



April 2016

# U.S. POSTAL SERVICE

## Post Office Changes Suggest Cost Savings, but Improved Guidance, Data, and Analysis Can Inform Future Savings Efforts

Accessible Version

# GAO Highlights

Highlights of [GAO-16-385](#), a report to congressional requesters

## Why GAO Did This Study

USPS continues to experience a financial crisis and has undertaken many initiatives to reduce costs. In May 2012, USPS announced POSTPlan, which aimed to reduce retail hours at post offices and use less costly labor. However, an arbitrator ruled in September 2014 that USPS must reverse several of these staffing changes. GAO was asked to review the arbitration decision's effects on POSTPlan staffing and cost savings.

GAO examined: (1) USPS's actions to implement POSTPlan before the decision and expected savings, (2) the decision's effects on POSTPlan's staffing and savings, and (3) whether USPS's POSTPlan cost-savings estimates are reliable. GAO reviewed relevant POSTPlan documentation and data; compared USPS's POSTPlan cost-savings estimating process to GAO's data reliability and cost-estimating guidance and internal control standards adopted by USPS; and interviewed officials from USPS, its regulatory body, and postmaster associations.

## What GAO Recommends

To ensure that USPS has quality information regarding POSTPlan, GAO recommends that USPS establish guidance that clarifies when to develop savings estimates using a rigorous approach; resolve errors in labor data and, as appropriate, recalculate actual savings achieved; and take steps to improve revenue analyses. USPS disagreed with some of GAO's findings but neither agreed or disagreed with the recommendations. GAO continues to believe its recommendations are valid as discussed further in this report.

View [GAO-16-385](#). For more information, contact Lori Rectanus at (202) 512-2834 or [rectanusl@gao.gov](mailto:rectanusl@gao.gov).

April 2016

## U.S. POSTAL SERVICE

### Post Office Changes Suggest Cost Savings, but Improved Guidance, Data, and Analysis Can Inform Future Savings Efforts

## What GAO Found

The U.S. Postal Service (USPS) had largely completed Post Office Structure Plan's (POSTPlan) implementation prior to a 2014 POSTPlan arbitration decision and expected millions in cost savings. Specifically, under POSTPlan, USPS planned to reduce hours at about 13,000 post offices (from 8- to 2-, 4-, or 6-hours of retail service a day) and to staff them with employees less costly than postmasters. Prior to the arbitration decision, USPS had reduced hours at most of these offices and taken steps to make the staffing changes. For example, it replaced many career postmasters with non-career or part-time employees by offering separation incentives or reassignments. In July 2012, USPS estimated POSTPlan would result in about \$500 million in annual cost savings.

USPS determined that, while the 2014 arbitration decision significantly affected planned staffing at POSTPlan post offices and estimated savings, POSTPlan was the correct operational decision for USPS and its stakeholders. The arbitrator ruled that many offices be staffed by bargaining-unit employees, such as clerks, rather than the generally less costly employees USPS had planned to use. As a result, USPS estimated in June 2015 that POSTPlan would now result in annual savings of about \$337 million or 35 percent less than the about \$500 million it expected.

USPS's original and post-arbitration decision estimates of expected POSTPlan cost savings have limitations that affect their reliability. USPS officials noted that they do not have strict guidance on when a rough savings estimate is adequate versus when a more rigorous analysis is appropriate. Specific limitations include:

- imprecise and incomplete labor costs, including errors in underlying data;
- lack of a sensitivity review; and
- the exclusion of other factors that affect *net* cost savings, particularly the potential impact of reduced retail hours on revenue.

For example, USPS's post-arbitration-decision estimate relies, in part, on its calculations of actual savings achieved due to POSTPlan. While POSTPlan most likely resulted in some savings, GAO found errors in the underlying salaries and benefits data used that may understate or overstate the amount of savings achieved. Additionally, while USPS later (i.e., after it developed its savings estimates) conducted analyses of changes in revenue, GAO found these analyses were limited because USPS's calculations of changes in revenue at POSTPlan and non-POSTPlan post offices were inconsistent with its definition of what constitutes a POSTPlan office. As of March 2016, USPS was taking steps to understand the scope and origin of the errors in its salaries and benefits data, but its time frame for resolving the issue remains unclear, as does whether USPS subsequently intends to update its calculations of actual savings achieved. Internal control standards state that program managers and decision makers need quality data and information to determine whether they are meeting their goals. Without reliable data and quality methods for calculating the potential savings USPS expects to achieve through its initiatives, the actual savings they achieve, and the effects on revenue, USPS officials and oversight bodies may lack accurate and relevant information with which to make informed decisions regarding future cost-saving efforts in a time of constrained resources.

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## Abbreviations

APWU	American Postal Workers Union
CBA	collective bargaining agreement
COSO	Committee of Sponsoring Organizations of the Treadway Commission
EPM	Evaluated Postmaster
FY	fiscal year
NAPUS	National Association of Postmasters of the United States
NLPM	National League of Postmasters of the United States
NTFT	Non-Traditional Full-Time
OMB	Office of Management and Budget
PMR	Postmaster Relief
POSTPlan	Post Office Structure Plan
PRC	Postal Regulatory Commission
PSE	Postal Support Employee
PTF	Part-Time Flexible
PTPO	part time post office
RIF	reduction in force
RMPO	remotely managed post office

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USPS

U.S. Postal Service

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April 29, 2016

The Honorable Jason Chaffetz  
Chairman  
Committee on Oversight and Government Reform  
House of Representatives

The Honorable Mark Meadows  
Chairman  
Subcommittee on Government Operations  
Committee on Oversight and Government Reform  
House of Representatives

The U.S. Postal Service (USPS) continues to experience a serious financial crisis with, as of fiscal year 2015, nine consecutive years of large net losses, about \$125 billion in unfunded liabilities,<sup>1</sup> no further authority to borrow from the U.S. Treasury,<sup>2</sup> and expected continued declines in mail volume that will affect revenue. The task of restructuring USPS to achieve sustainable financial viability has been on our list of high-risk areas since 2009, and we have reported that USPS urgently needs to restructure to align its costs with revenues.<sup>3</sup> To improve its financial condition while working to meet its statutory mission of providing prompt, reliable, and efficient service to all areas of the country,<sup>4</sup> USPS has

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<sup>1</sup>This amount includes USPS's outstanding debt (\$15 billion); and unfunded liabilities for retiree health benefits (\$54.8 billion), pensions (\$24.1 billion), workers' compensation (\$18.8 billion); and other miscellaneous liabilities (\$12.5 billion). It does not include assets including cash and noncurrent assets largely comprising property and equipment measured at historic purchase value after depreciation, which totaled \$24 billion in fiscal year 2015.

<sup>2</sup>39 U.S.C. § 2005(a). USPS reached its statutory borrowing limit of \$15 billion in 2012.

<sup>3</sup>GAO, *High-Risk Series: Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability*, [GAO-09-937SP](#) (Washington, D.C.: July 2009); *High-Risk Series: An Update*, [GAO-11-278](#) (Washington, D.C.: February 2011); *High-Risk Series: An Update*, [GAO-13-283](#) (Washington, D.C.: February 2013); and *High-Risk Series: An Update*, [GAO-15-290](#) (Washington, D.C.: February 2015).

<sup>4</sup>39 U.S.C. § 101(a).

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undertaken a number of initiatives to right-size its retail network.<sup>5</sup> In particular, in May 2012, USPS announced the Post Office Structure Plan (POStPlan) initiative, through which it aimed to reduce the retail hours at thousands of mostly small, rural post offices and staff them with lower paid employees. However, in response to a filed labor grievance, an impartial arbitrator ruled in September 2014 that USPS must reverse several of the planned staffing changes. You asked us to review the arbitration decision's effects on POStPlan staffing and estimated cost savings. This report examines (1) the actions USPS took to implement POStPlan before the September 2014 arbitration decision and the savings it estimated POStPlan would achieve, (2) the effect USPS determined the arbitration decision had on POStPlan staffing and cost savings, and (3) whether USPS's POStPlan cost-savings estimates are reliable and any limitations of the estimates.

To describe the POStPlan initiative, determine the actions USPS took to implement it before the September 2014 arbitration decision and to identify the effects USPS determined that the decision had on POStPlan staffing, we reviewed relevant laws, regulations, and USPS documentation, such as policies, procedures, and information submitted during the Postal Regulatory Commission's (PRC) 2012 POStPlan proceeding.<sup>6</sup> We also reviewed the arbitration decision and subsequent memorandums of understanding that further implemented it.<sup>7</sup> In addition, we obtained USPS data related to the arbitration decision and POStPlan implementation from 2012 to 2015 and interviewed USPS officials. We assessed the reliability of these data by comparing them to other information obtained from USPS and asking USPS officials questions about data sources, quality, and timeliness. We found these data reliable for the purpose of describing the progress and status of POStPlan before and after the arbitration decision. To obtain their views on POStPlan and the arbitration decision, we also reviewed documentation and interviewed officials from PRC and USPS's two postmaster associations—the

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<sup>5</sup>For example, USPS announced plans to reduce the network's footprint and introduce retail alternatives in 2002; introduced an initiative in 2009 that resulted in the closure of 131 facilities; and, in 2011, announced an initiative (which it ultimately did not implement) that would have evaluated almost 3,700 post offices for possible closure.

<sup>6</sup>PRC is an independent establishment of the executive branch that has regulatory oversight over USPS.

<sup>7</sup>American Postal Workers Union, AFL-CIO and U.S. Postal Service, No. Q11C-4Q-C 12243899 (Goldberg, 2014).

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National Association of Postmasters of the United States (NAPUS) and the National League of Postmasters of the United States (NLPM). For example, we reviewed PRC's 2012 advisory opinion on POSTPlan.<sup>8</sup> We also contacted the American Postal Workers Union (APWU), but APWU officials did not accept our invitation for a meeting.<sup>9</sup>

To determine the cost savings USPS originally estimated it would achieve through POSTPlan, the effect it estimated the arbitration decision had on savings, and the reliability and limitations of these estimates, we reviewed USPS's 2012 estimate of the cost savings it expected to achieve through POSTPlan and its 2015 estimate of the arbitration decision's impact on expected cost savings. Specifically, we obtained USPS documentation related to POSTPlan cost savings, interviewed USPS officials, and obtained documentation and interviewed officials from NAPUS, NLPM, and PRC to determine how USPS developed its estimates, the assumptions it used, the potential sources of uncertainty, the types of inputs included and omitted, and these stakeholders' views. We then assessed the reliability and soundness of these estimates using our guidance on assessing the reliability of data (the guidance defines data as including estimates—such as estimates of cost savings—and projections),<sup>10</sup> our cost-estimating guidance and that from the Office of

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<sup>8</sup>PRC, *Advisory Opinion on Post Office Structure Plan*, Docket No. N2012-2 (Washington, D.C.: Aug. 23, 2012), accessed April 2016, <http://www.prc.gov/dockets/doclist/N2012-2/Advisory-Opinion/>. Prior to making any changes (like POSTPlan) in the nature of postal services that are at least substantially nationwide in scope, USPS must request an advisory opinion from PRC. 39 U.S.C. § 3661(b), as implemented by 39 C.F.R. § 3001. 71 et seq.

<sup>9</sup>APWU represents clerks, maintenance employees, motor vehicle operators, and non-mail-processing professional employees.

<sup>10</sup>GAO, *Assessing the Reliability of Computer-Processed Data*, [GAO-09-680G](#) (Washington, D.C.: July 2009).

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Management and Budget (OMB),<sup>11</sup> and internal control standards adopted by USPS.<sup>12</sup> We reviewed these standards and guidance and then selected those practices that, in our professional judgment, were most relevant given that POSTPlan is an efficiency and cost-savings initiative and given USPS's financial condition. In particular, we assessed the estimates' accuracy, validity, completeness, and consistency; any use of sensitivity analyses; and consideration of net cost-savings factors. We also obtained USPS data on hourly pay rates in POSTPlan post offices pre- and post-arbitration decision; salaries and benefits paid, and walk-in revenue earned, at POSTPlan post offices for periods before (fiscal year 2011) and after (during fiscal year 2015) POSTPlan implementation; and actual cost savings achieved from fiscal year 2012 to June 2015 (the most recent data available at the time of our review) due to POSTPlan.<sup>13</sup> We assessed the reliability of these data by comparing them to other information obtained from USPS and asking USPS questions about data sources, quality, and timeliness, among other things. We found USPS's rate and revenue data reliable for the purpose of describing the hourly pay rates in POSTPlan post offices according to USPS and the changes in revenue at POSTPlan post offices. We discuss the limitations of USPS's salaries and benefits and actual savings achieved data in this report. It was beyond the scope of our review to assess whether POSTPlan was a prudent business decision. Appendix I describes our scope and methodology in greater detail.

We conducted this performance audit from May 2015 to April 2016 in accordance with generally accepted government auditing standards.

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<sup>11</sup>GAO, *Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*, [GAO-09-3SP](#) (Washington, D.C.: March 2009). We did not assess USPS's estimates against all of the standards in this cost-estimating guidance because some overlapped with our data reliability guidance and, thus, were duplicative, and others were not applicable to non-capital programs. Instead, we focused on sensitivity analysis because the guidance emphasizes that sensitivity analysis is a best practice in all estimates of costs. OMB, *Circular A-94: Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs* (Washington, D.C.: Oct. 29, 1992). We found OMB's cost-estimating guidance applicable because it contains tenets that are consistent with the management practices of leading organizations and is intended to help agencies ensure that the benefits of a program or activity are greater than the costs incurred to implement it.

<sup>12</sup>Committee of Sponsoring Organizations of the Treadway Commission (COSO), *Internal Control—Integrated Framework* (2013).

<sup>13</sup>Walk-in revenue is revenue earned at post office retail counters, including revenue from USPS's mobile point of sale devices.

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Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

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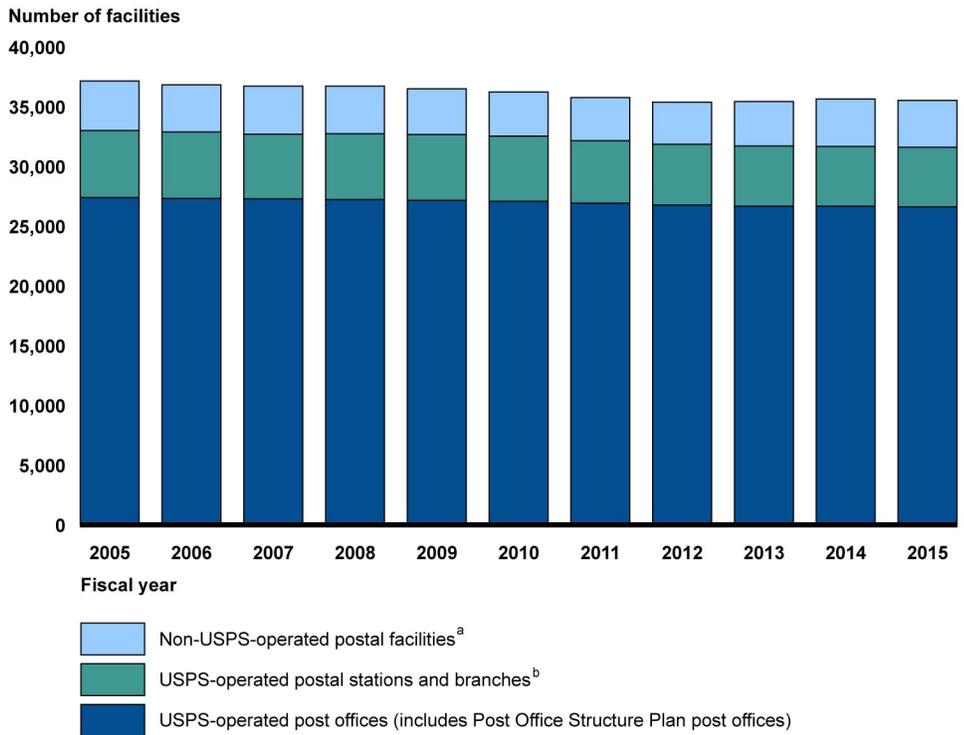
### The USPS Retail Network and Workforce

The most familiar part of USPS's retail network is the post office. In fiscal year 2015, there were approximately 26,600 post offices across the country, largely unchanged from fiscal year 2005 (see fig. 1). Post offices are a key part of USPS's revenue stream—accounting for about 56 percent of USPS's total retail revenue of about \$19 billion in fiscal year 2015.<sup>14</sup> Prior to the introduction of POSTPlan, post offices were each managed by postmasters. USPS also uses other facilities to provide key services, such as selling stamps.

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<sup>14</sup>In addition to revenue from post offices, total retail revenue includes revenue from alternate access channels, such as usps.com; self-service kiosks; non-USPS-operated postal facilities, such as Contract Postal Units; and USPS approved shippers and stamp retailers. USPS's total, overall, revenue in fiscal year 2015 was about \$69 billion.

**Figure 1: Number of Postal Retail Facilities, Fiscal Years 2005-2015**



Source: U.S. Postal Service (USPS) data. | GAO-16-385

<sup>a</sup>Non-USPS-operated postal facilities include Contract Postal Units and Village and Community Post Offices operated by non-postal employees in privately operated businesses, such as convenience and grocery stores.

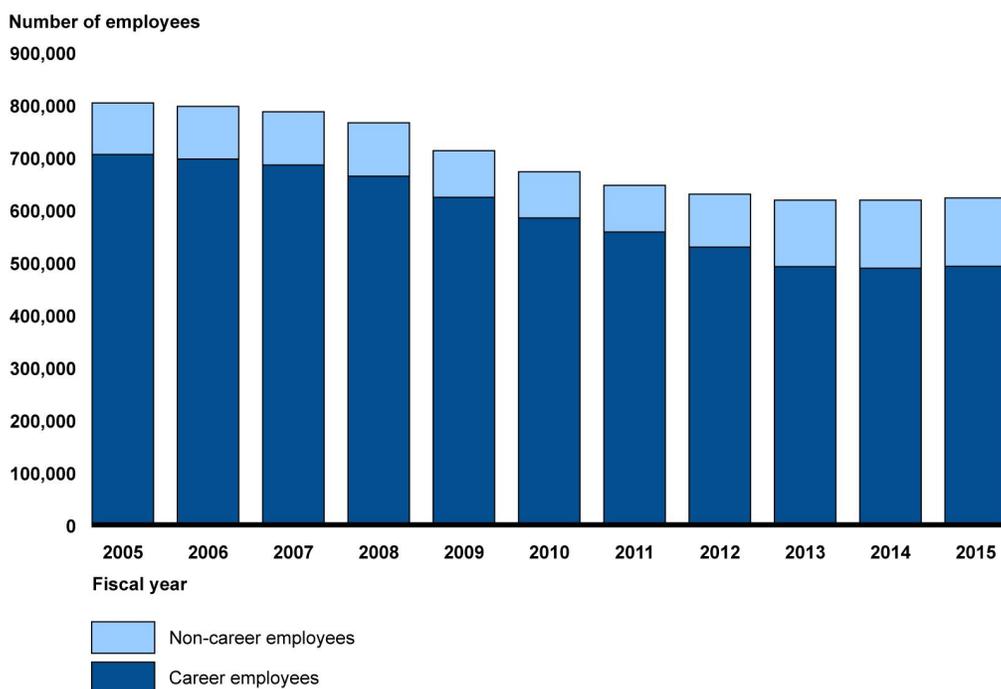
<sup>b</sup>Postal stations and branches are facilities subordinate to a local post office located within and outside, respectively, a municipality's corporate limits.

Over the past decade, the USPS workforce has declined and changed in composition, but continues to account for almost 80 percent of USPS's total operating costs (\$58 of \$74 billion in fiscal year 2015).<sup>15</sup> From fiscal years 2005 to 2015, USPS's workforce decreased from 803,000 to approximately 622,000 employees, or by about 23 percent (see fig. 2). During this period, career employees decreased (from approximately

<sup>15</sup>The personnel-related costs included in USPS's financial reports include compensation and benefits, workers' compensation, and retiree health-benefit premiums, which include the legally mandated prefunding of retiree health benefits.

704,700 to 491,900 or by about 30 percent), while non-career employees increased (from approximately 98,300 to 130,000 or by about 32 percent). Career positions—which are generally full time but also may be part-time—are eligible for annual and sick leave, health insurance, life insurance, and retirement benefits. Non-career employees supplement the career workforce and receive lower wages. They are not eligible for life insurance or retirement benefits, but some are eligible for specified types of health insurance upon hiring while others are eligible after serving at least 1 year.

**Figure 2: Number of U.S. Postal Service (USPS) Employees, Fiscal Years 2005-2015**



Source: USPS data. | GAO-16-385

About 90 percent of USPS’s career employees—and some types of non-career employees, such as Postal Support Employees—are covered by collective bargaining agreements and represented through unions.<sup>16</sup> APWU, one of USPS’s largest unions, represents over 200,000 USPS

<sup>16</sup>Postal Support Employees are employees hired by USPS for a period not to exceed 360 days (eligible for renewal).

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employees in the clerk, maintenance, motor vehicle, and support services employee “crafts.” The USPS-APWU 2010-2015 Collective Bargaining Agreement (CBA) contains various provisions that specify rules associated with the performance of bargaining-unit work (such as staffing the retail window and placing mail in customers’ post office boxes) by USPS employees. For example, the agreement specifies that USPS should assign new or revised positions that contain non-supervisory duties to the most appropriate employee craft and that USPS should consult with APWU before doing so.

Two associations represent USPS’s postmasters, who are not covered by CBAs: NAPUS and NLPM.<sup>17</sup> USPS is required to consult with these associations on planning, developing, and implementing certain programs and policies—like POSTPlan—that affect them.<sup>18</sup>

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## The POSTPlan Initiative

In May 2012, USPS announced the POSTPlan initiative. POSTPlan sought to right-size USPS’s retail network of—at the time—26,703 post offices. Generally, POSTPlan had two elements:

- reduce retail window service hours at some offices to better match actual customer use, and
- change the staffing arrangements at those offices to reduce labor costs.<sup>19</sup>

According to USPS officials, they informed APWU of POSTPlan in May 2012, after announcing the initiative.

To evaluate which offices may be appropriate for hour reductions, in December 2011, USPS analyzed the daily workload—as a proxy for

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<sup>17</sup>Effective November 1, 2016, NAPUS and NLPM will merge into a single postmaster association known as the United Postmasters and Managers of America.

<sup>18</sup>39 U.S.C. § 1004(b).

<sup>19</sup>Prior to POSTPlan, USPS had announced the Retail Access Optimization Initiative in July 2011, which could have resulted in the closure of almost 3,700 post offices. However, some postal stakeholders—such as PRC, NAPUS, NLPM, and some Members of Congress—expressed concerns with this initiative. USPS ultimately did not implement it, and POSTPlan reflected a determination by USPS to explore options to adjust its retail service without closing offices.

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customer use—at 17,728 offices.<sup>20</sup> Through this analysis, USPS determined that it could reduce hours at 13,167 of these offices from 8- to 2-, 4-, or 6-hours of retail service a day. Post offices are classified into “levels” and, under POSTPlan, these reduced-hour offices would be classified into a new set of levels that correspond with the number of hours of retail service they would provide per day (i.e., Level 2, Level 4, and Level 6). USPS also determined that the remaining 4,561 offices it analyzed should continue to provide 8 hours of retail service a day; USPS classified these offices as Level 18 offices.<sup>21</sup>

USPS planned for most of the reduced-hour offices to be managed remotely. That is, under POSTPlan, Level 2, 4, and 6 offices would be considered “remotely managed post offices” (RMPO) and they would report to a postmaster at a Level 18 or above “administrative” post office.<sup>22</sup> USPS created an exception for offices it considered especially isolated. These offices would not be remotely managed and would, instead, be called “part time post offices” (PTPO); all PTPOs would be Level 6 offices.<sup>23</sup> According to USPS officials, Level 2, 4, and 6 RMPOs and PTPOs are the “POSTPlan post offices;” Level 18 or above offices are not considered POSTPlan post offices.

USPS plans to review workloads at POSTPlan RMPOs annually and, based on these reviews, may increase or decrease the number of hours of retail service at these offices. USPS also plans to review the workload at the Level 18 and above offices through USPS’s separate, pre-POSTPlan processes, and based on the results, USPS may designate any

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<sup>20</sup>Specifically, USPS analyzed workload data from fiscal year 2011 at certain offices that according to USPS, were selected because the level of retail activity at the offices indicated that they could continue to serve customer needs with reduced retail hours. USPS did not analyze the other 8,975 post offices as part of POSTPlan. In USPS’s analysis, the daily workload represented the sum total of employee hours spent performing mail and post office box distribution, retail sales, and administrative functions, such as personnel and time and attendance work.

<sup>21</sup>USPS classifies non-reduced-hour offices into numerical levels based on a system that links the responsibilities and workload at each office to the salary of its postmaster. Prior to POSTPlan, there were already 4,100 Level 18 offices. These 4,100 offices were originally part of the 8,975 offices that USPS did not analyze as part of POSTPlan.

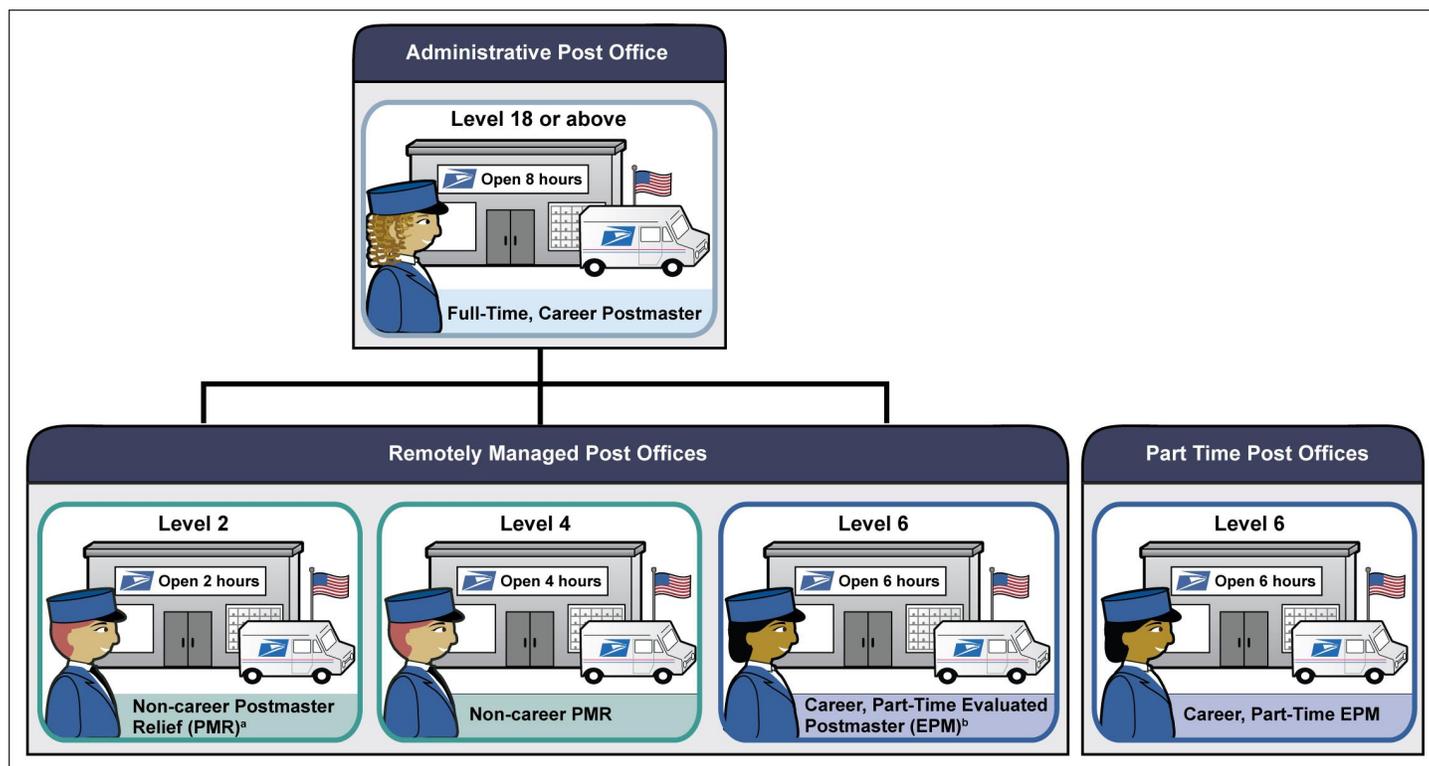
<sup>22</sup>In addition to Level 18, non-reduced-hour post offices may also be Levels 19, 20, 21, 22, 23, 24, 25, or 26.

<sup>23</sup>Generally, USPS decided that offices further than 25 miles from a neighboring office would be considered especially isolated.

qualifying office a POSTPlan post office and reduce its hours accordingly if its workload justifies a reduction in hours.<sup>24</sup>

Regarding the staffing arrangements at these offices, USPS planned to replace career postmasters in the POSTPlan post offices with less costly non-career or part-time employees, as shown in fig. 3. Level 18 offices would continue to be staffed by career, full-time postmasters.

**Figure 3: U.S. Postal Service's (USPS) Post Office Structure Plan (POSTPlan) Staffing Arrangements as Originally Proposed in May 2012**



Source: GAO based on USPS information. | GAO-16-385

<sup>a</sup>PMRs are employees who serve as a relief or leave replacement during the absence of a postmaster in certain post offices.

<sup>b</sup>EPMs are career postmasters employed by USPS in a capacity that is less than full time.

<sup>24</sup>USPS conducts these non-POSTPlan reviews when the postmaster position at an office becomes vacant, when the postmaster of an office believes the office's revenue or workload has increased or decreased to such a degree that a review is warranted, or at least once every 3 years.

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On July 9, 2012, APWU filed a labor grievance claiming the changes introduced by POSTPlan violated provisions of the USPS-APWU 2010-2015 CBA. USPS officials said they had the authority to modify the POSTPlan initiative during the grievance procedure but decided to proceed with POSTPlan implementation because they believed it was the proper operational decision for its customers, employees, and USPS. As a result, USPS continued with POSTPlan implementation until September 2014, when—as discussed later in this report—an independent arbitrator issued a decision that resolved the grievance.

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## USPS Had Largely Completed POSTPlan Implementation Prior to the Arbitration Decision and Expected Total Cost Savings of \$500 Million Annually

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### USPS Took Steps to Modify Retail Hours and Staffing at Most POSTPlan Post Offices

Prior to the issuance of the POSTPlan arbitration decision in September 2014, USPS had taken steps to reduce hours at almost three-quarters of POSTPlan post offices. After announcing POSTPlan in May 2012, USPS began implementation by reviewing its determinations on: (1) which offices would have reduced hours, (2) which were considered especially isolated, (3) which would be reclassified as Level 18, and (4) which would become administrative offices. In July 2012, USPS finalized those decisions and communicated the results to relevant field personnel, who had the opportunity to advise on any potential concerns that could not be identified at the USPS headquarters level.<sup>25</sup> In September 2012, USPS began surveying residents of the affected communities to give them an

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<sup>25</sup>USPS's field structure consists of area and district offices. Each district office reports to a designated area office, which, in turn, reports to USPS headquarters.

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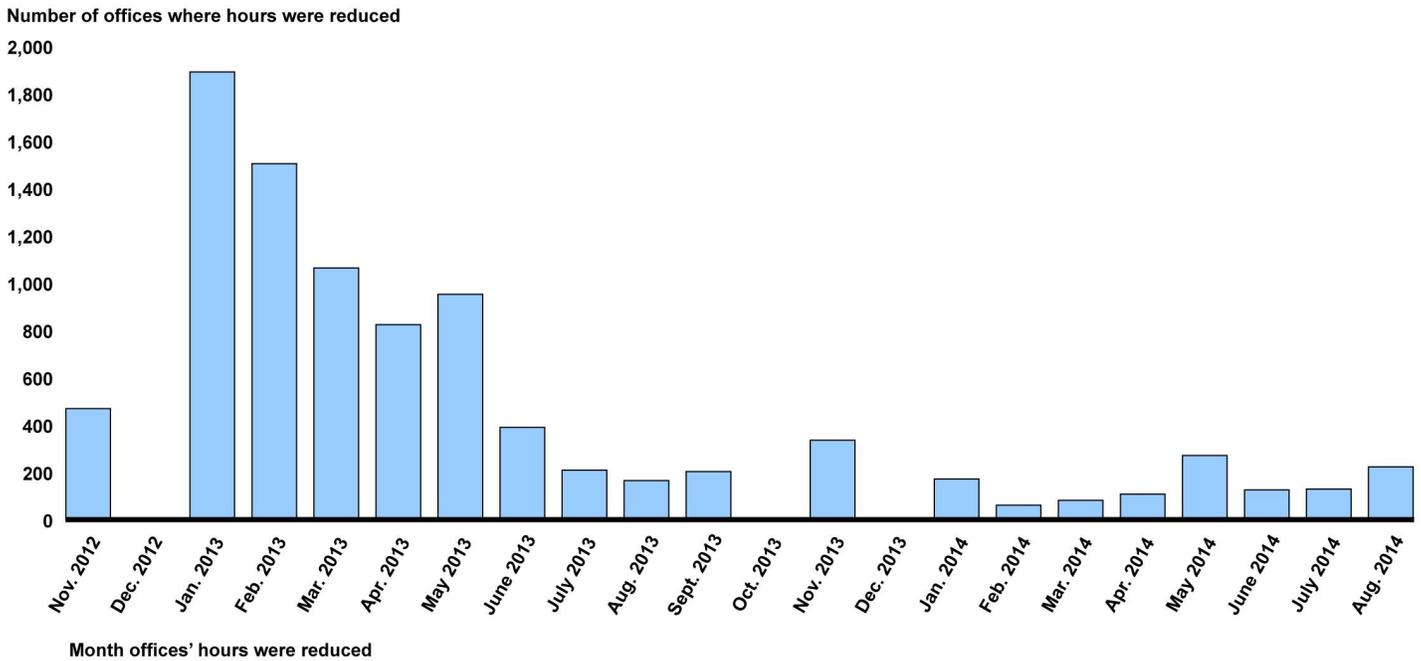
opportunity to provide input before reducing their office's hours.<sup>26</sup> The survey asked whether they preferred USPS continue with its plan to reduce hours or whether they preferred USPS close their office and institute alternatives, such as relocating post office box service to a nearby office. In October 2012, USPS began holding meetings in the communities to communicate the survey results and consider feedback. Thereafter, USPS continued to conduct meetings and reduce hours at offices on a rolling basis, with the first reductions occurring in November 2012 and most occurring within the first year of POSTPlan's announcement (see fig. 4). Specifically, from November 2012 through August 2014, USPS reduced hours at 9,159 post offices, or at about 72 percent of the almost 12,800 that would ultimately have hours reduced under POSTPlan.<sup>27</sup>

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<sup>26</sup>According to USPS POSTPlan planning documentation, USPS sent the survey to all addresses serviced by the post offices under consideration, and customers could also request surveys at the post office's retail counter.

<sup>27</sup>Between September 2014 and February 2015, USPS completed reducing hours at approximately 3,600 POSTPlan post offices and—although USPS officials consider POSTPlan fully implemented as of February 2015—at 1 additional office in May 2015. According to USPS data as of August 17, 2015, there are 1,836 Level 2 RMPOs, 6,671 Level 4 RMPOs, 3,882 Level 6 RMPOs, and 406 Level 6 PTPOs. As of this same date, there are 8,599 Level 18 offices. These numbers differ from those originally announced in May 2012 because, based on re-evaluations of workload at POSTPlan and Level 18 post offices that USPS conducted throughout POSTPlan implementation, some offices' hours—and thus Level—have increased or decreased. USPS has put additional re-evaluations on hold and would not implement additional changes until fiscal year 2017.

**Figure 4: Implementation of the U.S. Postal Service (USPS) Post Office Structure Plan at Post Offices through August 2014**



Source: USPS data. | GAO-16-385

According to USPS officials, they implemented POSTPlan on a rolling basis to make building modifications to some offices (to ensure that customers could maintain access to their post office box even with reduced hours) and to minimize the effect on POSTPlan-affected postmasters. For example, implementing POSTPlan on a rolling basis allowed affected postmasters more time to find reassignment opportunities, as described below.

In addition to reducing hours at over 9,000 of the POSTPlan post offices, USPS simultaneously took steps to make the necessary staffing changes and provide options for postmasters to separate from USPS or be reassigned to other positions ahead of a planned “reduction in force” (RIF). USPS announced a \$20,000 separation incentive offer for all postmasters in May 2012, followed by a \$10,000 offer in July 2014 to those POSTPlan-affected postmasters who did not accept the first incentive offer. In May 2012, USPS also began periodically posting vacancies that POSTPlan-affected postmasters could apply to, such as positions that became available as postmasters retired through the May 2012 separation incentive. Postmasters in offices set to become Level 6 offices could also opt to remain in their office and accept a demotion to

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the new, part-time position. According to USPS officials, as postmasters separated from USPS or accepted reassignments, USPS filled the positions according to its new POSTPlan staffing arrangements. USPS initially intended to complete POSTPlan implementation by September 2014, with any POSTPlan-affected postmasters who had not separated from USPS or been reassigned to an alternate position as of this date to be separated via RIF. However, USPS extended this deadline twice during implementation—first to January then February of 2015—in order to, according to USPS officials, find reassignment opportunities for as many POSTPlan-affected postmasters as possible. By September 2014, about 4,100 POSTPlan-affected postmasters had separated from USPS<sup>28</sup> and about 5,800 had been reassigned to a different position.<sup>29</sup>

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**USPS Estimated Cost Savings of about \$500 Million Annually Following Full POSTPlan Implementation**

In July 2012, USPS estimated it would achieve \$516 million annually in labor cost savings once POSTPlan had been fully implemented for a complete year (that is, once retail hours had been adjusted in all POSTPlan post offices). Given that USPS originally intended to complete implementation by September 2014, this means the program would have been implemented for a complete year in September 2015, with full annual cost savings beginning in fiscal year 2016.

To develop this estimate, USPS calculated “before POSTPlan” and “after POSTPlan” labor costs at the approximately 13,000 POSTPlan post offices and at the Level 18 offices using average salary and benefits data as of pay period 6 of fiscal year 2012. To arrive at the “before POSTPlan” labor cost, USPS multiplied the number of post offices at each applicable, pre-POSTPlan office level by the average salary and benefits that career postmasters at those levels earn, then totaled the results. To arrive at the “after POSTPlan” labor cost, USPS multiplied the number of offices at each post-POSTPlan office level by the projected salary and benefits it expected for employees that would staff those offices (based on the new POSTPlan staffing arrangements) then totaled the results. The \$516

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<sup>28</sup>Of the about 4,100 that separated, about 2,800 did so through the May 2012 incentive offer and the remaining approximately 1,300 did so through other means, such as employee death, removal, disability retirement, or transfer to another federal agency.

<sup>29</sup>Additional POSTPlan-affected postmasters that had not separated or been reassigned prior to the decision did so by the February 2015 deadline. Specifically, about 1,900 separated and about 1,500 were reassigned. Of the about 1,900 who separated, about 1,400 did so through the July 2014 incentive offer (which became effective September 30, 2014), about 450 did so through the RIF, and the remainder did so through the other means described above.

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million represents the difference between these “before” and “after” calculations. In June 2015, USPS revised this original estimate to \$518 million in annual labor cost savings based on: (1) the actual savings it estimated it achieved from fiscal years 2012 to 2014, (2) the remaining savings it expected to achieve from offices whose hours had been reduced in the prior year, and (3) the savings it expected to achieve from offices whose hours had not yet been reduced.

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## USPS Determined the 2014 Arbitration Decision Significantly Affected POSTPlan Staffing and Expected Cost Savings

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### The Arbitration Decision Changed Planned Staffing at About 82 Percent of POSTPlan Post Offices

On September 5, 2014, an impartial arbitrator resolved APWU’s POSTPlan grievance and ruled that the staffing changes introduced by POSTPlan violated certain provisions of the USPS-APWU 2010-2015 CBA, and that USPS must reverse several of these changes.<sup>30</sup> The arbitrator agreed with APWU’s argument that, under POSTPlan, employees in Level 4 and 6 RMPOs were no longer performing any managerial or supervisory work and also that the work was clerical in nature and should be assigned to bargaining-unit employees.<sup>31</sup> As a result, according to USPS officials, the arbitration decision significantly changed staffing in these offices, which account for about 82 percent of POSTPlan post offices as of August 2015, by awarding all non-bargaining-unit positions in them to APWU-represented employees. The arbitrator’s decision on staffing in Level 4 RMPOs also affected the resolution of a

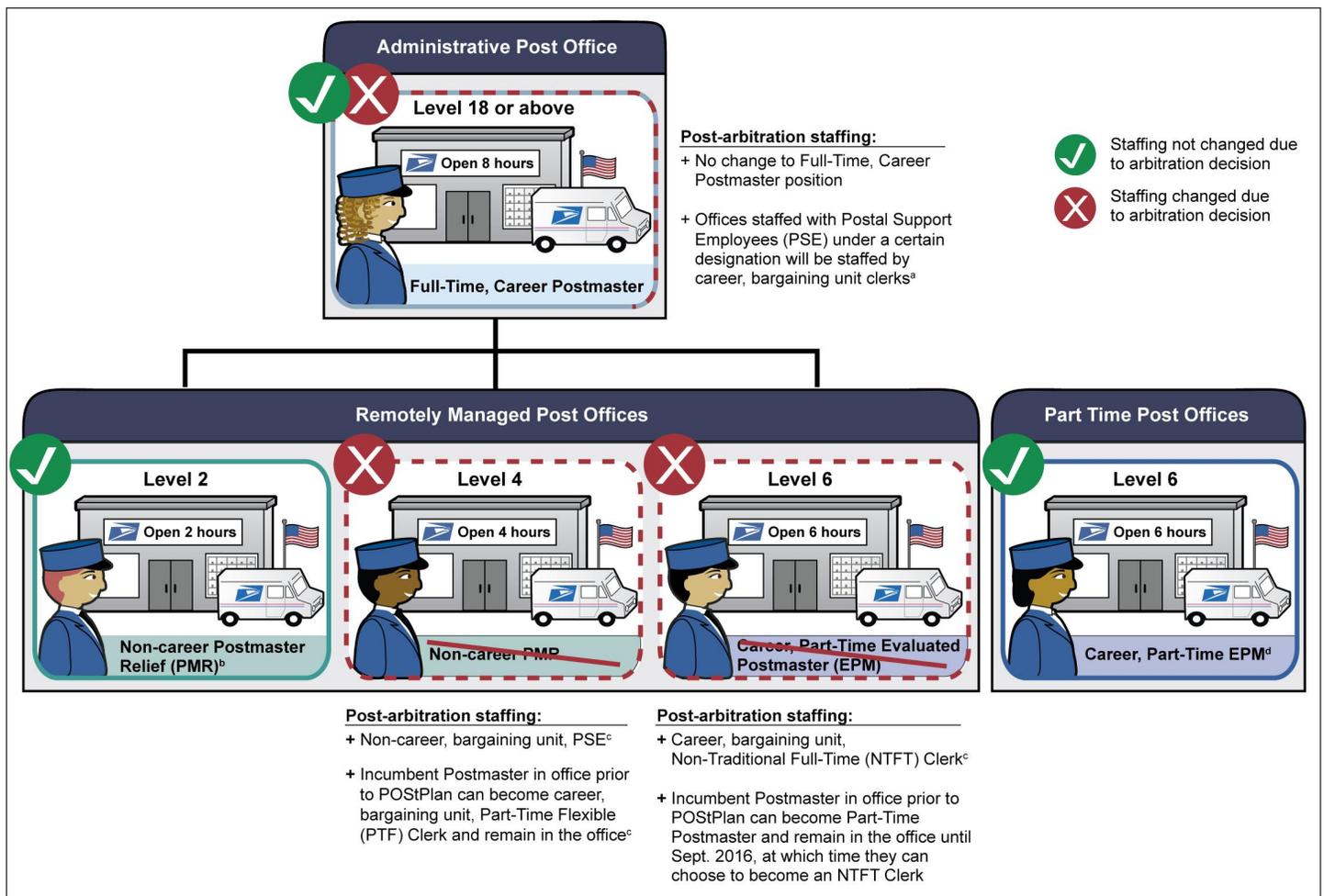
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<sup>30</sup>Specifically, the arbitrator ruled that staffing under POSTPlan violated the following two provisions of the CBA: (1) each newly created or revised position that contains non-managerial and non-supervisory duties shall be assigned to the most appropriate craft unit and (2) when non-managerial or non-supervisory work which was being performed by supervisors is no longer performed by supervisors, it must be assigned to clerk craft employees.

<sup>31</sup>Regarding Level 2 RMPOs, the arbitrator noted that the majority of employees in Level 2 RMPOs never performed any supervisory work. The staffing of PTPOs was not at issue in the filed grievance.

separate dispute. Specifically, in the POSTPlan arbitration decision, the arbitrator also ruled on a dispute regarding the type of work assignments that staff in Level 18 offices could perform, finding certain Level 18 offices must be staffed by a career employee (see fig. 5). USPS continued to modify hours at POSTPlan post offices as these changes were taking place. According to USPS officials, subsequent memorandums of understanding between USPS and APWU mitigated some of what the officials believe could have been potentially negative effects of the arbitration decision.

**Figure 5: U.S. Postal Service's (USPS) Post Office Structure Plan (POSTPlan) Staffing Arrangements after the September 2014 POSTPlan Arbitration Decision**



Source: GAO based on USPS information. | GAO-16-385

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<sup>a</sup>Because postmasters in Level 18 offices are not authorized to perform more than 15 hours per week of bargaining-unit work, USPS must staff these offices with either PTF or NTFT clerks who will perform any bargaining-unit work in excess of this limit.

<sup>b</sup>PMRs are employees who serve as a relief or leave replacement during the absence of a postmaster in certain post offices.

<sup>c</sup>PSE, PTF, and NTFT are categories of employees who are available to work flexible hours as assigned by USPS.

<sup>d</sup>EPMs are career postmasters employed by USPS in a capacity that is less than full-time.

According to USPS officials as of February 2016, staffing changes related to POSTPlan and the arbitration decision are complete. USPS, NAPUS, and NLPM officials told us that managing employee work rules under the post-arbitration staffing arrangements is more complex than under the original POSTPlan staffing arrangements. They noted that this is because each employee category has different work rules to manage and there were fewer employee categories under the original POSTPlan staffing arrangements.<sup>32</sup>

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### USPS Estimated the Arbitration Decision Will Reduce Originally Expected Cost Savings by Over a Third

USPS estimated that, due to the arbitration decision, annual POSTPlan cost savings will be lower than originally expected. Specifically, in June 2015, USPS estimated that the decision will reduce estimated annual cost savings by \$181 million, which is approximately 35 percent less than the revised estimate of \$518 million. As a result, USPS projected that POSTPlan will now result in total annual labor cost savings of about \$337 million.

To develop the estimate of the impact from the arbitration decision, USPS used a slightly different approach than it had used to develop its original cost-savings estimate. Specifically, USPS calculated the difference between the hourly salary and benefit rates for employees in the Level 4 and 6 POSTPlan post offices under the original, pre-arbitration POSTPlan staffing arrangements and under the post-arbitration POSTPlan staffing arrangements. It then multiplied the rate differences by the total hours worked per year at the applicable offices and totaled the results. This resulted in a difference of \$181 million. USPS then subtracted the \$181 million from the \$518 million in annual savings it expected to achieve to arrive at the revised estimated annual savings of \$337 million. According

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<sup>32</sup>Work rules are the rules governing an employee's wages, hours, and working conditions and how USPS can deploy its employees. Work rules are often incorporated into CBAs as contract provisions. For example, these provisions specify such things as who is assigned to perform overtime work.

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to USPS officials, USPS developed this estimate using a different approach from its original POSTPlan cost-savings estimate because the arbitration decision resulted in a new labor type and rate and USPS believed this was the most logical method to factor in the arbitrator's decision.

USPS attributes the reduced cost savings to the higher compensation employees receive in the POSTPlan post offices under the post-arbitration decision staffing arrangements relative to the compensation these employees would have received under the original, pre-arbitration, staffing arrangements, as shown in fig. 6.

**Figure 6: U.S. Postal Service's (USPS) Post Office Structure Plan (POSTPlan) Employee Compensation before and after the September 2014 POSTPlan Arbitration Decision**

POSTPlan post office category	Staffing	Minimum & maximum hourly rate with benefits, as of August 2015	Fiscal year 2015 actual average hourly rate with benefits
<b>Remotely Managed Post Office</b>			
Level 2	Postmaster Relief (PMR)	\$13.42 – \$21.70	\$14.87
	No change to staffing due to arbitration		
Level 4	PMR	\$13.42 – \$21.70	\$14.87
	Postal Support Employee (PSE)	N/A	\$18.16
	Part-Time Flexible (PTF) Clerk	\$34.48 – \$44.69 (Tier 1) <sup>a</sup> \$26.53 – \$36.18 (Tier 2)	\$44.67 (Tier 1) \$27.78 (Tier 2)
Level 6	Evaluated Postmaster (EPM)	\$14.81 – \$21.70	\$21.17 <sup>b</sup>
	Non-Traditional Full-Time (NTFT) Clerk	\$35.47 – \$49.02 (Tier 1) \$27.27 – \$40.52 (Tier 2)	\$45.03 (Tier 1) \$28.87 (Tier 2)
	Incumbent, Part-Time Postmaster	\$13.42 – \$33.29	\$32.59 <sup>c</sup>
<b>Part Time Post Office</b>			
Level 6	EPM	\$14.81 – \$21.70	\$21.17
No change to staffing due to arbitration			

Originally proposed POSTPlan staffing arrangements
  Post-arbitration POSTPlan staffing arrangements

Source: GAO based on USPS information. | GAO-16-385

<sup>a</sup>USPS divides PTF and NTFT employees into two tiers based on when they were converted from non-career to career employees.

<sup>b</sup>Although not part of the originally proposed POSTPlan staffing arrangements, according to USPS officials some PSEs also staffed these offices prior to the arbitration decision, and PSEs' fiscal year 2015 actual average hourly rate with benefits was \$18.16.

<sup>c</sup>This is an estimated rate calculated by USPS officials because USPS did not have specific categories of this data in its system.

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USPS officials told us that while the arbitration decision reduced the cost savings it expected to achieve, POStPlan was still the correct operational decision for USPS and its stakeholders.

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## Limitations Affect the Reliability of USPS's POStPlan Cost-Savings Estimates and the Accuracy of Actual Savings Achieved

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### USPS Estimates of Expected Cost Savings Have Limitations That Affect Reliability, Including Data Errors That Affect the Accuracy of Calculations of Actual Savings Achieved

We reviewed USPS's 2012 original POStPlan cost-savings estimate and 2015 estimate of the arbitration decision's impact on cost savings and found that while POStPlan most likely resulted in some cost savings, the estimates have limitations that affect their reliability. Specifically, the limitations include: (1) imprecise and incomplete labor costs, including errors in the underlying data that affect the accuracy of calculations of actual savings achieved; (2) lack of a sensitivity review; and (3) the exclusion of other factors that would be necessary to consider the net cost savings of the POStPlan initiative, particularly the potential impact of reduced hours on retail revenue.

### Imprecise and Incomplete Labor Costs

Our guidance on assessing data reliability states that reliable data, which include estimates and projections, can be characterized as being accurate, valid, and complete.<sup>33</sup> For example, accurate data appropriately reflect the actual underlying information, valid data actually represent what is being measured, and complete data appropriately include all relevant information. Data should also be consistent, a subset of accuracy. Consistency can be impaired when there is an inconsistent interpretation of what data should be entered. Internal control standards adopted by USPS also state that program managers and decision makers

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<sup>33</sup>[GAO-09-680G](#).

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need complete and accurate data to determine whether they are meeting their goals, and that they should use quality information to make informed decisions and evaluate an entity's performance in achieving key objectives and addressing risks.<sup>34</sup> These standards also note that the ability to generate quality information begins with the data used.

While USPS's original estimate of the savings it expected to achieve from POSTPlan clearly states that it accounts for labor costs only, we found that the salary and benefits information that USPS used to calculate these labor costs was imprecise, and this imprecision contributes to inaccuracies in the estimate. For example:

- When calculating the “before POSTPlan” labor costs, USPS used average postmaster salaries and benefits and, when calculating the “after POSTPlan” costs, sometimes used the salary and benefits of newly hired postmasters and in other instances used the salary and benefits of incumbent postmasters. In a POSTPlan advisory opinion, PRC noted that using an average postmaster salary is imprecise; that salaries at post offices vary, on average, by as much as \$20,000 from the lowest to the highest salary; and that these variations can add up considerably when thousands of offices are considered.<sup>35</sup>
- Although USPS used average postmaster salaries and benefits for the “before POSTPlan” labor costs, approximately 3,100 of the post offices included in the calculation were not being staffed by postmasters. These offices were being staffed by other types of employees, such as non-postmasters designated as “Officers in Charge,” whose salaries were generally lower. In the POSTPlan advisory opinion, PRC estimated that if it assumed salaries at these offices were at a level more representative of these other types of employees, the annual cost savings would be \$386 million, not \$516 million.
- In July 2012, USPS testified to PRC that about 60 percent of the postmasters at the would-be POSTPlan post offices were eligible to retire, and therefore at the higher-end of their pay range. Relatedly, when calculating the “after POSTPlan” labor costs at would-be Level 18 offices, USPS assumed that postmasters in those offices would receive the average Level 18 postmaster salary, rather than the

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<sup>34</sup>COSO, *Internal Control—Integrated Framework*.

<sup>35</sup>PRC, *Advisory Opinion on Post Office Structure Plan*.

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minimum salary for that grade, a difference of as much as \$25,000. In the POSTPlan advisory opinion, PRC explained that this may have overstated these costs and estimated that if these assumptions were corrected, the annual cost savings would be \$704 million, not \$516 million.

- USPS included about 100 post offices that were actually closed or suspended in its calculation of labor costs despite stating that suspended offices were not part of POSTPlan, that it would not re-visit closed offices' status, and that there were no plans to reopen these offices. In its POSTPlan advisory opinion, PRC estimated that the cost savings would be \$513 million, not \$516 million, if USPS excluded these offices.

Similar to the original POSTPlan cost-savings estimate, USPS's estimate of the arbitration decision's impact on cost savings has limitations related to imprecise labor costs, which, as noted above, contribute to inaccuracies. For example:

- USPS used a single, proxy employee category and hourly rate to represent all employees under the pre-arbitration POSTPlan staffing arrangements, rather than the actual different rates these employees would have received, as described above. USPS used this proxy although it had the actual rates, and none of the actual rates matched the proxy rate.
- USPS included all Level 6 post offices and their associated positions' labor costs in its estimate. However, the arbitration decision did not affect the Level 6 PTPOs. This is inconsistent with how USPS treated Level 2 RMPOs in the estimate. These RMPOs were also not affected by the arbitration decision. Removing the Level 6 PTPOs from the estimate reduces the impact from about \$181 million to about \$170 million, meaning the revised savings would have been \$348, not \$337, million.
- USPS's post-arbitration decision estimate of \$337 million in expected annual cost savings relies, in part, on USPS calculations of actual savings achieved due to POSTPlan, but the accuracy of these actual savings calculations may be limited by errors in the underlying salaries and benefits data used to develop them. As described above, to arrive at \$337 million, USPS subtracted the \$181-million impact it calculated from the revised estimate of \$518 million it developed in June 2015. Also as noted above, USPS developed that \$518 million estimate in part by considering the actual savings it achieved from

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fiscal years 2012 to 2014. However, we found errors in USPS's salaries and benefits data that, according to USPS officials as of March 2016, may have been caused by employees' workhours being incorrectly recorded when employees worked in more than one office.<sup>36</sup> We found that these errors would result in some offices' salaries and benefits being understated, and others being overstated.<sup>37</sup> While understated and overstated costs at individual offices would likely offset each other in aggregate (i.e., when costs at all offices, either POSTPlan or non-POSTPlan, were considered), they do not offset when analyzing costs at just POSTPlan post offices.<sup>38</sup> Given that according to USPS, its calculations of actual savings achieved consider costs at POSTPlan—but not non-POSTPlan—offices, the calculations may be limited by these errors. Additionally, according to USPS as of October 2015, thus far it has saved \$306 million in labor costs from fiscal year 2012 to June 2015 as a result of POSTPlan. Although POSTPlan most likely resulted in cost savings because of the overall reduction in work hours at thousands of post

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<sup>36</sup>We realized these errors as we attempted to analyze salaries and benefits paid in POSTPlan post offices, by office level, for a period before and after POSTPlan implementation using data provided by USPS. See appendix I for detail regarding these data. In analyzing these data, we found that some offices were recorded as having paid a negative amount in salaries and benefits to certain categories of employees, and some offices were recorded as having paid a negative amount office-wide when combining these employee categories. USPS officials explained that they believe these negative amounts were due to the use of incorrect employee category codes during the manual recording of workhour transfers from one office to another—that is, when an employee that normally works at one office works some hours at different offices. Because the use of an incorrect employee code could be accounting for costs at an incorrect labor rate, the labor costs at both the office that “borrowed” the employee and the office that “lent” the employee could be incorrect. USPS officials acknowledged that a significant amount of this borrowing and lending of employees across offices occurs, and thus it is possible that additional errors exist but were not noticeable because the amounts, while understated or overstated, did not appear as negative. While the original analysis through which we encountered this error included fiscal year 2011 and 2015 data, we subsequently also found similar errors in the fiscal year 2012 to 2014 data used in USPS's calculations of actual POSTPlan cost savings achieved.

<sup>37</sup>Despite these recording errors, USPS officials told us that all employees were paid the correct amounts.

<sup>38</sup>This is the case because, according to USPS officials, it is possible the employee transfers may have occurred among both POSTPlan and non-POSTPlan offices. Understated and overstated costs at individual offices also do not offset when analyzing costs by office level since, according to USPS officials, these transfers occurred among offices of different levels.

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offices, the accuracy of these calculated savings may also be limited by these errors.

USPS's calculation of labor costs in both its original and post-arbitration decision estimates was also incomplete. A full estimate of labor costs might have included additional labor cost elements. For example:

- USPS's original estimate did not include costs associated with the addition of supervisors at the Level 18 or above offices that remotely manage the POSTPlan post offices due to their increased supervisory workload. Specifically, according to USPS officials, USPS added about 320 such positions, though not all as a result of POSTPlan, and the average hourly pay for supervisors as of August 2015 was \$48.73.<sup>39</sup>
- USPS's original estimate did not include one-time labor costs associated with separation incentives USPS offered to postmasters. According to USPS officials, acceptance of these separation incentives by POSTPlan-affected postmasters cost USPS about \$69 million.
- USPS's estimate of the arbitration decision's impact on cost savings excluded the potential cost impact of staffing changes in Level 18 post offices. Although USPS officials have stated that Level 18 offices are not part of POSTPlan, the arbitration decision and a September 2014 memorandum of understanding that further implemented it required that a certain type of position staffing Level 18 offices be changed to a bargaining-unit clerk position.

No Sensitivity Analysis  
Conducted

Our cost-estimating best practices state that sensitivity analysis should generally be conducted when estimating costs, especially if changes in key assumptions would likely have a significant effect on the estimate.<sup>40</sup>

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<sup>39</sup>Similarly, USPS's original estimate did not include payments associated with "saved salary" offers USPS made to employees. Specifically, USPS allowed some POSTPlan-affected postmasters who accepted demotions to keep their pre-POSTPlan salaries and benefits, rather than downgrading their pay according to the new POSTPlan staffing arrangements. According to USPS officials, it authorized saved salary for about 1,000 employees during POSTPlan implementation; as of August 5, 2015, 656 employees continue to receive it, and saved salary is authorized until the end of fiscal year 2016. However, USPS told us that these salary payments were not included because they were not planned at the inception of the POSTPlan initiative.

<sup>40</sup>[GAO-09-3SP](#).

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Sensitivity analyses identify a range of possible cost estimates by varying major assumptions, parameters, and inputs to enable an understanding of the impact altered assumptions have on estimated costs. This can also help managers and decisions makers identify risk areas and relevant program alternatives. Since uncertainty cannot be avoided, it is necessary to identify the elements that represent the most risk, which can be done through sensitivity analysis.

In developing its estimates, USPS did not conduct a sensitivity analysis to determine what would happen to estimated costs and savings should key assumptions it was making under POSTPlan vary. For example, USPS officials told us that they recognized the possibility that APWU would challenge the planned staffing arrangements at POSTPlan post offices. Despite this statement, in its original cost-savings estimate, USPS did not analyze the sensitivity of POSTPlan labor costs to alternative staffing arrangements that might have been more in line with APWU's views on the staffing provisions specified in the USPS-APWU 2010-2015 CBA. USPS officials explained that they believed that savings associated with reduced hours at POSTPlan post offices would significantly outweigh any reduction in savings should an arbitrator rule in APWU's favor. Similarly, USPS did not analyze the sensitivity of its estimated savings to possible changes in the benefits offered to USPS employees. For example, when calculating the salary and benefits of Postmaster Reliefs (PMR)—the employees expected to staff Level 2 and 4 RMPOs—USPS assumed that the only benefit they were eligible for was 1 hour of annual leave for every 20 hours worked.<sup>41</sup> However, in 2014, USPS began providing health coverage for PMRs who meet the requirements of the 2009 Affordable Care Act. Additionally, in both its estimates, USPS did not consider that staffing at offices may continue to change based on the workload re-evaluations it plans to conduct. For example, under the original POSTPlan staffing arrangements, a Level 4 RMPO staffed by a PMR earning \$14.87 per hour could become a Level 6 RMPO staffed by a part-time postmaster earning \$21.17 per hour if, after a re-evaluation of the office's workload, USPS determines that the office's workload has increased enough to justify a Level 6 classification. Thus, the number of offices at each level might continue to increase or decrease year after year. This also means that although USPS refers to its estimates as estimates of the "annual" savings it will achieve upon full POSTPlan implementation, only a

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<sup>41</sup>PMRs are employees who serve as a relief or leave replacement during the absence of a postmaster in certain post offices.

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Exclusion of Potential Impact  
on Revenue

single-year estimate of savings can be produced at any given time, unless and until estimates of potential staffing changes in future years can be made.

OMB cost-estimating guidance states that agencies should determine whether an activity's benefits (savings) also take into account the costs incurred to implement it.<sup>42</sup> That is, the guidance suggests that it is the *net* benefit, or in this case, the *net* cost savings that should be considered. However, USPS's estimate did not include certain factors that could affect the net cost savings of the POSTPlan initiative. In particular, USPS's original estimate did not include an analysis of the extent to which reduced hours at POSTPlan post offices could affect revenue at those offices and across USPS. That is, it did not fully consider any offsetting financial losses that should be weighed against estimated savings.<sup>43</sup>

In July 2012, USPS testified to PRC that it did not anticipate losing revenue due to POSTPlan, though it had not conducted a financial analysis to support this statement. Specifically, as described below, USPS expected any revenue lost at POSTPlan post offices to be absorbed elsewhere. Despite this assumption, in its POSTPlan advisory opinion, PRC stated that it was concerned that reduced retail hours may lead to reduced revenue and recommended that USPS undertake a post-implementation review of POSTPlan to measure changes in revenue at POSTPlan post offices. In September 2015, we asked USPS what, if any, steps it had taken to address PRC's recommendation. At that time, USPS had not yet taken steps to analyze changes in revenue at POSTPlan post offices, though in January 2014—in response to a request from PRC—USPS submitted data to PRC on the fiscal year 2013 revenue earned in POSTPlan post offices and in the Level 18 and above administrative post

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<sup>42</sup>OMB, *Circular A-94*.

<sup>43</sup>USPS's estimate also did not include the one-time costs associated with community outreach and building modifications. As previously described, USPS surveyed and held meetings in POSTPlan-affected communities during POSTPlan implementation. According to USPS officials, USPS spent about \$389,200 on costs associated with this outreach. USPS also made building modifications to some POSTPlan post offices to maintain customers' access to their mail receptacles. USPS officials told us that as of August 5, 2015, USPS has made modifications to about 4,400 offices and spent about \$8 million on the modifications to about half of those offices. USPS did not provide an estimate of what it cost to modify the remaining half.

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offices.<sup>44</sup> USPS officials told us that they planned to conduct a revenue analysis annually, comparing fiscal year over fiscal year, and later provided us with a preliminary analysis of changes from fiscal years 2014 to 2015.

USPS's preliminary POSTPlan revenue analysis has limitations that may affect its representation of changes in revenue at POSTPlan post offices and across USPS. This analysis showed that walk-in revenue declined by about 4 percent at POSTPlan post offices, as well as at non-POSTPlan offices, and at all offices in general. However, we found that USPS's calculation of revenue in POSTPlan post offices was inconsistent with its definition of what constitutes POSTPlan post offices. Specifically, USPS included revenue from the Level 18 or above administrative offices, though USPS does not define these as POSTPlan post offices. Additionally, according to USPS officials, those are the offices most likely to absorb customers who are looking for nearby alternatives in the face of reduced hours at their local office. USPS also excluded the Level 6 PTPOs from its analysis although it considers these to be POSTPlan post offices. After we inquired about the Level 6 PTPOs, USPS provided us with a revised analysis but, in this revision, USPS included the Level 18 and above administrative offices as POSTPlan post offices. When we re-sorted the offices in USPS's analysis to exclude the Level 18 and above administrative offices from the "POSTPlan post offices" category and include the Level 6 PTPOs in the "POSTPlan post offices" category, we found that revenue declined by about 10 percent, not 4 percent in POSTPlan post offices and by about 4 percent in non-POSTPlan post offices.

To obtain a more comprehensive picture of how POSTPlan may have affected revenue in the reduced-hour offices, we also analyzed the walk-in revenue earned at POSTPlan post offices, by office level, for the most recent fiscal year (2015) compared to the most recent fiscal year in which no POSTPlan implementation activities had begun to occur (2011).<sup>45</sup> We found that revenue at RMPOs in fiscal year 2015 was 29 percent lower

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<sup>44</sup>PRC requested these data as part of its fiscal year 2013 annual compliance review, which is a review process that PRC conducts annually to determine whether the rates and services USPS offered during the subject fiscal year comply with applicable legal requirements. This process results in the issuance of an Annual Compliance Determination by PRC.

<sup>45</sup>See appendix I for detail regarding the methodology of this analysis.

than revenue, adjusted for inflation, in fiscal year 2011, with over a 50 percent decline in Level 2 RMPOs.<sup>46</sup> See table 1.

**Table 1: Comparison of Revenue in U.S. Postal Service’s (USPS) Post Office Structure Plan (POStPlan) Post Offices in Fiscal Years (FY) 2011 and 2015**

POStPlan post office level	Adjusted revenue in FY 2011	Revenue in FY 2015	Change in revenue	Percentage decrease in revenue
Level 2 Remotely Managed Post Office (RMPO)	\$24,022,163	\$11,533,053	-\$12,489,110	-52%
Level 4 RMPO	\$245,991,620	\$156,144,751	-\$89,846,869	-37%
Level 6 RMPO	\$294,996,354	\$233,733,370	-\$61,262,984	-21%
<b>Total</b>	<b>\$565,010,137</b>	<b>\$401,411,174</b>	<b>-\$163,598,963</b>	<b>-29%</b>

Source: GAO analysis of data provided by USPS. | GAO-16-385

Notes: Numbers have been rounded to the nearest whole number and FY 2011 dollars were adjusted using the Gross Domestic Product deflator in order to be stated in 2015 dollars.

Some POStPlan post offices—including all Level 6 Part Time Post Offices—have been excluded from this analysis because USPS did not provide complete data for them. Because USPS completed POStPlan implementation during the third quarter of FY 2015 (i.e., in February 2015), information on revenue in FY 2015 cannot be considered completely as “after POStPlan implementation.” Additionally, while this analysis helps to illustrate the potential effects of POStPlan on revenue, it does not fully measure it.

While our analysis shows that revenue at the POStPlan RMPOs declined by 29 percent, this revenue constituted a small portion of the total revenue from all of USPS’s post offices. In January and February of 2016, USPS conducted additional analysis comparing fiscal years 2011 and 2015 post office walk-in revenue. According to this analysis, revenue from RMPOs in fiscal year 2011 accounted for just 4.5 percent of approximately \$11.9 billion in total revenue earned from post offices that year and, in fiscal year 2015, 3.7 percent of approximately \$10.8 billion in total revenue. Additionally, USPS’s analysis showed that the Level 18 or above administrative offices experienced less of a decline in revenue than the RMPOs they remotely manage. Specifically, revenue at these offices in fiscal year 2011 was about \$2.32 billion (adjusted for inflation) and, in fiscal year 2015, about \$2.06 billion, a decline of about 11.2 percent. In its analysis, USPS also reported total revenue from all non-POStPlan offices. However, USPS’s reported total again included the Level 6

<sup>46</sup>Fiscal year 2011 dollars were adjusted using the Gross Domestic Product deflator in order to be stated in 2015 dollars. These results exclude Level 6 PTPOs because USPS’s data did not include complete information on revenue in both periods at the majority of Level 6 PTPOs.

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PTPOs in this category. Overall, revenue at all post offices declined by about 14.6 percent from fiscal years 2011 to 2015 when fiscal year 2011 revenue is adjusted for inflation.

While both our and USPS's analyses comparing fiscal year 2011 and 2015, and USPS's analysis of changes from fiscal years 2014 to 2015 help to illustrate the potential effects of POSTPlan on revenue, they do not fully measure it. In particular, analyzing the extent of revenue reductions that are independently due to POSTPlan would require a more complex analysis that takes into account a variety of factors, and the USPS data available to us were not adequate to conduct such an analysis. For example, in addition to considering changes in revenue at POSTPlan post offices by level, other factors need to also be considered, such as revenue changes in non-POSTPlan offices and other retail channels within a reasonable distance to POSTPlan offices, as well as at offices and channels not near POSTPlan offices. Such an analysis would also need to consider other factors that may influence retail revenue over time. These factors could include, for example, the state of the general economy, the adoption of technology substitutes to traditional mail (such as e-mail, e-retail, and electronic bill payments), and relevant demographic characteristics that might affect mail volume, such as population density and household income. Such an analysis would also need to consider the movement of customer traffic to alternate ways of accessing postal services. For instance, in fiscal year 2015, about 46 percent of USPS's total retail revenue of about \$19 billion was generated through these alternate access channels, which include usps.com, self-service kiosks, and third-party retail partners. In the case of POSTPlan, USPS officials explained that since revenue from POSTPlan post offices accounts for a small portion of total post office revenue and cost reductions due to POSTPlan were expected to be much larger, cost savings due to POSTPlan would likely outweigh lost revenue. However, analyzing the extent of revenue reductions that are independently due to POSTPlan through a more complex analysis could be helpful in evaluating the overall impact of POSTPlan if USPS expanded the initiative to additional post offices, as may occur due to the workload re-evaluations that USPS plans to conduct.

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## USPS Acknowledged the Limitations of Its Cost-Savings Estimates, Calculations of Actual Savings, and Revenue Analysis

Overall, USPS officials have acknowledged that their original POSTPlan cost-savings estimate was not sophisticated—characterizing it as a rough estimate that used a “quick and dirty” approach—and have also acknowledged the limitations of their estimate of the arbitration decision's impact on cost savings. Prior to making any changes (like POSTPlan) in the nature of postal services that are at least substantially nationwide in scope, USPS must request an advisory opinion from PRC on the change.<sup>47</sup> USPS officials explained that this process entails a review of the proposed initiative by PRC and that when making their case before PRC, USPS's legal counsel makes recommendations on strategy for the proceeding in consultation with other USPS staff. They further noted that in order to make an informed business decision prior to undertaking an initiative such as POSTPlan, USPS undertakes reasonable efforts to appropriately assess the expected cost savings to determine whether the initiative is worth pursuing. The officials added that the nature and extent of this assessment varies by the specific circumstances, particularly, the financial circumstances facing USPS, the need for expedited implementation of an initiative, and USPS's overall confidence that an initiative will prudently reduce costs. USPS officials stated that in cases such as POSTPlan, there is no strict guidance or thresholds that govern when cost-savings estimates should be rigorous versus when it is sufficient to use a less rigorous approach to gain a rough approximation, and there is no legal requirement to produce cost-savings estimates or to use a particular methodology. Instead, USPS officials said these are judgmental decisions.

Regarding USPS's calculations of actual savings achieved, USPS officials have also acknowledged the limitations of the underlying salaries and benefits data. For example, USPS officials acknowledged that the errors we found in these data would result in some offices' salaries and benefits being understated, and others being overstated. In February 2016, USPS officials told us that they were not previously aware of this issue and that they have begun to take steps to further understand the scope of the errors and how and why they occurred. As of March 14, 2016, USPS officials were continuing to assess this issue, but USPS's time frame for identifying the scope and resolving the issue remains unclear, and it is also unclear if USPS subsequently intends to update its calculations of actual savings achieved.

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<sup>47</sup>39 U.S.C. § 3661(b), as implemented by 39 C.F.R. § 3001. 71 et seq.

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Regarding its analysis of changes in revenue from fiscal year 2014 to 2015, after reviewing our analysis of revenue at POSTPlan post offices, USPS has also acknowledged that some PTPOs should have been included in its analysis and provided details on why it included these offices and the Level 18 and above administrative offices in the categories that it did. In particular, USPS officials told us that they agreed that some of the PTPOs should have been included in their analysis as POSTPlan post offices and explained that they had included these offices in their analysis as non-POSTPlan offices because this type of office existed prior to POSTPlan. They also noted that they included the Level 18 and above administrative offices as POSTPlan post offices because, as noted above, those would be the offices most likely to absorb customers who are looking for nearby alternatives in the face of reduced hours at their local post office. USPS officials also said that it is important to note that revenue declines at POSTPlan post offices may not be fully lost to USPS because customers may use other nearby retail channels (e.g., the Level 18 or above offices, usps.com, etc.) instead. While we agree that ultimately, it is the revenue lost to USPS as a whole that is most relevant to USPS, it is still important to accurately represent the changes in revenue at the reduced-hour offices to fully understand the effects of POSTPlan on these offices and the trade-offs necessary between costs and benefits, and to provide relevant information for program evaluation and future decision making.

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## Conclusions

We have long reported that USPS needs to restructure its operations to better reflect customers' changing use of the mail and to align its costs with revenues. Toward this end, USPS has proposed or started a number of initiatives, such as POSTPlan, to increase efficiency and reduce costs as it seeks to improve its financial viability. Having reliable data and quality methods for calculating the potential savings USPS expects to achieve through these initiatives, the actual savings they achieve, and the potential effects they have on revenue are critical. Such rigor can help ensure that USPS officials and oversight bodies, such as PRC and Congress, have accurate and relevant information to help USPS strike the right balance between the costs and benefits of the various initiatives.

Although POSTPlan was an initiative that affected about 66 percent of USPS's post offices and postmasters, USPS did not produce cost-savings estimates with the level of rigor that an initiative with such a large footprint may have warranted. Having reliable estimates of expected cost savings when initially making decisions could help ensure that USPS is achieving its goals, yet USPS's estimates of expected savings had limitations. For example, by not conducting a sensitivity analysis, as

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recommended by our cost-estimating guidance, USPS may have missed an opportunity to test how vulnerable its expected cost savings were to program changes. For instance, USPS may have been able to test how its expected savings would change should any of its assumptions change, as some later did because of the arbitration decision, which affected staffing arrangements at the majority of POSTPlan post offices. If USPS had noticed significant differences in its projected labor costs and savings through a sensitivity analysis, it might have taken steps to address these vulnerabilities prior to announcing POSTPlan. USPS believes that, given likely savings and the realities of postal operations, moving forward with POSTPlan was the correct operational decision. However, for future initiatives like POSTPlan, having guidance that clarifies when USPS should develop cost-savings estimates using a rigorous approach could help ensure that USPS produces estimates that thoroughly consider the scope of a program's implications, effects, and alternatives. Such an approach is particularly relevant given that USPS has projected unsustainable losses through fiscal year 2020 and beyond, may continue to develop efficiency and cost-savings initiatives, and will need quality information on the potential savings and effects associated with these initiatives.

Further, according to USPS as of October 2015, it has saved \$306 million in labor costs from fiscal year 2012 to June 2015 as a result of POSTPlan. While we recognize that POSTPlan most likely resulted in some cost savings, the accuracy of USPS's calculation of savings may be limited by errors we found in USPS's salaries and benefits data, and thus, it is unclear whether USPS may have actually saved more or less. USPS's time frames for assessing and resolving this issue—and whether it intends to, subsequently, update its calculations of actual savings achieved—are also unclear. Finally, in its estimates of expected savings, USPS did not initially consider the effect that reduced retail hours may have on revenue and thus did not calculate an estimate of *net* cost savings. This means USPS had an incomplete picture of the effects of POSTPlan. Even the preliminary analysis of changes in revenue that USPS later conducted was limited because it was not consistent with USPS's definition of what constitutes POSTPlan post offices. Improving the quality of future POSTPlan revenue analyses, especially as the program potentially expands to additional offices, could help USPS better understand the implications of POSTPlan and inform future decision-making as USPS conducts workload re-evaluations of post offices.

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## Recommendations for Executive Action

The Postmaster General should direct executive leaders to:

- establish guidance that clarifies when USPS should develop cost-savings estimates using a rigorous approach that includes, for example, a sensitivity analysis and consideration of other factors that could affect net costs and savings, versus when it is sufficient to develop a rough estimate;
- continue to take steps to assess and resolve the salaries and benefits data errors and, subsequently, update calculations of actual cost savings achieved due to POSTPlan as appropriate;
- and verify that calculations of changes in revenue at POSTPlan post offices in USPS's revenue analyses are consistent with USPS's definition of POSTPlan post offices and take steps to consider when it may be appropriate to develop an approach for these analyses that will allow USPS to more fully consider the effects of POSTPlan on retail revenue across USPS.

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## Agency Comments and Our Evaluation

We provided a draft of this report to PRC and USPS for their review and comment. PRC provided comments in an e-mail and stated that it found the report accurately reflects PRC's advisory opinion and actions regarding POSTPlan. USPS provided a written response, which is reproduced in appendix II of this report. In the written response, USPS disagreed with the overall tone and title of our report, provided observations on our recommendations but did not state whether it agreed or disagreed with them, and disagreed with some of the specific examples we use in our report.

Regarding the tone and title of our report, in its response USPS reported that it does not see a basis for any conclusion other than that, with POSTPlan, it is saving substantial amounts from the reduction in work hours and the use of lower cost labor. It further stated that POSTPlan was a reasonable initiative in light of declining mail transactions and the need to right-size its infrastructure to support the retail needs of the country. Finally, USPS said that it believes POSTPlan was and remains a prudent business decision. Our report does not comment directly on the reasonableness of the POSTPlan initiative or whether it was a prudent business decision, but we note in our report that USPS believed POSTPlan was a proper operational decision for USPS and its stakeholders. Instead, our report focuses on USPS's estimates of savings due to POSTPlan. We do not disagree that POSTPlan most likely resulted in some savings due to reduced work hours and have clarified our report

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to state such. However, as we mention in the report, USPS's calculations of the actual savings achieved may be limited by errors in USPS's salaries and benefits data, and thus, USPS may have understated or overstated the amount it has saved. We also revised the title of the report in response to USPS's concern.

Regarding our first recommendation that USPS establish guidance that clarifies when USPS should develop cost-savings estimates using a rigorous approach versus when it is sufficient to develop a rough estimate, USPS said that it performed the level of analysis necessary to support the decision to move forward with POSTPlan and that there is not a concrete set of business rules that determine the level of analysis that should be conducted. Instead, USPS noted that its management intends to be guided by a variety of factors, on a case-by-case basis. These factors include: (1) the cost associated with the development of rigorous financial information, (2) whether savings are the sole factor motivating the decision, and (3) the amount of time that must be committed to performing detailed analysis, among other things. USPS added that decisions based on more complex operational changes and risk may require more detailed analysis. While we appreciate that there is value to considering the types of analyses to perform on a case-by-case basis, the factors that USPS lists in its written response are precisely the type of factors that could be included (or expanded upon) in guidance that clarifies how to make those case-by-case decisions. Additionally, as we note in our report, we believe such guidance will be helpful to USPS and its oversight bodies as it considers future initiatives. As such, we continue to believe our recommendation is appropriate.

Regarding our second recommendation that USPS continue to assess and resolve errors in its salaries and benefits data and, as appropriate, update its calculations of actual savings achieved due to POSTPlan, USPS said that it did not rely on this type of data in its original estimate of expected cost savings. We recognize that USPS did not rely on these data in that estimate. Instead, our report mentions that such data affected USPS's post-arbitration decision estimate of expected savings and were used to calculate actual savings achieved thus far. Regarding the latter, USPS noted in its written response that due to system limitations, it cannot change past, existing data, but that it will continue to identify and rectify the causes of the data anomalies. USPS also noted that as more detailed information may be necessary in the future, it is reviewing possible future system or process improvement opportunities. These are positive steps to ensure that USPS is addressing these data issues and reviewing opportunities for future improvements.

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Regarding our third recommendation that USPS (1) verify that calculations of changes in revenue at POSTstPlan post offices in its revenue analyses are consistent with USPS's definition of POSTstPlan post offices and (2) take steps to consider when it may be appropriate to develop an approach that more fully considers the effects of POSTstPlan on revenue across USPS, USPS did not directly address either part of this recommendation. Instead, USPS provided information on revenue at POSTstPlan post offices in 2011 and 2015 (such as the portion of total walk-in revenue these offices constituted), much of which is included in our report. USPS also re-iterated that it expected revenue would shift from POSTstPlan post offices to the Level 18 and above offices that remotely manage the POSTstPlan offices, and noted that USPS's revenue analysis supports that assumption. The intent of our recommendation was not to disagree with this assumption. Rather, the intent of our recommendation is to help ensure that USPS and its oversight bodies have quality information on the changes in revenue at POSTstPlan post offices in order to fully understand the effects of POSTstPlan. Key to having such information is ensuring that the calculations of changes in revenue are consistent with USPS's definition of what constitutes a "POSTstPlan post office." As such, we continue to believe that verifying the accuracy of its calculations is important. Additionally, our report acknowledges the small portion of total walk-in revenue that POSTstPlan post offices constitute, and notes that a more complex analysis could be helpful if USPS expanded the initiative to additional offices, as may occur due to the workload re-evaluations that USPS plans to conduct. We therefore continue to believe that USPS should take steps to consider at what point such an analysis may be warranted.

Finally, USPS disagreed with some of the specific examples we use in our report. In particular:

- USPS disagreed with an example showing that its original cost-savings estimate was incomplete due to the omission of costs associated with separation incentives offered to postmasters, noting that "annualized savings" estimates are generally not reduced by such start-up costs. We do not disagree that annualized savings are one way to measure cost savings. However, as we note in our report, OMB cost-estimating guidance states that agencies should also take into account the costs incurred to implement an activity, suggesting that it is the net cost savings that should be considered. As such, a fully complete cost-savings estimate would consider such start-up costs. Similarly, USPS disagreed in another instance that showed the saved salary USPS authorized to postmasters contributed to the incompleteness of its original estimate and noted that these salary

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payments were not planned at the inception of the program. We have updated our report to reflect that these payments were not planned.

- Finally, USPS disagreed with statements showing that the change made to staffing in Level 18 post offices as a result of the POSPlan arbitration decision is tied to POSTPlan, noting that this change was related to a separate grievance and that this separate grievance was specifically identified in a footnote in the POSTPlan arbitration decision. We do not disagree with the idea that this change was a resolution of a separate grievance and that the footnote USPS refers to cites this separate grievance. However, we disagree that the change was not at all tied to POSTPlan. The connection to POSTPlan is clear in the arbitration decision's wording. Specifically, in the arbitration decision, the arbitrator ruled that Level 4 RMPOs should be staffed by PSEs. When stating its ruling regarding the staffing change in Level 18 offices, the arbitration decision clearly states, "In view of the increased use of PSEs in Level 4 RMPOs .... I further order that all Level 18 post offices that are currently staffed by PSEs with the designation code 81-8 will now be staffed with a career employee." Therefore, it is clear that changes in staffing at Level 4 RMPOs (which were part of POSTPlan) also affected the resolution of this separate dispute.

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We are sending copies of this report to the appropriate congressional committees, the Postmaster General, the Acting Chairman of PRC, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at 202-512-2834 or [rectanusl@gao.gov](mailto:rectanusl@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.



Lori Rectanus  
Director  
Physical Infrastructure Issues

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# Appendix I: Objectives, Scope, and Methodology

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This report examines (1) the actions the U.S. Postal Service (USPS) took to implement the Post Office Structure Plan (POSTPlan) before the September 2014 arbitration decision and the savings USPS estimated POSTPlan would achieve, (2) the effect USPS determined the arbitration decision had on POSTPlan staffing and cost savings, and (3) whether USPS's POSTPlan cost-savings estimates are reliable and any limitations of the estimates.

To describe the POSTPlan initiative, determine the actions USPS took to implement it before the September 2014 arbitration decision and identify the effects USPS determined the decision had on POSTPlan staffing, we reviewed relevant laws, regulations, documentation and data, and conducted interviews. Specifically, we reviewed USPS guidance, policies, procedures, and other documents related to POSTPlan planning and implementation, such as fact sheets, employee notification letters, and information submitted during the Postal Regulatory Commission's (PRC) 2012 POSTPlan proceeding. We reviewed USPS's 2014 and 2015 annual reports to Congress and *2013 Five-Year Business Plan*.<sup>1</sup> We also reviewed documentation related to the arbitration in particular, such as the arbitration decision,<sup>2</sup> subsequent memorandums of understanding between USPS and the American Postal Workers Union (APWU) that further implemented the decision, and the 2010-2015 collective bargaining agreement between USPS and APWU. We obtained written responses and data from USPS officials on the arbitration decision and POSTPlan implementation from 2012 to 2015, such as data on the number of post offices where USPS reduced hours from 2012 to 2015 and postmasters affected by POSTPlan. We assessed the reliability of these data by comparing them to other information obtained from USPS and asking USPS questions about data sources, quality, and timeliness. We found these data reliable for the purpose of describing the progress and status of POSTPlan before and after the arbitration decision. We also reviewed prior GAO reports and documentation from USPS stakeholders, including PRC and USPS's two postmaster associations—the National Association of Postmasters of the United States (NAPUS) and the National League of Postmasters of the United States (NLPM). For

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<sup>1</sup>USPS, *2014 Annual Report to Congress* (Washington, D.C.: 2014); *2015 Annual Report to Congress* (Washington, D.C.: 2015); and *2013 Five-Year Business Plan* (Washington, D.C.: Apr. 16, 2013).

<sup>2</sup>American Postal Workers Union, AFL-CIO and U.S. Postal Service, No. Q11C-4Q-C 12243899 (Goldberg, 2014).

example, we reviewed PRC's advisory opinion on POSTPlan and the transcript of PRC's POSTPlan hearing, which it held on July 11, 2012.<sup>3</sup> We selected NAPUS and NLPM due to their role as management associations that USPS must consult with and because they represent POSTPlan-affected postmasters. We selected PRC due its oversight role over USPS. We interviewed USPS officials and NAPUS, NLPM, and PRC officials to obtain additional information, views, and context on POSTPlan. We also contacted APWU, but APWU officials did not accept our invitation for a meeting.

To determine the cost savings USPS originally estimated it would achieve through POSTPlan, the effect it estimated the arbitration decision had on savings, and the reliability and limitations of these estimates, we reviewed USPS's POSTPlan cost-savings estimates and compared the estimates to relevant criteria. Specifically, we reviewed USPS's 2012 estimate of the savings it expected to achieve through POSTPlan and its 2015 estimate of the arbitration decision's impact on expected cost savings. We obtained USPS documentation and written responses related to POSTPlan cost savings, interviewed USPS officials, and obtained documentation and interviewed officials from NAPUS, NLPM, and PRC to determine how USPS developed its estimates, the assumptions it used, the potential sources of uncertainty, the types of inputs included and omitted, and these stakeholders' views. We then assessed the reliability and soundness of these estimates using guidance on assessing the reliability of data (which are defined as including estimates—such as estimates of cost savings—and projections),<sup>4</sup> cost estimating guidance,<sup>5</sup> and internal

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<sup>3</sup>PRC, *Advisory Opinion on Post Office Structure Plan*, Docket No. N2012-2 (Washington, D.C.: Aug. 23, 2012); *Official Transcript of Proceedings Before the Postal Regulatory Commission, In the Matter of: Post Office Structure Plan*, Docket No. N2012-2 (Washington, D.C.: July 11, 2012).

<sup>4</sup>GAO, *Assessing the Reliability of Computer-Processed Data*, [GAO-09-680G](#) (Washington, D.C.: July 2009).

controls standards adopted by USPS to determine the extent to which the estimates comported with these criteria.<sup>6</sup> We reviewed these standards and guidance and then selected those practices that, in our professional judgment, were most applicable given that POSTPlan is an efficiency and cost-savings initiative and given USPS's financial condition. In particular, we assessed the estimates' accuracy, validity, completeness, and consistency; any use of sensitivity analyses; and consideration of net cost-savings factors. We discuss the limitations of the estimates in this report. We also obtained USPS data on actual cost savings achieved from fiscal year 2012 to June 2015 (the most recent data available at the time of our review) due to POSTPlan, and hourly pay rates in POSTPlan post offices under the pre- and post-arbitration decision POSTPlan staffing arrangements. We assessed the reliability of these data by comparing them to other information obtained from USPS and asking USPS officials questions about data sources, quality, and timeliness, and, for the actual savings data, reviewing how consistently USPS's data files followed the methodology USPS officials described to us. Regarding the actual savings data, we found that USPS's data files when USPS first began tracking savings did not always follow the methodology USPS described to us. While USPS officials did not provide explanations for these inconsistencies, USPS updated its methodology for tracking POSTPlan cost savings beginning in fiscal year 2015. However, we also found errors in the salaries and benefits data USPS used to calculate actual savings achieved; we discuss the limitations in this report. Regarding the hourly pay-rate data, we found these data reliable for the purpose of describing hourly pay rates in POSTPlan post offices according to USPS. It was beyond the scope of our review to assess whether POSTPlan was a prudent business decision.

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<sup>5</sup>GAO, *Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*, [GAO-09-3SP](#) (Washington, D.C.: March 2009). We did not assess USPS's estimates against all of the standards in this cost-estimating guidance because some overlapped with our data reliability guidance and, thus, were duplicative, and others were not applicable to non-capital programs. Instead, we focused on sensitivity analysis because the guidance emphasizes that sensitivity analysis is a best practice in all estimates of costs. Office of Management and Budget (OMB), Circular A-94, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs* (Washington, D.C.: Oct. 29, 1992). We found OMB's cost-estimating guidance applicable because it contains tenets that are consistent with the management practices of leading organizations and is intended to help agencies ensure that the benefits of a program or activity are greater than the costs incurred to implement it.

<sup>6</sup>Committee of Sponsoring Organizations of the Treadway Commission (COSO), *Internal Control—Integrated Framework* (2013).

Finally, to better understand the potential effects of POSTPlan and the arbitration decision, we analyzed (1) salaries and benefits paid, and (2) the walk-in revenue earned at POSTPlan post offices, by post office level, for periods before and after POSTPlan implementation.<sup>7</sup> We used data provided by USPS, as follows:

- **Salaries and benefits data:** USPS provided us data on the salaries and benefits it paid to POSTPlan employees<sup>8</sup> in POSTPlan post offices in the third quarter of fiscal year 2011 (i.e., April, May, and June 2011). According to USPS officials, these data represented all salaries and benefits paid to all relevant employees during that period.<sup>9</sup> USPS provided us the same information for the third quarter of fiscal year 2015.<sup>10</sup> To make the fiscal year 2011 data comparable to the fiscal year 2015 data, we adjusted the fiscal year 2011 salaries and benefits using adjustment factors provided by USPS officials.<sup>11</sup>
- **Revenue data:** USPS provided us data on the revenue in POSTPlan post offices in fiscal years 2011 and 2015. We adjusted fiscal year

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<sup>7</sup>Walk-in revenue is revenue earned at post office retail counters, including revenue from USPS's mobile point of sale devices.

<sup>8</sup>We use the term "POSTPlan employees" to refer to specific types of employees within USPS that staff POSTPlan post offices. Generally, these employees include postmasters, postmaster reliefs, certain types of clerks, and postal support employees. The data USPS provided tracked total salaries and benefits paid by certain employee categories that, according to USPS officials, capture all relevant POSTPlan employees.

<sup>9</sup>According to USPS officials, the salaries and benefits paid include all pay, including overtime and leave pay.

<sup>10</sup>These data represent the same pay periods. We used data from before and after POSTPlan implementation. USPS defines implementation as when it reduced an office's hours; USPS completed POSTPlan implementation in February 2015. Thus, we used data on the third quarter of fiscal year 2015 because it was the first quarter after USPS completed POSTPlan implementation, and the most recent data available at the time USPS provided the information. We used data on the third quarter of fiscal year 2011 in order to ensure the quarters we were comparing were identical and to ensure we captured a point in time in which no POSTPlan implementation activities had begun to occur. While USPS did not begin reducing hours at POSTPlan post offices until the first quarter of fiscal year 2013, implementation activities began prior to this time. For example, USPS offered a separation incentive to postmasters in the third quarter of 2012.

<sup>11</sup>Specifically, USPS provided us with the cost-of-living adjustment increases, step and general increases, and raises that employees in each category would have received through fiscal year 2015.

2011 dollars using the Gross Domestic Product deflator so that they would be stated in 2015 dollars.

- **Office level classification data:** USPS provided us data on what level each POSTPlan post office is classified as of October 2015 (i.e., whether it is a Level 2, 4, or 6 remotely managed post office (RMPO) or part time post office (PTPO)).

Although USPS officials stated that these data provided included all POSTPlan post offices, we found that they did not always include information for the same set of offices, and when providing these data, USPS officials did not provide explanations for why the number of POSTPlan post offices differed. As such, regarding our revenue analysis, we excluded offices as necessary in order to have as complete a set of information as possible for as many offices as possible with what was provided. Specifically, of those offices for which we had level information, we excluded those for which we did not have revenue data for both periods. In particular, USPS's data did not include complete information on revenue in both periods at the majority of the about 400 Level 6 PTPOs. Thus, we excluded the Level 6 PTPOs from our results. We also excluded one Level 6 RMPO for this reason. Additionally, we excluded four offices that had multiple level classifications. Of those four, three were classified as both Levels 4 and 18, and one was classified as both Levels 6 and 18. Despite these exclusions, we found these data reliable for the purpose of describing changes in revenue at POSTPlan post offices. Regarding our salaries and benefits analysis, in analyzing USPS's salaries and benefits data, we found that these data were not reliable due to errors in how USPS recorded the hours its employees worked.

# Appendix II: Comments from the U.S. Postal Service

EDWARD F. PHELAN, JR.  
VICE PRESIDENT, DELIVERY OPERATIONS



April 15, 2016

Ms. Lori Rectanus  
Director, Physical Infrastructure Team  
United States Government Accountability Office  
441 G Street, NW  
Washington, DC 20548-0001

Dear Ms. Rectanus:

Thank you for the opportunity to review and comment on the United States Government Accountability Office (GAO) draft report titled "U.S. Postal Service: Improved Guidance, Data, and Analysis Are Needed to Inform Future Efforts to Achieve Savings". Our comments to the draft report and our responses to the GAO recommendations for executive action are set forth below.

#### General Comments

Our principle issue with the draft report is that we fundamentally disagree with the title, tenor, and tone of the document to the extent that it implies that we did not exercise sufficient due diligence when we decided to pursue the Post Office Structure Plan, known as POSTPlan, or that it is uncertain whether substantial savings have been achieved as a result of those efforts. Contrary to any such implications, we performed appropriate analyses to support the POSTPlan program and we see no reasonable basis for any conclusion other than that we are saving substantial amounts from the reduction in workhours and the use of lower cost labor that directly result from the POSTPlan initiative.

In the past decade, due to digital diversion and the proliferation of Internet and mobile-based communications and exacerbated by the Great Recession, total mail volume has declined by approximately 27 percent and First-Class Mail, our most profitable product, has declined by 35 percent. The annual value of the revenue lost as a result of this volume decline is \$21 billion per year. The decline in total mail volume, as well as the shift in the mail mix to a greater percentage of lower-margin products, has a pernicious impact on our financial stability. It reduces the amount of contribution available to pay for the significant percentage of costs that do not vary with volume, but are a result of the nationwide retail, processing, transportation, and delivery network that we are required to maintain in order to provide universal service, and puts tremendous pressure on our organization to cut costs wherever possible and appropriate.

We have responded aggressively to the loss of 58 billion pieces of mail from 2007 to 2015 by rationalizing our business where we can to fit the current and projected mail and package volume. At the same time, our delivery points continue to increase each year, necessitating adjustments and flexibility in operations. Since the beginning of 2007, we have made tough, fiscally responsible decisions and managed operational costs within our control. One such response that we undertook to adjust to the business and economic realities that we faced in our retail environment was the POSTPlan.

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## Appendix II: Comments from the U.S. Postal Service

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POSTPlan was developed after an earlier retail initiative during which the Postal Service considered whether it should discontinue retail service altogether at approximately 3,650 underperforming post offices. POSTPlan reflected a determination by the Postal Service to explore options to adjust its retail window hours without closing post offices. In response to stakeholder input, including input from the Postal Regulatory Commission, the Postal Service revised the earlier plan to close post offices, and instead engaged in a systematic effort to review the workload at over 17,000 post offices and to realign the hours of operations where appropriate to better reflect customer demand. Simply put, as in other areas of our operations, the Postal Service sought to reduce unneeded capacity in our retail network in a manner that insured that our customers would continue to have full access to our services. Management conducted sufficient upfront analysis of the opportunity to determine that we would generate significant savings, and the size and scale of this initiative ensured that large savings would be captured, and in fact they have been captured.

It should also be noted that POSTPlan was fully vetted by the Postal Regulatory Commission through the formal advisory opinion process. In its advisory opinion, the Postal Regulatory Commission concluded that POSTPlan was a significant improvement over the previous retail access optimization effort, and that it represented a more fully realized Postal Service effort to optimize its retail network. The Commission commended the Postal Service for maintaining its current retail presence, especially in remote areas, and found that the objective of POSTPlan to achieve cost savings with limited reductions in access and service was consistent with public policy.

Ultimately, the hours of operation at approximately 13,000 post offices were reduced to match the workload at those post offices, and career postmasters were replaced at approximately 8,000 post offices with lower wage non-career employees. This realignment saves the Postal Service approximately \$300 million per year. POSTPlan was a responsible initiative by the Postal Service in light of declining retail transactions and the need to right-size the infrastructure to support the retail needs of the country. It was and remains a prudent and necessary business decision.

In addition to our general comments above, we would also like to share the following observations concerning some of the points made in the report:

1. We disagree that the savings estimates were incomplete due to the omission of one-time separation incentives offered to postmasters. "Annualized savings" refer to the total amount of savings expected to be achieved on an on-going, yearly basis once the program has been fully implemented. "Annualized savings" are generally not reduced by start-up costs, or one-time/non-recurring costs associated with implementation. As such, we do not consider the non-recurring costs to impact the ongoing \$300M annualized savings that we anticipate we will receive each year going forward. Further, even considering that such payments reduce savings in the initial years prior to full implementation, POSTPlan will still result in approximately \$3 billion in savings over a 10-year period. It is beyond dispute that the Postal Service incurred these costs, but their omission from the annualized savings impact does not make the estimate incomplete nor impact the soundness of our business decision.
2. Similar to item 1, we disagree that the savings estimates for POSTPlan were incomplete based on the fact that we authorized saved salary for roughly 1,000 employees during implementation. Payments with regard to this item were relatively small and do not impact the soundness of our business decision. In addition, these salary payments were not planned at the inception of this program, so naturally they were not included in calculating the original cost savings estimate. That fact, of course, does not make the original estimate incomplete. Further, the impact of these amounts is included in our calculation of post-arbitration savings estimate.

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**Appendix II: Comments from the U.S. Postal Service**

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3. We disagree that the impact of the contractual obligation affecting staffing in Level 18 post offices is tied to POSTPlan. We stated in previous responses to you that the Goldberg arbitration award also resolved issues related to a separate grievance involving the type of work assignments that Postal Support Employees (PSEs) could perform in Level 18 offices. This grievance, which was specifically identified by arbitrator Goldberg in the award, was unrelated to the POSTPlan dispute. Footnote 9 on page 17 of the Goldberg Award made that clear with the following language: *This decision disposes of pending grievance number Q11C4QC11275789 (PSE Usage), also pending before this Arbitrator.*

**Specific Responses**

With regard to your specific recommendations, we provide the following responses:

**Recommendation 1:**

Establish guidance that clarifies when USPS should develop cost savings estimates using a rigorous approach that includes, for example, a sensitivity analysis and consideration of other factors that could affect net costs and savings, versus when it is sufficient to develop a rough estimate.

**USPS Response:**

The Postal Service performed the level of analysis necessary to support the decision to move forward with POSTPlan. This decision will lead to approximately \$3 billion in savings over a 10-year period while maintaining retail access for postal products across the country. Decisions based on more complex operational changes and risk may require more detailed analysis. The Postal Service appreciates that quality of decision-making is highly dependent on reliance upon quantitative analysis using the best available data, including the use of defensible assumptions and reasonably predictable contingencies. Senior postal management insists upon, and is predisposed to favor, the use of a rigorous financial analysis incorporating different scenarios and contingencies when making business decisions. There is not a concrete set of business rules that are determinative in any particular context (for instance, using a fixed dollar amount above which contingencies must be considered or sensitivity analyses must be performed).

Instead, postal management intends to be guided by a variety of factors, on a case-by-case basis, in determining whether a more rigorous analysis, with multiple scenarios based on changing assumptions and the introduction of contingencies, would be an essential pre-condition to decision-making. These factors include: (1) the overall monetary value of the business proposition in question; (2) the amount of time that must be committed to performing detailed analysis, and whether commitment of such time would impede other prerogatives; (3) the cost associated with the development of rigorous financial information and the proportion of that cost to the overall financial proposition; (4) whether savings is the sole factor motivating the decision, as opposed to other factors, such as customer or employee satisfaction; and (5) the litigation risk associated with the generation of alternative scenarios. Postal management continues to use these factors to assess the level of analysis it intends to secure when engaging in decision-making.

**Recommendation 2:**

Continue to take steps to assess and resolve the salaries and benefits data errors, and subsequently, update its calculations of actual cost savings achieved due to POSTPlan as appropriate.

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Appendix II: Comments from the U.S. Postal Service

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USPS Response.

The Postal Service did not rely on the data from the payroll system in its upfront estimate of savings, as such savings were evident from the proposed workhour and wage level reductions. The payroll system data was used in the calculations performed in our attempt to determine the precise level of savings captured. We continue to work to identify and rectify the causes of the data anomalies. However, due to our system limitations, we will not be able to go back into the past and change the existing data. Our analysis is adequate to support the \$300M estimated savings; however, as more detailed information may be necessary in the future, we are reviewing possible future system or process improvement opportunities.

Recommendation 3:

Verify that calculations of changes in revenue at POSIPlan post offices in these analyses are consistent with USPS's definition of POSIPlan post offices, and take steps to consider when it may be appropriate to develop an approach for these analyses that will allow it to more fully consider the effects of POSIPlan on retail revenue across USPS.

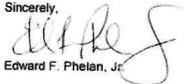
USPS Response.

The POSIPlan program targeted the low activity locations of our Post Office network. In 2011, these offices represented 4.5% of our total Walk-in-Revenue of \$11.8B. At the time, we stated that we believed that the revenue would shift to either alternate channels or the nearby APO locations. The analysis of the fiscal year (FY) 2015 revenue at RMPO and APO locations supports that original assumption. Prior to the implementation of POSIPlan (FY2011), the APO/RMPOs combined represented 22.9% of our total walk-in-revenue. In FY2015, these same offices represented 22.9% of our total walk-in-revenue. Today, the RMPO locations represent 3.7% of our network but the APO locations now represent 19.1%, up from 18.4% in FY2011.

During the same period, the Postal Service has seen changes in how our customers are using our retail channels, which has resulted in a 9.2% decline in overall walk-in-revenue from FY11 to FY15. When we compare the APO/RMPO offices to non-POSIPlan offices, we have found that the 9.2% decline is consistent between the two groups. Overall, customers who are served by POSIPlan offices appear to be using the Postal Service's products and services at roughly the same rate as those served by all non-POSIPlan offices.

Again, thank you for the opportunity to respond to the GAO Report and Recommendations for Executive Action. We reiterate our concerns that the title and tone of the report are misleading, and we respectfully request that GAO adjust the title and language in the report to clearly reflect that POSIPlan was a sound business decision which will realize savings that will approach \$3 billion over a 10-year period.

Sincerely,



Edward F. Phelan, Jr.

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# Appendix III: GAO Contact and Staff Acknowledgments

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## GAO Contact

Lori Rectanus, (202) 512-2834 or [rectanusl@gao.gov](mailto:rectanusl@gao.gov)

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## Staff Acknowledgments

In addition to the individual named above, key contributors to this report were Derrick Collins (Assistant Director), Amy Abramowitz, Lilia Chaidez, William Colwell, Marcia Fernandez, SaraAnn Moessbauer, Nalylee Padilla, Malika Rice, Michelle Weathers, and Crystal Wesco.

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# Appendix IV: Accessible Data

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## Agency Comment Letter

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Text of Appendix II:  
Comments from the U.S.  
Postal Service

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Page 1

EDWARD F. PHELAN, JR  
VICE PRESIDENT, DELIVERY OPEAA110NS  
United States Postal Service  
April 15, 2016  
Ms. Lori Rectanus  
Director, Physical Infrastructure Team  
United States Government Accountability Office  
441 G Street, NW  
Washington, DC 20548-0001

Dear Ms. Rectanus:

Thank you for the opportunity to review and comment on the United States Government Accountability Office (GAO) draft report titled "U.S. Postal Service: Improved Guidance, Data, and Analysis Are Needed to Inform Future Efforts to Achieve Savings". Our comments to the draft report and our responses to the GAO recommendations for executive action are set forth below.

### General Comments

Our principle issue with the draft report is that we fundamentally disagree with the title, tenor, and tone of the document to the extent that it implies that we did not exercise sufficient due diligence when we decided to pursue the Post Office Structure Plan, known as POSTPlan, or that it is uncertain whether substantial savings have been achieved as a result of those efforts. Contrary to any such implications, we performed appropriate analyses to support the POSTPlan program and we see no reasonable basis for any conclusion other than that we are saving substantial amounts from the reduction in workhours and the use of lower cost labor that directly result from the POSTPlan initiative.

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In the past decade, due to digital diversion and the proliferation of Internet and mobile-based communications and exacerbated by the Great Recession, total mail volume has declined by approximately 27 percent and First-Class Mail, our most profitable product, has declined by 35 percent. The annual value of the revenue lost as a result of this volume decline is \$21 billion per year. The decline in total mail volume, as well as the shift in the mail mix to a greater percentage of lower-margin products, has a pernicious impact on our financial stability. It reduces the amount of contribution available to pay for the significant percentage of costs that do not vary with volume, but are a result of the nationwide retail, processing, transportation, and delivery network that we are required to maintain in order to provide universal service, and puts tremendous pressure on our organization to cut costs wherever possible and appropriate.

We have responded aggressively to the loss of 58 billion pieces of mail from 2007 to 2015 by rationalizing our business where we can to fit the current and projected mail and package volume. At the same time, our delivery points continue to increase each year, necessitating adjustments and flexibility in operations. Since the beginning of 2007, we have made tough, fiscally responsible decisions and managed operational costs within our control. One such response that we undertook to adjust to the business and economic realities that we faced in our retail environment was the POSTPlan.

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[WWW.USPS.COM](http://WWW.USPS.COM)

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POSTPlan was developed after an earlier retail initiative during which the Postal Service considered whether it should discontinue retail service altogether at approximately 3,650 underperforming post offices. POSTPlan reflected a determination by the Postal Service to explore options to adjust its retail window hours without closing post offices. In response to stakeholder input, including input from the Postal Regulatory Commission, the Postal Service revised the earlier plan to close post offices, and instead engaged in a systematic effort to review the workload at over 17,000 post offices and to realign the hours of operations where appropriate to better reflect customer demand. Simply put, as in other areas of our operations, the Postal Service sought to reduce unneeded capacity in our retail network in a manner that insured that our customers would continue to have full access to our services. Management conducted sufficient upfront analysis of the opportunity to determine that

we would generate significant savings, and the size and scale of this initiative ensured that large savings would be captured, and in fact they have been captured.

It should also be noted that POSTPlan was fully vetted by the Postal Regulatory Commission through the formal advisory opinion process. In its advisory opinion, the Postal Regulatory Commission concluded that POSTPlan was a significant improvement over the previous retail access optimization effort, and that it represented a more fully realized Postal Service effort to optimize its retail network. The Commission commended the Postal Service for maintaining its current retail presence, especially in remote areas, and found that the objective of POSTPlan to achieve cost savings with limited reductions in access and service was consistent with public policy.

Ultimately, the hours of operation at approximately 13,000 post offices were reduced to match the workload at those post offices, and career postmasters were replaced at approximately 8,000 post offices with lower wage non-career employees. This realignment saves the Postal Service approximately \$300 million per year. POSTplan was a responsible initiative by the Postal Service in light of declining retail transactions and the need to right-size the infrastructure to support the retail needs of the country. It was and remains a prudent and necessary business decision.

In addition to our general comments above, we would also like to share the following observations concerning some of the points made in the report:

1. We disagree that the savings estimates were incomplete due to the omission of one-time separation incentives offered to postmasters. "Annualized savings" refer to the total amount of savings expected to be achieved on an on-going, yearly basis once the program has been fully implemented. "Annualized savings" are generally not reduced by start-up costs, or one-time/non-recurring costs associated with implementation. As such, we do not consider the non-recurring costs to impact the ongoing \$300M annualized savings that we anticipate we will receive each year going forward. Further, even considering that such payments reduce savings in the initial years prior to full implementation, POSTPlan will still result in approximately \$3 billion in savings over a 10- year period. It is beyond dispute that the Postal Service incurred these costs, but their omission from the annualized savings impact does not make the estimate incomplete nor impact the soundness of our business decision.
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Page 3

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Recommendation 2:

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Page 4

USPS Response.

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Again, thank you for the opportunity to respond to the GAO Report and Recommendations for Executive Action. We reiterate our concerns that the title and tone of the report are misleading, and we respectfully request that GAO adjust the title and language in the report to clearly reflect that POSTPlan was a sound business decision which will realize savings that will approach \$3 billion over a 10-year period.

Sincerely,

Edward F. Phelan, Jr

Data Tables

Data Table for Figure 1: Number of Postal Retail Facilities, Fiscal Years 2005-2015

Fiscal year	USPS-operated post offices (includes Post Office Structure Plan post offices)	USPS-operated postal stations and branches	Non-USPS-operated postal facilities
2005	27385	5622	4135
2006	27318	5557	3951
2007	27276	5419	4026
2008	27232	5509	3982
2009	27161	5501	3834
2010	27077	5451	3694

Fiscal year	USPS-operated post offices (includes Post Office Structure Plan post offices)	USPS-operated postal stations and branches	Non-USPS-operated postal facilities
2011	26927	5219	3610
2012	26755	5102	3512
2013	26670	5032	3732
2014	26669	4993	3979
2015	26615	4991	3914

**Data Table for Figure 2: Number of U.S. Postal Service (USPS) Employees, Fiscal Years 2005-2015**

Fiscal year	Career employees	Non-career employees
2005	704716	98284
2006	696138	100061
2007	684762	101167
2008	663238	101850
2009	623128	88954
2010	583908	87779
2011	557251	88699
2012	528458	100570
2013	491017	126697
2014	488300	129577
2015	491863	129974

**Data Table for Figure 4: Implementation of the U.S. Postal Service (USPS) Post Office Structure Plan at Post Offices through August 2014**

Month offices' hours were reduced	Number of offices where hours were reduced
Nov. 2012	468
Dec. 2012	0
Jan. 2013	1890
Feb. 2013	1503
Mar. 2013	1062
Apr. 2013	823
May 2013	951
June 2013	389
July 2013	208

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<b>Month offices' hours were reduced</b>	<b>Number of offices where hours were reduced</b>
Aug. 2013	164
Sept. 2013	202
Oct. 2013	0
Nov. 2013	335
Dec. 2013	0
Jan. 2014	171
Feb. 2014	60
Mar. 2014	81
Apr. 2014	107
May 2014	270
June 2014	125
July 2014	128
Aug. 2014	222

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