



Highlights of [GAO-09-696](#), a report to congressional requesters

## Why GAO Did This Study

The U.S. Postal Service (USPS) is facing significant financial problems as mail volume is declining, 4.5 percent in fiscal year 2008 and 11 percent projected for fiscal year 2009. USPS lost \$2.8 billion in fiscal year 2008 and projects a \$6.4 billion loss in fiscal year 2009 (possibly more if it cannot cut an ambitious \$5.9 billion in costs). As one way to cut costs, USPS is trying to improve the efficiency of mail delivery, which generates close to one-third of USPS's \$78 billion in expenses.

Recognizing the sizeable impact of delivery on USPS's finances and operations, you requested a GAO review. This report addresses (1) how USPS monitors delivery efficiency; (2) characteristics of delivery units that affect their efficiency; and (3) the status and results of USPS's actions to improve delivery efficiency, in particular USPS's Flats Sequencing System (FSS). To address these objectives, GAO interviewed stakeholders and USPS officials, reviewed delivery documentation, conducted fieldwork, and analyzed delivery data.

## What GAO Recommends

GAO recommends that the Postmaster General establish cost-saving targets and track results for each of the major USPS initiatives to improve delivery efficiency. In commenting on a draft of this report, USPS generally agreed with GAO's findings. However, USPS did not agree to fully implement GAO's recommendation for all major USPS delivery initiatives.

View [GAO-09-696](#) or [key components](#). For more information, contact Phillip Herr at (202) 512-2834 or [herrp@gao.gov](mailto:herrp@gao.gov).

## U.S. POSTAL SERVICE

### Mail Delivery Efficiency Has Improved, but Additional Actions Needed to Achieve Further Gains

#### What GAO Found

USPS delivery managers have written guidance and information systems to help them monitor delivery efficiency—determining whether units and carriers are using the best work practices. These tools help set carrier and unit expectations and evaluate performance. Specifically, written guidance provides a monitoring framework and information systems track different metrics, such as deliveries and overtime, used for evaluation. However, there is no single measure of delivery efficiency, and managers use various metrics (e.g., carrier office and street efficiency indicators) to measure effectiveness.

Through visits, interviews, and analysis of city delivery operations, GAO found efficiency varies by delivery unit, and certain factors affect a unit's efficiency. These factors can include the experience, training, and local knowledge of a delivery manager; timing of mail received from the processing plant; availability of qualified carriers; unit size or location; and how recently routes were adjusted. In the less efficient delivery units (as determined by USPS's rankings), USPS was taking actions to alleviate some issues, including replacing managers, allocating additional resources, and providing training.

Although USPS has taken actions to improve delivery efficiency, the agency has limited information to measure the results. These actions include:

- Flat Sequencing System—this cornerstone effort is a \$1.5 billion investment in equipment for sorting flat mail (e.g., large envelopes, catalogs, circulars, and magazines) into the correct sequence for delivery;
- Adjusting City Carrier Routes—aligning carrier routes to match changing workload, including using technology to set an optimal route structure;
- City Delivery Pivoting Opportunity Model—a scheduling tool that helps delivery managers deal with daily unstaffed routes by aligning available staff and resources with delivery needs; and
- Others—such as managing its delivery vehicle fleet and utilizing a tool to manage growth in the number of addresses in a cost-effective way.

These actions, combined with recent mail volume declines, have helped USPS eliminate nearly 10 million delivery workhours while absorbing 2.7 million additional deliveries between fiscal years 2006 and 2008. USPS expects to eliminate 37 million delivery workhours in fiscal year 2009 (saving approximately \$1.4 billion) compared to the previous year. The future savings, however, may be limited by USPS's lack of specific cost-saving targets and results for most of these actions (USPS officials report it is too difficult to isolate the results of actions). Without such information, USPS is unable to assess the contribution and performance of each action and focus on those with the greatest savings potential. Also, while we are encouraged by USPS's efforts to coordinate with employees, their unions, and mailers to promote more efficient delivery, continued focus will be needed to help address ongoing challenges related to declining volumes, technical issues (e.g., FSS failed a key engineering test), and financial and operational issues (e.g., the impact of these actions on postal stakeholders and future USPS investment decisions, particularly if delivery frequency is reduced to 5 days a week).