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Report to Congressional Requesters

June 2007

U.S. POSTAL SERVICE

Mail Processing Realignment Efforts Under Way Need Better Integration and Explanation

GAO-07-717

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Highlights

Highlights of GAO-07-717, a report to congressional requesters

Why GAO Did This Study

Major changes in the mailing industry have reinforced the need for the U.S. Postal Service (USPS) to reduce costs and increase efficiency. In its 2002 Transformation Plan, USPS proposed doing so by realigning its mail processing network. The objectives of this requested report are to (1) describe the status of the initiatives USPS has developed for realignment; (2) evaluate how the planning, impacts, and results of these initiatives align with realignment goals; and (3) evaluate USPS's communication practices with stakeholders in making realignment decisions.

What GAO Recommends

To strengthen planning and accountability for USPS's realignment efforts, the Postmaster General should ensure that the Facilities Plan, required by the Postal Accountability and Enhancement, explains the integration of realignment initiatives and establishes measurable targets to track USPS's progress in meeting realignment goals. To help improve communication about realignment with stakeholders, the Postmaster General should modify USPS's communication strategy to improve the quality of public notices and engagement, and increase transparency in decision making. In response to GAO's draft report, USPS agreed with GAO's findings and recommendations and plans to take steps to improve its communication and transparency.

www.gao.gov/cgi-bin/getrpt?GAO-07-717.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Katherine Siggerud at (202) 512-2834 or siggerudk@gao.gov.

What GAO Found

USPS has developed several initiatives to achieve its overall goal of reducing costs while maintaining service. GAO supports USPS's goals for realigning its mail processing network and encourages continued progress in this area. Four initiatives, which vary in the degree to which they have been implemented to date, play central roles in the realignment of the processing network.

Status and Purpose of Key Postal Initiatives

Initiative	Status	Purpose
Area mail processing consolidations	In progress	Increase efficiency and use of existing automation by consolidating mail processing operations into facilities with excess capacity
Regional distribution centers	Reconsidering	Provide essential infrastructure for more efficient processing network
Flats Sequencing System	In progress	Increase efficiency by automating the sorting of flat mail, such as large envelopes and catalogs
Surface transportation centers	Near completion	Improve transportation network flexibility and efficiency

Source: GAO presentation of USPS data.

While USPS has made progress in implementing its realignment initiatives, it is not apparent if these initiatives will meet USPS network realignment goals. First, realignment goals do not have measurable targets, making it unclear how USPS initiatives are progressing toward these goals. Second, there is limited clarity in how the costs and benefits of each initiative are integrated or affected by each other. Third, significant issues still need to be resolved with the area mail processing (AMP) consolidation initiative, to which USPS attributes most of its progress in reducing excess machine capacity. In particular, the criteria USPS uses in selecting facilities for potential consolidation and making implementation decisions are unclear, it does not use consistent data calculations in making decisions and, due to data limitations, it cannot consider actual delivery performance in its consolidation decision-making or evaluate results. While USPS is in the process of making changes to its AMP consolidation process, our review of draft procedures indicates that some improvements have been made while other issues continue.

USPS has also made some improvements to its communication practices, but these practices continue to have gaps related to engaging stakeholders and the public in the realignment process and effectively communicating decisions. AMP communication processes do not provide adequate notification to stakeholders, lack transparency into how public input is considered when USPS makes AMP consolidation decisions, and provide limited information to the public after decisions are made. Congress has also indicated in the recent postal reform act that it supports USPS's efforts to streamline its networks but required USPS to improve its public notice processes, make more information available to communities, allow affected persons opportunity to provide input to USPS, and to take that input into account in decision making. GAO's review of USPS's revised guidance indicates that proposed improvements would neither substantively change information provided to the public, nor improve the public input process.

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Abbreviations

AMP	area mail processing
APWU	American Postal Workers Union
END	Evolutionary Network Development
EXFC	External First-Class Measurement System
FSS	flat sequencing system
HASP	Hub and Spoke Program
MODS	Management Operating Data Systems
ODIS	Origin-Destination Information System
PIR	post-implementation review
PRC	Postal Regulatory Commission
RDC	regional distribution center
STC	Surface Transportation Center
USPS	U.S. Postal Service

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Washington, DC 20548

June 21, 2007

Congressional Requesters

Major changes affecting the U.S. Postal Service (USPS), including changes in mail volumes, increasing compensation benefits and costs, and a more competitive marketplace, have reinforced the need for USPS to increase efficiency and reduce expenses, and one area of focus is in its mail processing network. The mail processing network includes over 600 processing facilities that are responsible for sorting mail once it has entered the mail system and preparing it for transportation and delivery. USPS's processing network historically focused on the processing of First-Class Mail. First-Class Mail volumes have been experiencing declines. This trend is expected to continue, which raises concerns because traditionally this mail has provided USPS with high revenue-per-piece. It also helps USPS cover its operational costs. While trends in First-Class Mail volume have been declining, trends in the use of worksharing by mailers have increased. Worksharing provides mailers with opportunities to earn discounts in postage rates for sorting, processing, and transporting their mail to a destination based on a level of mail preparation. Increases in the use of worksharing have resulted in a large volume of mail bypassing most of USPS's processing network, creating excess capacity on the equipment USPS uses to process mail.

To address these trends and other major changes affecting its processing network, USPS developed a Transformation Plan in 2002 that outlined its vision for the future. In USPS's Strategic Transformation Plan Update 2006-2010, USPS stated its commitment to removing $1 billion from its cost base each year. These plans describe how USPS intends to reduce costs and increase efficiency by making changes to its mail processing network. USPS has undertaken initiatives aimed at developing a processing network suited to current and future processing needs, reducing inefficiencies and redundancies, and increasing flexibility in its processing operations without impacting service. One such initiative focuses on consolidating mail processing among facilities in order to make the best use of processing equipment and reducing the excess machine capacity that has been created by volume and worksharing trends in mail processing, in addition to reducing some processing costs. As this consolidation effort continues, it assists USPS in positioning itself to better address these trends in the future.

Congress, the President's Commission on the United States Postal Service,[1] GAO, and others have supported USPS's need to realign its processing network, yet concerns still exist about how USPS intends to achieve results. In April 2005, we issued a report in response to a request that we evaluate USPS's plan for realigning its network, concluding that questions remain about how USPS intends to realign its processing network.[2] We found that the strategy at the time lacked clarity, criteria, and accountability, as well as excluding mechanisms for stakeholder input (i.e., employees, mailers, locally elected officials, and affected communities) and performance measures for results. In December 2006, Congress passed the Postal Accountability and Enhancement Act and an advisory opinion was issued by the Postal Regulatory Commission (PRC),[3] both of which expressed concern with the lack of transparency USPS provides on its realignment efforts, and made recommendations to USPS to better inform its stakeholders and the public of its plans and how those plans will affect them.

Several Members of Congress requested that we follow up on our 2005 report regarding the USPS's mail processing realignment efforts. In response, this report addresses three key objectives. First, it describes the initiatives USPS has undertaken since 2002 aimed at realigning its processing network and the status of these initiatives. Second, it evaluates how the planning, impacts, and results to date of these initiatives align with the goals of USPS's processing network realignment. Finally, it evaluates USPS's communications practices with stakeholders in making network realignment decisions and the challenges and leading practices associated with public engagement.

[1]President's Commission on the United States Postal Service, *Embracing the Future: Making the Tough Choices to Preserve Universal Mail Service* (Washington, D.C.: July 31, 2003).

[2]GAO, *U.S. Postal Service*: *The Service's Strategy for Realigning Its Mail Processing Infrastructure Lacks Clarity*, *Criteria*, *and Accountability*, GAO-05-261 (Washington, D.C.: Apr. 8, 2005).

[3]The Postal Regulatory Commission was previously named the Postal Rate Commission. Section 604 of the Postal Accountability and Enhancement Act (Pub. L. No. 109-435), enacted on December 20, 2006, redesignated the Postal Rate Commission as the Postal Regulatory Commission.

To address these objectives, we interviewed postal officials at USPS headquarters and two USPS Area offices,[4] as well as representatives of national mailing industry associations, and national employee union representatives to learn about USPS's realignment initiatives, how the initiatives are impacting the mail processing network, and to understand how network changes have been communicated to stakeholders. We conducted site visits in two states, Connecticut and Washington, which have facilities that have recently consolidated mail processing operations. In these states, we met with local and regional USPS officials, local mailers, business community leaders, and local employee union representatives to learn about how these consolidations were implemented, the communication practices that took place during the process, and what the impacts of the consolidations have been. We reviewed documents filed in a PRC advisory hearing, by USPS and other industry stakeholders, and the PRC's resulting advisory opinion, to gain an understanding of what USPS's plans and processes for its future processing network entailed, and to identify industry and stakeholder concerns with these plans and processes. We reviewed USPS documents and data pertaining to its processing operations consolidations and overall realignment strategy, and discussed this information with USPS's Senior Vice President, Operations, and Vice President, Network Operations, as well as other officials involved in the development and implementation of these activities. We conducted our review between July 2006 and March 2007 in accordance with generally accepted government auditing standards. A more detailed discussion of our objectives, scope, and methodology is included in appendix I. We requested comments on a draft of this report from USPS, and its comments are discussed later in this report and reproduced in appendix V.

Results in Brief

USPS has developed several initiatives to achieve its overall goal of reducing costs while maintaining service. Four initiatives, which vary in the degree to which they have been implemented, play central roles in the realignment of the processing and distribution network. These four initiatives are as follows:

- The area mail processing (AMP) consolidation initiative is designed to better use the network's capacity by consolidating mail processing

[4]USPS has nine Area offices each responsible for different geographic regions of the country.

operations into facilities with excess machine capacity, thereby increasing the use of automation in mail processing. Since 2005, USPS has studied 57 opportunities for potential AMP consolidations and implemented 10 consolidations. Most of the remainder have not been approved for implementation. All but 1 of the 10 completed consolidations involved moving operations, not closing facilities entirely.

- The regional distribution center initiative, which is still in development, is designed to create new or remodeled distribution centers to serve as the foundation of USPS's processing network. USPS is reconsidering whether to proceed with this initiative in light of requirements in recent postal reform legislation for the Postal Service to submit a plan to Congress describing its long-term vision for realigning its mail processing and other networks, as well as the deployment of new automation equipment.

- A set of automation initiatives designed to reduce costs, standardize operations, and raise productivity of the processing network is being continued with an effort to deploy machines for automated sorting of mail flats (large envelopes, magazines, or catalogs). USPS expects to obtain and install these machines from 2008 through 2010.

- The surface transportation network development initiative is designed to improve distribution network flexibility and efficiency by increasing the use of less expensive surface transportation vehicles in place of air transportation, eliminating redundant surface transportation, and maximizing vehicle capacity. The implementation of this initiative is nearly complete.

While USPS has made varying progress in the development and implementation of its network realignment initiatives, it is not apparent if these initiatives will meet its network realignment goals. These goals include (1) developing mail processing and transportation networks suited to current and future operational needs, (2) reducing inefficiency and redundancy, (3) making operations flexible, and, (4) reducing costs. USPS stated that it plans on achieving its goals without degrading service to customers. First, USPS's realignment goals have evolved over time and do not have targets for measuring USPS's progress, making it unclear how USPS is progressing in achieving these goals. Second, it is unclear how USPS's realignment initiatives are integrated with each other. That is, how the individual and collective costs and benefits of these initiatives impact the overall goal of network realignment. Third, significant issues still need to be resolved with the initiative to which USPS attributes most of its progress in reducing excess machine capacity, AMP consolidations. In

particular, the AMP consolidation process raises the following three major concerns:

- Criteria used in identifying consolidation opportunities and deciding whether to implement an AMP consolidation are unclear and, therefore, it is uncertain whether USPS is identifying the best possible opportunities in selecting facilities for AMP consolidation studies.

- USPS does not use consistent data calculations when determining impacts and costs of AMP consolidations. Without the use of consistent data calculations in the feasibility studies, USPS's ability to identify all of the foreseeable impacts of the consolidation may be limited, and the accuracy of projected and actual savings and impacts in its post-implementation evaluations remains questionable.

- USPS does not have a comprehensive mechanism for measuring mail delivery performance so it cannot include actual delivery performance in its AMP consolidation studies or post-implementation evaluations. Therefore, USPS does not have data that can accurately capture expected or actual impacts that the AMP consolidations have had on delivery performance.

While USPS is in the process of changing its AMP consolidation process, our review of a draft of its revised consolidation procedures indicates that issues related to the standardization of data sources are being addressed, but other issues continue. The revised procedures still do not clarify the criteria USPS is using in making facility selection decisions or deciding whether to implement an AMP consolidation, although USPS officials told us that they will begin to prioritize implementation of AMP consolidations that are expected to yield $1 million or more in cost savings annually. Without better data and improved evaluations, USPS does not know whether its AMP consolidations are resulting in increased efficiency and a reduction in excess capacity as intended.

USPS also made some improvements to its communication practices, but these practices continue to have gaps related to engaging its stakeholders—mailers, employees, elected officials, the business community, and the media—and the public in the realignment process and effectively communicating decisions. AMP communication processes, which have evolved since 1995, do not provide clear and useful notification to stakeholders, lack transparency into how stakeholder and public input is considered when USPS makes AMP decisions, and provide limited information to stakeholders and the public after decisions are

made. For example, notification letters to stakeholders are largely form letters that do not clearly state the changes USPS is studying or the possible outcomes that may result. Although AMP guidance requires USPS to fully consider both service and other impacts on the community, mailers and others we spoke with expressed concern about the lack of transparency in consolidation decisions. A town hall meeting is the only formal requirement for public input during the AMP process. Stakeholders and others, such as the PRC, have criticized the timing of these meetings as occurring too late in the process, after USPS has already made major decisions. To help remedy problems with providing information and seeking public input, Congress required USPS to improve its public notice processes, make more information available to communities, allow affected persons opportunity to provide input to USPS, and to take that input into account in decision making. USPS's planned improvements would generally limit changes to internal processes such as clarifying USPS roles and responsibilities for the public meeting and making arrangements for the meeting. USPS would provide notice of its decisions to stakeholders more frequently, but the content of notification letters would generally remain the same, and the timing of the town hall meeting would not change. Our review of USPS's revised guidance indicates that proposed improvements would neither substantively change information provided to the public, nor substantially improve the public input process.

To strengthen planning and accountability for USPS's realignment efforts, we are recommending that the Postmaster General ensure that the Facilities Plan required by the Postal Accountability and Enhancement Act explains the integration of realignment initiatives and establishes measurable targets to track USPS's progress in meeting realignment goals. To help improve communication about realignment with stakeholders, we are recommending that the Postmaster General modify USPS's communication strategy to improve the quality of public notices and engagement, and increase transparency in decision making. USPS generally agreed with our findings and recommendations and stated that its compliance with the Postal Accountability and Enhancement Act will satisfy our recommendations related to the Facilities Plan, and that it will take steps to improve communication about its realignment and increase transparency.

Background

As part of its 2002 Transformation Plan, USPS announced plans to review and realign its processing and transportation networks to better align with trends in the marketplace that include

- changing customer needs,
- eroding mail volumes, and
- rising costs.

At this time, USPS began plans for comprehensively realigning its processing network and outlined a strategy[5] to create a flexible logistics network that would reduce both USPS's and its customers' costs, increase overall operational effectiveness, and improve consistency of service. This strategy would employ computer modeling to provide USPS with the analytical means to evaluate a variety of future network alternatives that could be used in redesigning its existing network.

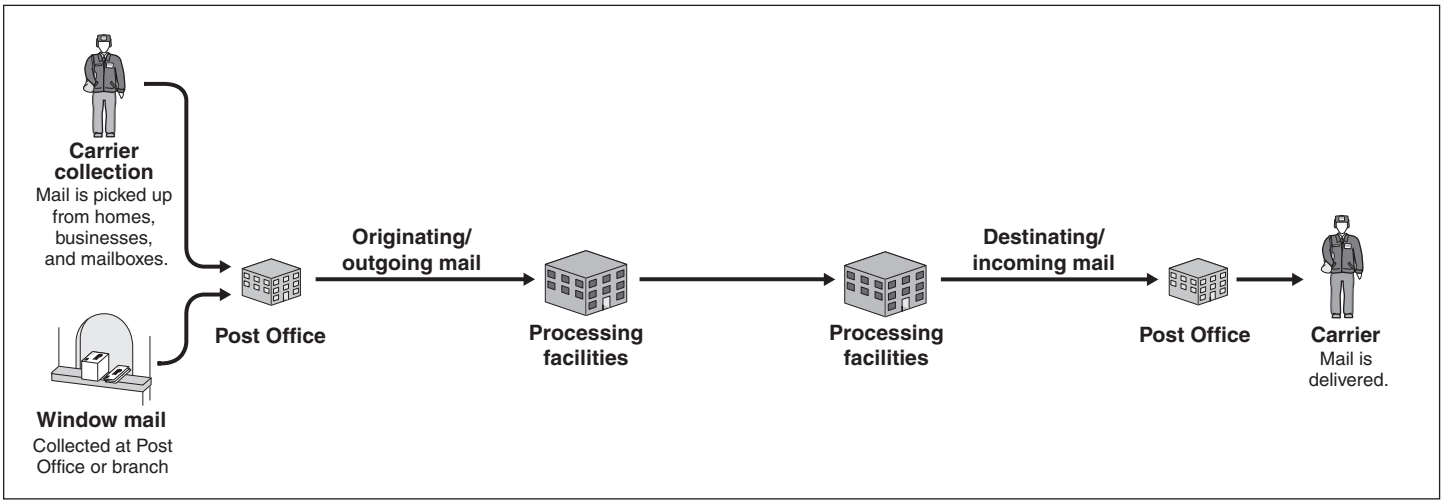
USPS operates a complex processing network for letters, flats, and parcels. Most mail is sorted by automated equipment in USPS processing facilities and then dispatched for delivery. The processing network is interdependent with the transportation network where operations in one part affect operations throughout.

In summer 2003, a report issued by the President's Commission on the United States Postal Service reiterated the need for USPS to realign its processing network. In January 2004, USPS submitted a report to the House Committee on Government Reform stating that, based on the outputs of the model, it would realign its network using a hub and spoke concept. This report proposed focusing its network on two types of "spoke" facilities—those that would process mail at its origin, when the sender enters the mail into USPS's network, and those that would process mail at its destination, preparing it for delivery. Figure 1 depicts a basic overview of these two types of facilities.[6]

[5]As outlined in the Transformation Plan, this strategy was called Network Integration and Alignment.

[6]Some mail bypasses the originating USPS processing facility that otherwise would initially receive and sort mail and instead be transported by the mailers to a USPS facility that generally is closer to the final destination of the mail.

Figure 1: USPS's Originating and Destinating Mail Processing Network



Source: GAO.

According to the report, the hub and spoke system would create a uniform network unlike the existing system that had been developed over time and had resulted in wide variations in productivity and capacity among processing facilities. In fall of 2004 at the National Postal Forum, the Postmaster General announced that USPS would realign its network through an evolutionary process. He explained that because future mail volumes and advances in technology are not predictable, USPS will need to continuously rationalize and optimize its security, plants, processing systems, transportation, and workforce in order to keep its networks efficient and systems affordable. Accordingly, this evolutionary process would have no definitive completion date and would continuously examine the processing network for inefficiencies and redundancies and standardize the best operational practices.

In April 2005 we reported on this evolutionary strategy, *U.S. Postal Service: The Service's Strategy for Realigning Its Mail Processing Infrastructure Lacks Clarity, Criteria, and Accountability* (GAO-05-261). This report outlined several major changes that have affected USPS's mail processing and distribution operations over time, including changes in the marketplace, evolution of infrastructure, developments in automation and worksharing, and shifts in national demographics. In evaluating USPS's strategy to address these changes, we found that it

- lacked clarity—since USPS announced its intent to realign, it had developed several different realignment strategies,
- lacked criteria and processes for eliminating excess capacity in its network,
- excluded stakeholder input in its decision-making processes,
- was not sufficiently transparent and accountable, and
- lacked performance measures for results.

To address these findings, we recommended that USPS establish a set of criteria for evaluating realignment decisions, develop a mechanism for informing stakeholders as decisions are made, and develop a process for implementing these decisions that includes evaluating and measuring the results, as well as the actual costs and savings resulting from the decisions. In response to our report, USPS concurred with our description of its mail processing and distribution infrastructure and the major business and demographic changes that have affected its operations but did not respond directly to our conclusions or recommendations.

In 2006, USPS reiterated its commitment to the evolutionary strategy, and in February 2006 USPS sought out an advisory opinion from the PRC on anticipated changes in the application of current service standards that may result from a systemwide review and realignment of its mail processing and transportation networks.[7] In its filing, USPS stated that the goals of its evolutionary network realignment strategy are to

- develop mail processing and transportation networks suited to current and future operational needs,
- reduce inefficiency and redundancy,

[7]PRC Docket No. N2006-1, Evolutionary Network Development Service Changes, 2006. USPS requested the Postal Regulatory Commission issue an advisory opinion to determine whether or not changes resulting from network realignment would be in violation of the law.

- make operations flexible, and
- reduce postal costs.

USPS also reiterated that the evolutionary strategy would be implemented incrementally and that it would likely take several years to review all major components of the mail processing network and to implement any resulting operational changes. Progress in implementing these changes, primarily with respect to USPS's initiative to consolidate mail processing operations among facilities, has been slow going due to several factors. In some cases, USPS was not ready to proceed with the consolidation. For example, some locations had preexisting service issues that needed to be resolved before the consolidation was implemented. Additionally, external factors have slowed the process. Consolidations have been met with union and community resistance. Also, language in the Senate Committee on Appropriations report on fiscal year 2007 appropriations directed USPS to suspend its consolidation efforts in three locations until this GAO report is released.[8]

In December 2006, the PRC issued its advisory opinion and found that the goals USPS established for its network realignment were fully consistent with the policies and criteria of the Postal Reorganization Act and endorsed them. While the PRC found the goals of USPS's realignment strategy laudable, it found no assurance that the proposed realignment program, as currently envisaged, would meet these declared goals. In particular, it found that it contained flawed or incomplete information on certain crucial aspects of USPS's plan for network realignment, specifically

- questionable or incomplete cost and service estimates,
- inadequate review of local impacts, and
- insufficient provisions for public participation.

Also in December 2006, the Postal Accountability and Enhancement Act[9] was signed into law in order to address long-standing issues with USPS's

[8]S. Rept. No. 109-293, at 228 (2006).The three consolidations put on hold were: Sioux City, IA; Aberdeen, SD; and Yakima, WA.

[9]Pub. L. No. 109-435.

business model. In addition to addressing issues related to USPS's financial challenges, this act also included provisions related to the realignment of USPS's processing and distribution network. Specifically the act requires USPS to

- establish a set of modern service standards for market dominant products, one objective of the standards is to provide a system of objective external performance measurements for each market-dominant product as a basis for measuring USPS's performance, and some factors USPS must take into account include the actual level of service that its customers receive under any service guidelines previously established by USPS and the degree of customer satisfaction with USPS's performance in the acceptance, processing, and delivery of mail.

- develop a Facilities Plan that includes

  - a strategy for how USPS intends to rationalize the postal facilities network and remove excess processing capacity and space from the network, including estimated time frames, criteria, and processes to be used for making changes to the facilities network, and the process for engaging policymakers and the public in related decisions;

  - a discussion of what impact any facility changes will have on the workforce and whether USPS has sufficient flexibility to make needed workforce changes;

  - an identification of anticipated costs, costs savings, and other benefits associated with the infrastructure rationalization alternatives discussed in the plan; and

  - procedures USPS will use to provide adequate public notice to communities potentially affected by a proposed rationalization decision; make available information regarding any service changes in the affected communities, any other effects on customers, any effects on postal employees, and any cost savings; afford affected persons ample opportunity to provide input on the proposed decision; and take such comments into account in making a final decision.

Congress strongly encouraged USPS to expeditiously move forward in its streamlining efforts and keep unions, management associations, and local elected officials informed as an essential part of this effort and abide by any procedural requirements contained in the national bargaining agreements. With respect to existing efforts, USPS was directed that effective on the date of enactment of the act (December 20, 2006), it may

not close or consolidate any processing or logistics facilities without using procedures for public notice and input consistent with those required to be included in the Facilities Plan.

USPS Initiatives for Realigning Its Processing Network Are at Different Stages of Development and Implementation

USPS is using an approach called Evolutionary Network Development (END) to realign its processing and transportation networks. According to USPS, END is evolutionary, meaning the approach will continually examine processing and transportation networks for opportunities to increase their efficiency. END involves several initiatives that are at varying stages of development and implementation. Four of these initiatives play central roles in network realignment: AMP consolidations, regional distribution center (RDC) development, flats sequencing system, and surface and air network development, as summarized in table 1.

Table 1: Status and Purpose of Central Realignment Initiatives

Initiative	Status	Purpose
Area mail processing consolidations	In progress	Increase efficiency and use of existing automation by consolidating mail processing operations into facilities with excess capacity
Regional distribution center development	Reconsidering	Provide essential infrastructure for more efficient processing network
Flats Sequencing System	Under development	Increase processing efficiency by automating flat mail sorting to carrier delivery sequence
Surface and air network development	Near completion	Improve transportation network flexibility and efficiency

Source: GAO presentation of USPS data.

USPS is facilitating the development of the four central network realignment initiatives with a computer model that simulates its processing and transportation facility networks to identify opportunities for reducing costs, increasing transportation efficiency, and allowing the network to better adapt to changing conditions and workloads. While the model supplies the basis for general planning related to these initiatives, it is not designed to incorporate all possible variables necessary for future network planning. As a result, USPS managers conduct additional analysis to make USPS realignment decisions.

AMP Consolidations Are Under Way but Taking Longer Than Anticipated to Complete

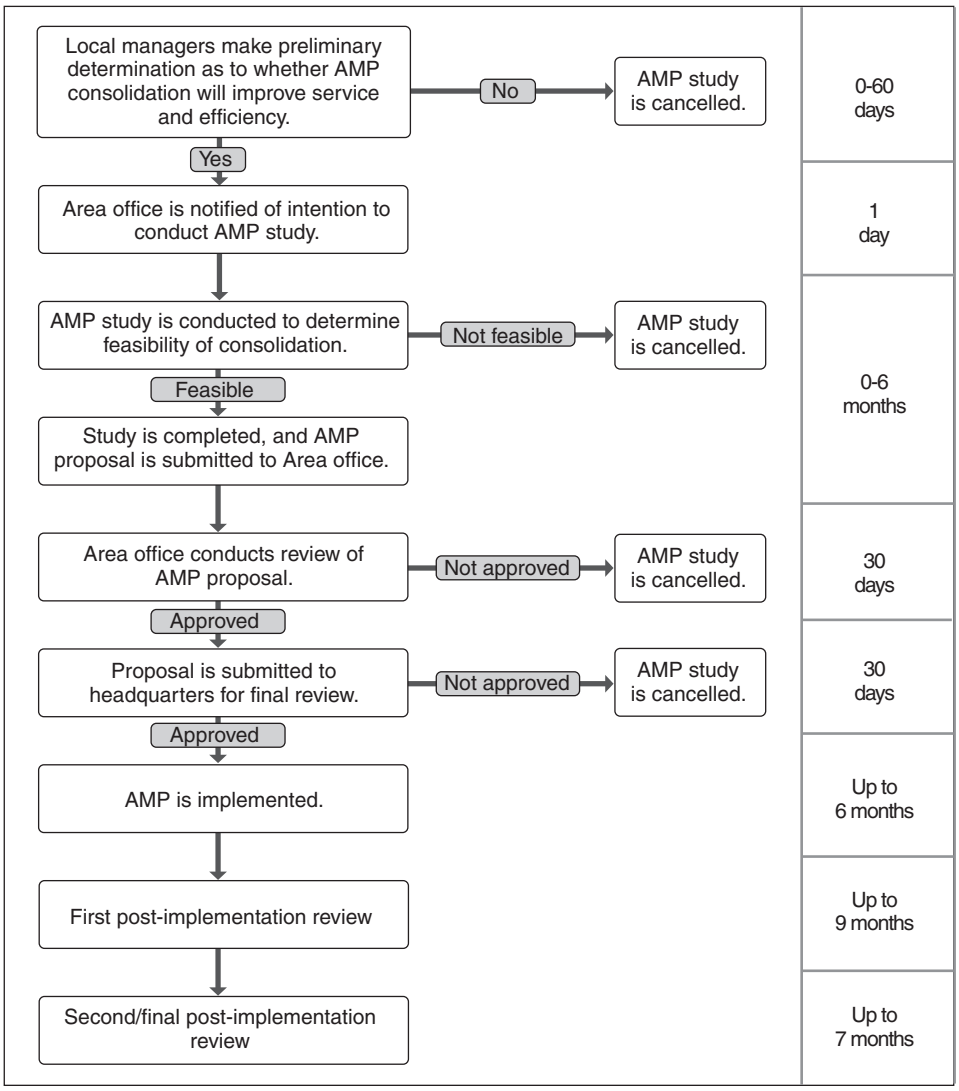
In 2005 and 2006, USPS initiated 57 studies of opportunities for AMP consolidations, but has decided not to implement 34 of these. While USPS has carried out AMP consolidations for more than 30 years, in 2002 it recognized them as a tool to rightsize the network and has since focused on expanding their implementation and updating their implementation guidelines.

Status of AMP Consolidations Initiated in 2005 and 2006

In 2005 and 2006, most USPS decisions about whether to implement AMP consolidation opportunities lagged behind the decision-making time frames set forth by its guidelines. According to USPS's 1995 AMP guidelines, local offices should not take more than 6 months to complete a formal study of the feasibility of a consolidation opportunity, after which Area offices and headquarters have 2 months to review the study and make a final decision about implementation of the consolidation (see fig. 2).[10] The majority of the consolidation studies and implementation decisions made by USPS in 2005 and 2006 exceeded these time frames. For further description of the consolidation process stipulated by USPS AMP guidelines, see appendix II.

[10]USPS has divided its national network into nine geographic areas, each of which is overseen by an Area Vice President. Areas are composed of several districts that oversee local offices.

Figure 2: USPS's Area Mail Processing Consolidation Process and Time Line



Source: USPS.

The majority of the AMP consolidations that have been implemented since END was initiated in 2002 were approved in 2005. As summarized in table 2, USPS officials told us that in 2005 USPS approved 11 consolidations, 9 of which it has implemented. USPS area and headquarters officials took an average of 4 months to decide to implement these 11 consolidations, 2 months longer than prescribed by AMP guidelines. USPS later decided not to implement one consolidation because, following a modification in USPS area boundaries that changed the Area office responsible for oversight of

the facilities involved, the new Area Vice President requested that the AMP not be implemented due to concerns about service issues. The final consolidation has not yet occurred due to delay in the acquisition and installation of equipment needed in the facility that will process the increased mail volumes. It is now expected to be fully implemented by the summer of 2007.

Table 2: Implementation Status of AMP Consolidations Approved in 2005

Status of AMP consolidation	Number
Approved for implementation	11
Implemented	9
Implementation postponed	1
Subsequent decision not to implement	1

Source: GAO presentation of USPS data.

Note: Status numbers are from AMPs approved in calendar year 2005.

Studies of consolidation opportunities undertaken in 2006 took longer than prescribed by USPS guidelines and so far have produced fewer decisions to consolidate than in 2005. As summarized in table 3, in 2006 USPS initiated 46 AMP consolidation studies. As of May 2007, it had implemented 1 consolidation, approved but not yet implemented 1 consolidation, decided not to implement 33 studies (5 placed on indefinite "hold"), continued to consider 10 consolidations, and was still completing the study of 1 consolidation. The majority of USPS decisions about whether to implement the studies lagged behind the 8 month time frame prescribed by its AMP guidelines. USPS officials explained that decisions to place 5 AMP consolidation studies on indefinite hold were made by Area offices in light of their observation of existing service issues in these facilities, which they wished to resolve before considering implementation. USPS officials said that the remaining 28 of the 33 decisions not to implement the consolidations were made for reasons that included study findings that implementation would result in negligible savings or degrade existing service. For further detail about the specific facilities involved in 2006 consolidations, see appendix III. USPS anticipates making final decisions for all 10 feasibility studies still under consideration by summer of 2007.

Table 3: Status of 46 AMP Consolidations Initiated in 2006

Status of AMP consolidation	Number
AMP approved and implemented	1
AMP approved, not yet implemented	1
Decision not to implement proposed AMP[a]	33
AMP package under review by Area or Headquarters	10
AMP study under development by local office	1
Total	**46**

Source: GAO presentation of USPS data.

Note: Status numbers are from AMPs initiated in calendar year 2006.

[a]Decisions not to implement proposed AMP consolidations include five consolidations USPS has placed on indefinite "hold."

AMP Consolidations Are Intended to Reduce Excess Capacity

AMP consolidations are intended to reduce costs and increase efficiency through reducing excess capacity. According to USPS officials, declining mail volumes have resulted in excess capacity, including excess machine and workhours. Excess machine hours occur when machines sit idle because declining amounts of mail are being processed on the same amount of equipment, and excess workhours occur when more workhours are used than necessary for mail processing. One way to reduce excess capacity is to consolidate mail-processing operations from one or more facilities into one or more plants. This increases the amount of mail processed on machines and decreases workhours used in mail processing by reducing the number of staffed machines. AMP consolidations are designed to provide machine and workhour efficiency and/or improve service for all originating and/or destinating operations through transferring the responsibility for processing mostly single-piece First-Class Mail from one or more facilities into a facility with excess machine capacity.[11] Single-piece First-Class Mail is mailable matter, 13 ounces or less, including personal correspondence, bills, statements of accounts, or handwritten matter and comprises a small and decreasing portion of USPS mail volumes—21 percent in fiscal year 2006 compared with 26 percent in fiscal year 2000. Meanwhile, postal worksharing, in which mailers prepare, barcode, sort, and/or transport mail closer to its destination location to qualify for reduced postage rates, is increasing. As mailers enter mail into the mailstream closer to its destination location, USPS receives less mail to process at the locations where mail originates. By decreasing the

[11]AMP consolidations handle more than just First-Class Mail.

number of machines used to process remaining single-piece First-Class Mail, and thereby the workhours required for its processing, AMP consolidations can reduce postal costs.

Most AMP consolidations have been of processing operations for originating mail. Originating mail is mail that was collected in the local area and brought to the local USPS facility for processing. By definition, AMP consolidations can also consolidate processing operations for destinating mail (mail that is prepared for delivery at its final destination). Since 2005, however, consolidations of processing operations for originating mail have been more common than those of destinating processing operations. Only 6 out of 57 feasibility studies initiated from 2005-2006 were of destinating mail processing operations. This may be due to the continued growth in delivery points (approximately 1.8 million per year) serviced by USPS. Another factor is that more mail is entering the system at its destination, resulting in less excess capacity in processing operations for destinating mail than for originating mail.

Although AMP consolidations transfer specific processing operations out of facilities and relocate associated mail processing employees, they do not generally lead to facility closures. The facilities from which operations were transferred still need to process mail in the remaining operations and conduct retail operations for which they are responsible. Officials told us that USPS generally only considers closing a facility if an AMP consolidation transfers out all operations, and USPS determines that there is no need for the facility. To date, only one AMP consolidation implemented in 2005 has led to a facility closure.

Implementation of the Regional Distribution Center Initiative Has Not Begun and Is Being Reconsidered

USPS testified to the PRC in February 2006 that it would be undertaking an initiative to develop a network of distribution centers to serve as the foundation of its processing network, but to date progress in developing the RDC initiative has been limited, and USPS has not determined if it will proceed with this initiative. USPS's mail processing and distribution network, whereby mail is prepared for sorting on automation equipment and transported between plants, has evolved over time and presently consists of overlapping networks, each of which functions to process and distribute a specific class of mail.[12] Some facilities in these networks are

[12]Different classes of mail dictate the rate the customer is charged to send the mail and the amount of time it should take for the mail to be delivered from the time it is sent.

responsible for processing a particular type of mail (for example flats, parcels, or automated letters), each of which is transported on a separate transportation network. USPS explained that the RDC initiative would allow USPS to merge these multiple, "single-class" networks into a network capable of handling multiple classes of mail. RDCs would serve as consolidation centers for mail of the same shape (for example, letters, flats, or parcels), which would allow mailers to bring various classes of mail to one facility and facilitate the transportation of multiple mail classes on a single transportation network. When USPS first introduced the concept of RDCs to serve as the foundation of its processing network, it projected it would need between 28 and 100 RDCs nationally.

Various developments have caused USPS to reexamine whether it will proceed with the RDC initiative. In February 2007, officials told us they would be reevaluating processing and transportation network plans in light of the December 2006 Postal Accountability and Enhancement Act, the PRC opinion, and the deployment of new flat automation equipment. In March 2007, USPS's Senior Vice President, Operations, told us that USPS is still determining the structure of its processing network foundation. He said that similar to the current network, the future network would still be designed around USPS's processing and distribution centers, but how USPS will make determinations about these facilities appears largely uncertain.

USPS Plans to Begin Deploying Machines to Enhance Automation of Flat Sorting in 2008

As part of ongoing efforts to automate mail processing, one current initiative calls for new equipment to further automate sorting of flat mail (larger envelopes, catalogs, circulars, newspapers, and magazines). In 2002, USPS introduced high-speed equipment that automated the sorting of many—but not all—kinds of flat mail. Mail that cannot be handled by these machines must be manually sorted, which increases USPS expenses considerably as it costs approximately three times as much in labor to process flats manually. A new machine called the flat sequencing system (FSS) has the potential to greatly reduce the need for manual flat sorting. USPS estimates that this equipment will handle approximately 8.5 billion pieces of flat mail per year (16 percent of total current flat volumes), and its implementation, according to USPS, is predicted to produce net annual operational savings of $600 million.

In October of 2006, the Board of Governors[13] approved the purchase of 100 FSS machines at a cost of $1.49 billion, which USPS plans to deploy between October of 2008 and October of 2010. USPS plans to place the 100 FSS in 33 facilities, each of which will house at least two systems. Although 13 existing facilities will house systems, due to their large size (each FSS has a footprint of approximately 30,000 square feet), USPS plans to expand 15 facilities and construct 5 new facilities to house the systems.

The Surface and Air Network Development Initiative Is Nearly Complete

USPS also has taken steps to develop a more flexible transportation network that is intended to allow it to move greater mail volumes more efficiently and at a lower cost. To this end, it has nearly completed a surface transportation network designed to maximize its geographic coverage, optimize its use of vehicle space, and to dispatch the ideal number of vehicles on transportation routes.

Surface Transportation Centers (STC)[14] provide the foundation for the new surface and air network by serving as concentration points where mail containers from multiple facilities are consolidated and transferred to other postal facilities in the same vehicles. By enabling USPS to dispatch full vehicles on expanded routes, STCs permit mail formerly transported by air to be carried at less cost on ground transportation. The revised network will have a total of 23 STCs. There are currently 20 STCs in the network, and 3 additional ones are expected to be opened in 2007.

USPS reported that it has increased its air transportation reliability and flexibility by making air transport contract decisions based on performance assessments of its carriers. In 2006, USPS awarded United Parcel Service a 3-year contract to provide domestic transport for primarily Priority Mail and First-Class Mail, and FedEx a 7- year contract that replaced its existing contract to transport Express Mail, Priority Mail, and First-Class Mail.[15] In efforts to increase the efficiency and

[13]The USPS Board of Governors is comparable to a board of directors of a private corporation and includes nine Governors who are appointed by the President. The board directs the exercise of the powers and expenditures of USPS, conducts long-range planning, and sets policies on all postal matters.

[14]STCs are virtually identical to what were formerly referred to as Hub and Spoke Program (HASP) facilities.

[15]Express Mail is mail sent by the fastest mail service offered by USPS. Priority Mail is First-Class Mail that weighs over 13 ounces.

dependability of its air transportation, USPS awarded 5-year contract extensions to seven commercial air carriers that met on-time provisions of previous contracts and eliminated nonperforming commercial air carriers from transporting mail.

USPS is also developing a tool called the Transportation Optimization Planning and Scheduling System to help improve efficiency through identifying optimal mail routes and mail volumes for different transportation networks. The system will help analyze alternative scenarios to determine the lowest cost transportation network given USPS mail delivery obligations.

It Is Unclear if Network Realignment Initiatives Are Meeting USPS END Goals, and Problems Exist with USPS's AMP Consolidation Initiative

While USPS has made varying degrees of progress in the development and implementation of its realignment initiatives, it is unclear if the results of these initiatives are meeting its network realignment goals. Because the goals lack measurable targets and there is little transparency in how USPS's network realignment initiatives are integrated with each other, it is not apparent to what extent these initiatives are achieving USPS's END goals. Additionally, concerns with the AMP consolidation process further illustrate the lack of clarity in determining whether this initiative is meeting USPS's realignment goals. USPS is taking actions to address the AMP consolidation process, but concerns with criteria and USPS's limited ability to measure delivery performance still exist.

USPS's Network Realignment Goals Lack Measurable Targets, and It Is Unclear How Initiatives Are Integrated with Each Other

USPS has continuously developed initiatives to facilitate realignment of its processing network, but it is not clear based on the plans that USPS has developed if these initiatives are meeting its END goals. USPS has established goals for its END infrastructure realignment initiative and is making changes to its processing network with the aim of meeting these goals while still maintaining current levels of service. Goals are as follows:

- developing mail processing and transportation networks suited to current and future operational needs,
- reducing inefficiency and redundancy,
- making operations flexible, and
- reducing postal costs.

While these goals have been supported by GAO, the PRC, and the President's Commission, USPS has yet to develop measurable targets for achieving these goals.[16] With no measurable targets, there is no way to determine how much of an impact USPS's network realignment initiatives are making on achieving these goals. For example, USPS's Senior Vice President, Operations, told us that there are no actual targets for cost savings in network realignment, but an indicator of success will be the implementation of more AMP consolidations.

USPS's inability to measure its success in meeting END goals is accompanied by the lack of clear information available to stakeholders about how USPS is integrating its initiatives. For example, when USPS testified in the PRC proceedings in 2006 that it planned to develop RDCs as the backbone of its processing network, it had not yet taken into consideration the deployment of new processing equipment, the FSS, that is expected to result in major changes to how and where flat mail is processed even though plans for making a major change to USPS's Corporate Flats Strategy was published in May 2003.[17] Consequently, USPS has put its plans for the RDCs on hold as it reconsiders their feasibility as the backbone for the processing network. In its Advisory Opinion, the PRC reinforced that it is not clear how the network plan USPS proposed would meet END goals. After the decision to approve the FSS was made, PRC advised USPS to take precautions to ensure that changes it makes to its network will be able to accommodate deployment of the FSS without incurring unnecessary expense. The PRC has also stated that this piece of equipment is an important aspect of USPS's future network and should be given careful consideration. At this point, it is unclear how USPS is integrating the new equipment into its future network realignment planning. To address these concerns, USPS is incorporating the FSS into its network modeling and is reevaluating its plans but has not said when it expects to complete its updated plans for establishing a backbone for its network.

In addition to the PRC Advisory Opinion, the Postal Accountability and Enhancement Act, passed in December 2006, addressed the lack of clarity

[16]In July 2003, the President's Commission provided recommendations on ensuring efficient operation of USPS, while minimizing financial exposure to the American taxpayers. These recommendations supported USPS's realignment of it processing network.

[17]While plans have been in development since 2002, the USPS Board of Governors did not approve plans to move forward with the FSS equipment until February 2006.

in understanding how network realignment initiatives are integrated with each other. The legislation requires USPS to develop a comprehensive Facilities Plan that includes a strategy for how USPS intends to rationalize its network and an identification of anticipated costs, costs savings, and other benefits associated with the infrastructure rationalization alternatives discussed in the plan.

In light of the recent changes in legislation and the deployment of FSS machines, USPS will be reevaluating its processing and transportation network plans. USPS is still determining what its backbone infrastructure will look like, but it will still be designed around USPS's processing and distribution centers and will be composed of processing and operations facilities and a surface and air network. While USPS officials have repeatedly stated that the design of its future processing network is evolutionary in nature, it is unclear—5 years after its initial announcement—what USPS intends its processing network to evolve into.

Concerns with the AMP Consolidation Process Make it Unclear How This Initiative Is Meeting Network Realignment Goals

AMP consolidations are the initiative that most clearly address USPS's reduction of excess machine capacity due to increased worksharing and declining First-Class Mail volumes, yet the limited transparency in the AMP consolidation process makes it unclear to what extent this initiative is meeting END goals. Many of the concerns about this lack of transparency in the planning and evaluation processes are primarily related to what criteria USPS used in selecting facilities as opportunities for AMP consolidations, the lack of consistent data calculations used in the decision making and evaluation processes, and the lack of the AMP consolidation's evaluation of impact on service performance. USPS is taking steps to address these areas by revising its AMP consolidation guidelines, but concerns still exist.

Criteria USPS Uses in Selecting Facilities as Opportunities for AMP Consolidations and Deciding to Implement an AMP Consolidation Are Unclear

It is neither clear what criteria USPS uses in selecting facilities that may serve as potential opportunities for AMP consolidations, nor is it clear what criteria USPS uses in deciding whether or not to implement a consolidation. Therefore, it is not clear if USPS is targeting the best opportunities for consolidation. Before 2005, USPS conducted AMP consolidations at the suggestion of local officials who identified opportunities for consolidation and were then responsible for presenting these opportunities to district and area management. USPS supplemented this bottom-up approach in identifying AMP consolidation opportunities. With the development of its END model, USPS also began using a top-down approach. While USPS officials have acknowledged that the opportunities identified by the model may not always be feasible in reality,

they are now going to use modeling and analysis at the national level to identify opportunities in which operations could be consolidated. A USPS headquarters official we met with said one reason for this is because plant managers should not be held responsible for identifying their own plant as an opportunity for reduction or potential closure.

In 2005, USPS reported that the END model identified 139 sets of facilities that could potentially be consolidated. Of these, 46 sets of facilities were deemed feasible for initiating AMP consolidation studies and, of these studies, so far 2 AMP consolidations have been approved, and 33 of these 46 sets have been either rejected or put on hold. The effectiveness of the use of the END model in identifying opportunities for AMP consolidations was called into question in the PRC's Advisory Opinion, and the USPS Inspector General is current reviewing the AMP consolidation facility selection process. The PRC's concerns are related to the fact that the END model does not entirely use facility-specific data in identifying opportunities for consolidation. Instead the model uses some facility specific data and some national productivity averages, which may not adequately target facilities that provide the best opportunities for consolidations.

In addition to unclear criteria in selecting facilities with potential for consolidation, USPS does not have specific criteria for deciding whether or not to implement an AMP consolidation after the study has been completed. USPS's Senior Vice President, Operations, told us they are currently prioritizing consolidations of facilities that are expected to achieve $1 million or more in cost savings annually. Currently, no such threshold exists, and neither do any other definitive thresholds or principles in deciding whether or not to implement an AMP consolidation. In its Advisory Opinion, the PRC found that the AMP consolidation process lacks criteria for approval and stated that "without set criteria or guidelines, the decision-making process can lose objectivity [and that] both the Office of the Consumer Advocate[18] and the American Postal Workers Union found the lack of criteria to be troublesome. The Office of the Consumer Advocate suggested that the PRC should recommend USPS implement decision rules and guidelines, and the PRC concurred stating

[18]The Office of the Consumer Advocate is an office within the PRC whose mission is to be a vigorous, responsive, and effective advocate for reasonable and equitable treatment of the general public in proceedings before the PRC.

that USPS should "establish a set of criteria, or at a minimum, guiding principles for making realignment decisions."

USPS Does Not Use Consistent Data Calculations in Making AMP Consolidation Decisions and Evaluating Results

In addition to the lack of clarity in the facility selection process, USPS does not use consistent data calculations in determining impacts and savings of these consolidations, resulting in the potential for foreseeable impacts to go unnoticed and inconsistency in anticipated savings. USPS bases AMP consolidation impacts on projections determined through these calculations. As a result, some facilities may have difficulty in handling and processing the additional mail they receive through the consolidation. For example, in one of our site visits, local and district USPS officials told us that they were concerned that the gaining facility would not be able to process the additional mail volume that it would be receiving because it was already having problems processing its existing volume on time. The projections calculated by district managers supported this concern, yet the projections calculated by Area managers showed that the AMP consolidation was feasible, and it was approved and implemented. Several months later, the consolidation was suspended because additional equipment was needed at the receiving facility in order to accommodate the additional mail volume. A USPS official told us that this was primarily due to lack of standardized data calculations used in the study and lack of understanding of the study guidelines by officials that completed the study. Examples such as these, in which foreseeable impacts could have been avoided, may be mitigated through the use of consistent data calculations in the AMP consolidation study.

Inconsistent Data Calculations Result in Differences in Projected Cost Savings

Inconsistency in data calculations also impacts the ability of USPS to accurately determine the expected cost savings of the AMP consolidations. The current AMP guidelines neither prescribe standardized sources for the data used in completing the worksheets, nor is there a standardized methodology for calculating some of the data in the worksheets. For example, in its Advisory Opinion, the PRC found that work-hour savings in the AMP consolidation studies were calculated differently in various studies and that, in some cases, the PRC could not determine how the savings were calculated. In our review of the pre- and post-implementation data for nine consolidations implemented in 2005, we also found that the calculations used in determining the projected savings were inconsistent, making it unclear what the baseline should be for evaluating actual cost savings. Concerns with data calculations used in USPS's AMP consolidation process have also been addressed by USPS's Inspector General. For example, during a review of one AMP consolidation, the Inspector General found discrepancies in the projected cost savings in the

AMP consolidation study, resulting in savings that may have been significantly overstated.

AMP consolidation guidelines require semiannual and annual post-implementation reviews (PIR) of AMP consolidations, which ensure management's accountability for implementing an AMP plan. USPS's post-implementation review process essentially replicates the AMP consolidation study process and compares the estimated annual savings submitted in the approved AMP consolidation study against the actual savings after 6 months, which is then projected to annualized savings. PIRs are completed by local managers, approved by Area Offices and subject to final review by headquarters. As of January 30, 2007, PIRs for the nine fully implemented consolidations were due to USPS headquarters and, as of March 2007, USPS headquarters officials had received all of them, and in May 2007 had completed its review of three.

In some cases, reviewing officials in USPS headquarters have made significant corrections and changes to the draft PIRs that were submitted for their review, resulting in revised projected annualized savings that were closer to the original estimates prepared for the AMP consolidation studies. As shown in table 4, the sum of estimated annual savings in the nine AMP consolidations approved in 2005, as provided in the AMP study documents, was about $28 million.[19] According to the initial draft PIRs for these nine consolidations prepared by USPS officials at the local level 6 months after implementation, they projected about $19 million in annualized savings. During the review of these PIRs by USPS headquarters, this sum was revised to about $28 million. The headquarters review of the PIRs has been completed for only three of the nine PIRs, and additional revisions to the projected annualized savings may be made, but USPS officials provided us with the most recent data available from their ongoing reviews.

[19]USPS headquarters officials also revised the AMP study estimated annual savings for two consolidations, after the consolidations were approved, to eliminate duplicated savings, which reduced the total AMP study estimated annual savings by $2.8 million. We did not include this revised AMP estimate in the table, so that all the data in the table would be from consistent sources.

Table 4: Semiannual Post-Implementation Projected Annualized Savings Versus Estimated Annualized Savings in AMP Studies Approved in 2005

Number of PIRs	Estimated annualized savings in AMP studies	Initial post-implementation projected annualized savings (prepared by local officials)	Revised post-implementation projected annualized savings (based on headquarters review)
9	$28,142,829	$19,017,453	$28,112,909

Source: GAO presentation of USPS data.

Note: The headquarters review of the PIRs has been completed for only three of the nine PIRs, and additional revisions to the projected annualized savings may be made, but USPS officials provided us with the most recent data available from their ongoing reviews.

Of these projected annual savings reported in the headquarters' revised PIRs, 60 percent are anticipated to come from a single consolidation in which all mail processing operations were consolidated (both originating and destinating). As shown in table 5, if anticipated and realized savings from this consolidation are excluded, the estimated annual savings from the AMP studies of the remaining eight consolidations was about $10.7 million, and the initial PIRs projected about $2.15 million would actually be realized. However, based on the most recently available data from the ongoing headquarters review of these PIRs, the revised projected annualized savings was about $11.25 million.

Table 5: Semiannual Post-Implementation Projected Annualized Savings Versus Estimated Annualized Savings in AMP Studies Approved in 2005, Excluding Fully Consolidated Facility

Number of PIRs	Estimated annualized savings in AMP studies	Initial post-implementation projected annualized savings (prepared by local officials)	Revised post-implementation projected annualized savings (based on headquarters review)
8	$10,722,363	$2,152,827	$11,248,283

Source: GAO presentation of USPS data.

Note: The headquarters review of the PIRs has been completed for only three of the nine PIRs, and additional revisions to the projected annualized savings may be made, but USPS officials provided us with the most recent data available from their ongoing reviews.

While the differences in the savings from the AMP studies' estimated annualized savings and the revised PIR projected annualized savings are generally small, in the interim, drafts of the PIRs showed different projections before USPS headquarters officials made revisions based on their review. For example, one of the draft PIRs submitted to USPS headquarters stated that the AMP consolidation would result in a loss of approximately $2.6 million. Based on the ongoing PIR by USPS headquarters officials, the annualized projected savings for this AMP consolidation has been revised to just over $1 million—a difference of about $3.7 million. In another case, the draft PIR submitted to USPS

headquarters estimated savings of about $820,000 and was revised during the headquarters review to an estimated savings of $2.3 million. USPS's Senior Vice President, Operations, told us that the headquarters review has shown that when PIRs have not been finalized, they do not always account for all of the actual savings achieved by the AMP consolidation. Another USPS official stated that the difference in the amounts reported in some PIRs and the revised projected annualized savings was due to the fact that unexpected events (e.g., changes in cost elements, such as work-hour rates) and differences in the methodologies used by the individuals calculating the data impact the results. He also stated that revised AMP consolidation guidelines, which will require the use of specific data and formulas for determining savings, should prevent such inconsistencies from happening in the future.

USPS Does Not Have a Mechanism for Determining AMP Consolidation Impacts on Delivery Performance

Another concern with the AMP consolidation process is that it does not evaluate potential impacts to delivery performance; therefore, there is no way to determine the actual impact that AMP consolidations are having on delivery service. Despite this, USPS has stated that it intends on maintaining or improving service performance while it implements consolidations, making it unclear how it intends on achieving this. This is often a concern from stakeholders in areas where consolidations are being considered and has also been identified as an area of concern in a recent report from the USPS Inspector General's Office.[20]

As we reported in 2006, USPS does not measure and report its delivery performance for most types of mail, and less than one-fifth of total mail volume is measured.[21] No representative measures of delivery performance exist for Standard Mail (48 percent of volume), bulk First-Class Mail (25 percent of volume), Periodicals (4 percent of volume), and most Package Services (less than 1 percent of volume). While USPS is taking steps toward developing increased delivery performance measurements, currently there are limited mechanisms in place to determine how AMP consolidations may potentially impact delivery performance or to evaluate the actual impacts after implementation. For example, during one of our

[20]U.S. Postal Service Office of Inspector General, *Service Implications of Area Mail Processing Consolidations*, EN-AR-07-002 (Washington, D.C.: Dec. 5, 2006).

[21]In July 2006, we addressed several limitations in USPS's delivery performance measurement. We recommended that USPS take actions to facilitate greater progress in developing complete delivery performance information. GAO, *U.S. Postal Service: Delivery Performance Standards, Measurement, and Reporting Need Improvement*, GAO-06-733 (Washington, D.C.: July 27, 2006).

site visits, mailers we met with indicated that they had experienced extensive delays in mail delivery since the implementation of the AMP consolidations in their area and, in one case, a mailer told us these delays impacted his business. This mailer projected that his retail store lost revenue because advertising for an annual sale did not reach customers until after the sale was complete. (Due to limited performance measurement mechanisms, we cannot validate whether these complaints are related to AMP consolidations.) USPS has a system in place to measure the delivery performance of some of its First-Class Mail and Priority Mail, and if the evaluation of the AMP consolidation shows declines in this performance after implementation, the facility manager is required to create and submit a Service Performance Action Plan to USPS headquarters outlining how the facility intends on resolving the delivery performance declines.[22]

While the AMP consolidation study does not take delivery performance into account, it does review impacts on service standards, which are USPS's official standards on the amount of time it should take for different classes of mail to be processed between the location where USPS receives the mail (originating ZIP codes) and its final destination (destinating ZIP codes). The AMP consolidation study considers whether standards for different classes of mail will be upgraded (a decrease in the amount of time it takes mail to travel between certain ZIP codes) or downgraded (an increase in the amount of time it takes mail to travel between certain ZIP codes) through implementation of the consolidation. While consideration of these service standards provides some insight into potential impacts of the AMP consolidation on USPS's ability to meet its internal standards, without service performance data or the ability to measure the AMP consolidation's impacts on delivery performance, it is unclear how USPS can accurately determine the cost and service impacts of its AMP consolidations.

USPS recently implemented a "24-hour clock" program in its processing facilities, which will standardize the time it takes to process mail by holding managers at all postal facilities accountable for meeting nationwide targets for and indicators in managing daily mail. Some of the activities USPS is standardizing involve the same operations that USPS is consolidating. For example, managers must ensure that 80 percent of

[22]This measurement system is limited in its geographic coverage; therefore, AMP consolidations may not always be subject to this system.

single-piece First-Class collection mail is cancelled[23] by 8:00 p.m. and that the first sort of all outgoing mail is conducted by 11:00 p.m. Currently, the AMP consolidation study guidelines do not require managers to take into account how well the facility that will be gaining mail volume is meeting these targets. While meeting these targets is not an indicator of delivery performance, they are a useful proxy because the inability to meet them can create delays in processing operations. It may be valuable for USPS to review how well these targets are currently being met in facilities expected to receive additional mail volume through consolidations as an indicator of that facility's ability to process additional mail volume expediently, potentially reducing delays later in the processing and delivery process.

USPS Is Addressing Several of these Issues through Revised AMP Consolidation Guidelines, but Concerns Still Exist

USPS is currently in the process of revising its AMP consolidation procedural guidelines[24] to address the issues that have been raised. Drafts of these revised guidelines indicate that the new process will provide several changes aimed at standardizing the AMP consolidation process and data calculations used in studying potential consolidations. USPS officials stated that the revised guidelines are currently scheduled to be released in summer 2007.[25] Table 6 shows some of the changes to the AMP consolidation guidelines.

[23]Cancellation is when USPS applies a postmark to the mail piece.

[24]U.S. Postal Service, *Area Mail Processing (AMP) Guidelines*, PO-408 (Washington, D.C.: April 1995).

[25]USPS plans on providing a draft of the guidelines to employee unions for their review in May 2007. Unions are allowed 60 to 90 days for review and comment.

Table 6: Summary of Major Changes to AMP Consolidation Process Included in Draft Revised Guidelines

	Current AMP guidelines	Draft revised AMP guidelines
Selection of facilities	Bottom-up approach initiated at local level.	Top-down approach added with headquarters using computer modeling to identify opportunities.
Data calculations and sources for use in study	Data collection must be consistent and must utilize recognized data sources, such as Management Operating Data Systems (MODS), Origin-Destination Information System (ODIS), and locally developed statistics. The individual completing the study has discretion to determine what data sources to use and what methodology to use when making data calculations to complete the study.	Formulas used in analysis will also be standardized and "hard-coded" in electronic worksheets. Specific instructions provided for which data sources to use in completing analysis.
Data time frames for use in study	Guidelines provide annual data periods for AMPs and quarterly data requirements for PIRs. While annual requirements exist, they do not specify if this information should come from the preceding 12 months, the most recent fiscal year, or the most recent calendar year.	Specific instructions provided for which data time frames to use in completing analysis.
Document retention	Guidelines require documents to be kept on file until completion of PIR. There are no instructions for where documents should be retained.	Specific instructions for keeping all supporting documentation on file at the Area office for at least 3 years.
Facility evaluation/disposition	None	Worksheet added to AMP consolidation study to document potential uses for excess floor space/equipment directly related to consolidation.
Service standard impacts	Review of AMP impact on service standards related to First-Class Mail and other categories of mail as applicable (i.e., Express Mail, Priority Mail).	Review of upgrades and downgrades of AMP consolidation impact on service standards related to First-Class Mail, Priority Mail, and other mail categories as applicable (i.e., Periodicals, Standard Mail, and Package Services).
Public communication process	Identifies stakeholders to be notified at onset of AMP study.	Incorporates the use of AMP Consolidation Communication Plan and Toolkit, outlining specific stakeholders to be notified during different decision points in the AMP consolidation process, as well as inclusion of public meetings as part of AMP consolidation process. (discussed further in next section of this report)

	Current AMP guidelines	Draft revised AMP guidelines
Delivery service performance	None	External First-Class Measurement System (EXFC) summary and analysis
Savings threshold for implementation	None	None, although USPS officials stated that those AMP consolidations yielding $1 million or more in savings will be made a priority.

Source: GAO presentation of USPS data.

Changes included in the draft revisions to the AMP consolidation guidelines indicate that data-related issues are being addressed, specifically those related to the standardization of data sources, but concerns still remain with the fact that USPS is not using facility-specific data in identifying facilities to consider for consolidation. Therefore, USPS is unable to take into account specific facility processing circumstances in initial selection of potential facilities. The use of consistent data sources should alleviate some of the delays that are currently experienced in the AMP consolidation process. The new guidelines also neither include information on what criteria USPS uses when deciding to approve an AMP consolidation, nor do they address USPS's limited ability to measure delivery performance.

Although it may be hard to determine what cost savings and subsequent impacts USPS has made through AMP consolidations and, while the savings that have been reported may appear small, the AMP consolidation initiative could be an important effort on USPS's part in meeting its future network needs. By eliminating the excess capacity on its equipment that processes single-piece First-Class Mail, USPS would be addressing its goal of meeting the future needs of its processing network. As the volume of this mail declines, there would likely be less of a need for infrastructure to support the processing of single-piece First-Class Mail and, while flaws in the AMP consolidation process exist, the intent of the consolidations addresses this trend.

USPS AMP Communication Practices Do Not Ensure Appropriate Stakeholder Engagement in Realignment Decisions

USPS has made improvements to its communication practices, but these practices continue to have gaps. Namely, AMP consolidation communication processes (1) do not provide clear and useful notification to stakeholders, (2) do not provide for meaningful public input and lack transparency into the AMP decision-making process, and (3) provide limited information to the public after USPS makes AMP consolidation decisions. A town hall meeting is the only formal requirement for public input during the AMP consolidation process. Stakeholders and others have criticized the timing of the meeting as occurring too late in the process, after USPS has already made major decisions. To help remedy this and other problems, Congress required USPS to make improvements to its public communication processes. USPS's planned improvements in response to Congress would generally limit changes to internal processes, while notice to stakeholders would generally remain the same, and the timing of the public input meeting would not change. Our review of USPS's revised guidance indicates that planned improvements would neither substantively change information provided to the public, nor improve the public input process.

Communication Requirements Have Focused on Post Offices and Employee Notification

USPS is required to follow certain steps with regard to communicating changes and engaging the public as it makes realignment decisions. A statutory requirement for public notice for closings and consolidations of post offices has been in existence since 1976,[26] but it did not speak to the consolidation of mail processing operations—the result for most approved AMP consolidations. If USPS is considering closing a post office, USPS must provide adequate notice and regulations prescribe a formal comment period.[27] Any decision to close or consolidate a post office must include the effect on the community served and the effect on the office's postal employees. In addition, the following mandatory procedures apply:

- The public must be given 60 days notice of a proposed action to enable the persons served by a post office to evaluate the proposal and provide comments.
- USPS must take any other steps necessary to ensure that the persons served by the affected post office understand the nature and implications of the proposed action, e.g., meeting with community groups and

[26] 39 U.S.C. 404(b).

[27] 39 C.F.R. 241.3 (1998).

following up on comments received that seem to be based on incorrect assumptions or information.

- After public comments are received and taken into account, any final determination to close or consolidate a post office must be made in writing and must include findings covering all the required considerations.
- The written determination must be made available to persons served by the post office at least 60 days before the discontinuance takes effect.
- Within the first 30 days after the written determination is made available, any person regularly served by the affected post office may appeal the decision to the PRC.

In addition to these requirements for closing or consolidating post offices, USPS has a collective bargaining agreement—a contract—with its employees that requires a certain level of communication when USPS is contemplating changes in employee wages, hours, or working conditions at any facilities.[28] USPS has placed consolidations in this category because they can result in employees working in different locations, i.e., they can affect employees' working conditions. USPS is required to seek employee union input on handbooks or guidelines it publishes, including AMP consolidation guidelines. According to national union officials, employees may request meetings with USPS when proposed changes relate to wages, hours, or working conditions. Thus, USPS has generally provided employees more information about consolidations than USPS has provided to other stakeholders.

While AMP consolidations have been taking place since the late 1960s, and USPS established AMP consolidation guidelines in 1979, until 2006, USPS has had no statutory requirement to contact the public (other than USPS employees) concerning the consolidation of its operations, unless the consolidation would result in a retail facility closure. In the Postal Accountability and Enhancement Act, enacted in December 2006, Congress strongly encourages USPS to move forward in its streamlining efforts and keep unions, management associations, and local elected

[28] *2006-2010 Tentative Collective Bargaining Agreement between American Postal Workers Union, AFL-CIO and U.S. Postal Service*. According to American Postal Workers Union (APWU), the agreement has been approved by APWU membership and the text will be official after joint review and agreement between USPS and APWU.

officials informed. Specifically, the law requires USPS, in its Facilities Plan, to include procedures that USPS will use to

- provide adequate public notice to communities potentially affected by a proposed rationalization decision;
- make available information regarding any service changes in the affected communities, any other effects on communities, any other effects on customers, any effects on postal employees, and any cost savings;
- afford affected persons ample opportunity to provide input on the proposed decision; and
- take such comments into account in making a final decision.

Congress also directed USPS not to close or consolidate any processing or logistics facilities without using procedures consistent with those described above.[29]

AMP Consolidation Communication Processes Lack Transparency

USPS's AMP consolidation communication processes do not provide clear and useful notification to stakeholders—mailers, employees, elected officials, the business community, and the media—and lack transparency into AMP consolidation decision making. Congress encouraged USPS to keep employees, local elected officials, and the affected public informed. The PRC and others have advised or recommended USPS more fully communicate with and engage stakeholders and the public earlier in the decision-making process and, once USPS makes decisions, keep stakeholders and the public informed. While USPS is updating its communication guidance—the AMP Consolidation Communication Plan and Toolkit—its proposed improvements would neither substantively improve information provided to stakeholders and the public, nor improve the public input process. Proposed improvements would help clarify which stakeholders USPS notifies but would not improve the content of the notifications. Further, the draft AMP consolidation guidelines would

[29]In February 2007, USPS officials told us USPS was developing a set of communication requirements that would be used when consolidating or closing other processing or "logistics" facilities that were being modeled after those procedures established under the Worker Adjustment and Retraining Notification Act, Pub. L. No. 100-379 (29 U.S.C. 210l, et seq.). The Worker Adjustment and Retraining Notification Act provides guidelines for communication requirements that are applicable to the private sector when a company meeting certain criteria closes a facility or moves out of a community.

not provide for transparency into the AMP consolidation decision-making process to the extent that Congress has encouraged, and others have recommended or advised, for example, by holding the public meeting earlier or explaining how USPS uses public input.

Inconsistent Identification of Stakeholders

USPS's AMP consolidation guidelines were updated in 1995—with new worksheets and instructions issued in 2004—and established, among other things, USPS's communication guidance. They required USPS to notify stakeholders only when USPS implemented an AMP consolidation. The guidelines did not provide a public input process, such as a public meeting. USPS enhanced its communications in 2005 by creating a communication plan that required notice to additional stakeholders at the point when USPS initiated the AMP consolidation study and identified responsibility for notifications by clarifying which USPS office had responsibility for providing the notifications. In 2006, USPS created additional guidance, its notifications toolkit, which complements the AMP guidelines and communication plan and has a public meeting requirement. Since the notifications toolkit did not go into effect until 2006, none of the AMP consolidations initiated in 2005 was subject to these additional requirements. USPS officials told us, however, that all 46 AMP studies initiated in 2006 are subject to the requirements as stated in the notifications toolkit.

Among the AMP consolidation packages we reviewed, USPS inconsistently identified individual stakeholders in the impacted communities. USPS stakeholder categories included employee groups, elected officials, media, community organizations, and mailers. USPS guidance regarding notifications to stakeholders was unclear and, in some cases, mayors and governors were notified of an AMP consolidation study, while in others, no local elected officials were contacted. As shown in appendix IV, in one AMP consolidation study, USPS identified 158 mailers as stakeholders, while in others, no mailers were identified. In one case, mailers whom USPS did not identify as affected by the consolidation told us their service had been negatively impacted as a result of that consolidation. In another case, we spoke with officials from a bank in Connecticut that USPS identified as a major mailer and listed as a stakeholder, while the company

that prepared most of the bank's mail and processed more mail volume than the bank was not considered a stakeholder.[30]

USPS has made improvements to its draft guidance by clarifying certain stakeholder categories and providing examples of "appropriate government officials," as well as establishing criteria for local mailers.[31] The proposed changes would likely help clarify stakeholder groups and would allow more consistent identification of stakeholders.

Unclear Content in Notification Letters

AMP consolidation notification letters sent to stakeholders were not meaningful and provided little detail. Notification letters we reviewed were largely form letters and did not simply and clearly state the type of change or changes being studied and provided no range of possible outcomes for the public to understand. Letters contained jargon, for example, they stated that USPS was studying the facility's "total mail processing," "originating/destinating mail processing," or "originating mail processing" and did not provide the name of the gaining facility. Such terms may not be familiar to the public. Further, USPS did not explain to stakeholders that "consolidating both originating and destinating mail" meant USPS was considering closing the facility, whereas consolidation of "either destinating or originating mail" meant potential changes only to internal mail processing. Stakeholders we met with told us they did not understand what USPS was planning or studying. For example, USPS-identified stakeholders in Waterbury, Connecticut, said they did not understand the context of the notification letter they received or the potential impact of the consolidation. Another stakeholder said USPS simply notifies stakeholders that changes will be made, without presenting the context for the changes or providing any alternatives. See figure 3 for an example of a notification letter sent to one of the stakeholders USPS identified in Waterbury, Connecticut.

[30]USPS officials told us stakeholders are determined by local and district management. The mailers USPS notified are generally managed accounts and are identified by Business Mail Entry unit personnel.

[31]USPS's draft AMP guidelines establish criteria for local mailers as being those providing annual postage revenue averaging $5,000-$156,000. Often large mailers use consolidators to deliver their mail. USPS guidance may preclude consolidators from obtaining notification about the status of a potential consolidation.

Figure 3: USPS Notification Letter to Waterbury Republican Newspaper, Waterbury, Connecticut

UNITED STATES POSTAL SERVICE

September 2, 2005

Waterbury Republican
389 Meadow Street
Waterbury, CT 06702

Dear Editor:

This letter is an informational notice of the intent of the United States Postal Service to conduct an Area Mail Processing (AMP) survey of the originating mail processing at the Waterbury Processing & Distribution Facility. The reason for the study is to address the continuing decline of mail volume and the need to eliminate excess capacity while improving efficiency.

This letter is solely intended to provide you with information that we plan to conduct the study. The study results will be analyzed and a decision will then be made. This letter is not intended as notice of future changes in mail processing. I will provide you with the appropriate notice, if any is required, when a decision is made on the study results.

If you have questions, or need additional information, please consult Office of Public Affairs and Communications.

Source: USPS.

With limited information made available to the public throughout the process, other stakeholders have filled an information void with information to the public that was often not accurate. For example, in some cases, unions have expressed concern that employees would lose jobs or that postal facilities would be shut down. In fact, according to USPS, no layoffs have occurred, and USPS has stated that it does not intend to lay off any career employees due to consolidations. Also, USPS officials told us only one facility has been closed as a result of AMP consolidation studies initiated in 2005 or 2006. Mailers we spoke with identified an employee union Web site as their primary source of information about the consolidations because USPS does not provide

adequate AMP consolidation-related information on its Web site. In some cases, citizens are concerned that their town's postmark will be taken away and jobs lost because USPS has not communicated effectively, and others have provided inaccurate information. In the case of the AMP consolidation process, the public has been frustrated, and there has been a lack of buy-in for some USPS decisions. When USPS has made decisions regarding AMP consolidations, it has not clearly communicated the progress to the public. For example, the USPS Office of Inspector General found that, in one case, USPS notified stakeholders it was beginning a review when the USPS local office had already approved the AMP consolidation, which the Inspector General said "negatively impact[ed] stakeholder relations.[32] The Inspector General reported that notification letters should have been modified from the guidance available to more accurately reflect the progress of the AMP consolidation.

Under the new postal reform legislation, USPS is to provide "adequate public notice." USPS is revising its AMP consolidation guidelines and communication plan. However, the draft guidance we reviewed, complete with notification templates, would provide largely the same notification content and lacks basic information, such as the next decision points, a date for a public meeting, and how public input would be considered. Stakeholders would remain unclear as to what USPS is planning. USPS's notifications to the public about AMP consolidations would remain unclear and would not simply and clearly state the type of change or changes being studied. In terms of communicating the status of the AMP consolidation study, the guidance is unclear as to the requirement for notifying stakeholders in the event of no action taken, the study is placed on hold or resumed, or USPS does not approve the AMP consolidation study.

With limited information made available to the public throughout the process, other entities might continue to fill the information void with data that may not be accurate. Public participation experts recognize that an uninformed public is likely to make up its own facts, and misunderstandings become new, separate conflicts that make the original

[32]U.S. Postal Service Office of Inspector General, *Pasadena, California Processing and Distribution Center Consolidation*, EN-AR-07-002 (Washington, D.C.: Sept. 26, 2006).

problem more difficult to solve, which may slow down the consolidation process.[33]

Limited Public Input Process

AMP guidance requires USPS to "fully consider" both service and "other impacts on the community." Since 2006, there has been a requirement for a town hall meeting to provide a forum to collect public input, but there are many flaws with that requirement. Other than a town hall meeting, there is no formal AMP public input requirement. To date, there have only been five town hall meetings open to the public, and none have been scheduled for 2007. USPS provided little information about the study prior to the meetings—a series of bullets was posted on a USPS Web site several days prior to the meetings, and USPS neither publicized an agenda for the meetings nor employed a neutral party to facilitate them. According to the guidance, it is not until a meeting occurs that more information, in the form of briefing slides and a video screening, is made available to attendees. Then, a USPS official prepares a summary document after a meeting that is to be forwarded to USPS headquarters. After a meeting, the stakeholders and the public are provided with the opportunity to draft and submit comments to USPS.[34]

Public meetings have been held after the AMP consolidation studies are forwarded to USPS headquarters, after USPS has gathered and analyzed most of its data, including those concerning customer service impacts. Stakeholders we spoke with were not satisfied with the public input process and told us that their input was only solicited when USPS considered the AMP consolidation a "done deal." The PRC has also criticized the timing of the public meeting.

Some of the flaws stakeholders and the PRC identified with the town hall meetings held to date include the following:

- meeting held too late in process, after data gathered;
- not enough notice to public about meeting;

[33]Susan Carpenter and W.J.D. Kennedy, *Managing Public Disputes: A Practical Guide to Handling Conflict and Reaching Agreements*, Jossey-Bass, San Francisco (1988).

[34]At the time of the five meetings which have been held, USPS afforded stakeholders and the public 5 days to provide comments. USPS communication guidance has since been revised to increase the comment period to 15 days.

- USPS presents limited data at meeting;
- local USPS official runs meeting and may not be skilled in facilitating public meetings; and
- unclear how input from meeting is used in AMP consolidation decision.

USPS officials could not specifically explain how stakeholder and public input is used in reaching AMP consolidation decisions. Further, USPS has no requirement to notify or seek input from stakeholders or the public when evaluating completed AMP consolidations. However, USPS officials told us, as a matter of practice, USPS provides employee organizations with copies of approved AMP studies and completed AMP evaluations. It is unclear how the information collected at the meetings, or subsequent to them, factors into the consolidation decision. Stakeholders and the public wanted to know how their input to USPS—letter, phone calls, public meeting results—is taken into consideration when USPS makes its decisions. Mailers said they do not need to be involved in all USPS decisions; rather, they want to provide input when decisions may impact them, such as changing locations or timing for dropping off the mail.

The Postal Accountability and Enhancement Act requires USPS to use procedures that afford affected persons "ample opportunity to provide input on the proposed decision" and to "take such comments into account in making a final [AMP consolidation] decision." In its draft communication guidance, USPS has not substantively revised its public meeting requirements. Proposed changes would generally be limited to USPS internal processes, such as clarifying USPS roles and responsibilities for a public meeting and making arrangements for a meeting. USPS has not altered the timing of a public meeting but has provided for earlier notice to the public regarding a meeting and more time for the public to submit comments after a meeting. Table 7 provides an overview of USPS AMP communication practices.

The PRC and others have made several suggestions to improve the AMP consolidation public input process. Rather than holding the AMP consolidation public meeting after data is collected, USPS could consider moving the meeting to the data-gathering phase of the study. USPS could share its public meeting agenda so these meetings are focused and productive, and the public has opportunity to adequately prepare for them. USPS could use a skilled independent, neutral facilitator to lead the meetings, draft the summary of public input, and explain how it will be

used. USPS officials said that holding the meeting earlier might be the best thing to do.

Public participation experts recognize that actively engaging the public in decision making can serve not only to educate the public about a policy process but can also lead to more informed decisions.[35] By ensuring public concerns have been heard, considered, and addressed, the agency can also establish a level of trust and accountability with the public. When making realignment decisions, USPS could proactively and consistently engage appropriate stakeholders when changes under consideration will affect them. In the case of the flats automation strategy, mailers noted that USPS solicited input regarding new equipment. Additionally, USPS recently provided an update to the mailing industry on its flats automation plans. A study on citizen engagement by the IBM Center for the Business of Government states that citizens are more satisfied with the decision-making process when agencies ensure that citizen input is accounted for and reflected in final decisions.[36] Reflecting public input in decisions does not necessarily translate to agreeing with the public but to considering citizens' concerns and including them in the process.

[35]Susan L. Carpenter and W.J.D. Kennedy, *Managing Public Disputes: A Practical Guide to Handling Conflict and Reaching Agreements*, Jossey-Bass, San Francisco (1988).

[36]IBM Center for the Business of Government, *Public Deliberation: A Manager's Guide to Citizen's Engagement*, Washington, D.C. (2006).

Table 7: USPS Area Mail Processing Consolidation Notification and Public Input Requirements

	Notification requirements	GAO assessment
1995 AMP guidelines	USPS is required to send notification letters only at approval or implementation of consolidation.	Notification letters sent to select stakeholders and number of stakeholders identified varied across AMP consolidations. USPS excluded some impacted parties from its stakeholder groups.
2005 communication plan	USPS required additional notification letters at initiation of study.	Notification letters sent to select stakeholders and number of stakeholders identified varied across AMP consolidations. Letters lacked detail of consolidation plan, e.g., very brief and provided little context or information. Incomplete information added to distrust of USPS decisions and contributed to lack of public buy-in.
2006 notification toolkit	USPS added notification requirement for public input process. USPS provided notification templates for no action taken, study placed on hold, and study resumed.	USPS clarified roles and responsibilities and USPS messaging to stakeholders and public. Additional notifications helped inform stakeholders of decisions, but content of letters was not clear or useful to stakeholders.
2007 draft communication guidance[a]	No additional notification required. USPS further clarified roles and responsibilities concerning notifications and USPS messaging to stakeholders and public.	USPS clarified its guidance for identifying certain stakeholders that may help ensure more consistent communication across AMP consolidations. Content of notification letters remains unclear and not useful. Letters provide little detail and contain jargon. Public and stakeholders may remain unclear as to whether facility is closing or USPS internal mail processing is being consolidated with another facility. The guidance is unclear as to the requirement for notifying stakeholders in the event of no action taken, study placed on hold or resumed, or USPS does not approve the study.
	USPS public input requirements	**GAO assessment**
1995 AMP guidelines and 2005 communication plan	USPS had no public input process requirement.	USPS did not engage stakeholders and the public in two-way communication regarding AMP decisions. Communication practices were generally one-way from USPS or one-way to USPS, without meaningful stakeholder or public participation. USPS provided limited transparency into how USPS weighed stakeholder and public concerns. Keeping stakeholders and the public engaged and informed in decision making (1) may lead to better decisions and (2) allows stakeholders and the public time to prepare for changes associated with decisions.

	USPS public input requirements	GAO assessment
2006 Notification toolkit	2006 notifications toolkit created public meeting requirement. Public or town hall meetings are only standard forum to capture public input.	Meetings generally did not provide for meaningful stakeholder or public participation. USPS did not engage stakeholders and the public in two-way communication regarding AMP decisions. USPS provided limited transparency into how USPS weighed stakeholder and public concerns. Keeping stakeholders and the public engaged and informed in decision making (1) may lead to better decisions and (2) allows stakeholders and the public time to prepare for changes associated with decisions.
2007 draft communication guidance	USPS has allowed for earlier notice to public about public meeting and additional time for public to submit comments after public meeting.	Timing of meeting is unchanged. USPS does not engage stakeholders and the public in two-way communication regarding AMP decisions. Communication practices are generally one-way from USPS or one-way to USPS, without meaningful stakeholder or public participation. USPS provides limited transparency into how USPS weighs stakeholder and public concerns. Keeping stakeholders and the public engaged and informed in decision making (1) may lead to better decisions and (2) allows stakeholders and the public time to prepare for changes associated with decisions.

Source: GAO analysis of USPS and stakeholder data.

[a]Includes both 2007 draft AMP guidelines and 2007 draft communication plan.

Lack of Information to Public

USPS does not keep the public adequately informed of its decisions, although several mechanisms exist that USPS could employ, such as Postal Customer Councils,[37] USPS's Web site, and local business community newsletters. Stakeholders we spoke with acknowledged that USPS goals of efficiency and cost savings are legitimate, but they were concerned about the lack of transparency of the consolidation decisions. In a case where USPS is considering closing a facility, USPS could make that information available in advance and, if necessary, reveal its plans for carrying out a closure so that impacted parties could prepare for the change. Once decisions are made, stakeholders said they wanted timely information so they could plan accordingly, for example, to reroute their mail, advise their customers of any changes in service, etc. When we spoke with USPS officials, they told us they were in the process of developing

[37]USPS has a national Postal Customer Council and about 200 local Postal Customer Councils. The councils are chapters of mailers and USPS representatives. According to USPS, Postal Customer Councils work to improve communications between USPS and its customers.

communication requirements in the event of a facility closure not related to AMP consolidations.[38]

Stakeholders described USPS as unconcerned with the effect the consolidations could be having on its customers. One stakeholder noted that informing affected parties of significant changes and seeking their input is a good business practice. In terms of follow-up and communicating its decisions, USPS could improve transparency and provide information to stakeholders and the public by using existing mechanisms to communicate the status of realignment efforts, especially the status of AMP consolidations. In its 2006 Annual Progress Report, USPS provided only general information about the AMP consolidation initiative. Instead, USPS could use its annual reports to report on the status of individual AMP consolidations. USPS can employ established entities like its local Postal Customer Councils or local business organizations to inform the affected public. Both the national Postal Customer Council and local business organization officials we spoke with were willing to include USPS realignment status updates and plans in their regular communications to members.

Conclusion

In our report 2 years ago, we concluded that USPS did not have answers to important questions about how it intended to realign its mail processing networks. This conclusion still holds today. USPS has made progress on several of its individual initiatives, but it remains unclear how these various initiatives are individually and collectively contributing to achieving realignment goals. Also, without measurable performance targets for these goals, USPS remains unable to demonstrate to Congress and other stakeholders the costs and benefits of these initiatives. Further, data inconsistencies related to the AMP initiative have limited USPS's ability to identify potential impacts in its feasibility studies of proposed AMP consolidations and to accurately evaluate the results of consolidations after they are implemented. In the communication area, despite recent improvements to its communication practices, USPS continues to have gaps related to engaging stakeholders and the public in its AMP consolidation process and effectively communicating decisions. Stakeholder concerns related to the lack of clear and useful notification to

[38]According to USPS officials, communication requirements would be modeled after the Worker Adjustment and Retraining Notification Act, Pub. L. No. 100-379 (29 U.S.C. 210l, et seq.).

stakeholders, coupled with a lack of public input and transparency into USPS's AMP consolidation decision making, have contributed to public frustration with USPS's communication regarding its AMP consolidation decisions.

USPS is currently developing a Facilities Plan, mandated in legislation passed in December 2006, explaining how the network will be realigned and outlining how USPS will interact with stakeholders in making any changes. It is also responding to PRC and USPS Inspector General recommendations on a variety of realignment issues, including communications with stakeholders. The quality and thoroughness of these efforts will be key in overcoming the concerns that stakeholders have raised. Matters that will require careful attention include establishing a clear relationship between individual initiatives and realignment goals, developing ways to measure progress and monitor results, and establishing effective communications with stakeholders in initiatives such as the AMP consolidation.

Recommendations for Executive Action

To strengthen planning and accountability efforts for USPS's realignment efforts, we are making two recommendations to the Postmaster General to ensure that the Facilities Plan required by the Postal Accountability and Enhancement Act includes the following:

- A discussion of how the various initiatives that will be used in rationalizing the postal facilities network will be integrated with each other.
- The establishment of measurable targets USPS plans on meeting for the anticipated cost savings and benefits associated with network rationalization, in conjunction with the time line for implementation.

To help improve the way in which USPS communicates its realignment plans and proposals with stakeholders, particularly with regard to proposals for consolidations under the AMP consolidation initiative, we are making three additional recommendations to the Postmaster General to ensure that the following steps are included in USPS's communications strategy:

- *Improve public notice.* Clarify notification letters by explaining whether USPS is considering closing the facility under study or consolidating operations with another facility, explaining the next decision point, and providing a date for the required public meeting.

- *Improve public engagement*. Hold the public meeting during the data-gathering phase of the study and make an agenda and background information, such as briefing slides, available to the public in advance.

- *Increase transparency*. Update AMP guidelines to explain how public input is considered in the decision-making process.

Agency Comments and Our Evaluation

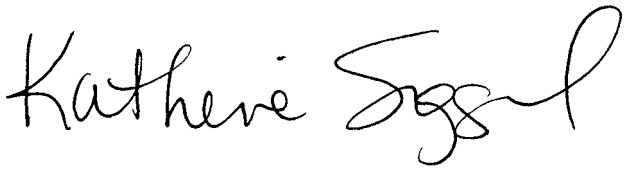
The U.S. Postal Service provided comments on a draft of this report in a letter dated June 1, 2007. These comments are summarized below and included as appendix V. USPS concurred with our characterization of its network realignment goals and indicated that its mail processing realignment efforts have not wavered from the achievement of these goals. USPS noted that it has made progress on additional realignment initiatives that were not outlined in our report.

USPS stated that its compliance with the Postal Accountability and Enhancement Act will satisfy our recommendations for the Postmaster General to ensure that the required Facilities Plan includes (1) a discussion of how the various initiatives that will be used in rationalizing the postal facilities network will be integrated with each other and (2) the establishment of measurable targets USPS plans on meeting for the anticipated cost savings and benefits associated with network rationalization, in conjunction with the time line for implementation. We agree that the required Facilities Plan provides an opportunity for USPS to more fully discuss the integration of its realignment initiatives and establish measurable targets for meeting the anticipated cost savings and benefits of network rationalization.

In its comments, USPS generally agreed with our recommendations related to improving the way in which it communicates its realignment plans and proposals with stakeholders, particularly proposals for consolidations under the AMP consolidation initiative. However, USPS felt that it would be premature to hold a public meeting during the data-gathering phase of a feasibility study as we recommended but agreed instead to improve public engagement by moving the public meeting earlier in the AMP process. We agree that this timing will improve USPS's public engagement process, as well as the usefulness of public input in making AMP consolidation decisions. Under the updated process, the meeting will occur after the District Manager has approved a consolidation and before the Area Vice President has made a decision. USPS commented that the agenda and briefing slides will be posted on www.usps.com in advance of the public meeting.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to the Ranking Member of the House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia; Committee on Oversight and Government Reform; and the Ranking Member of the Senate Subcommittee on Federal Financial Management, Government Information, Federal Services and International Security; Committee on Homeland Security and Governmental Affairs; the Postmaster General; and other interested parties. We also will make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at http://www.gao.gov.

If you or your staff has any questions regarding this report, please contact me at siggerudk@gao.gov or by telephone at (202) 512-2834. Contact points for our Office of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff that made key contributions to this report are listed in appendix VI.



Katherine Siggerud
Director, Physical Infrastructure Issues

Congressional Requesters

The Honorable Joseph I. Lieberman
Chairman
The Honorable Susan M. Collins
Ranking Member
Committee on Homeland Security
and Governmental Affairs
United States Senate

The Honorable Thomas R. Carper,
Chairman, Subcommittee on Federal Financial
Management, Government Information,
Federal Services and International Security
Committee on Homeland Security
and Governmental Affairs
United States Senate

The Honorable Henry A. Waxman
Chairman
The Honorable Tom Davis
Ranking Member
Committee on Oversight and Government Reform
House of Representatives

The Honorable Danny K. Davis, Chairman,
Subcommittee on Federal Workforce, Postal Service,
and the District of Columbia
Committee on Oversight and Government Reform
House of Representatives

The Honorable Tom Harkin
United States Senate

The Honorable Bernard Sanders
United States Senate

The Honorable John Thune
United States Senate

The Honorable Brian Baird
House of Representatives

The Honorable Xavier Becerra
House of Representatives

The Honorable Marion Berry
House of Representatives

The Honorable Jerry Costello
House of Representatives

The Honorable Susan Davis
House of Representatives

The Honorable Lloyd Doggett
House of Representatives

The Honorable Chet Edwards
House of Representatives

The Honorable Barney Frank
House of Representatives

The Honorable Stephanie Herseth
House of Representatives

The Honorable Rush Holt
House of Representatives

The Honorable Ron Kind
House of Representatives

The Honorable John M. McHugh
House of Representatives

The Honorable Dennis Moore
House of Representatives

The Honorable Ted Poe
House of Representatives

The Honorable Adam Schiff
House of Representatives

The Honorable Christopher Shays
House of Representatives

The Honorable John Shimkus
House of Representatives

The Honorable Adam Smith
House of Representatives

Appendix I: Objectives, Scope, and Methodology

Our objectives for this report were to (1) describe the initiatives the U.S. Postal Service (USPS) has undertaken since 2002 aimed at realigning its processing network and the status of these initiatives; (2) evaluate how the planning, impacts, and results to date of these initiatives align with the goals of USPS's processing network realignment; and (3) evaluate USPS's communications practices with stakeholders in making network realignment decisions, and the challenges and leading practices associated with public engagement.

To describe the initiatives USPS is undertaking to realign its mail processing network, how these initiatives are integrated, and the status of these initiatives we interviewed postal officials at USPS headquarters, including USPS's Senior Vice President, Operations, and Vice President, Network Operations. We interviewed USPS officials in the Northeastern and Western Areas. We interviewed American Postal Workers Union headquarters officials to gain their perspective about the various initiatives, as well as representatives from several national mailing industry associations representing different facets of the industry. To provide descriptions and status information about these initiatives, we reviewed documents filed by USPS, union representatives, and other mailing industry representatives in the PRC 2006 advisory hearing, as well as the PRC's resulting "Advisory Opinion Concerning a Proposed Change in the Nature of Postal Services" issued December 19, 2006.

To describe the area mail processing (AMP) consolidation's process, status, impacts, and results, we reviewed AMP consolidation guidelines published in 1995 (Handbook PO-408) and a revised draft version of these guidelines that USPS is planning to release in the summer of 2007. We reviewed the studies conducted for all 57 AMP consolidations in calendar year 2005 and 2006 and reviewed drafts of post-implementation reviews for 9 of the 10 AMP consolidations that were implemented. We reviewed USPS Inspector General reports about the AMP consolidations, the PRC's advisory opinion, as well as the Postal Accountability and Enhancement Act.

To learn about how AMP consolidations are implemented and the communication practices USPS employs while implementing AMP consolidations and providing network realignment information to stakeholders, we reviewed AMP consolidation guidelines, the AMP Communication Plan, the AMP Notification Toolkit, and revised drafts of these documents. We reviewed documentation of USPS contact with stakeholders as recorded on AMP Worksheet 3 for AMP consolidation packages submitted during the Postal Regulatory Commission (PRC) case

N2006-1. We reviewed notification letters produced by USPS for the AMP consolidation studies that took place in 2005 and 2006. We reviewed the procedures USPS must follow under 39 U.S.C. 404(b), legislation that provides rules that must be applied when closing a USPS retail facility, as well as the Postal Accountability and Enhancement Act, which directs USPS to make changes to its public input process when making realignment decisions, and to provide a facilities plan to Congress outlining its infrastructure realignment strategy. We conducted site visits in two states, Connecticut and Washington, where AMP consolidations were implemented in 2005 and 2006 to learn about the AMP consolidation process. During these site visits, we interviewed USPS district and facility officials, as well as local union representatives to learn about the AMP consolidation process and its subsequent impacts and results. To learn how USPS communicated with stakeholders, we interviewed USPS officials, employees, mailers, and business community members.

We conducted our review between July 2006 and May 2007 in accordance with generally accepted government auditing standards.

Appendix II: Overview of AMP Consolidation Process

USPS's 1995 AMP Guidelines outline its procedures for AMP consolidations. The consolidation process prescribed by the guidelines can be broken into four stages: (1) study and proposal, (2) evaluation, (3) implementation, and (4) review of consolidation.

Study and Proposal

AMP proposals are initiated at the local level by district managers, customer sales and service, and/or plant managers. Initiating plant managers are responsible for studying the feasibility of the consolidation and assembling an AMP consolidation package containing data to support the proposal. Area offices then review the feasibility of these consolidations. AMP guidelines specify that the local office is responsible for considering the foreseen impacts the consolidation will have on service, the community, and employees. If upon these considerations the local office makes the preliminary determination that service and efficiency can be improved through an AMP consolidation, it notifies the Area office of its intention to conduct an AMP study. The Area office then notifies headquarters of this intention, and managers at the facilities under consideration have 6 months to undertake a study to analyze the feasibility of relocating origination and/or destination operations between locations.

The study includes 10 worksheets that collectively determine the expected impact the consolidation will have on USPS costs, workforce, and service. The worksheets calculate anticipated cost changes to annual workhours, transportation, and associated costs, as well as one-time indemnity and associated costs.[1] The worksheets also evaluate personnel impacts in terms of positions and workhours that will be gained or lost at the facilities involved. In regard to service, the AMP consolidation worksheets consider whether standards for different classes of mail will be upgraded (a decrease in the amount of time it takes mail to travel between certain ZIP codes) or downgraded (an increase in the amount of time it takes mail to travel between certain ZIP codes) through implementation of the consolidation. They also identify stakeholders of the consolidation with whom USPS communicates about its proposal. In addition to the completed worksheets, local managers complete the AMP consolidation proposal by providing a narrative justifying implementation of the consolidation. If the consolidation is cancelled for any reason, local managers cancel the study and notify Area managers of the decision. Local

[1]Examples of associated costs include training, energy, and maintenance.

offices have 6 months to complete and submit a proposal to the Area office.

Evaluation of Proposal

Upon receipt of the AMP consolidation proposal by the Area office, the Vice President of Area Operations evaluates the package and decides whether or not to approve the consolidation. First the Vice President reviews all aspects of the proposal, ensuring that it is accurate and complete. If he/she has concerns, consultations between the local and area offices may lead to modifications of the original proposal. The Area office must complete evaluation of the proposal within 30 days and either disapproves and returns the package to the local originator or recommends approval and forwards it to headquarters.

USPS headquarters is responsible for making the final decision as to whether an AMP consolidation will be implemented. Upon receipt of a package from the Area office, the Headquarters Cross-Functional Review Team reviews the package and has 30 days to evaluate the study.[2] At this stage, consultations between the Area office and headquarters may lead to modifications to the proposal. A critical element of the headquarters review is the evaluation of potential service standard upgrades and/or downgrades that would result if the operational changes proposed by an AMP consolidation were implemented.[3] Once headquarters completes its review, it makes a final decision as to whether the AMP consolidation will be implemented.

Implementation of Consolidation

As soon as practicable following approval of an AMP consolidation proposal by headquarters, the area, district, and local managers affected by the AMP decision determine the schedule for implementing the

[2]In testimony before the PRC, a USPS official defined the "cross-functional team" as a team coordinated by the Manager, Processing Operations, and includes managers from several functional offices at headquarters including: Contract Administration, Maintenance Policies and Programs, Integrated Network Development, Field Communications, Operations Requirements, Processing Center Operations, Logistics, Operations Budget and Performance Management, and Network Modeling and Development. An Organizational Design and Management Analyst and a Government Liaison are also members of the team.

[3]The guidelines state that generally a consolidation should not result in service degradation. However, if it is not economically wise to maintain service standards involving a small amount of mail, in order for any trade-off between service standards commitments to be approved, the study must clearly established that the overall service to cost relationship for the combined service area improves.

consolidation. Depending on the complexity of a particular AMP consolidation, implementation may take up to 6 months to complete.

Review of Consolidation

During the first year after implementation, the AMP Guidelines require that semiannual and annual post-implementation reviews (PIR) are conducted to determine if the projected savings, improved operational efficiency, and management accountability for making decisions regarding AMPs have been accomplished. The area management where an AMP consolidation takes place is responsible for ensuring completion of PIRs, which entails completing a new set of AMP worksheets and comparing them with the original worksheets contained in the proposal in order to document the observed results relative to the expected outcome of the consolidation. Observations from this comparative analysis are synthesized in a narrative executive summary, which is submitted along with the new set of worksheets to headquarters following review for accuracy by the Vice President, Area Operations. Upon receipt by headquarters, the PIR analysis is circulated for assessment among the functional units that participated in the approval process, and headquarters notifies the Area within 30 days after receiving the package of the final disposition of the PIR. The semiannual PIR, which must be completed within 30 days after the second full quarter following implementation, determines whether the implementation of an AMP is accomplishing necessary training, relocation, transportation, operational changes, and workhour adjustments. If these are not being accomplished, the review alerts the responsible parties of the necessity to change or correct any deficiencies. The annual PIR serves to determine the viability of the consolidation and allows management the opportunity for decision analysis concerning the AMP plan.

If a local office deems it necessary to reverse implementation of an AMP, it must appeal to headquarters to do so. The local office completes a detailed narrative statement, action plan for reversal, and time line for intended actions and forwards it to the Area office. Upon concurrence, the Area office forwards the proposal for reversal to the Senior Vice President, Operations. USPS officials told us that reversals of AMP implementation are very rare; in the last 30 years only one consolidation implementation has been reversed.

Appendix III: Status of USPS 2005 and 2006 AMP Consolidations and PIRs

Table 8: Implementation and PIR Status of AMP Consolidations Approved In 2005 (as of May 2007)

Facilities involved in consolidation (facility losing operations/facility gaining operations)	Implemented	Implementation postponed	Subsequent decision not to implement	Semiannual PIR under review by headquarters	Semiannual PIR complete
Bridgeport, CT/Stamford, CT	√			√	
Greensburg, PA/ Pittsburg, PA	√				√
Kinston, NC/ Fayetteville, NC			√		
Marina, CA/Los Angeles, CA	√				√
Marysville, CA/ Sacramento, CA	√				√
Mojave, CA/Bakersfield, CA	√			√	
Monmouth, NJ/ Trenton, NJ & Kilmer, NJ	√			√	
Northwest Boston, MA/ Boston, MA	√			√	
Olympia, WA/Tacoma, WA		√			
Pasadena, CA/Santa Clarita, CA & Industry, CA	√			√	
Waterbury, CT/ Southern Connecticut, CT	√			√	
Total	**9**	**1**	**1**	**6**	**3**

Source: GAO presentation of USPS data.

Table 9: Status of 46 AMP Proposed Consolidations Initiated in 2006 (as of May 2007)

AMP package under review at district or area management	AMP package under review by headquarters	Proposed AMP review on hold	Decision not to implement proposed AMP	AMP approved
1	10	5	28	2
Daytona Beach, FL/ Mid-FL, FL	Aberdeen, SD / Dakotas Central, SD	Alamogordo, NM/ El Paso, TX	Beaumont, TX/ Houston, TX	Newark, NJ/ DVD, NJ
	Bronx, NY / Morgan, NY	Batesville, AR/ Little Rock, AR	Binghamton, NY/ Syracuse, NY	Saint Petersburg, FL / Tampa, FL
	Canton, OH / Akron, OH	Carbondale, IL/ Saint Louis, MO	Bloomington, IN/ Indianapolis, IN	
	Dallas, TX/ North Texas, TX	Centralia, IL/ Saint Louis, MO	Bryan, TX/ Houston, TX	
	Flint, MI/ NE Metro,MI	Las Cruces, NM/ El Paso, TX	Burlington, VT/ White River Jnt, VT	
	Jackson, TN / Memphis, TN		Cape Cod, MA/ Brockton, MA	

AMP package under review at district or area management	AMP package under review by headquarters	Proposed AMP review on hold	Decision not to implement proposed AMP	AMP approved
	Kansas City, KS / Kansas City, MO		Carroll, IA/ Des Moines, IA	
	Oshkosh, WI/ Green Bay, WI		Cumberland, MD/ Frederick, MD	
	Sioux City, IA / Sioux Falls, SD		Fox Valley, IL/ South Suburban, IL	
	Waco, TX/ Fort Worth/Austin, TX		Gaylord, MI/ Traverse City, MI	
			Glenwood Springs, CO / Grand Junction, CO	
			Helena, MT/ Great Falls, MT	
			Hutchinson, KS/ Wichita, KS	
			La Crosse, WI/ Rochester, MN	
			McAllen PO TX/ Corpus Christi, TX	
			McCook & N. Platte, NE/ Casper, WY	
			Plattsburg, NY/ Albany, NY	
			Portsmouth, NH / Manchester, NH	
			Rockford, IL / Palatine, IL	
			Sheridan, WY/ Casper, WY	
			Springfield, MA/ Hartford, CT	
			Staten Island, NY/ Brooklyn, NY	
			Twin Falls, ID/ Boise, ID	
			Utica, NY/ Syracuse or Albany, NY	
			Watertown, NY/ Syracuse, NY	

AMP package under review at district or area management	AMP package under review by headquarters	Proposed AMP review on hold	Decision not to implement proposed AMP	AMP approved
			Wheatland, WY/ Cheyenne, WY	
			Yakima, WA/ Pasco, WA	
			Zanesville, OH/ Columbus, OH	

Source: GAO presentation of USPS data.

Note: This table includes the facilities involved in proposed consolidations, both the facility losing operations and the facility gaining operations.

Appendix IV: USPS Notification to Stakeholders as Identified in AMP Communication Documentation

	Employee groups	Local and state elected officials[a]	Media	Community organizations	Major mailers
AMP consolidations approved in 2005					
Bridgeport, CT/Stamford, CT	3	0	1	1	1
Greensburg, PA/Pittsburgh, PA	3	2	4	2	6
Kinston, NC/Fayetteville, NC	2	2	3	1	2
Marina, CA/ Los Angeles, CA	3	0	4	2	3
Marysville, CA/Sacramento, CA	3	4	8	2	2
Mojave, CA/Bakersfield, CA	2	0	2	2	0
Monmouth, NJ/Trenton, NJ	2	0	2	2	14
NW Boston, MA/Boston, MA	3	0	1	3	9
Olympia, WA/Tacoma, WA	2	1	5	10	2
Pasadena, CA/Santa Clarita, CA	5	1	1	1	18
Waterbury, CT/So. CT, CT	3	0	1	1	0
AMP consolidations initiated in 2006					
Aberdeen, SD/Dakotas Central, SD	6	1	2	1	7
Alamogordo, NM/El Paso, TX	2	0	1	2	0
Batesville, AR/Little Rock, AR	3	1	1	0	1
Beaumont, TX/Houston, TX	4	0	4	1	2
Binghamton, NY/Syracuse, NY	12	5	1	11	2
Bloomington, IN /Indianapolis, IN	5	0	1	3	2
Bronx, NY/Morgan, NY	3	3	4	3	2
Bryan, TX/Houston, TX	4	3	0	2	13
Burlington, VT/White River Jct ., VT	3	0	0	2	3
Canton, OH/Akron, OH	5	0	2	1	1
Cape Cod, MA/Brockton, MA	3	0	1	4	4
Carbondale, IL/Saint Louis, MO	4	2	1	1	0
Carroll, IA/Des Moines, IA	8	2	2	1	0
Centralia, IL/Saint Louis, MO	4	2	1	1	0
Cumberland, MD/Frederick, MD	10	1	8	3	10
Dallas, TX/North Texas, TX	6	1	2	10	0
Daytona Beach, FL/Mid-Florida, FL	3	1	6	0	4
Flint, MI/NE Metro, MI	33	2	4	0	129
Fox Valley, IN/South Suburban, IL	6	1	1	1	0
Gaylord, MI/Traverse City, MI	8	1	1	0	0
Glenwood Springs, CO/Grand Junction, CO	4	3	1	2	0
Helena, MT/Great Falls, MT	15	4	1	1	7

	Employee groups	Local and state elected officials[a]	Media	Community organizations	Major mailers
Hutchinson, KS/Wichita, KS	12	1	1	4	2
Jackson, TN /Memphis, TN	1	0	3	2	4
Kansas City, KS /Kansas City, MO	4	2	2	2	158
La Crosse, WI/Rochester, MN	5	1	4	1	4
Las Cruces, NM/El Paso, TX	3	0	3	2	2
McAllen, TX/Corpus Christi, TX	4	1	2	1	1
McCook /N. Platte, NE & Casper, WY	6	1	1	1	0
Newark, NJ/Dominick V. Daniels & No. NJ Metro, NJ	7	1	2	0	15
Oshkosh, WI/Green Bay, WI	2	2	1	1	2
Plattsburg, NY/Albany, NY	15	4	1	5	6
Portsmouth, NH/Manchester, NH	2	1	3	1	2
Rockford, IL/Palatine, IL	6	16	1	5	9
Saint Petersburg, FL /Tampa, FL	3	2	7	2	17
Sheridan, WY/Casper, WY	3	2	0	2	0
Sioux City, IA /Sioux Falls, SD	14	3	1	3	13
Springfield, MA/Hartford, CT	19	0	4	6	32
Twin Falls, ID/Boise, ID	7	5	2	1	0
Utica, NY/Syracuse or Albany, NY	12	6	2	8	9
Waco, TX/Fort Worth & Austin TX	3	0	4	1	1
Watertown, NY/Syracuse, NY	12	4	1	5	2
Wheatland, WY/Cheyenne, WY	6	3	1	1	0
Yakima, WA/Pasco, WA	4	2	1	1	1
Zanesville, OH/Columbus, OH	5	0	2	1	4

Source: GAO presentation of USPS data.

[a]For all 2005-2006 AMP consolidations, members of Congress are identified.
Note: This table includes the facilities involved in proposed consolidations, both the facility losing operations and the facility gaining operations.

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

WILLIAM P. GALLIGAN
SENIOR VICE PRESIDENT
OPERATIONS

UNITED STATES POSTAL SERVICE

June 1, 2007

Ms. Katherine A. Siggerud
Director, Physical Infrastructure
United States Government Accountability Office
Washington, DC 20548-0001

Dear Ms. Siggerud:

Thank you for providing the U.S. Postal Service with the opportunity to review and comment on the draft report titled Mail Processing Realignment Efforts Underway Need Better Integration and Explanation (GAO-07-717).

As noted in the report, postal network realignment has four goals: develop mail processing and transportation networks suited to current and future operational needs, reduce costs, create flexible operations, and reduce inefficiency and redundancy. Our mail processing realignment efforts have not wavered from the achievement of these goals.

In addition to area mail processing consolidations, we have also made progress on numerous other fronts. For instance, 45 of 55 remote encoding centers have been closed since 1999, resulting in significant savings. Other network optimization efforts involved the establishment of surface transfer centers, elimination of operations at 26 air mail centers, and savings negotiated among contracts with cargo and commercial air suppliers.

The Postal Accountability and Enhancement Act requires submission of a Facilities Plan that will include a strategy for how the Postal Service intends to rationalize its facilities network and remove excess processing capacity and space from the network. Additionally, we must also identify anticipated costs, cost savings, and other benefits associated with the infrastructure rationalization alternatives discussed in the plan. Our compliance with the law will satisfy the two Government Accountability Office's recommendations regarding the Facilities Plan.

The report also recommends three steps to improve our communication strategy for stakeholders affected by area mail processing (AMP):

1. Improve Public Notice

   We agree to improve public notice by providing clear and simple language detailing the type of change being considered and forecasting changes to customer services. We will solicit public input at the initiation of a feasibility study. The public notice will outline a formal comment period and inform stakeholders that comments will be addressed later at a public meeting.

475 L'ENFANT PLAZA SW
WASHINGTON, DC 20260-2700
202-268-5100
FAX: 202-268-7509
WWW.USPS.COM

2. Improve Public Engagement

We believe that it would be premature to hold a public meeting during the data-gathering phase of a feasibility study. A public meeting held at this juncture of the study would raise concerns and promote the perception of decreased transparency as there would be no data from which to accurately report the possible outcomes of the study. However, to improve public engagement, we will move the public meeting earlier in the AMP process. Under the updated process, this meeting will occur after the approval of the District Manager and prior to a decision made by the Area Vice President. The agenda and briefing slides will be posted on www.usps.com in advance of the public meeting.

3. Increase Transparency

We agree to increase transparency by adding information to the AMP guidelines on how public input is used in the decision-making process. Public input information will be appended to the AMP proposal provided to the Area Vice President for a decision. This input will be weighed against the overall impact to cost savings and service. If the AMP proposal is approved, the Area Vice President will forward it along with public input information to the Senior Vice President, Operations. The final report will be posted on www.usps.com summarizing the savings impacts, service impacts, and other stakeholder concerns.

Our ongoing optimization efforts continue to evolve and will provide a more service responsive and cost effective network infrastructure that is required by the Postal Accountability and Enhancement Act. Likewise the Consumer Price Index price cap imposed on our "market dominant" products, which provide 90 percent of our revenue, will require the Postal Service to continually scrutinize every dollar spent to ensure that we will be able to operate within that cap. Only through these efforts will we be able to consistently fulfill our enormous responsibility to preserve universal service at affordable rates.

If you or your staff wish to discuss any of these comments, I am available at your convenience.

Sincerely,

William P. Galligan

Appendix VI: GAO Contact and Staff Acknowledgments

GAO Contact

Katherine Siggerud, (202) 512-2834, or siggerudk@gao.gov

Staff Acknowledgments

In addition to the individual named above, Teresa Anderson, Assistant Director; Tida E. Barakat; Kathy Gilhooly; Brandon Haller; Taylor M. Matheson; Margaret B. McDavid; Josh Ormond; and Stan Stenerson made key contributions to this report.

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