is the  
17 AMP communications focal point for their functional departments and with their  
18 Area, District, and local support organizations. The AMP Communications Plan  
19 identifies the communication responsibilities for local, District, Area, and  
20 Headquarters management. In accordance with the plan, standardized  
21 communication templates allowing for consistent messaging with both internal  
22 and external stakeholders are being developed and refined. When an AMP  
23 study is scheduled, or a particular study's conclusion is either to implement

1 operational changes or to preserve the *status quo*, the AMP Communications  
2 group coordinates the announcement of the AMP study outcome with their field  
3 counterparts to ensure that timely and accurate information is transmitted.

4         The Postal Service is committed to disseminating accurate and timely  
5 information as individual AMP feasibility studies are initiated. And, the Postal  
6 Service intends to provide appropriate public notice if a particular study results in  
7 a determination to implement operational changes that affect the manner in  
8 which existing service standards apply to 3-digit ZIP Code origin-destination  
9 pairs. Appropriate communications will be scheduled and transmitted to  
10 employee organizations and local government and/or Congressional  
11 representatives as the first step in public notice, followed closely by notice to  
12 impacted business mail customers, and local print and broadcast media outlets  
13 with the ability to report news and information to the general public.

14         Before an Area Mail Processing operations consolidation proposal is  
15 submitted to the Senior Vice-President, Operations at Headquarters, for a final  
16 decision, the Postal Service will solicit input at a public meeting (in the service  
17 area of the postal mail processing facility from which operations are being  
18 consolidated) regarding the proposed service standard upgrades and/or  
19 downgrades and any material service changes that are a part of that proposal.  
20 At least 10 days before the date of that meeting, the District Manager or his/her  
21 designee will send letters to previous AMP Worksheet 3 correspondents and  
22 issue a press release regarding the public meeting. The press release will direct  
23 interested parties to a summary of the AMP proposal that will be posted at

1 [www.usps.com](http://www.usps.com). That summary will provide the title and address of a postal  
2 official to whom written comments may be addressed and indicate the deadline  
3 by which such comments should be received.

4 Copies of that same AMP proposal summary will be made available at the  
5 public input meeting. At this meeting, a postal representative will brief the public  
6 and solicit comments. After the meeting, a summary of all comments will be  
7 forwarded to Headquarters for review and consideration before the final agency  
8 decision is made.

9 It should be emphasized that the operational changes at issue here,  
10 generally speaking, are at the mail processing plant level, as opposed to the  
11 retail post office or carrier delivery level. Such “back-of-the-house” processing  
12 and transportation changes at major mail processing facilities as a result of AMP  
13 review are expected to have virtually no effect on regular carrier delivery service  
14 and retail window service. The principal exception would be where an AMP  
15 review led to a determination to consolidate all originating and destinating mail  
16 processing operations at a particular plant<sup>6</sup> and to cease all retail window/lobby  
17 service at that same location.<sup>7</sup> In any case where an AMP review leads to a  
18 determination to close such a retail postal unit, the Postal Service will consider  
19 itself obliged to act in accordance with the public notice and comment procedures  
20 that apply to post office closings.

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<sup>6</sup> As was the case with the 2005 Marina P&DC consolidation. See USPS-LR-N2006-1/6.

<sup>7</sup> Complete shutdown of all postal operations did not occur at the Marina P&DC. The postal retail unit remained after the mail processing operations were transferred to the Los Angeles and Long Beach P&DCs. See USPS Library Reference N2006-1/6; Docket No. C2005-1, Declaration of Robert W. Field, Jr., at ¶19 (May 17, 2005).

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IV. Conclusion

A variety of factors make it urgent that the Postal Service begin an accelerated process of realigning its mail processing and transportation networks to more efficiently serve the mailing public now and in the future: declining single-piece First-Class Mail volume, shifts in population to different regions of the nation, advancements in mail processing technology, and the increased prevalence of mailer dropshipping. In the face of these trends, the Postal Service has developed tools and processes to reduce redundancy and to increase the flexibility in its mail processing operations. The Area Mail Processing review procedures and principles described in my testimony are an appropriate means for making the necessary network changes over the next several years that will benefit the mailing public.

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## AUTOBIOGRAPHICAL SKETCH

My name is David E. Williams, Jr. I am the Manager of Processing Operations, Network Operations Management, at United States Postal Service headquarters. My office has national policy and program responsibility for processing operations in Processing and Distribution Centers (P&DCs), Bulk Mail Centers (BMCs), and Remote Encoding Centers (RECs) nationwide. The Processing Operations group includes Processing & Distribution Center Operations, Bulk Mail Center Operations, Systems Integration Support, and Operations Technical Support. We work with other headquarters and field functional departments on issues related to mail processing, equipment deployment, labor negotiations, facilities, transportation, and delivery.

I joined the Postal Service in 1987 as an Industrial Engineer Professional Specialist Trainee at headquarters. My previous responsibilities at headquarters were as the Manager, Processing and Distribution Center (P&DC) Operations and Manager, Systems Integration Support. My past postal field responsibilities have included assignments as Manager, Processing and Distribution Center, at the North Metro P&DC in Duluth, GA; at the Atlanta P&DC; and at the P&DC in Birmingham, AL. In addition, I was an Operations Support Specialist at the Southeast Area Office and an Operations Program Analyst Principal in the Central Region Office. I was assigned to my current position in October 2005. I have responsibility for the implementation of facility and network alignment including administration of the Area Mail Processing (AMP) program.

I have a Bachelor of Science Degree in Industrial and Systems Engineering from the University of Florida, and a Masters in Business Administration from the College of William and Mary.