



Highlights of [GAO-10-731](#), a report to congressional committees

## Why GAO Did This Study

Deteriorating financial conditions and declining mail volume have reinforced the need for the U.S. Postal Service (USPS) to increase operational efficiency and reduce expenses in its mail processing network. This network consists of interdependent functions in nearly 600 facilities. USPS developed several initiatives to reduce costs and increase efficiency; however, moving forward on some initiatives has been challenging because of the complexities involved in consolidating operations. In response to a conference report directive, GAO assessed (1) the overall status and results of USPS's efforts to realign its mail processing network and (2) the extent to which USPS has consistently followed its guidance and applied these criteria in reviewing Area Mail Processing (AMP) proposals for consolidation since the beginning of fiscal year 2009. To conduct this assessment, GAO reviewed USPS's Network Plan, area mail processing consolidation guidance and proposals as well as other documents; compared USPS's actions related to consolidation of area mail processing facilities with its guidance, and interviewed officials from USPS, the USPS Office of Inspector General, and employee organizations.

GAO provided USPS with a draft of this report for comment. In response, USPS provided technical comments that were incorporated where appropriate.

View [GAO-10-731](#) or key components. For more information, contact Phillip Herr at (202) 512-2834 or [herrp@gao.gov](mailto:herrp@gao.gov).

## U.S. POSTAL SERVICE

### Mail Processing Network Initiatives Progressing, and Guidance for Consolidating Area Mail Processing Operations Being Followed

#### What GAO Found

USPS has realigned parts of its mail processing network since the beginning of fiscal year 2009 and continues to seek additional opportunities to achieve its goal of creating an efficient and flexible network and realize cost savings. Specifically, USPS:

- eliminated all functions of the Airport Mail Centers, closed 9 of these facilities, and now uses the remaining 12 for other purposes, resulting in a realized cost savings of about \$12.2 million in fiscal year 2009;
- reorganized the functions of the 21 Bulk Mail Centers into newly developed Network Distribution Centers, resulting in a realized cost savings of about \$17.7 million in fiscal year 2009; and
- implemented 23 proposals to consolidate AMP operations and facilities and approved another 6 AMP consolidation proposals. USPS estimated an annual cost savings of about \$98.5 million for the 29 approved and implemented AMP proposals.

Additionally, USPS officials stated that they plan to integrate the Surface Transfer Center functions into the Network Distribution Center network to further eliminate redundancy in transporting mail. USPS has developed specific program targets for the ongoing reorganization efforts of the Network Distribution Centers and estimated a cost savings of about \$233.8 million for fiscal years 2010 and 2011 from reduction in work hours and transportation costs.

On the basis of GAO's analysis of 32 AMP proposals that were implemented, approved, or not approved since the beginning of fiscal year 2009, USPS has followed its realignment guidance by completing each step of the process and consistently applying its criteria in its reviews. GAO's analysis found that it took about 6 months on average—a month more than USPS's target of 5 months—to complete the review process from initiating an AMP proposal to making a decision. USPS officials noted the importance of the AMP decisions and the need to sometimes take longer than what the guidance suggests to ensure the correct decision. GAO also found that USPS consistently notified stakeholders when key steps of the AMP process were completed, such as when an AMP proposal was initiated, or public meetings were held. For each of the AMP proposals that GAO reviewed, USPS also consistently evaluated its four criteria related to AMP consolidations: (1) impacts on the service standards for all classes of mail, (2) issues important to local customers, (3) impacts to USPS staffing, and (4) savings and costs associated with moving mail processing operations.