

USPS-RT-15

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON DC 20268-1001**

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

**REBUTTAL TESTIMONY
OF
CHRIS R. ORONZIO
ON BEHALF OF THE
UNITED STATES POSTAL SERVICE**

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1 **AUTOBIOGRAPHICAL SKETCH**

2 My name is Chris Oronzio. I joined the USPS in 1979 after graduating from
3 Fordham University with a degree in Mathematics. I was originally assigned to
4 work on the letter sorting machines and worked my way up to Delivery Service
5 Supervisor, and Manager Accounting and Budget, in Fort Lauderdale FL. In
6 1992 I was promoted to Manager In-Plant Support, and served in field mail
7 processing centers in Florida until 1995. In 1996 I was promoted to In-Plant
8 Support Manager in Atlanta. I also served as Manager of Distribution Operations
9 for automation on tour 1, Senior Plant Operations Manager, Manager Operations
10 Programs Support, Maintenance Manager, and Plant Manager. Currently I am
11 the Manager of Processing Center Operations for the USPS in headquarters, and
12 have been managing Processing Center Operations since January of 2006. My
13 office is responsible for managing the design, development, implementation,
14 evaluation, monitoring, and improvement of national policies, procedures,
15 methods and systems with regard to letter, flat, image, and forwarded mail
16 processing for Processing and Distribution Centers, Processing and Distribution
17 Facilities, Delivery Distribution Centers, and Remote Encoding Centers. This is
18 my first time testifying before the Commission.

1 **PURPOSE OF TESTIMONY**

2

3 The purpose of my testimony is: (1) to explain why it is operationally efficient to
4 manually count High Volume QBRM under some circumstances; (2) to explain
5 the relation between changes in mail processing craft work-hours and
6 subsequent changes in mail processing supervisory work-hours; and (3) to
7 explain why it is operationally implausible to expect an increase in letter volume
8 (FHP), as such, to cause a disproportionately large increase in manual letter
9 volumes.

10

11 **TOPICS OF REBUTTAL**

12 ***A. Hand Counting High Volume QBRM***

13

14 MMA witness Bentley states that “I seriously question the reasonableness of the
15 new sampling study that estimates 27% of all QBRM letters are hand counted.”
16 Further, he refers to this estimate as “obviously erroneous”. (MMA-T-1, page 15,
17 lines 21-23 and 25) As I explain below, the 27% estimate is consistent with
18 operational practice. Mr. Bentley’s doubts are unfounded.

19

20 A High Volume QBRM mailer may not actually receive much mail on any given
21 day. Even mailers who pay the accounting fee and prepare their return pieces so
22 they can be machine counted by the BRMAS system, do so based on their
23 expected quarterly volume, which may be concentrated in relatively few days per
24 month. QBRM for an office or box section is generally separated on a primary

1 scheme to be subsequently processed in a BRMAS scheme running on a DBCS
2 or MPBCS. On any given day there may be only a modest amount of mail,
3 perhaps not even 4 or 5 trays, for many such schemes. In such cases, we face
4 the choice of spending perhaps 15 or 20 minutes to set-up and sweep a machine
5 just to run less than 5 minutes worth of mail. In addition, there is generally some
6 mail for most BRMAS schemes that trickles in after the scheme has run. In all
7 these instances, it is more efficient to sort and count the mail by hand.

8

9 It is my understanding that USPS rebuttal witness Abdirahman will describe the
10 BRM process in more detail.

11

12 ***B. Craft and Supervisory Work-hours***

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14 Witness Buc claims that “the Postal Service has overstated its costs by
15 understating cost reductions for supervisors in FY 2006, FY 2007, and the Test
16 Year.” (DMA-T-1, page 2, line 7-9) As I explain below, supervisory cost
17 reductions are included in their entirety as an implicit part of the Breakthrough
18 Productivity Initiative (BPI) each year. Mr. Buc’s claim is false.

19

20 Purchase and deployment of most new mail processing equipment are justified
21 by savings in clerk and mail handler work-hours. When a plant receives a new
22 piece of equipment, the estimated craft savings are removed from the plant’s
23 operating budget. In theory and on the average, there should be an

1 accompanying change in supervisory hours – perhaps a reduction in floor
2 supervision and an increase in maintenance supervision. At the plant level, a
3 new piece of equipment might, for example, save two craft positions. As an
4 empirical matter, the ratio of craft positions per supervisor has been
5 approximately 22 to 1 in recent years. If, for the sake of discussion, that 22 to 1
6 ratio is applicable to this hypothetical piece of equipment, then it would call for
7 the elimination of 0.09 supervisors. In the same year, there would be other
8 equipment changes, volume changes, changes in network responsibilities,
9 changes in supervisory administrative duties, etc.; all impacting the need for
10 supervision. The specific circumstances of the plant determine whether all these
11 changes cumulatively result in a decision by plant management to add or delete
12 supervisors. The annual budget process ensures that these decisions are made
13 properly at each plant.

14

15 In the final analysis, the Breakthrough Productivity Initiative (BPI) each year is
16 the difference between Postal management's consensus view of realistic savings
17 opportunities and savings that have been specifically identified in operating
18 programs such as new equipment deployments. Supervisory efficiencies, if any
19 are actually achieved, would be part of this difference.

20

21 Headquarters allocates BPI targets to each Area in dollars. Accompanying the
22 budget, there is an extensive analysis of savings opportunities down to the plant
23 level, but plant management is free to achieve economies using these

1 suggestions or using ideas of their own, based on the full range of operating
2 issues unique to that plant. The Areas consider the full circumstances faced by
3 each plant in allocating budgets to them. A revised supervisory plan is a normal
4 part of each plant's planning to stay within their budget allocation, but changes in
5 supervisory positions and the resulting supervisory ratios will vary among plants
6 due to their individual circumstances.

7

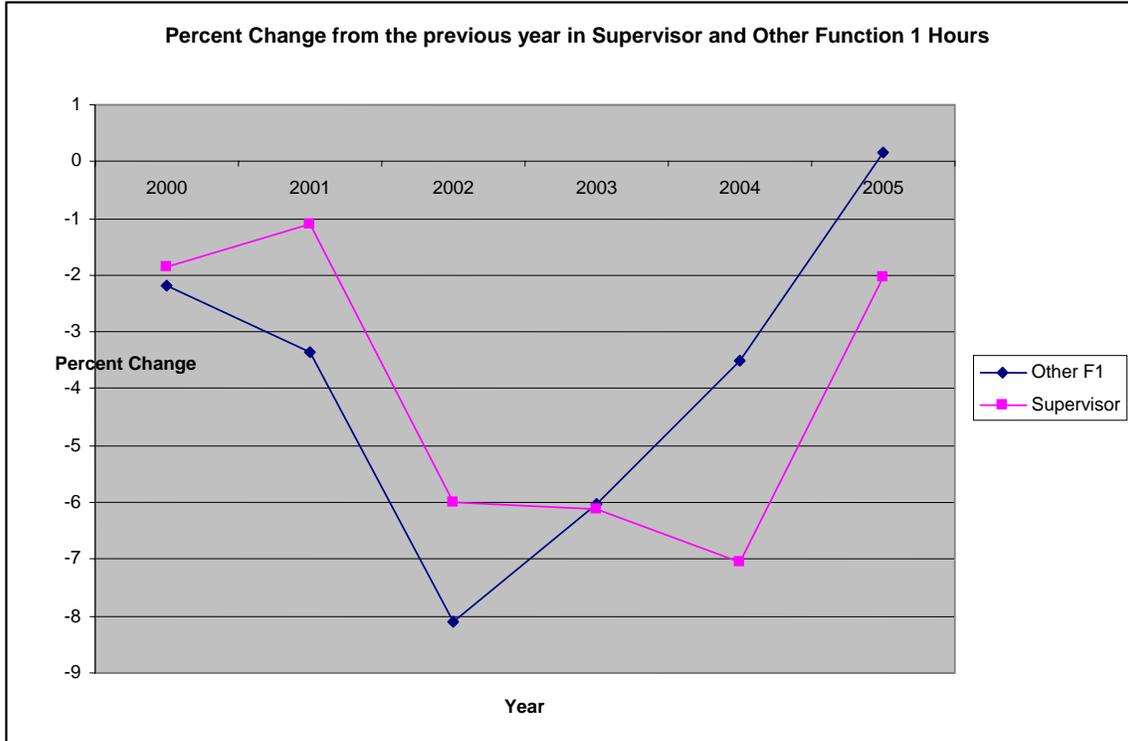
8 It is instructive to chart the relation between craft and supervisory work-hours in
9 the last few years. The first chart below shows changes from the previous year
10 in total supervisory work-hours compared to changes in Function 1 (i.e. plant)
11 hours less supervision and RBCS (LDC 15) for FY 2000 through FY 2005. (See
12 USPS-LR-L-192, Supervisors Charts.xls.) The second chart is identical, except
13 that the supervisory line is moved one year to the left in order to compare each
14 year's savings in craft work-hours to the next year's savings in supervisory work-
15 hours. The closer, but still very rough, alignment of the second chart suggests
16 that supervisory savings occur primarily in the next year, as might be expected
17 from the way our budget system functions.

18

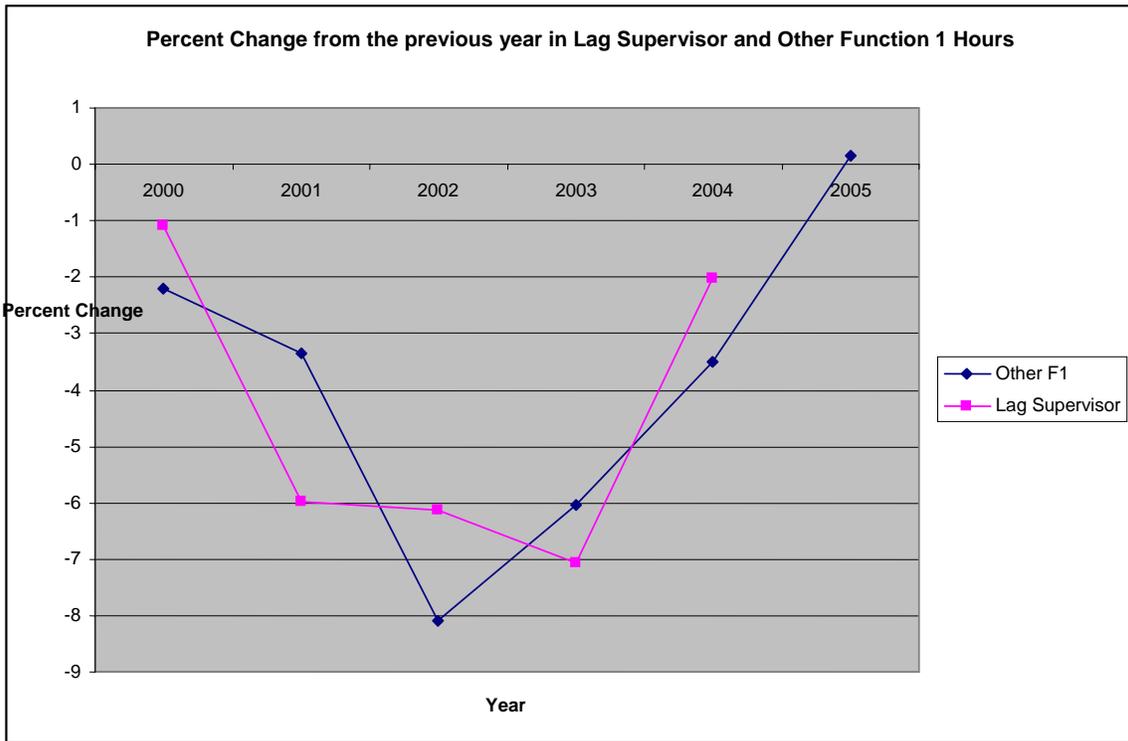
19 Although the supervisory ratio has remained approximately 22 to 1 in recent
20 years, there is nothing preordained about this; it is simply the result of the
21 decisions made at each plant. There was a time earlier in my career when the
22 supervisory ratio was 20 to 1, and it could conceivably move back to that in the
23 future depending on the supervisory needs of each plant. For example, delivery

1 point sequencing for flats will begin in 2008 and may require more supervisory
2 effort beginning that year since such significant changes to operating processes
3 commonly require additional supervision. However, the savings target for FY
4 2008 remains at \$1 billion, including BPI. If, within that target, fewer savings are
5 realized in supervision, the field will need to achieve greater savings elsewhere in
6 its budget, and the supervisory ratio will change.

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1 **C. Volume and Work-hours in Letter Distribution**

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3 In his testimony, Professor Roberts concludes that “In other words, an expansion
4 of mail volumes (FHP) results in more than a proportional increase in the use of
5 the manual operation (TPF in manual), but an increase in manual labor hours
6 that is proportional to the increase in TPF.” (OCA-T-1, page 15 beginning at line
7 22). Further he suggests that this effect occurs because “...sometimes
8 automation compatible letters get handled in the manual unit for reasons that
9 might be related to capacity constraints or other things in the automated
10 operation.” (Transcript, volume 23, page 8434, lines 13-17.)

11

12 Professor Roberts measures the relation between plant FHP and manual TPF
13 statistically. I would not question his computational accuracy, but his conclusion
14 that an FHP increase “results in” a disproportionately large increase in manual
15 TPF is not operationally plausible. The reason he suggests – diversion of
16 automation letters to manual processing – is even less plausible.

17

18 Automated processing is more than ten times as productive as manual. Plant
19 managers face strong incentives to meet their budget objectives and would avoid
20 such diversion to inefficient processes. The DBCS is the main letter sorting
21 machine and a plant is equipped with enough DBCSs to complete their Delivery
22 Point Sequencing (DPS) in time to dispatch sequenced letters to the delivery
23 units each morning. As a practical matter, all mail for a delivery unit needs to be

1 present before the DPS run, so DPS defines the peak requirement for these
2 machines. Prior to the time of the DPS runs, there is plenty of DBCS capacity
3 available to sort automation compatible letters to the 5-digit schemes required for
4 the DPS sorts.

5

6 Even during the DPS period, automation letters are unlikely to be diverted to
7 manual sortation in the plant for three reasons. First, if there were shortages of
8 DBCS capacity during the DPS period, OCRs, which are largely idle at that time,
9 would be used to sort automated letters to carrier route. Second, to sort letters to
10 individual carrier routes by hand requires the clerk to memorize the addresses
11 served by each route. As manual processing declined, it became difficult to
12 maintain these skills in the plant and it is commonly the case that such skills are
13 found only in delivery units today. Third, even to sort letters by zip code requires
14 a sorting case, and floor space is precious in today's plants. The number of
15 manual cases has been reduced to a minimum, so even if somehow there were
16 manual clerks with the necessary skills available, there wouldn't be anywhere for
17 them to work in the plant.

18

19 Since the scenario suggested by Professor Roberts is unrealistic, what accounts
20 for the disproportionate manual volumes he measures? I can suggest two
21 possibilities.

22

1 First, as is well known, the peak letter volumes occur each year during the
2 holiday mailing season. Simultaneously, there is a *change in the composition* of
3 the letter mail stream, with holiday greeting cards as the most notorious example.
4 Perhaps Professor Roberts is actually measuring the impact of a *change in*
5 *composition* that is distinct from the change in volume, but occurs at the same
6 time. It is my understanding that USPS rebuttal witness Bozzo will examine this
7 possibility quantitatively.

8

9 Second, as letter processing has shifted from manual to automation with
10 machine counts of TPF and TPH available for most of the mail, management use
11 of FHP has declined. This decline is both because FHP is a very approximate
12 measure of plant workload and because of data quality problems with FHP.

13

14 Fundamentally, a plant's workload consists of accepting mail at one sort level
15 and transforming that mail into the finer sort level required for dispatch. The
16 difference between these two sort levels is a primary determinant of a plant's
17 workload, and it is a difference that varies among plants. TPH productivity for
18 groups of MODS operations is largely independent of this difference, capable of
19 subdividing a plant for detailed analysis, and appropriate for comparison among
20 plants. By contrast, FHP productivities are conceptually difficult to define below
21 the plant level. They have little utility for management within the plant, while
22 comparisons between plants are distorted by the varying spreads between input
23 and output sort levels.

1

2 FHP data quality has always been problematic since it depends on weighing
3 batches of mail and applying a conversion factor, which may itself be affected by
4 seasonal changes in the composition of mail within a category. Even rain and
5 humidity can have an effect. Due to these problems, we are experimenting with
6 methods to eliminate weighing in the computation of FHP. But until the problems
7 are resolved, if Professor Roberts' analysis depends on any precision in FHP,
8 either in total or by season, I would be skeptical of his results.