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U.S. POSTAL SERVICE

**USPS Has Taken Steps to
Strengthen Network
Realignment Planning and
Accountability and
Improve Communication**

Statement of Phillip Herr, Director
Physical Infrastructure Issues





Highlights of [GAO-08-1022T](#), a testimony before the Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

GAO has issued reports on the U.S. Postal Service's (USPS) strategy for realigning its mail processing network and improving delivery performance information. These reports recommended that the Postmaster General (1) strengthen planning and the overall integration of its realignment efforts, and enhance accountability by establishing measurable targets and evaluating results, (2) improve delivery service standards and performance measures, and (3) improve communication with stakeholders by revising its Area Mail Processing (AMP) Communication Plan to improve public notice, engagement, and transparency. The 2006 postal reform act required USPS to develop a network plan by June 2008 that described its vision and strategy for realigning its network; the anticipated costs, cost savings, and other benefits of its realignment initiatives; performance measures for its delivery service standards, and its communication procedures for consolidating AMP operations.

This testimony discusses USPS's actions toward addressing GAO recommendations to (1) strengthen network realignment planning and accountability, (2) improve delivery performance information, and (3) improve communication with stakeholders. This testimony is based on prior GAO work, a review of USPS's 2008 Network Plan and revised AMP Communication Plan, and updated information from USPS officials. USPS did not have comments on this testimony.

www.gao.gov/cgi-bin/getrpt?GAO-08-1022T. To view the full product click on the above link. For more information, contact Phillip Herr at (202) 512-2834 or herrp@gao.gov.

U.S. POSTAL SERVICE

USPS Has Taken Steps to Strengthen Network Realignment Planning and Accountability and Improve Communication

What GAO Found

USPS has taken steps to respond to most of GAO's prior recommendations to strengthen planning and accountability for its network realignment efforts. In its June 2008 Network Plan, USPS clarified how it makes realignment decisions, and generally addressed how it integrates its realignment initiatives. However, USPS has not established measurable performance targets for its realignment initiatives. USPS believes that its budgeting process accounts for the cost reductions achieved through these initiatives. The Deputy Postmaster General explained that such performance targets are captured in USPS's overall annual goal of achieving \$1 billion in savings. While these measures are not as explicit or transparent as GAO had recommended, USPS is required to report annually by the end of December to Congress on, among other matters, its realignment costs and savings. Also, USPS's annual compliance reports to the Postal Regulatory Commission (PRC) will provide opportunities for further transparency of performance targets and results. USPS's Network Plan notes that to respond to declining mail volumes, USPS must increase efficiency and decrease costs across all its operations. Given USPS's challenging financial situation, effective implementation of network realignment is needed; and USPS's annual reports could help inform Congress about the effectiveness of its realignment efforts.

USPS has partially responded to GAO's recommendations to improve its delivery performance standards, measurement, and reporting, but full implementation of performance measures and reporting is not yet completed. USPS established delivery performance standards in December 2007. USPS's Network Plan stated that USPS would develop targets and measures to assess performance against these standards by fiscal year 2009. In addition, USPS has recently submitted a proposal for measuring and reporting on delivery service performance to the PRC. The PRC has requested public comment on USPS's proposal, which depends upon USPS and mailers implementing new technology. Delivery service performance is a critical area that may be affected by the implementation of the realignment initiatives.

USPS has also taken steps to address GAO's recommendations to improve communication with its stakeholders as it consolidates its AMP operations by

- modifying its Communication Plan to improve public notification and engagement,
- increasing transparency by clarifying its processes for addressing public comments, and
- making additional information available on its Web site.

Going forward, it will be crucial that USPS establishes and maintains an ongoing and open dialogue with stakeholders, including congressional oversight committees and Members of Congress who have questions or are concerned about proposed realignment changes.

Mr. Chairman, Representative Marchant, and Members of the Subcommittee:

I am pleased today to participate in this oversight hearing on actions taken by the U.S. Postal Service (USPS) to address concerns about its network realignment initiatives and communication with stakeholders. In July 2007, we testified before this committee on issues we identified and recommendations we made regarding USPS's strategy for realigning its mail processing operations.¹ We previously recommended that the Postmaster General

1. strengthen planning and accountability by ensuring that USPS's network realignment plans include
 - a discussion of how the various network realignment initiatives will be integrated with each other to achieve network realignment goals and
 - measurable targets for the anticipated cost savings and benefits associated with network rationalization; and
2. improve the way USPS communicates with stakeholders about its realignment plans and proposals, particularly its proposals for consolidating Area Mail Processing (AMP) operations², by ensuring that its revised communication plan includes steps to
 - improve public notice,
 - improve public engagement, and
 - increase transparency.³

¹GAO, *U.S. Postal Service: Progress Made in Implementing Mail Processing Realignment Efforts, but Better Integration and Performance Measurement Still Needed*, [GAO-07-1083T](#) (Washington, D.C.: July 26, 2007).

²The area mail processing consolidation initiative is designed to better use the network's capacity by consolidating mail processing operations into facilities with excess machine capacity, thereby increasing the use of automation in mail processing.

³GAO, *U.S. Postal Service: Mail Processing Realignment Efforts Under Way Need Better Integration and Explanation*, [GAO-07-717](#) (Washington, D.C.: June 21, 2007).

Last year, we also reported on USPS's progress in improving delivery performance information.⁴ We recommended to the Postmaster General that USPS develop complete delivery performance information for all major types of mail by:

- modernizing delivery standards,
- committing to developing delivery performance measures,
- implementing representative delivery performance measures, and
- improving the transparency of delivery performance standards, measures, and results.

Congress has also addressed USPS's network realignment efforts, as reflected in the *Postal Accountability and Enhancement Act of 2006* (PAEA), which required USPS to develop a comprehensive Facilities Plan.⁵ This plan was to include USPS's long-term vision and strategy for realigning its network; a description of the anticipated costs, costs savings, and other benefits associated with the infrastructure realignment alternatives discussed in the plan; and USPS's communication procedures related to AMP consolidations. In response, USPS issued a plan in June 2008 titled "*Postal Accountability and Enhancement Act §302 Network Plan*," which we refer to as USPS's "Network Plan" in this testimony. PAEA also required USPS to report to Congress 90 days after the end of each fiscal year on how postal decisions or actions taken during the preceding year have impacted or will impact rationalization plans, including overall estimated costs and cost savings. Further, PAEA required USPS to establish modern delivery service standards by December 20, 2007, and submit annual reports to the Postal Regulatory Commission (PRC) on the quality of service provided, including the speed and

⁴GAO, *U.S. Postal Service: Delivery Performance Standards, Measurement, and Reporting Need Improvement*, [GAO-06-733](#) (Washington, D.C.: July 27, 2006).

⁵Section 302 of the Postal Accountability and Enhancement Act (Pub. L. No. 109-435) was enacted on December 20, 2006. Whereas the act refers to network "rationalization," in our previous products we have used the term "realignment" for analogous purposes, which we use throughout this testimony.

reliability of delivery for most types of mail (market-dominant products⁶), according to specific requirements to be established by the PRC.

My comments today will focus on USPS's actions toward addressing our prior recommendations related to network realignment and delivery performance. Specifically, I will cover USPS's progress in (1) strengthening planning and the overall integration of USPS's realignment efforts, and enhancing accountability by establishing measurable targets and evaluating results, (2) improving delivery service standards and performance measures, and (3) improving communication with stakeholders by revising its AMP Communication Plan to improve public notice, engagement, and transparency. My statement is based on our prior work, listed at the end of this document, and updated information on the actions USPS has taken related to our recommendations. We reviewed the Network Plan USPS issued in June 2008 and the revised AMP guidelines and revised Communication Plan issued in March 2008. We also met with the Deputy Postmaster General and Acting Senior Vice President for Operations to discuss USPS's Network Plan and its decision-making process related to its network realignment initiatives. We asked USPS to comment on the results of our new work and USPS officials did not have any comments. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Summary

USPS has taken steps to address our prior recommendations to strengthen planning and accountability for its network realignment efforts, which are important as USPS moves from planning to implementing its network realignment initiatives. One key step is that USPS has developed a Network Plan that discusses its overall vision and goals and the major strategies or initiatives for meeting its goals. Our review of USPS's Network Plan found that it generally addresses topics required by PAEA

⁶PAEA defines market-dominant products to include: First-Class Mail—single-piece mail (e.g., bill payments and letters) and bulk mail (e.g., bills and advertising); Standard Mail (mainly bulk advertising and direct mail solicitations); Periodicals (mainly magazines and local newspapers); some types of Package Services (i.e., single-piece parcel post, media mail, bound printed matter, and library mail); and single-piece International Mail.

and included in our recommendations. However, it contains limited specific information on performance targets or goals or the resulting costs and savings related to various realignment initiatives. The Network Plan describes an overall goal to create an efficient and flexible network that results in lower costs for both USPS and its customers, improves the consistency of mail service, and reduces USPS's environmental footprint. According to the Deputy Postmaster General, the measurable performance targets related to realignment initiatives that we recommended USPS establish are captured in USPS's overall annual goal of achieving \$1 billion in savings, which USPS will present in more detail as part of its internal budget. While these measures are not as explicit or transparent as we had recommended, USPS is required to report annually to Congress on, among other things, its realignment costs and savings; and USPS's annual compliance reports to the PRC will provide opportunities for USPS to further clarify its performance targets and results. Additionally, although the Network Plan generally describes how USPS's key realignment efforts are integrated, it provides little contextual information about what its future network will look like and how its realignment goals are being met. USPS's Network Plan notes that to address declining mail volumes, USPS must increase efficiency and decrease costs across all its operations. Further, USPS's financial report for the 2nd quarter of this fiscal year stated that slow economic growth will continue to negatively affect revenue and volume, especially if fuel prices remain at their current high levels and inflation in other sectors of the economy begins to increase. Given USPS's challenging financial situation, we recognize that effective implementation of network realignment is needed. USPS's annual reports to Congress are an opportunity to make its goals and results more transparent and provide information about the effectiveness of its realignment efforts.

USPS has also taken steps to improve its delivery performance standards, measurement, and reporting, but full implementation of performance measures and reporting is not yet completed. USPS is required under PAEA to develop modernized delivery standards, and to measure and report annually to the PRC on its performance in delivering market-dominant products. In December 2007, USPS established delivery service standards with input from the public. USPS's Network Plan stated that USPS will establish delivery service standard targets before the end of fiscal year 2008. In addition, USPS has recently submitted a proposal for measuring and reporting on delivery service performance to the PRC, and the PRC has requested public comment on USPS's proposal. USPS's successful implementation of this proposal depends on USPS and mailers adopting new technology.

Further, USPS has taken steps to address our recommendations to improve communication with its stakeholders as it consolidates its AMP operations. USPS has modified its AMP Communication Plan to improve public notification, engagement, and transparency. Notably, USPS has moved the public input meeting to an earlier point in the AMP process and plans to post a meeting agenda, summary brief, and presentation slides on its Web site 1 week before the public meeting. To increase transparency, USPS has clarified its processes for addressing public comments and plans to make additional information available on its Web site. Going forward, as USPS implements its AMP consolidations, it will have the opportunity to gather stakeholders' feedback on the updated Communication Plan and to assess the effectiveness of these modifications.

USPS Has Taken Steps to Improve Realignment Planning and Accountability, but Measurement of Most Realignment Efforts Is Limited to the Budget Process

USPS has taken steps to respond to most of our prior recommendations to strengthen planning and accountability for its network realignment efforts. It has clarified how it makes realignment decisions and generally addressed how it integrates its realignment initiatives, but it has not established measurable performance targets for these initiatives. USPS believes that its budgeting process accounts for the cost reductions achieved through these initiatives.

Realignment Measures Are Generally Limited to USPS's Budget Process

In our 2007 report we stated that without measurable performance targets for achieving its realignment goals, USPS remains unable to demonstrate to Congress and other stakeholders the costs and benefits associated with its network realignment initiatives.⁷ We also reported that although USPS had made progress on several of its realignment initiatives, it remained unclear how the various initiatives were individually and collectively contributing to the achievement of realignment goals because the initiatives lacked measurable targets. Appendix I provides a brief description and identifies the status of USPS's key realignment initiatives. Appendix II provides updated status information for all AMP consolidations through July 2008.

⁷GAO-07-717.

PAEA calls for USPS to, among other matters, establish performance goals and identify anticipated costs, cost savings, and other benefits associated with the infrastructure realignment alternatives in its Network Plan. The Network Plan describes an overall goal to create an efficient and flexible network that results in lower costs for both the Postal Service and its customers, improves the consistency of mail service, and reduces the Postal Service's overall environmental footprint. In addition, the plan states that USPS's goals are continuous improvement and savings of \$1 billion per year through realignment and other efforts. According to the plan, USPS will achieve these savings, in part, through three core realignment initiatives, including Airport Mail Center (AMC) closures, AMP consolidations, and Bulk Mail Center (BMC) transformations.⁸ The specificity of the expected savings and other benefits related to the core initiatives varies in the plan's discussion of measurable goals, targets, and results achieved.

- *Overall program targets:* USPS estimated total savings of \$117 million for AMC closures—including savings of \$57 million in 2008 and \$21 million in 2009—but provided no such figure for the AMP consolidations. Postal officials told us USPS is developing an overall program target for transforming the BMCs.
- *Evaluation of results:* USPS has measured the results of its AMP consolidations through a post-implementation review. In 2007, we identified data consistency problems with this review. USPS has addressed these problems in an updated handbook issued in 2008, by revising its data calculation worksheets. No analogous process exists for measuring the results of USPS's AMC closures, which included outsourcing some operations conducted at these facilities, relocating some operations to other postal facilities, and closing some facilities. We are issuing a report today on USPS's outsourcing activities, which discusses USPS's realignment decisions related to its AMCs.⁹ As part of this review, we concluded that USPS does not track and could not

⁸AMCs are postal facilities that have traditionally been operated for the purpose of expediting the transfer of mail to and from commercial passenger airlines. AMP consolidations of mail processing operations are intended to reduce costs and increase efficiency by eliminating excess capacity at USPS's more than 400 processing plants. USPS is evaluating its BMC network, where parcels and bulk mail shipments are processed, because they are aging and underused. USPS recently issued a proposal related to transforming its BMC network, but has not yet implemented this proposal.

⁹GAO, *U.S. Postal Service: Data Needed to Assess the Effectiveness of Outsourcing*, [GAO-08-787](#) (Washington, D.C.: July 24, 2008).

quantify the results of its outsourcing activities. We recommended that USPS establish a process to measure the results and effectiveness of those outsourcing activities that are subject to collective bargaining, including the AMCs. USPS agreed to establish a process for future outsourcing initiatives subject to collective bargaining, in which it would compare the financial assumptions that supported its outsourcing decision with actual contract award data 1 year after project implementation.

When we met with USPS officials in June 2008, we asked why they did not have measurable performance goals and targets for the individual realignment initiatives. The Deputy Postmaster General explained that the realignment targets are captured in USPS's goal of saving \$1 billion per year. Specifically, he explained that USPS will present its overall goals and targets in more detail as part of its internal budget, which will be presented to the Board of Governors in July 2008. USPS will have additional opportunities to provide information about its estimated costs and cost savings related to its realignment efforts in its annual report to Congress, which is required by the end of December. Developing and implementing more transparent performance targets and results can help inform Congress about the effectiveness of USPS's realignment efforts.

USPS Has Generally Addressed the Integration of Its Various Network Realignment Initiatives

In 2007, we found there was little transparency into how USPS's efforts were integrated with each other. We recommended that USPS explain how it will integrate the various initiatives that it will use in realigning the postal facilities network. In its Network Plan, USPS identifies three major realignment efforts: (1) Airport Mail Center closures, (2) consolidations of Area Mail Processing operations and (3) transformations of Bulk Mail Centers. USPS briefly addresses the integration of its network initiatives, stating that their overall impact and execution are tightly integrated, and provides a few examples, but little contextual information about what its future network will look like and how its realignment goals are being met.

In a recent meeting, senior USPS officials provided more information that helps to put the integration of USPS's three network realignment initiatives in context. They said this integration is expected to reduce USPS's network and shrink its mail processing operations. After integrating these three efforts, they said, USPS will continue to be the "first and last mile"—the "first mile" being the point of entry for mail into the system, and the "last mile" being the delivery of mail to customers nationwide, as required to meet USPS's universal service mission. They

expect to lower costs and achieve savings by reducing excess processing capacity and fuel consumption, as well as by working with the mailing industry to implement new technologies such as delivery point sequencing, flats sequencing, and Intelligent Mail.¹⁰ Going forward, USPS has opportunities, in its annual report to Congress and in other reports and strategic plans, to further articulate how it plans to integrate these three initiatives and to what extent they are helping USPS meet its goals.

USPS Has Established Delivery Service Standards

USPS has partially responded to our prior recommendations related to improving delivery performance information by establishing delivery performance standards and committing to develop performance targets against these standards and provide them to the PRC in August. However, full implementation of performance measures and reporting is not yet completed. Delivery service performance is a critical area that may be affected by the implementation of the realignment initiatives. Delivery standards are essential for setting realistic expectations for mail delivery so that USPS and mailers can plan their mailing activities accordingly. Delivery performance information is critical for stakeholders to understand how USPS is achieving its mission of providing universal postal service, including requirements for the prompt, expeditious, and reliable delivery of mail throughout the nation. Delivery performance data are also necessary for USPS and its customers to identify and address delivery problems and to enable Congress, the PRC, and others to hold management accountable for results and to conduct independent oversight.

Our July 2006 report found that USPS's delivery performance standards, measurement, and reporting needed improvement.¹¹ We recommended that USPS update its outdated delivery standards, which did not reflect postal operations and thus were unsuitable for setting realistic expectations and measuring performance. We also recommended that the Service implement representative measures of delivery performance for all major types of mail because only one-fifth of mail volume was being

¹⁰Delivery Point Sequencing is the automated rather than manual sorting of letters in the exact order carriers deliver them. Flats sequencing is a system that fully automates the processing and delivery sequencing of flat-size mail, which generally consists of catalogs, envelopes, large cards, magazines and newspapers. Intelligent Mail[®] uses barcodes which are read by scanning devices to allow postal managers and customers to track mail as it moves through the postal network.

¹¹[GAO-06-733](#).

measured and there were no representative measures for Standard Mail, bulk First-Class Mail, Periodicals, and most Package Services. Furthermore, we recommended that USPS improve the transparency of its delivery standards, measurement, and reporting. In December 2006, Congress enacted postal reform legislation that required USPS to modernize its delivery standards and measure and report to the PRC on the speed and reliability of delivery for each market-dominant product. Collectively, market-dominant products represent 99 percent of mail volume.

In December 2007, USPS issued its new delivery standards and has committed to measuring and reporting on delivery performance for market-dominant products starting in fiscal year 2009. Moreover, USPS provided a specific proposal for measuring and reporting its delivery performance to the PRC, which has requested public comment on USPS's proposal. Full implementation of delivery performance measures and reporting for all major types of mail will require both mailers and USPS to take actions to barcode mail and track its progress—a system referred to as Intelligent Mail[®].

USPS Has Improved Its AMP Communication Plan

USPS has taken steps to respond to our recommendations that it improve its communication of realignment plans and proposals with stakeholders. For key realignment efforts such as AMP consolidations, we found it is critical for USPS to communicate with and engage the public. Stakeholder input can help USPS understand and address customer concerns, reach informed decisions, and achieve buy-in. In our 2007 report, we concluded that USPS was not effectively engaging stakeholders and the public in its AMP consolidation process and effectively communicating decisions. For example, USPS was not clearly communicating to stakeholders what it was planning to study, why studies were necessary, and what study outcomes might be. In addition, USPS did not provide stakeholders with adequate notice of the public input meeting or materials to review in preparation for the meeting. Furthermore, according to stakeholders, USPS offered no explanation as to how it evaluates and weighs public input in its decision-making process.

To help resolve these and other issues concerning how USPS communicates its realignment plans with stakeholders, we recommended that USPS take the following actions:

- *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.

USPS has incorporated into its 2008 AMP Communication Plan several modifications aimed at improving public notification and engagement. Most notably, USPS has moved the public input meeting to an earlier point in the AMP process and plans posts a meeting agenda, summary brief, and presentation slides on its Web site 1 week before the public meeting. USPS has increased transparency, largely by clarifying its processes for addressing public comments and plans to make additional information available to the public on its Web site.

Improving Public Notice

In 2007, we found that stakeholders potentially affected by AMP consolidations could not discern from USPS's initial notification letters¹² what USPS was planning to study and what the outcomes of the study might be. This lack of clarification led to speculation on the part of stakeholders, which in turn increased public resistance to USPS's realignment efforts. The initial notification letters were also confusing to stakeholders because they contained jargon and lacked adequate context to understand the purpose of the study. Furthermore, in 2007 we reported that stakeholders were not given enough notice about the public meeting, and we recommended that USPS improve public notice by providing stakeholders with a date for the public meeting earlier in the AMP process.

In its 2008 AMP Communication Plan, USPS has eliminated most of the jargon from its notification letters and has generally provided more context as to why it is necessary for USPS to conduct the feasibility studies. For example, letters now name both facilities that would be affected by a proposed consolidation, whereas previously, only one facility

¹²USPS provides for notification letters at multiple points during the AMP process, e.g., initial notification of intent to perform a study, notification of a public meeting, and notification to consolidate facilities.

was named. USPS also added a requirement that the public be notified at least 15 days in advance of a public meeting.

Improving Public Engagement

In 2007, we found that public meetings required for AMP consolidations were occurring too late in the decision-making process for the public to become engaged in this process in any meaningful way. At that time, the meetings were held after the area office¹³ and headquarters had completed their reviews of the AMP consolidation studies and just before headquarters had made its final consolidation decisions. Stakeholders we spoke with were not satisfied with the public input process and told us that USPS solicited their input only when it considered the AMP consolidation a “done deal.” We also found that USPS did not publish agendas in advance of public meetings or provide the public with much information about the proposed studies. The only information available was a series of bullet points posted on USPS’s Web site several days before the meetings. This lack of timely and complete information further inhibited the public’s ability to meaningfully participate in the process. To make the meetings more focused and productive, and to give the public an opportunity to adequately prepare for them, we recommended that USPS make an agenda and background information available to the public in advance of the public meetings.

Although USPS still holds the public meetings after the data-gathering phase of the study has been completed, the meeting now occurs earlier in the AMP review process. Currently, before the meeting, the study has been approved only at the district level—the area office and headquarters have not yet completed their reviews or validated the data by the time of the meeting. When we asked USPS why it did not move the meeting to the data-gathering phase of the study, USPS officials responded that it would be difficult to hold the meeting during the data-gathering phase because at that point, they do not know what operations could potentially be consolidated. However, to ensure that the public meeting is held within a reasonable amount of time after the study’s completion, USPS included a requirement in its 2008 AMP Communication Plan that the public meeting take place within 45 days after the District Manager forwards the study to the area office and headquarters. In addition, the initial notification letter now includes contact information for the local Consumer Affairs Manager, to whom the public can submit written comments up to 15 days after the

¹³USPS manages its field operations by dividing the nation into nine geographic areas.

public meeting; previously, this contact information appeared in the second notification letter. To help stakeholders better prepare for the public meeting, USPS plans to post a meeting agenda, presentation slides, and a summary brief of the AMP proposal on its Web site 1 week before the meeting. In addition, USPS plans to inform stakeholders in the public meeting notification letter that these materials will be posted on its Web site 1 week before the meeting.

Improving Transparency

In our 2007 report, we found that stakeholders and the public were unclear as to how public input factored into USPS's consolidation decisions. They wanted to know precisely how USPS took their input—letters, phone calls, public meeting results—into consideration when it made its decisions. We recommended that USPS increase the transparency of its decision-making process by explaining how it considers public input in the decision-making process.

In a recent interview, senior USPS officials identified two additions to the 2008 AMP Communication Plan that address stakeholders' concerns about how USPS considers public input. First, USPS considers written comments from stakeholders before the public input meetings and addresses these comments as part of the public input meetings. Second, USPS has modified its public input review process so that officials at the district, area, and headquarters levels consider, and are responsive to, public concerns. Senior USPS officials told us that they weigh public input primarily by considering the impact of any consolidations on customer services and service standards. Additionally, USPS officials told us that as AMP consolidations go forward, USPS will post standard information about each consolidation on its Web site and update this information regularly. Specifically, USPS plans to post initial notifications, a summary brief of the proposed AMP consolidation, specifics about the scheduled public meeting, a summary of written and verbal public input, and the final decision and implementation plans if an AMP consolidation is approved.

Congress has also addressed USPS's communication process. PAEA required USPS to describe its communication procedures related to AMP consolidations in its Network Plan. In response, the Network Plan discusses how USPS will publicly notify communities potentially affected by realignment changes and how it will obtain and consider public input. In addition, PAEA directed USPS to identify any statutory or regulatory obstacles that have prevented it from taking action to realign or consolidate facilities. Accordingly, USPS's Network Plan identified delays related to implementing AMP consolidations. For example, USPS was

directed not to implement certain consolidations until after GAO has reported to Congress on whether USPS has implemented GAO recommendations from its report issued in July 2007 to strengthen planning and accountability in USPS's realignment efforts. These directions were included in the joint explanatory statement accompanying the Consolidated Appropriations Act for fiscal year 2008. We have previously discussed the difficulties that stakeholder resistance poses for USPS when it tries to close facilities and how delays may affect USPS's ability to achieve its cost-reduction and efficiency goals. Part of the problem stemmed from USPS's limited communication with the public. We believe that USPS has made significant progress toward improving its AMP communication processes since 2005. Now, it will be crucial for USPS, in going forward, to establish and maintain an ongoing and open dialogue with its various stakeholders, including congressional oversight committees and Members of Congress who have questions or are concerned about proposed realignment changes.

Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to any questions that you or Members of the Subcommittee may have.

Contact and Acknowledgments

For further information about this statement, please contact Phillip Herr, Director, Physical Infrastructure Issues, at (202) 512-2834 or at herrp@gao.gov. Individuals making key contributions to this statement included Teresa Anderson, Kenneth John, Summer Lingard, Margaret McDavid, and Jaclyn Nidoh.

Appendix I: Description and Status of USPS's Key Realignment Initiatives as of July 2008

Key realignment initiative	Description	Status
Realignment of Airport Mail Centers (AMC)	AMCs are postal facilities that have traditionally been operated for the purpose of expediting the transfer of mail to and from commercial passenger airlines.	USPS's Network Plan stated that USPS had terminated operations at 46 AMCs during fiscal years 2006 and 2007, and another 8 AMCs in fiscal year 2008.
Consolidation of Area Mail Processing (AMP) operations	AMP consolidations of mail processing operations are intended to reduce costs and increase efficiency by eliminating excess capacity at USPS's more than 400 processing plants.	From 2005 through July 2008, USPS implemented 11 AMP consolidations, decided not to implement 35 studies (5 placed on indefinite hold), was continuing to consider 7 consolidations, and had closed 1 facility after consolidation.
Bulk Mail Centers (BMC) transformations	Because mailers have increased their sorting and transport of mail shipments to postal facilities near mail destinations, mailers have been bypassing BMCs and the centers are underused. Also, increased highway contract expenses and an aging postal distribution infrastructure have prompted USPS to evaluate its BMC network to determine how it can best support future postal operations.	In July 2008, USPS issued a Request for Proposal to obtain input on a proposal to outsource some of its BMC workload so that USPS can use its 21 BMCs for alternative postal work.
Regional Distribution Centers transformations	The Regional Distribution Centers were expected to perform bulk processing operations and act as Surface Transfer Centers and mailer entry points.	The Network Plan stated that this initiative has been discontinued because USPS determined that it would not generate the benefits originally anticipated.

Source: GAO analysis of USPS data.

Appendix II: Status of AMP Consolidations

Table 1: Status of AMP Consolidations Approved from 2005, as of July 2008

Facilities involved in consolidation (facility losing operations/facility gaining operations)	Implemented	Subsequent decision not to implement
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	•	
Newark, NJ/Kearny, NJ	•	
Northwest Boston, MA/Boston, MA	•	
Olympia, WA/Tacoma, WA	•	
Pasadena, CA/Santa Clarita, CA & Industry, CA	•	
Saint Petersburg, FL/Tampa, FL	•	
Waterbury, CT/Southern Connecticut, CT	•	
Total	11	2

Source: USPS

Table 2: Status of Proposed AMP Consolidations Initiated in 2006 or 2007, as of July 2008

AMP package under review by headquarters	Proposed AMP review on hold	Decision not to implement proposed AMP
Total AMP Proposals		
7	5	33
Aberdeen, SD/Dakotas Central, SD <i>Public meeting held 2-23-06</i>	Alamogordo, NM/ El Paso, TX	Beaumont, TX/ Houston, TX
Bronx, NY/Morgan, NY <i>Public meeting planned, not scheduled</i>	Batesville, AR/ Little Rock, AR	Binghamton, NY/ Syracuse, NY
Canton, OH/Akron, OH <i>Public meeting held 10-30-07</i>	Carbondale, IL/ Saint Louis, MO	Bloomington, IN/ Indianapolis, IN
Detroit, MI/Michigan Metroplex, Pontiac, MI <i>Public meeting held 10-23-07</i>	Centralia, IL/ Saint Louis, MO	Bryan, TX/ Houston, TX

AMP package under review by headquarters	Proposed AMP review on hold	Decision not to implement proposed AMP
Flint, MI/Michigan Metroplex, Pontiac, MI <i>Public meeting held 10-22-07</i>	Las Cruces, NM/ El Paso, TX	Burlington, VT/ White River Jnt, VT
Kansas City, KS/ Kansas City, MO <i>Public meeting held 6-27-07</i>		Cape Cod, MA/ Brockton, MA
Sioux City, IA/Sioux Falls, SD <i>Public meeting held 4-20-06</i>		Carroll, IA/ Des Moines, IA
		Cumberland, MD/ Frederick, MD
		Dallas, TX/ North Texas, TX
		Daytona Beach, FL/ Mid-FL, FL
		Fox Valley, IL/ South Suburban, IL
		Gaylord, MI/ Traverse City, MI
		Glenwood Springs, CO/ Grand Junction, CO
		Helena, MT/ Great Falls, MT
		Hutchinson, KS/ Wichita, KS
		Jackson, TN/ Memphis, TN
		LA Crosse, WI/ Rochester, MN
		McAllen PO TX/ Corpus Christi, TX
		McCook & N. Platte, NE/ Casper, WY
		Oshkosh, WI/ Green Bay, WI
		Plattsburg, NY/ Albany, NY
		Portsmouth, NH/ Manchester, NH
		Rockford, IL/ Palatine, IL
		Sheridan, WY/ Casper, WY

AMP package under review by headquarters	Proposed AMP review on hold	Decision not to implement proposed AMP
		Springfield, MA/ Hartford, CT
		Staten Island, NY/ Brooklyn, NY
		Twin Falls, ID/ Boise, ID
		Utica, NY/ Syracuse or Albany, NY
		Waco, TX/ Fort Worth/Austin, TX
		Watertown, NY/ Syracuse, NY
		Wheatland, WY/ Cheyenne, WY
		Yakima, WA/Pasco, WA
		Zanesville, OH/ Columbus, OH

Source: USPS

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

Related GAO Products

GAO. U.S. Postal Service: Data Needed to Assess the Effectiveness of Outsourcing. [GAO-08-787](#). Washington, D.C.: July 24, 2008.

GAO. U.S. Postal Service: Progress Made in Implementing Mail Processing Realignment Efforts, but Better Integration and Performance Measurement Still Needed. [GAO-07-1083T](#). Washington, D.C.: July 26, 2007.

GAO. U.S. Postal Service: Mail Processing Realignment Efforts Under Way Need Better Integration and Explanation. [GAO-07-717](#). Washington, D.C.: June 21, 2007.

GAO. U.S. Postal Service: Delivery Performance Standards, Measurement, and Reporting Need Improvement. [GAO-06-733](#). Washington, D.C.: July 27, 2006.

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.: April 8, 2005.

GAO. U.S. Postal Service: USPS Needs to Clearly Communicate How Postal Services May Be Affected by Its Retail Optimization Plans. [GAO-04-803](#). Washington, D.C.: July 13, 2004.

GAO. U.S. Postal Service: Bold Action Needed to Continue Progress on Postal Transformation. [GAO-04-108T](#). Washington, D.C.: November 5, 2003.

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