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U.S. POSTAL
SERVICE

Mail-Related
Recycling Initiatives
and Possible
Opportunities for
Improvement





Highlights of [GAO-08-599](#), a report to congressional committees

Why GAO Did This Study

In 2006, the U.S. Postal Service (USPS) discarded about 317,000 tons of undeliverable-as-addressed advertising mail. Such mail can be disposed of using incineration, landfills or through other methods. USPS recently committed to minimizing the agency's impact on every aspect of the environment. Recycling undeliverable advertising mail can help USPS achieve this commitment, while generating revenue and reducing its costs and financial pressures.

In response to the 2006 Postal Accountability and Enhancement Act, this report addresses (1) recent mail-related recycling accomplishments (initiatives) undertaken by USPS, the mailing industry, and others and (2) additional recycling opportunities that USPS could choose to engage in, or influence mailers to undertake. To conduct this study, GAO analyzed relevant data and documents, visited USPS and other facilities, and interviewed about 40 stakeholders.

What GAO Recommends

GAO recommends, among other actions, that USPS (1) require managers at other facilities to adopt applicable lessons learned from its New York City recycling pilot and (2) adopt the opportunities identified in this report that are feasible, compatible with USPS' mission, and appropriate in view of cost and other considerations. USPS agreed with three of GAO's recommendations and stated that it is acting to implement them. USPS also agreed, in principle, with the remaining recommendation to adopt lessons learned from its pilot.

To view the full product, including the scope and methodology, click on [GAO-08-599](#). For more information, contact Katherine Siggerud at (202) 512-2834 or siggerudk@gao.gov.

U.S. POSTAL SERVICE

Mail-Related Recycling Initiatives and Possible Opportunities for Improvement

What GAO Found

USPS and the mailing industry have undertaken numerous initiatives to increase (1) the recycling of mail-related materials and (2) the amount of mail with environmentally preferable attributes, such as mail that uses recycled paper. USPS has five key recycling-related initiatives underway. For example, USPS recently established annual goals to increase its revenue from mail-related recycling from \$7.5 million to \$40 million from fiscal years 2007 to 2010. However, by excluding savings that result from lower waste disposal costs—which accompany increased recycling—the goals do not reflect the full financial benefit attributable to mail-related recycling. USPS also has launched a pilot recycling program in New York City, but it is not known whether USPS will require its managers elsewhere to adopt applicable “lessons learned” from the pilot. Representatives of the mailing industry and other stakeholders also have undertaken a wide range of initiatives to, among other actions, increase the amount of mail that is recycled. For example, three mailing industry associations recently introduced separate awareness campaigns to encourage mail recipients to recycle their catalogs, envelopes, and magazines. In addition, the Direct Marketing Association—whose members collectively send about 80 percent of all Standard Mail—is undertaking several initiatives, including an effort to encourage mailers to use environmentally preferable mail attributes.

USPS, mailing industry, and other stakeholders GAO interviewed identified five opportunities that USPS could choose to undertake to increase its recycling of mail-related materials and to encourage mailers to increase the amount of mail with environmentally preferable attributes. The five opportunities stakeholders cited most frequently were for USPS to: (1) implement a program for recognizing mail-related recycling achievements; (2) increase awareness among mail recipients that mail is recyclable and encourage them to recycle their mail; (3) collaborate with parties interested in increasing the supply of paper fiber available for recycling; (4) establish a special, discounted postal rate—or “Green Rate”—as a means of inducing mailers to adopt environmentally preferable attributes; and, (5) initiate a “mail take-back” program in locations that do not have access to municipal paper recycling. Each of these opportunities appears to be consistent with the agency's long-standing commitment to environmental leadership and the Postmaster General's recent commitments to minimize the agency's impact on every aspect of the environment and to act as a positive environmental influence in U.S. communities. Based on GAO's analysis, however, USPS would need to assess several factors including cost, feasibility (including logistical considerations), and mission compatibility in deciding whether to adopt these opportunities. For example, depending on the magnitude of variance between the expected costs and revenues, USPS may find implementing one or more of the opportunities unacceptable. This is, in part, because USPS faces multiple short- and long-term pressures in improving its operational efficiency, increasing its revenues, and controlling its costs—some of which are increasing faster than the overall inflation rate.

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Abbreviations

DMA	Direct Marketing Association
UAA	undeliverable-as-addressed
USPS	United States Postal Service

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United States Government Accountability Office
Washington, DC 20548

June 3, 2008

Congressional Committees

During fiscal year 2007, United States Postal Service (USPS) customers sent approximately 104 billion pieces of mail (mailpieces) as Standard Mail, the primary class of mail used for advertising. Over time, most of these mailpieces were presumably discarded as waste. Depending on how the discarded mailpieces are disposed of, they could be recycled, placed into landfills, or incinerated. The U.S. Environmental Protection Agency reports that during 2006, Standard Mail comprised about 2.3 percent (5.9 million tons) of all municipal solid waste. Of this amount, recycling efforts captured about 39 percent, while landfills or incinerators received the remaining quantity. USPS discarded about 6.1 billion undeliverable-as-addressed (UAA) Standard Mail mailpieces (about 317,000 tons) in 2006, while mailers discarded the remainder.¹ With the exception of UAA Standard Mail, the responsibility for recycling discarded mail primarily lies with mail recipients.

USPS, which receives only a small portion of its funding from federal appropriations, is expected to generate sufficient annual revenue to cover its costs. In fiscal year 2007, however, USPS' operating costs exceeded its revenues by over \$5 billion, largely due to the agency's advance payments for retiree health benefits. Furthermore, USPS expects to incur substantial additional costs that will need to be offset by revenue increases and improved operating efficiencies. USPS has reported that mixed paper (i.e., UAA mailpieces, including newsprint, and mail discarded by recipients in postal facility lobbies) account for up to 70 percent of its waste stream. Recycling these materials provides USPS with a means to generate substantial revenues, significantly reduce its waste disposal costs, and improve its financial position. In addition, because recycling discarded mail-related materials results in a variety of environmental benefits, including reductions in the amount of mail incinerated or placed in

¹ Approximately 6 percent of all Standard Mail was UAA in 2004. USPS returns a small portion of UAA Standard Mail annually to mailers, at their request, and discards the remainder.

landfills,² recycling these materials provides USPS with a means to enhance its long-standing commitment to environmental leadership.

During fiscal year 2007, revenue generated from Standard Mail comprised about 28 percent (\$20.8 billion) of USPS' total revenue, and Standard Mail constituted the largest class of mail by volume (about 49 percent of 212 billion mailpieces). The prevalence of Standard Mail is expected to increase, in part, because businesses, non-profit organizations, and others view it as an effective way to (1) provide consumers with information about their products and services and (2) solicit contributions from mail recipients. Some critics, however, view Standard Mail as an annoyance that also poses identify theft concerns and negatively impacts the environment. In response, numerous state legislatures introduced "Do Not Mail" bills that, if enacted, would require mailers to remove registered individuals from their mailing lists (similar to the national "Do Not Call" registry).³

In response to the 2006 Postal Accountability and Enhancement Act and agreements reached with relevant congressional offices, this report addresses (1) recent mail-related recycling accomplishments (initiatives)⁴ undertaken by USPS, the mailing industry, and others and (2) additional recycling opportunities that USPS could choose to engage in, or influence mailers to undertake. Pursuant to our legislative mandate, we issued a report on our interim results on December 20, 2007.⁵ This report updates our interim report and describes in more detail the key recycling initiatives that recently have been undertaken by USPS, the mailing industry, and other stakeholders. These initiatives include efforts to recycle mail-related materials,⁶ including UAA Standard Mail, and to increase the amount of

² Recycling also helps reduce the incidence of water and air pollution and helps lower greenhouse gas emissions, among other benefits. Furthermore, manufacturing paper from recycled paper fiber may require less electricity, fuel, and water.

³ In addition, Forest Ethics, an environmental non-profit organization, recently initiated an online petition for a national Do Not Mail Registry.

⁴ Because many of USPS' mail-related recycling efforts are in the early stages of their implementation, we discuss these efforts as "initiatives," rather than as "accomplishments."

⁵ GAO, *Postal Service and Mailing Industry Mail-Related Recycling: Accomplishments and Postal Opportunities-Interim Results*, [GAO-08-348R](#) (Washington, D.C.: Dec. 20, 2007).

⁶ Mail-related materials include UAA mail, mail discarded in USPS facilities, and other materials related to mail such as plastic wrappings and cardboard.

mail with environmentally preferable attributes. Mail with environmentally preferable attributes includes mail that (1) contains paper with recycled paper fiber (recycled paper); (2) uses paper from responsibly-managed forests (certified paper);⁷ (3) is designed to use materials efficiently, (such as “two-way” envelopes); (4) is accurately addressed for delivery; and (5) is targeted to mail recipients who may wish to receive it. This report also describes additional stakeholder-identified opportunities for USPS to engage in (or influence mailers to undertake) mail-related recycling initiatives, and identifies factors such as cost; feasibility, including logistical considerations; and mission compatibility that USPS would need to assess prior to adopting the opportunities.

To accomplish our objectives we, among other activities, (1) interviewed a wide range of USPS officials and stakeholders from about 40 other organizations, including representatives from mailing, paper recycling, and environmental advocacy organizations; (2) toured various facilities, including USPS facilities in Baltimore and Philadelphia, a paper recycling facility, and a printing facility; (3) attended meetings of the “Greening the Mail Task Force”—a committee of USPS, mailing industry, and other stakeholders that addresses environmental issues regarding the mail; and (4) reviewed and analyzed relevant documentation. We discussed matters related to recycling several classes of mail with stakeholders; however, we primarily focused on Standard Mail because of (1) its increasing prominence in the mail stream; (2) its contribution to the municipal solid waste stream; (3) USPS’ responsibility for discarding large volumes of UAA Standard Mail; and (4) the issues critics cite related to Standard Mail, which are reflected in numerous “Do Not Mail” state legislative initiatives. While there are a variety of ways to consider the environmental impacts of mail, this report focuses on the role recycling plays in eliminating mail and mail-related materials from municipal solid waste, increasing USPS’ revenue, decreasing USPS’ waste disposal costs, and enhancing USPS’ commitment to environmental leadership. Appendix I provides a more detailed explanation of our scope and methodology.

We conducted this performance audit from April 2007 to June 2008 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

⁷ Several forest certification programs exist. The programs are intended to recognize and promote environmentally preferable forestry management practices.

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.

Results in Brief

USPS and the mailing industry have undertaken numerous initiatives to increase (1) the volume of mail-related materials recycled and (2) the amount of mail with environmentally preferable attributes. USPS has five key recycling-related initiatives underway. For example, USPS recently established annual goals to increase its revenue from mail-related recycling from \$7.5 million in fiscal year 2007 to \$40 million in fiscal year 2010. These goals do not reflect the full financial benefit attributable to mail-related recycling, however, because they exclude the savings that result from lower waste disposal costs that accompany increased recycling. At the conclusion of our review, USPS had not agreed to revise its goals or to adopt additional goals that reflect its full financial benefit. Furthermore, while USPS intends to develop a plan to help it achieve its recycling revenue goals, it is not clear whether this plan will (1) specify how progress toward the goals will be measured or (2) ensure that the data USPS will use to measure its progress are accurate, reliable, and collected using a consistent method. Similarly, although USPS also has launched a pilot recycling program in New York City, it is not clear whether, or to what extent, USPS will require its managers at other facilities to adopt, as applicable, feasible, mission compatible, and appropriate in view of cost and other considerations, the lessons learned from the pilot. USPS also developed, among other initiatives, a task force to increase the amount of mail with environmentally preferable attributes. Representatives of the mailing industry and other stakeholders also have undertaken a wide range of initiatives to, among other actions, increase the amount of mail that is recycled. For example, three mailing industry associations recently introduced separate recycling awareness campaigns to encourage mail recipients to recycle their catalogs, envelopes, and magazines. Other stakeholders, such as the National Recycling Coalition; Time, Inc.; and Verso Paper, have initiated a campaign to increase the volume of catalogs and magazine recycled in selected cities. In addition, the Direct Marketing Association—whose members collectively send about 80 percent of all Standard Mail—is undertaking several initiatives, including an effort to encourage mailers to use environmentally preferable mail attributes.

USPS, mailing industry, and other stakeholders we interviewed identified five opportunities that USPS could choose to undertake to increase the volume of mail-related materials it recycles and to encourage mailers to

increase the amount of mail with environmentally preferable attributes. The five opportunities stakeholders cited most frequently were for USPS to:

- Implement a program for recognizing mail-related recycling achievements.
- Increase awareness among mail recipients that mail is recyclable and encourage them to recycle their mail through, among other actions, collaboration with mailing industry and other stakeholder initiatives.
- Collaborate with parties interested in increasing the supply of paper fiber available for recycling.
- Establish a special, discounted postal rate—or “Green Rate”—as a means of inducing mailers to adopt one or more environmentally preferable attributes in their mailpieces.
- Initiate a “mail take-back” program in locations that do not have access to municipal paper recycling.

Each of these opportunities appears to be consistent with (1) the agency’s long-standing commitment to environmental leadership and (2) the Postmaster General’s recent commitments to both minimize the agency’s impact on every aspect of the environment and to act as a positive environmental influence in U.S. communities. USPS would nonetheless need to balance those commitments, as well as the potential environmental benefits that those opportunities might provide, against factors such as costs to USPS, feasibility (including logistical considerations), and compatibility with USPS’ mission when deciding whether to adopt these opportunities. For example, while the costs associated with implementing a program for recognizing mail-related recycling achievements are likely to be minimal (and more than offset by increases in USPS’ revenues), the remaining four opportunities necessitate additional cost consideration. For example, two of the opportunities—increasing awareness about mail recycling and initiating a Green Rate—appear to have little likelihood of increasing the agency’s revenue. Furthermore, the remaining two opportunities—collaborating with parties interested in increasing the supply of paper fiber available for recycling and initiating a mail take-back program—may not generate sufficient revenues to cover their costs. Depending on the magnitude of variance between the expected costs and revenues, USPS may find implementing one or more of the opportunities unacceptable. As we recently testified, USPS faces multiple short- and long-term pressures in improving its

operational efficiency, increasing its revenues, and controlling its costs—some of which are increasing faster than the overall inflation rate.⁸ In addition, unlike in the past, USPS is now subject to an inflation-based cap on the prices it can charge for its goods and services.⁹

To increase USPS' recycling of mail-related materials and increase the amount of mail with environmentally preferable attributes, we recommend, among other actions, that the Postmaster General direct the Manager of Environmental Policy and Programs and other parties, as appropriate, to (1) require its managers at other facilities to adopt applicable lessons learned from its New York City recycling pilot and (2) assess the environmental benefits of the mail-related recycling opportunities identified in this report, and any others, and adopt those opportunities that are feasible, compatible with USPS' mission, and appropriate in view of cost and other considerations.

USPS provided its written comments on a draft of this report by letter dated May 2, 2008. These comments are summarized below and are included, in their entirety, as appendix VI to this report. USPS agreed with three of our four recommendations and stated that it had begun initiating actions to implement them. USPS also agreed, in principle, with our remaining recommendation to adopt applicable lessons learned from its New York City recycling pilot nationwide, where feasible, mission compatible, and appropriate in view of cost and other considerations. USPS stated, however, that it cannot require all of its facility managers to adopt these lessons since “not all lessons learned are applicable nationwide.” We recognize that the pilot's lessons will not be applicable at every postal facility and, thus, clarified the recommendation to avoid confusion.

Background

As the primary mail carrier in the United States, USPS' mission is to provide the nation with affordable and universal mail service. USPS' authority was revised on December 20, 2006, with the enactment of the

⁸ GAO, *Postal Reform Law: Early Transition Is Promising, but Challenges to Successful Implementation Remain*, [GAO-08-503T](#) (Washington, D.C.: Feb. 28, 2008).

⁹ Specifically, the 2006 Postal Accountability and Enhancement Act includes an annual limitation on the average percentage changes in rates for each market-dominant mail class—such as First-Class Mail and Standard Mail—which is linked to the change in the Consumer Price Index for All Urban Customers. The act includes exceptions to this inflation-based limitation, but USPS cannot raise postage rates beyond its legal authority.

Postal Accountability and Enhancement Act.¹⁰ Through this act, Congress provided USPS with tools and mechanisms to help ensure that USPS is efficient, flexible, and financially sound. The act also introduced a rate cap for many postal services. While Congress oversees USPS and provides direction to the agency on its operations and other matters, USPS receives only a small portion of its funding from federal appropriations.¹¹

According to a 2001 Mailing Industry Task Force study,¹² the mailing industry includes businesses, organizations, and other parties (mailers) that send and rely on mail to maintain contact with their customers. The mailing industry also encompasses mail preparers, including printers and businesses that send or receive mail on behalf of a third party. Vendors and suppliers of the hardware, software, and labor related to mail processing, such as companies who help mailers improve the accuracy of their mailing lists, also are included in the mailing industry, according to this study.

USPS offers several classes of mail, including First-Class, Standard, and Periodical Mail. The price for each class of mail varies, as does the level of service that USPS provides. Mailers, including both household and business customers, use First-Class Mail when sending personal mail and personalized business correspondence, such as letters, greeting cards, bills, and account statements. Mailers also may use First-Class Mail to send advertisements and merchandise. Standard Mail is the primary mail class for advertisements sent in bulk quantities and cannot be used for sending personal correspondence, such as handwritten letters, bills, or account statements. Periodical Mail primarily is comprised of newspapers and magazines. Standard Mail rates are generally lower than First-Class Mail rates, in part, because USPS typically does not provide services such as return-to-sender and forwarding for UAA Standard Mail.¹³

¹⁰ Pub. L. No. 109-435 (Dec. 20, 2006).

¹¹ Congress reimburses USPS for providing free or reduced postage rates to certain groups, such as the blind and overseas voters. For fiscal year 2008, Congress appropriated \$118 million to USPS for these purposes.

¹² The Mailing Industry Task Force, *Seizing Opportunity: The Report of the 2001 Mailing Industry Task Force*, October 2001. This task force includes chief executives of 11 leading mailing industry companies and the Deputy Postmaster General of USPS.

¹³ While USPS generally does not forward UAA Standard Mail to the addressee, mailers can pay USPS an additional fee to have this mail returned to them.

USPS and the mailing industry view Standard Mail as an important advertising medium for businesses, non-profit organizations, and other parties who seek to inform mail recipients about their products and services or to solicit contributions. While USPS currently receives about half of its revenue from First-Class Mail, Standard Mail became the largest class of mail (by volume) in fiscal year 2005. During 2005, mailers spent about \$56.6 billion on direct mail advertising—comprising about 21 percent of all U.S. expenditures for advertising.¹⁴ USPS expects the volume of Standard Mail to continue to grow.

UAA mail is mail that USPS cannot deliver to a specified address due to an incomplete, illegible, or incorrect address or insufficient postage, among other reasons. USPS' treatment of UAA mail depends on the mail class. USPS forwards UAA First-Class Mail to the addressee, returns it to the sender, or, if the return address is missing, sends it to a USPS Mail Recovery Center.¹⁵ In general, USPS retains UAA Standard Mail and treats it as waste. Because of the large volume of UAA Standard Mail that USPS discards annually (about 317,000 tons in 2006), USPS focuses most of its mail-related recycling efforts on this material. USPS also treats the mail discarded by recipients in postal facility lobbies (discarded lobby mail) as waste. While USPS does not know how much mail post office box holders and other recipients discard in its lobbies, a USPS official stated that the amount is "trivial" relative to its total volume of mail-related waste.

USPS has reported that mixed paper (i.e., UAA mailpieces, including newsprint, and discarded lobby mail) accounts for up to 70 percent of its waste stream. According to USPS, these materials can be used to make everything from low-grade paper products, such as hand towels and tablet backings, to wallboard and stock for fuel pellets that can be burned with coal to reduce harmful air emissions. Furthermore, according to the agency, the large volume of its UAA mail is an attractive and reliable source of clean mixed paper needed for manufacturing these and other products.

¹⁴ Direct mail refers to advertisements sent to recipients through the mail.

¹⁵ USPS operates two First-Class Mail recovery centers in St. Paul, Minnesota, and Atlanta, Georgia. These facilities are responsible for the final disposition of First-Class UAA mail.

A USPS-sponsored study reported that in fiscal year 2004, UAA mail cost the agency more than \$1.8 billion,¹⁶ which represented about 2.6 percent of USPS' total expenses (approximately \$69 billion). About two-thirds of UAA mail costs resulted from forwarding mail to the intended recipients (\$422 million—23 percent) or returning it to the sender (\$822 million—44 percent). The remaining one-third of UAA mail costs are the result of processing waste (\$270 million—15 percent), correcting addresses (\$197 million—10 percent), processing address change requests (\$132 million—7 percent), and general administration and support (\$24 million—1 percent). Furthermore, according to USPS, creating and sending mail that cannot be delivered costs businesses more than \$2 billion annually.

With the exception of UAA Standard Mail, the responsibility for recycling discarded mail primarily lies with mail recipients. While the majority of mail is recyclable,¹⁷ according to the Environmental Protection Agency, mail recipients and others recycled only about 39 percent of the Standard Mail they received and subsequently discarded in 2006. Studies find that the volume of products recycled depend on, among other matters, whether a recipient knows that a product is recyclable and whether the recipient has access to a recycling program or facility. According to one study, over 40 percent of the public are unaware that it can recycle mail.¹⁸ Numerous stakeholders we interviewed confirmed this lack of recycling awareness. Even if individuals are aware that mail is recyclable, according to a 2005 survey conducted by the American Forest and Paper Association, residents in about 31 percent of U.S. communities (14 percent of the population) do not have access to paper recycling programs.¹⁹ In addition, while a 2006 survey by the Federal Trade Commission found that only a small number of victims (2 percent) reported that the theft of their identify was connected to the mail, several stakeholders told us that identity theft

¹⁶ Christensen Associates, *Volumes, Characteristics, and Costs of Processing Undeliverable-As-Addressed Mail and Personal-Knowledge Required Mail* (Madison, WI: March 2006).

¹⁷ In the past, some mail components, such as transparent envelope address windows and certain pressure-adhesive stamps, were difficult to recycle. However, according to USPS officials and other stakeholders, concerns about the recyclability of mail have generally been addressed.

¹⁸ The National Task Force on Greening the Mail, *Recommendations of the National Task Force on Greening the Mail*, January 1999.

¹⁹ The communities that do not have access to paper recycling programs generally are located in sparsely populated, rural areas.

concerns prevent some recipients from recycling their mail. In December 2006, we reported on efforts to increase the volume of materials recycled and found that, to increase recycling, U.S. municipalities need to conduct public education campaigns and ensure that access to recycling is both convenient and easy.²⁰ Further, we identified federal policy options that would help municipalities increase the volume of materials recycled, including the establishment of (1) a nationwide education campaign to inform the public about recycling and (2) programs that enable consumers to recycle products by returning them to the manufacturer or some other party for recycling. These programs are known as “take-back” programs.

USPS and the mailing industry formed a Greening the Mail Task Force in 1996 to identify cost-effective ways to integrate environmental considerations into mailing practices and business processes. The task force issued a final report of its activities in 1999, including its efforts to identify “green” mail attributes (environmentally preferable attributes). According to the task force, environmentally preferable mail includes, among other attributes:

- Mail that contains recycled paper.
- Mail that uses certified paper.
- Mail that is designed to use materials efficiently (such as “two-way” envelopes).
- Mail that is accurately addressed for delivery.²¹
- Mail that is targeted to recipients who may wish to receive it.²²

USPS’ Environmental Policy and Programs organization is principally responsible for increasing the agency’s recycling of mail-related materials and is the focal point for executing its environmental policy throughout the agency. USPS also has organizations that, among their other responsibilities, attempt to increase the amount of mail with

²⁰ GAO, *Recycling: Additional Efforts Could Increase Municipal Recycling*, GAO-07-37 (Washington, D.C.: Dec. 29, 2006).

²¹ As previously discussed, USPS treats UAA Standard Mail as waste when it cannot be delivered.

²² We adopted these environmentally preferable attributes for our reporting purposes.

environmentally preferable attributes. For example, Address Management’s goal is to decrease the amount of UAA mail. To accomplish this, the organization provides mailers with tools to better manage the quality of their mailing lists while, according to USPS, striving to maximize its ability to efficiently deliver mail as addressed. The Product Development organization within Marketing helps manufacturers develop mail-related products that contain recycled materials. Finally, USPS’ Sales organization—also within Marketing—promotes the use of environmental preferable attributes in direct mail advertising and in USPS shipping materials.

USPS and the Mailing Industry Have Undertaken Numerous Mail-Related Recycling Initiatives

USPS and the mailing industry have undertaken numerous initiatives to increase the recycling of mail-related materials and increase the amount of mail with environmentally preferable attributes. For example, USPS has undertaken five key mail-related recycling initiatives, including the establishment of annual goals to increase its recycling revenue from \$7.5 million in fiscal year 2007 to \$40 million in fiscal year 2010 and a pilot recycling program in New York City. Representatives of the mailing industry and other stakeholders also have undertaken a wide range of initiatives to, among other actions, increase the amount of mail that is recycled. For example, three mailing industry associations recently introduced separate recycling awareness campaigns to encourage mail recipients to recycle their catalogs, envelopes, and magazines. In addition, the Direct Marketing Association—whose members collectively send about 80 percent of all Standard Mail—is undertaking several initiatives, including an effort to encourage mailers to use environmentally preferable mail attributes.

USPS Has Undertaken Five Key Initiatives to Increase Its Recycling of Mail-Related Materials

USPS has undertaken five key initiatives to increase its recycling of mail-related materials. Specifically, USPS recently (1) established goals for increasing its recycling revenue; (2) refocused its attention on environmental matters, including mail-related recycling, and intends to require recycling where cost-effective and feasible; (3) consolidated waste management contracts to generate increased recycling revenues and reduce its waste disposal costs; (4) launched a pilot recycling program in New York City; and (5) implemented tools to track the environmental performance of its areas and districts. While USPS recently established goals for increasing its recycling revenues, inconsistencies in the way USPS collects data, if not resolved, will hamper efforts to measure its progress in meeting these goals. Furthermore, at the conclusion of our review, it was not clear whether, or to what extent, USPS would require its

USPS Established Goals for Increasing Its Recycling Revenue, but Inconsistencies in the Way It Collects Data, If Unresolved, Will Hamper Efforts to Measure Its Progress

managers at other facilities to adopt—where applicable, feasible, mission compatible, and appropriate in view of cost and other considerations—lessons learned from its New York City pilot.

In March 2008, USPS established annual goals for increasing the \$7.5 million it generated from recycling mail-related materials in fiscal year 2007. Specifically, USPS intends to generate \$15 million in mail-related recycling revenue in fiscal year 2008, \$30 million in fiscal year 2009, and \$40 million in fiscal year 2010. According to USPS, reaching its fiscal year 2010 goal could also reduce its solid waste disposal costs by \$10 million annually. Thus, in fiscal year 2010, USPS could realize a full financial benefit of \$50 million. To help reach its initial fiscal year 2008 goal, according to USPS officials, each of the agency's nine geographic areas developed a plan to generate \$2 million from recycling in fiscal year 2008.²³ Longer term, according to these officials, the \$40 million goal for fiscal year 2010 is based on the expectation that each of its 82 districts will generate an average of about \$500,000 in recycling revenues.

Such goals are a step in the right direction and address the need for USPS to generate additional revenue, which is one of the agency's four strategic goals. However, by excluding savings that result from lower waste disposal costs, the goals do not reflect the full financial benefit attributable to mail-related recycling. This is because when USPS facility managers implement mail-related recycling programs, their facilities generate less waste, thereby reducing the facilities' waste disposal costs (in addition to generating recycling revenue). Revising the agency's goals to include the savings from lower waste disposal costs or adopting additional goals to reflect the full financial benefit of recycling would help focus USPS employees on the need to achieve greater cost reductions—consistent with a second USPS strategic goal.²⁴ According to USPS officials, USPS is developing the capacity to track solid waste disposal volumes and intends to develop a plan for achieving its recycling goals. However, at the conclusion of our review, it had not agreed to revise its goals or to adopt additional goals for measuring its savings from lower waste disposal costs to reflect the full financial benefit attributable to mail-related recycling.

²³ For management purposes, USPS divides the country into nine geographic areas. Each area is comprised of districts, and there are 82 districts nationwide.

²⁴ USPS' *Strategic Transformation Plan 2006-2010* lists four strategic goals: generate additional revenue; reduce costs; achieve results with a customer-focused, performance-based culture; and improve service.

Regardless of whether USPS finds it beneficial to revise its goals to reflect the full financial benefit attributable to mail-related recycling, in order to measure its progress, USPS will need to (1) specify how it will measure its progress toward its goals and (2) ensure that its organizations collect and report accurate, reliable, and consistent data, which, according to agency officials, does not presently occur. For example, according to both USPS officials and our analysis of USPS documentation some district facilities combine recycling revenues with waste disposal costs. Additionally, our analysis of USPS documentation indicates that in fiscal year 2006 at least one large district facility combined recycling revenues with waste savings attributable to recycling—which, together, comprise the full financial benefit of recycling.²⁵ Inconsistent reporting practices hamper efforts to accurately measure the agency’s progress in meeting its recycling revenue goals. To partially address this problem, in March 2008, the agency’s accounting organization sent an e-mail to USPS area managers requesting that they report recycling revenues separately from waste disposal costs. While this request addresses the need to report recycling revenue separately, it does not constitute a requirement for the managers at the area-, district-, or facility-level to do so. Furthermore, the e-mail does not address matters related to the reporting of USPS’ savings from lower waste disposal costs, or require these managers to report data on their savings using a consistent method. Finally, at the conclusion of our review, USPS had neither (1) specified how it will measure progress toward its goals nor (2) required its organizations to collect and report accurate, reliable, and consistent data. Without taking further action, USPS may not be able to accurately assess its progress toward meeting its goals—regardless of which goals it eventually adopts.

USPS Recently Refocused Its Attention on Environmental Matters, including Mail-Related Recycling, and Intends to Require Recycling Where Cost-Effective and Feasible

While USPS has had a mail-related recycling program in place since the 1990s, security concerns arising from the introduction of anthrax in the mail stream in 2001 caused USPS to deemphasize recycling until recently, according to USPS officials. In December 2007, however, USPS announced its intention to refocus its attention on environmental matters, including the recycling of UAA mail and mail-related materials.²⁶ According to USPS,

²⁵ Specifically, according to documentation supplied by USPS, in fiscal year 2006, the Processing and Distribution Centers in Boston, Massachusetts, and Carol Stream, Illinois, did not record waste disposal cost savings, while the Processing and Distribution Center in Portland, Oregon, combined recycling revenues and waste disposal cost savings in a single figure. Similar reporting inconsistencies exist at the district- and area-levels, according to USPS officials.

²⁶ December 2007 update to USPS’ *Strategic Transformation Plan for 2006-2010*.

recycling will help protect the value of Standard Mail as a form of advertising, generate additional revenues, and reduce USPS' waste disposal costs. Recycling UAA mail and other mail-related materials also provides USPS with a means to enhance its long-standing commitment to environmental leadership. Furthermore, recycling these materials appears to be consistent with the Postmaster General's recent commitments to minimize the agency's impact on every aspect of the environment and to act as a positive environmental influence in U.S. communities.

As part of its refocused attention on environmental matters, in July 2007, USPS issued a revised policy—termed a Management Instruction—that addresses its waste management issues.²⁷ With respect to recycling, the policy encourages district managers and installation heads to establish recycling programs to collect UAA mail and discarded lobby mail in central locations. While the policy indicates that employees at USPS' plants and post offices “should recycle” these mail-related materials, they are not required to do so if it is not cost-effective or logistically feasible. For example, according to USPS officials, recycling may not be cost-effective or logistically feasible at facilities that lack storage space or generate a limited quantity of recyclable mail-related materials.²⁸

The July 2007 policy superseded USPS' previous policy and guidelines, issued in September 1995,²⁹ which (1) were specific to recycling mail-related materials and (2) provided significantly more guidance on recycling UAA mail, discarded lobby mail, and facility paper waste. In addition, while not explicitly stated, the 1995 policy “technically required” facility managers to implement mail-related recycling programs at all USPS facilities that generate these types of waste, according to agency officials.

According to the prior policy, effective targeting of UAA mail can achieve many objectives. For example, it “can help meet postal waste reductions goals and implement more efficient and environmentally sound

²⁷ *Integrated Waste Management*, July 2007, Management Instruction EL-890-2007-5.

²⁸ In September 2007, USPS also published guidance for implementing the policy, including information on how to initiate successful mail-related recycling programs at postal facilities entitled *Implementation Guide for Managers: District Recycling Programs*, September 2007.

²⁹ *Recycling of Discarded Mail and Undeliverable Bulk Business Mail*, September 1995, Management Instruction AS-550-95-14.

alternatives to solid waste disposal practices.” In addition, the 1995 policy noted that such an “effort saves [USPS] money in solid waste disposal and reduces criticism that third-class [Standard Mail] mail volumes contribute to municipal solid waste problems.” Finally, according to the prior 1995 policy, recycling UAA mail also enhances the viability of Standard Mail as an environmentally friendly advertising medium. To help USPS accomplish these objectives, the 1995 policy required facility managers to (1) keep records of revenues generated by recycling, as well as the costs and quantities of solid waste generated at their facilities; (2) conduct an annual evaluation of their practices related to discarded mixed paper, disposal methods, and recycling alternatives; and (3) supply information on their annual evaluations, including the costs, volumes, disposal methods, recycling alternatives, and barriers associated with implementing a mail-related recycling program at their facilities to his or her district manager. The prior policy also established others responsibilities. For example, area managers were responsible for ensuring that facilities that generate UAA mail conducted the annual evaluations and for assisting district managers in finding markets for the material. USPS’ latest policy, issued in 2007, does not address these and other matters.

During the course of our work, we discussed differences between the two policies with USPS officials, including the requirement for an annual evaluation of facility practices related to discarded mixed paper. According to USPS officials, the omission of this requirement was unintended. To address this omission as well as others, the officials indicated that USPS would develop a new policy that will, among other things, (1) provide employees with specific information on how to implement recycling programs at their facilities, (2) require USPS facility managers to implement mail-related recycling initiatives unless doing so is not cost-effective or logistically feasible, and (3) specify requirements for reporting data on USPS’ mail-related recycling activities. USPS expects to release its revised policy, as well as guidance for implementing its recycling program, later this year.

USPS Consolidated Contracts to Increase Its Recycling Revenue and Reduce Its Waste Disposal Costs

To increase its recycling revenues and reduce its waste disposal costs, USPS began a multi-phased process to consolidate its waste disposal and recycling contracts at USPS facilities nationwide. In the first phase, completed in January 2006, USPS centralized its negotiation and management of all waste disposal and recycling contracts at the Memphis,

Tennessee, Category Management Center (Memphis Center).³⁰ In the second phase, which recently began, the Memphis employees are working with managers at facilities with existing waste disposal and recycling contracts and are attempting to convince these managers to incorporate their facilities within larger, regionally-based USPS waste disposal and recycling contracts.³¹ Such contract consolidations are consistent with our prior findings. Specifically, in 2004, we reported that consolidating contracts allows private-sector companies to leverage their buying power and identify more efficient ways to procure goods and services.³²

The Memphis Center offers facility managers four types of contracts: (1) waste disposal only; (2) removal of recyclables only; (3) removal of waste and recyclables; and (4) Total Solid Waste Management contracts, which cover both waste disposal and recycling.³³ In fiscal year 2007, the four types of contracts managed by the Memphis Center resulted in approximately \$6.6 million in recycling revenues (about \$6 million) and waste disposal cost savings (about \$600,000).

Total Solid Waste Management contracts attempt to both (1) maximize recycling revenues and (2) minimize waste disposal costs by using two methods to collect and transport mail-related recycling materials. The first method—“backhauling”—uses USPS’ labor and existing transportation network to collect and transport mail-related recyclable materials from local USPS facilities (e.g., post offices) to a single USPS location, such as a mail processing and distribution center, where the materials are consolidated prior to USPS’ subsequent delivery to a paper mill or other

³⁰ Previously, USPS managed these contracts at the Memphis Center and three other similar centers located in California, Illinois, and Connecticut, according to USPS officials.

³¹ According to USPS officials, managers at small facilities still can enter into separate contracts for their facilities, if the contracts are cost-effective and valued at less than \$2,500.

³² GAO, *Postal Service: Progress in Implementing Supply Chain Management Initiatives*, [GAO-04-540](#) (Washington, D.C.: May 17, 2004).

³³ USPS received a White House “Closing the Circle” award in 2007 for its use of Total Solid Waste Management contracts. These awards recognize outstanding federal achievements in a variety of environmental areas, including waste prevention, recycling, purchasing environmentally-preferable products, environmental management, sustainable buildings, disposal of electronics, and reduced fuel usage.

vendor interested in purchasing the materials.³⁴ When consolidation at a single USPS facility is not feasible, USPS uses a second method—“milk runs”—to collect its recyclable materials. Milk runs use contractors, such as paper brokers and other vendors, to collect recyclable materials stored at local USPS facilities and transport them to their destination. USPS officials stated that because the contractor uses its resources, including its labor and transportation, to collect and transport the materials, USPS must pay for these services—a factor that reduces both USPS’ recycling revenues and its savings from lower disposal costs.

Total Solid Waste Management contracts may include a shared savings component with the contractor, whereby the contractor receives a portion of USPS’ recycling revenues and savings from lower waste disposal costs. Cost-sharing arrangements are intended to encourage the contractor to implement initiatives that maximize USPS’ recycling revenues while minimizing its waste disposal costs. One example of such a contract is USPS’ contract with Rand-Whitney, which covers 457 facilities throughout Pennsylvania. Rand-Whitney developed a recycling program for each facility that, according to documentation supplied by USPS, generated \$177,000 in recycling revenues and reduced USPS’ waste disposal costs by \$98,000—for a total financial benefit of \$275,000 from July 2006 to June 2007. Because this contract allows Rand-Whitney to share USPS’ revenues and savings, Rand-Whitney received 25 percent of this total, or approximately \$69,000, during the 12-month period.

USPS Launched a Pilot Recycling Program in New York City

In an attempt to demonstrate the value of mail-related recycling programs, USPS began a pilot program in New York City in May 2007. The goal of the pilot—termed “New York City SOARs!” (Saving of America’s Resources)—is to identify opportunities to establish and expand recycling programs in USPS facilities throughout New York City and, based on lessons learned,

³⁴ For example, after a USPS vehicle is loaded with mail at a mail processing and distribution center and transports the mail to local USPS facilities (e.g., post offices), the vehicle returns to the processing and distribution center. Instead of returning empty, or partially empty, however, the vehicle is loaded with UAA mail and other mail-related recycling materials, which have been collected and stored at local USPS facilities. The use of backhauling as a means to transport items and materials between postal facilities is not new. Rather, USPS has historically used backhauling to transport other items, such as mail processing equipment, between facilities.

identify recycling practices that can be used in other USPS facilities.³⁵ USPS is implementing the pilot in stages. The first stage assessed postal recycling activities underway in each of New York City's five boroughs,³⁶ using a variety of factors, such as costs to USPS, feasibility (including logistical considerations), and mission compatibility. The report on the assessment, issued in September 2007, concluded that recycling in New York City (1) can generate recycling revenues, (2) will substantially reduce USPS' waste disposal costs, (3) will not interfere with postal operations, and (4) will require only a "modest incremental" effort to accomplish.

Based on the results of the first stage, the report suggested specific recycling activities in each borough, including: (1) the initiation of backhauling recycling programs for UAA Standard Mail and mail-related materials in Manhattan, Brooklyn, and the Bronx, and the expansion of the existing backhauling program in Queens; (2) the implementation of milk runs for UAA Standard Mail and mail-related materials in Staten Island; (3) the designation of sufficient loading dock space at USPS processing and distribution centers in Manhattan to accommodate trailers for storing and transporting mail-related recycling materials; and (4) the establishment of recycling programs for discarded lobby mail in all five boroughs. According to USPS, it is optimistic that, by carefully implementing and enhancing mail-related recycling programs throughout New York City, it could generate approximately \$1.3 million per year in recycling revenues and save an additional \$800,000 in waste disposal costs.³⁷

The pilot's second stage began in January 2008 and, in February 2008, according to USPS officials, the agency issued a solicitation for a contract to provide waste disposal and recycling services to USPS facilities in four of New York City's five boroughs—Brooklyn, the Bronx, Manhattan, and Queens. USPS expects the contract will begin in October 2008. This pilot is in its early stages and, at the conclusion of our review, USPS did not have

³⁵ New York City was chosen as the pilot site, in part, because of its complex delivery and operational network. USPS officials stated that if a mail-related recycling program can be successfully implemented in New York City, similar recycling programs probably could be implemented at postal facilities elsewhere.

³⁶ New York City is comprised of five boroughs—Brooklyn, the Bronx, Manhattan, Staten Island, and Queens. References to "New York City" refer to all five boroughs, unless a particular borough is specified.

³⁷ For perspective, if New York City had generated \$1.3 million in recycling revenues in fiscal year 2007, it would have increased USPS' nationwide recycling revenues of \$7.5 million by approximately 17 percent that year.

USPS Has Implemented Tools to Track the Environmental Performance of Its Areas and Districts

a plan or timeline for, among other actions, ending the pilot program or issuing a final report on the pilot. Furthermore, it was not clear whether, or to what extent, USPS would require its managers at other facilities to adopt—where applicable, feasible, mission compatible, and appropriate in view of cost and other considerations—lessons learned from the pilot.

USPS also has implemented tools for tracking the environmental performance of its areas and districts. One such tool, called an “environmental scorecard,” tracks and ranks the environmental performance of USPS’ nine geographic areas.³⁸ In fiscal year 2007, USPS used the tool to collect information needed to rank each area’s environmental performance in 12 general areas, such as pollution prevention, that includes recycling.³⁹ To measure environmental performance at the district level, USPS also created a budgetary line-item for tracking each district’s recycling revenues.

USPS plans to share the results of both its environmental evaluation tool and its analyses of the districts’ recycling revenues (from the budgetary line-item) with its postal managers. Because USPS officials believe that the agency’s employees are highly competitive, according to USPS officials, relative differences between the areas and districts are expected to foster competition and increase recycling revenues throughout the postal network. While USPS currently does not use the results of the environmental evaluation tool or its analyses of the districts’ recycling revenues for recognizing significant mail-related recycling achievements, according to USPS officials, USPS could choose to do so in the future. In the interim, according to these officials, USPS (1) is considering establishing a program to nominate facilities, teams, and individuals for environmental excellence in seven environmental categories—one of which includes recycling—and (2) has changed its accounting policy to allow districts to receive credit for the revenue each district generates from recycling.

³⁸ As noted previously, USPS has nine areas and 82 districts. Facility managers report to district managers who, in turn, report to area managers.

³⁹ The tool collects, among other information, data on revenues generated from recycling mail-related materials and other items. Such revenues include those generated from the sale of wastepaper, twine, and dead mail. Dead mail includes UAA mail and other mail-related materials.

USPS Has Undertaken Two Multi-Faceted Initiatives to Increase the Amount of Mail with Environmentally Preferable Attributes

To increase the amount of mail with environmentally preferable attributes, USPS has undertaken two multi-faceted initiatives. Specifically, USPS (1) initiated a second Greening the Mail Task Force to, among other activities, promote the use of environmentally preferable attributes in mail and (2) established a UAA mail cost reduction goal. It also has numerous actions underway that may help the agency meet its UAA mail cost-reduction goal. Such actions include USPS' implementation of a new mail processing method that identifies and redirects incorrectly addressed mail to the intended addressee before delivery is attempted. USPS also has taken other actions to increase the amount of mail with environmentally preferable attributes. We discuss these actions in appendix II of this report.

USPS Initiated a Second Task Force to Increase the Amount of Environmentally Preferable Attributes in Mail

In September 2007, USPS initiated a second Greening the Mail Task Force to, among other goals, increase the amount of mail with environmentally preferable attributes. As discussed earlier, USPS disbanded the first task force in 1999 after it issued a final report that, among other matters, identified environmentally preferable attributes associated with mail. The most recent task force—formed to address mail-related issues on a long-term basis—includes USPS officials, mailing industry representatives, and other stakeholders. The task force has five subcommittees, each with a different goal. Table 1 identifies each of the subcommittees' relevant goals.

Table 1: Relevant Goals of the Five Greening the Mail Task Force Subcommittees

Subcommittee	Relevant goals ^a
Education and Awareness on Sustainability and Value of the Mail	<ul style="list-style-type: none"> • Promote awareness that mail is recyclable. • Encourage enhanced environmental mail designs. • Encourage better address accuracy. • Provide accurate information to policy makers, mailers, and the press on the benefits of mail.
Improving Mail Recyclability and Source Reduction	<ul style="list-style-type: none"> • Assess the recyclability of mail products. • Identify recycling barriers. • Evaluate the conditions that impact successful mail delivery. • Identify ways to reduce UAA mail. • Minimize the environmental impacts associated with mail.
Recycling Collection of the Mail	<ul style="list-style-type: none"> • Increase paper recycling by implementing and supporting mail recycling initiatives in postal facilities, office buildings, and private residences.
Life-Cycle Analysis of Mail	<ul style="list-style-type: none"> • Provide the mailing industry’s perspective on the “life-cycle inventory”^b of mail and, if possible, conduct a full “life-cycle analysis” of the mail.^c
Standards and Certification	<ul style="list-style-type: none"> • Facilitate the identification and creation of environmental sustainability standards. • Facilitate a certification process for the life cycle of mail.

Source: GAO analysis of Greening the Mail Task Force documentation.

^aFor the purposes of this table, we have excluded goals that are not relevant to the topics discussed in this report.

^bAccording to USPS, a life-cycle inventory of the mail attempts to identify emissions of significant pollutants throughout the entire “life-cycle” of the mail, including emissions resulting from harvesting trees for paper; making the paper; turning the paper into mail; processing, sorting, and distributing the mail to consumers; and the end of the life-cycle—when the mail is eventually discarded.

^cA life-cycle analysis is similar to a life-cycle inventory, but is more costly, complex, and comprehensive to perform. If the life-cycle inventory shows that mail significantly impacts the environment, according to USPS, a life-cycle analysis would be conducted. At the conclusion of our review, we were unable to ascertain how such an analysis would affect mail-related processes and practices.

USPS Established a UAA Mail Cost Reduction Goal, and Actions Are Underway That May Help USPS Meet This Goal

USPS established a UAA mail cost-reduction goal in 2006 and has developed numerous tools that mailers can use to improve the accuracy of their mailing lists and reduce the amount of UAA mail they send.⁴⁰ More recently, USPS introduced two new requirements that are expected to help USPS meet its UAA mail cost-reduction goal. In addition, USPS has implemented a new mail processing method that identifies and redirects incorrectly addressed mail to the intended addressee before delivery is attempted.

USPS Established a UAA Mail Cost-Reduction Goal

In addition to its recent establishment of goals for increasing the revenue USPS generates from recycling mail-related materials, in 2006, USPS set a goal of reducing UAA mail by 50 percent by fiscal year 2010. In the summer of 2007, USPS clarified this goal, specifying that it applied to the cost—not the volume—of UAA mail. USPS is developing measures to accurately assess its progress in meeting the UAA mail cost reduction goal. According to USPS, its interim measures are not sufficient for this purpose; however, USPS officials believe that data from its May 2009 deployment of Intelligent Mail, which we discuss later in this report, will provide data needed to accurately measure its progress in meeting this goal.

USPS' Tools for Improving the Accuracy of Mailing Lists Reduce UAA Mail

USPS has developed numerous tools that mailers can use to increase the amount of mail that is accurately addressed for delivery. Mail that is accurately addressed decreases UAA mail volume, which, in turn, decreases USPS' operational and waste disposal costs. Since these address accuracy tools decrease USPS' operational costs, USPS provides lower

⁴⁰ The process of improving the accuracy of addresses that comprise mailing lists is often referred to as "address hygiene."

postage rates (worksharing rates)⁴¹ to mailers who use them. A partial description of some of USPS' address accuracy tools follows:

- **“Address Element Correction”** identifies mailpieces that are potentially UAA and corrects small errors in the addresses (e.g., the omission of a directional indicator such as “NW,” or errors that refer to an avenue as a street).
- **“Delivery Point Validation”** verifies that the address on a mailpiece exists in USPS' database of addresses to which it delivers.
- **“National Change-of-Address LINK”** allows mailers to check their mailing lists against USPS' National Change-of-Address database, which contains updated address information for mail recipients who have filed change-of-address notices with USPS.
- **“Address Change Service”** allows mailers to receive, for a fee, electronic notices that inform them when USPS cannot deliver their mailpieces. For First-Class Mail, these electronic notices reduce the amount of mail USPS must return to the sender, thereby decreasing UAA mail and USPS' operating costs. For Standard Mail—which USPS generally is not obligated to return to the sender—the electronic notices (1) inform mailers when their Standard mailpieces are UAA and (2) provide mailers with the correct addressing information. This information enables Standard mailers to update their mailing lists with corrected addresses prior to their next mailing, thereby reducing future UAA mail-related costs.

USPS Introduced Two New Requirements That Are Expected to Reduce UAA Mail

USPS also introduced two recent changes that, according to USPS officials, will reduce UAA mail and, consequently, help USPS meet its UAA mail cost reduction goal (i.e., a 50 percent reduction by fiscal year 2010). First, USPS has revised its “Move Update” requirement, which currently obligates First-Class mailers to use at least one approved address

⁴¹ Worksharing rates are discounts that USPS provides to mailers who perform certain activities that avoid costs that USPS would otherwise incur. Worksharing activities include, among other things, having mailers (1) update and accurately format their addresses; (2) barcode and prepare mail so that it can be sorted by USPS' automated equipment, which reduces manual and other handling of mail; and (3) presort mail, such as by zip code or specific delivery location, to reduce the number of times USPS must sort the mail before delivery to a mail recipient.

accuracy tool (such as National Change-of-Address LINK or the Address Change Service) to qualify for worksharing rates. In September 2007, USPS expanded this requirement to include mailers who send Standard Mail, effective November 23, 2008. Furthermore, USPS will begin requiring First-Class and Standard mailers to update their mailing lists—using an approved address accuracy tool—95 days prior to each of their mailings.⁴²

Second, beginning in May 2009, USPS intends to require mailers to use a new barcode—called the “Intelligent Mail Barcode”—on their mailpieces to qualify for worksharing rates. According to USPS officials, the new barcode will allow USPS and mailers to track individual mailpieces as they move through the mail stream. USPS officials believe that the capability to track mailpieces will reduce UAA mail volumes—and, potentially, USPS operating costs—because mailers will be able to use the barcode to determine which of their mailpieces cannot be delivered and correct their mailing lists accordingly. USPS has initiatives underway, including an agreement with the Bank of America, to test the effectiveness of the Intelligent Mail Barcode before it is fully implemented.⁴³

USPS Has Implemented a Method to Identify and Redirect Improperly Addressed Mail before Delivery Is Attempted

In September 2007, USPS also implemented a new, nationwide mail processing method—called the “Postal Automated Redirection System”—that identifies and redirects mailpieces to individuals who have moved. According to USPS, if a mail recipient has moved and filed a change-of-address request with USPS, the automated redirection system identifies mailpieces addressed to his or her prior address when these mailpieces first enter the mail stream and initiates one of three possible actions. The first possible action is for USPS to immediately redirect the mailpiece to the new, correct destination. Second, if the mailpiece is not eligible for forwarding or if the mailer has authorized its disposal, USPS would

⁴² Prior to the requirement’s change, First-Class mailers had to update their mailing lists 185 days prior to each of their mailings.

⁴³ In December 2007, USPS’ Board of Governors approved a negotiated service agreement between USPS and the Bank of America. The agreement—the first ever performance-based negotiated service agreement—requires the Bank of America to, among other actions, reduce its volume of UAA mail in exchange for worksharing rates. USPS has entered into other negotiated service agreements, but the previous agreements provided mailers with postage rate discounts based on (1) the volume of mail they sent and (2) the amount of work that USPS avoided, not on reductions in the mailers’ UAA mail volumes.

remove the mailpiece from the mail stream and discard it. Finally, if requested by the mailer, USPS would return the mailpiece to the mailer (i.e., the sender). In the past, USPS redirected mailpieces only after delivery had been attempted. In such cases, Standard Mail was returned to the postal facility and discarded as waste (and disposed of through recycling or some other means), while First-Class Mail was processed and forwarded, returned to the sender, or sent to a mail recovery center. Because USPS generally does not forward or return UAA Standard Mail—regardless of when it is first detected—the automated redirection system will not reduce the amount of UAA Standard Mail that USPS must eventually discard. However, USPS officials believe the automated redirection system will reduce the cost of processing UAA mail, thereby contributing to the agency’s UAA mail cost-reduction goal.

The Mailing, Paper Recycling, and Environmental Advocacy Industries Have Undertaken Several Key Initiatives to Increase Mail-Related Recycling

In addition to USPS’ efforts, the mailing industry and other stakeholders have undertaken several key initiatives to increase the volume of mail-related materials that are recycled. Some of these initiatives were developed by mailing industry associations, while others are the result of efforts by individual mailers and organizations in the paper and environmental advocacy industries. For example, in 2007, the Direct Marketing Association (DMA), the Envelope Manufacturers Association, and the Magazine Publishers of America developed nationwide mail recycling awareness campaigns.⁴⁴ While similar in nature, the three programs use different logos to increase recycling awareness and are intended for different types of mailpieces (e.g., catalogs, envelopes, and magazines).⁴⁵ DMA members who participate in the association’s “Recycle Please” program are expected to include a logo in their catalogs and other mailpieces to encourage mail recipients to recycle their mailpieces after reading them. The envelope association’s program—called “Please Recycle”—promotes mail recycling by encouraging manufacturers to place

⁴⁴ DMA is the main trade association for the direct mail industry. It represents, among others, about 2,700 large mailers who send, collectively, about 80 percent of all Standard Mail. The Envelope Manufacturers Association represents envelope manufacturers, includes approximately 147 organizations, and collectively produces about 80 percent of U.S. envelopes and about 60 percent of envelopes worldwide. The Magazine Publishers of America is the main trade association for the magazine industry and represents approximately 240 companies, which publish over 1,400 magazine titles.

⁴⁵ The volume of materials recycled varies for different types of mail. For example, according to industry stakeholders, Americans recycled about 36 percent of the catalogs and direct mail delivered to their residences in 2005, while prior studies (pre-2006) indicate that about 20 percent of magazines delivered to U.S. homes were recycled.

a recycling logo on the front of envelopes and other packaging materials. Finally, the magazine association—which also calls its program “Please Recycle”—developed recycling logos and a full-page recycling advertisement that the association encourages its members to include in their magazines in order to increase the volume of magazines recycled. Participation in these recycling awareness campaigns varies. Specifically, based on our calculations of data provided by officials from DMA and the envelope and magazine associations, as of mid-March 2008, about 2 percent, 30 percent, and 10 percent of their members participated in these programs, respectively.⁴⁶ (The logos used for these recycling awareness campaigns are depicted in fig. 1 of app. III.)

The second key recycling initiative involves the National Recycling Coalition,⁴⁷ which intends to develop new recycling logos to replace the familiar “chasing arrows” logo currently displayed on many products. According to coalition representatives, one of the new logos will be specific to mail. The coalition believes that this logo—which has been used for many years—is confusing to the public. According to coalition officials, the logo has been repeatedly altered by product manufacturers and others since it was first introduced and, as a result, multiple versions of the logo currently exist, each of which signifies different meanings depending on its use.⁴⁸ By updating the existing logo, the coalition hopes to, among other intentions, enhance consumer awareness that mail can be recycled. (Examples of selected “chasing arrows” recycling logos are depicted in fig. 2 of app. III.)

⁴⁶ While association officials provided us with data on their members’ participation rates, officials from two of the three associations believe their data underestimate the extent of participation in their programs. For example, DMA stated that its recycling awareness campaign is targeted toward DMA members that market to consumers. Thus, according to DMA, 4 percent of these members participate in the association’s “Recycle Please” program. In addition, DMA noted that some DMA members “operate multiple brands, so the Recycle Please logo could be widely disseminated across many brands by a single parent company.” Furthermore, a magazine association official stated that at least 16 percent of its members’ magazine titles use the “Please Recycle” logo and that these titles account for about 54 percent of the total number (copies) of magazines currently in circulation.

⁴⁷ The National Recycling Coalition is a non-profit organization that focuses on recycling and waste prevention nationwide.

⁴⁸ The chasing arrows logo can indicate, for example, that a product is recyclable, made from 100 percent recycled content, or made partially from recycled content.

Finally, in 2004, Time, Inc.; Verso Paper; and the National Recycling Coalition, among other parties, initiated the “Recycling Magazines is Excellent” project to inform consumers—primarily via advertisements in magazines—that catalogs and magazines are recyclable.⁴⁹ These parties have piloted the project in five areas: Boston, Massachusetts; Prince George’s County, Maryland;⁵⁰ Portland, Oregon; Milwaukee, Wisconsin; and New York City, New York. According to a Time, Inc., official, in Boston, Portland, and Prince George’s County, the program increased magazine recycling by 18 percent, 6 percent, and 19 percent, respectively. Data for the Milwaukee and New York City pilots were not available at the conclusion of our review.

The Mailing Industry and Other Stakeholders Have Undertaken Several Key Initiatives to Increase the Amount of Mail with Environmentally Preferable Attributes

In addition to their efforts to increase mail-related recycling, the mailing industry and other stakeholders have undertaken a variety of key initiatives to increase the amount of mail with environmentally preferable attributes. As described below, DMA is responsible for several of these initiatives. Other stakeholder initiatives, including those of individual mailers, environmental organizations, and other non-profit organizations are discussed in appendix IV of this report.

DMA Has Undertaken Several Key Initiatives to Increase the Amount of Mail with Environmentally Preferable Attributes

DMA has undertaken several key initiatives to increase the amount of mail with environmentally preferable attributes, particularly with respect to improving its members’ mail targeting practices and the accuracy of their mailing lists. The first such effort, the Mail Preference Service,⁵¹ was introduced in 1971 and is a list of consumers who have requested not to receive (i.e., opt-out of) “prospecting mail” sent by DMA members.⁵² DMA requires its members to honor such requests and, consequently, forbids its members from selling or exchanging this list for any purpose other than

⁴⁹ The logo used in the “Recycling Magazines is Excellent” project is depicted in figure 1 of appendix III.

⁵⁰ The Prince George’s County pilot also includes the Washington, D.C., metropolitan area.

⁵¹ One of our objectives is to report on the recent key initiatives undertaken by USPS, the mailing industry, and other stakeholders. While the Mail Preference Service is not new, we discuss it in this report because, historically, it was the main tool available to mail recipients who wanted to decrease the amount of unwanted mail they receive.

⁵² “Prospecting mail” is advertising mail that mailers send to mail recipients in an attempt to establish a business relationship (i.e., future business) with them.

removing prospective customers from their mailing lists.⁵³ According to DMA officials, by eliminating prospecting mail, the Service (1) reduces the amount of mail a consumer receives by approximately 80 percent and (2) prevented 930 million pieces of unwanted mail from entering the mail stream in 2007.⁵⁴ While DMA officials stated that the association works with consumer advocacy groups and other parties to inform consumers about the Mail Preference Service,⁵⁵ a recent study conducted by Pitney Bowes indicates that two-thirds of Americans are not aware of the Service's existence. In part to address this lack of awareness, several parties within the environmental advocacy industry recently implemented other opt-out programs. As noted previously, these programs are discussed in appendix IV of this report.

More recently, DMA formed the Committee on Environment and Social Responsibility, which is comprised of 16 executives from DMA's member organizations. Formed in 2005, the committee's goals are to identify challenges that direct marketers face with respect to "social responsibility" issues, such as environmental sustainability and corporate citizenship issues, and to develop guidance to address these challenges. The committee designed and executed a survey to benchmark the environmental practices of its members and developed a Web-based tool to help members evaluate their environmental practices in five areas: (1) paper procurement and use, (2) address quality (accuracy) and data management, (3) design, (4) packaging and printing, and (5) recycling and

⁵³ Consumer requests to opt-out of receiving prospecting mail do not affect DMA member mailings to consumers when the member has already established a business relationship with the customer. Instead, these mailings will continue. Additionally, DMA members that have pre-existing relationships with consumers who have registered with the Mail Preference Service can continue to exchange these consumers' personal information with other companies for marketing purposes.

⁵⁴ Until recently, DMA charged consumers a \$1 fee, payable by credit card or check, to sign up for the Mail Preference Service—regardless of how the consumer signed up for the service. The \$1 fee still applies to opt-out requests sent through the mail. However, DMA eliminated this fee in January 2008 for internet-based requests. While a valid credit card number is still required for authentication purposes, according to a DMA official, the association is testing different methods to authenticate consumer opt-out requests and no longer requires a credit card number for non-catalog internet-based requests.

⁵⁵ A similar DMA service—the Deceased Do Not Contact List—enables family members to permanently remove a deceased individual from prospect mailing lists. The Deceased Do Not Contact list was created in response to concerns that mail addressed to deceased individuals (1) poses a risk of identity theft—particularly when the mailpiece contains sensitive information, such as an unsolicited credit card offer—and (2) distresses grieving family members.

pollution reduction. The tool also enables mailers to create an environmental vision statement or policy statement for, among other purposes, displaying on their Web sites. DMA officials could not supply data on the extent to which its members use this tool.

In 2007, DMA also passed the “Resolution Asserting Environmental Leadership in the Direct Marketing Community.” The resolution calls on DMA members—by June 2008—to voluntarily establish internal measurements and benchmarks for assessing their business practices with respect to a list of 15 environmentally preferable practices. This list—called the “Green 15”—aligns with mailer business activities, such as paper procurement and use, mailing list accuracy, and mailpiece design. While the adoption of the 15 environmentally preferable practices is generally voluntary, in June 2008, DMA intends to establish goals and timetables for measuring its members’ success in implementing these practices, which, according to DMA officials, could lead to future DMA requirements.⁵⁶ DMA officials stated that, thus far, members generally have reacted positively to the list of 15 preferable practices, although some members have expressed concerns about purchasing recycled and certified paper. Specifically, members expressed concerns that (1) the supply of these products may not be sufficient to meet demand if DMA were to require its members to use them; and (2) due to the number of forest certification programs and the controversy over the programs’ various merits, it is not clear which program they should use.⁵⁷ (For more information on the Green 15, see app. V of this report.)

Finally, in October 2007, DMA launched its “Commitment to Consumer Choice” program. Under this program, DMA members must, among other actions, include—on every direct mail solicitation they send—an option for consumers to opt-out of receiving future direct mail solicitations from

⁵⁶ To encourage members to adopt the 15 environmentally preferable practices, DMA developed a “Green 15 Toolkit,” which contains, among other matters: (1) information on paper recycling, paper procurement, and the environmental impact of mail; (2) guidance on how members should benchmark their progress toward adopting environmentally preferable practices; (3) strategies to improve address accuracy and reduce UAA and unwanted mail; and (4) a “paper pledge” template that members can use to develop a paper procurement policy that considers environmentally preferable practices.

⁵⁷ According to DMA officials, DMA intends to educate and encourage its members to use recycled and certified paper whenever feasible, but does not intend to specify which certification program its members should use. Instead, DMA specifies a list of available forest certification programs and allows its members to choose the program or programs that best suits their needs.

that member, regardless of whether the member has previously established a business relationship with those customers.⁵⁸ The new requirement, effective in October 2009, will strengthen DMA members' current obligation to provide mail recipients with one opt-out notice per year. The Commitment to Consumer Choice program also includes several other requirements related to consumer choice. Some of these requirements are new or modified, while others are long-standing.⁵⁹ For example, DMA members must (1) disclose, upon consumer request, the source from which they obtained data about the consumer; (2) eliminate, upon consumer request, the transfer or rental of the consumer's personal information to other marketers; (3) increase the frequency with which they update their mailing lists against information in DMA's Mail Preference Service opt-out database (from a quarterly to a monthly basis); and (4) act on all customer opt-out requests within 30 days and for a period of at least 3 years.⁶⁰

According to DMA officials, DMA has an internal process for ensuring that members comply with its requirements.⁶¹ The process begins with DMA's Corporate Responsibility group, which receives all customer complaints regarding the receipt of unwanted mail.⁶² If a pattern of complaints about a

⁵⁸ In other words, if a consumer contacts a company and asks to be removed from its future mailings, that consumer will no longer receive any mailpieces from the company. Should the consumer later place an order for a product with that company, the consumer will receive the product and any correspondence related to it (e.g., invoices and bills), but—under the terms of the program—would not receive other direct mail solicitations from the company.

⁵⁹ Currently, members must comply with all of the program's requirements, except for the provision that every mail piece contain an option to opt-out of future direct mail solicitations from that member. DMA officials stated that the Association has delayed enforcement of this requirement to allow sufficient time for its members to redesign and test their mailpieces.

⁶⁰ The Commitment to Consumer Choice program also allows DMA members to provide customers with a "frequency opt-out" option. When available, such an option would allow mail recipients to specify the frequency with which they wish to receive future mailings, such as catalogs, from a DMA member without opting out of all mailings from the member.

⁶¹ Although DMA's process for ensuring that its members comply with its requirements also is not a recent initiative, we nonetheless describe it to convey the method by which DMA officials said the association enforces its member requirements.

⁶² According to DMA officials, the association also randomly selects about 200 of its members annually for monitoring using a "secret shopper" program. According to these officials, the monitoring program helps to ensure that DMA members are complying with the association's requirements.

company emerges, DMA officials stated that the group would file a formal case before DMA's Committee on Ethical Business Practices.⁶³ If the offending mailer still refuses to comply with DMA requirements, DMA's Board of Directors can, among other actions, expel the mailer from the association. According to DMA officials, however, member expulsions are rare. The officials explained that the association's goal is self-correction, not punishment, and that mailers normally alter their practices to avoid expulsion from DMA.

Stakeholders Cited Five USPS Mail-Related Recycling Opportunities, but USPS Would Need to Assess Several Factors in Deciding Whether to Adopt Them

USPS, mailing industry, and other stakeholders we spoke to identified five opportunities that USPS could choose to undertake to increase its recycling of mail-related materials and to encourage mailers to increase the amount of mail with environmentally preferable attributes.⁶⁴ The five opportunities cited most frequently were for USPS to (1) implement a program for recognizing mail-related recycling achievements; (2) increase awareness among mail recipients that mail is recyclable and encourage them to recycle their mail through, among other actions, collaboration with mailing industry and other stakeholder initiatives; (3) collaborate with parties interested in increasing the supply of paper fiber available for recycling; (4) establish a special, discounted postal rate—or Green Rate—as a means of inducing mailers to adopt one or more environmentally preferable attributes in their mailpieces; and (5) initiate a mail take-back program in locations that do not have access to municipal paper recycling. Each of these opportunities appears to be consistent with (1) the agency's long-standing commitment to environmental leadership and (2) the Postmaster General's recent commitments to both minimize the agency's impact on every aspect of the environment and to act as a positive environmental influence in U.S. communities. Based on our analysis, however, USPS would need to assess factors such as costs to USPS; feasibility, including logistical considerations; and mission compatibility in deciding whether to adopt the opportunities.

⁶³ According to a DMA official, the Committee on Ethical Business Practices is comprised of approximately 15 DMA members, who meet once per month to resolve consumer complaints against DMA mailers.

⁶⁴ As discussed in appendix I, we reported on those opportunities that stakeholders cited more than twice and that were not currently being addressed by an ongoing USPS initiative.

Stakeholders Identified Five USPS Opportunities

The stakeholders we interviewed identified five opportunities that USPS could choose to undertake to increase its recycling of mail-related materials or to encourage mailers to increase the amount of mail with environmentally preferable attributes. First, several stakeholders stated that USPS could increase its mail-related recycling activities by offering recognition, financial awards, promotional opportunities, and other incentives to reward exemplary USPS recycling achievements. Three USPS officials stated that such incentives could target facility-level managers and employees, who are likely to be critical to the successful implementation of mail-related recycling programs. As discussed, USPS is considering establishing a program to nominate facilities, teams, and individuals for environmental excellence. As currently envisioned, the program would honor excellence in seven environmental categories, including “pollution prevention.” While USPS is contemplating recognition for “improvements in recycling processes or programs” as part of its achievements related to pollution prevention, the program under consideration does not specifically recognize mail-related recycling achievements. An incentives program targeted specifically toward such achievements could foster greater competition throughout USPS, resulting in substantial increases in the agency’s recycling revenue and significant savings in its waste disposal costs. Such a program could be based solely on recycling revenues, or include other metrics—such as the amount (tonnage) of materials recycled or its savings in waste disposal costs.

Second, because mail recipients often are unaware that mail can be recycled, stakeholders suggested that USPS conduct a campaign to increase awareness among mail recipients that mail is recyclable and to encourage them to recycle their mail. Such a campaign could be collaborative in nature, unilateral, or undertaken through some combination of outreach efforts. For example, several stakeholders stated that USPS could collaborate with one or more of the ongoing mailing industry and other stakeholder initiatives to increase recycling awareness among mail recipients and to encourage them to recycle.⁶⁵ Such an effort, among other matters, could (1) address common misconceptions related to the recyclability of various types of mail and (2) raise awareness about the primary causes of identity theft—two reasons why recipients may not

⁶⁵ As discussed previously, these initiatives include DMA’s “Recycle Please” program, the magazine and envelope associations’ “Please Recycle” programs, the National Recycling Coalition’s development of a recycling logo specific to mail, and the “Recycling Magazines is Excellent” program initiated by the National Recycling Coalition; Time, Inc.; and Verso Paper.

recycle their mail. In addition, USPS could collaborate with members of the Greening the Mail Task Force to design and implement a plan to increase the public's awareness in these and other areas.⁶⁶ If USPS desired to do so, stakeholders suggested that the agency also could take unilateral action to promote mail recycling by, for example, delivering an informational post card or some other form of communication to each address in America. Such an approach would be similar to USPS' actions to promote its various products and services nationwide, which, according to USPS officials, typically increase consumer awareness by nearly 30 percent. Stakeholders also suggested that USPS develop postmarks and stamps and install signage in postal lobbies to promote mail recycling.

Third, numerous stakeholders suggested that USPS collaborate with parties, such as the American Forest and Paper Association and U.S. paper recycling companies, to increase the supply of fiber needed for manufacturing recycled paper products. According to these stakeholders, such fiber is typically in short supply domestically because it is usually exported to countries, such as China and India, which pay premium prices for the fiber. The stakeholders added that the constant supply of UAA mail available through USPS could be used to increase the domestic supply of recycled fiber. Such a supply increase could potentially decrease the cost of using recycled paper products which, in turn, could encourage their increased use.⁶⁷ One way for USPS to undertake this opportunity is to collaborate with the American Forest and Paper Association, which, according to association representatives, is eager to increase mail-related recycling.⁶⁸ Such a collaboration, they said, would contribute to the association's goal of recovering (i.e., preventing landfill disposal or incineration) 55 percent of paper consumed in the United States by 2012. In addition, USPS could collaborate with members of its Greening the Mail Task Force to design and implement a plan to increase the supply of paper

⁶⁶ As noted previously, one of the Task Force's five subcommittees—the subcommittee on “Education and Awareness on Sustainability and Value of the Mail”—intends to, among other goals, promote awareness that mail is recyclable.

⁶⁷ Many mailers told us that using recycled paper is more expensive than using virgin paper (i.e., paper made from unrecycled fiber harvested directly from forests) for their mailings.

⁶⁸ According to USPS officials, the agency recently invited representatives of the American Forest and Paper Association to participate on the Greening the Mail Task Force.

fiber available for recycling.⁶⁹ USPS also could choose to explore, or expand, partnerships with local recyclers. One paper recycling company in New Jersey, for example, purchases and transports UAA mail from USPS facilities in Maryland, Pennsylvania, New Jersey, and elsewhere to manufacture recycled paper products, such as paper towels, toilet paper, facial tissue, and napkins. According to a company representative, because UAA mail is a critical feedstock for the company's production methods, the company would like to increase its supply of UAA mail as long as the cost of transporting UAA mail to the company does not become prohibitive.

Fourth, numerous stakeholders in the environmental advocacy industry, suggested that USPS establish a special, discounted postal rate—or Green Rate—as a means of inducing mailers to adopt one or more environmentally preferable attributes in their mailpieces. According to these parties, for example, USPS could establish a special discount for mailers that use recycled and/or certified paper. Such a discount, they said, would help mailers offset the increased costs associated with using recycled paper and would provide an incentive for mailers to use certified paper.⁷⁰ A Green Rate also could reward mailers who, among other practices, (1) use certain targeted marketing strategies, (2) can demonstrate measurable reductions in the amount of UAA mail they send, and (3) use mail materials efficiently. With respect to targeted marketing strategies, for example, a Green Rate could reward mailers who voluntarily participate in mail opt-out programs—such as the program offered by Catalog Choice⁷¹—and can demonstrate that they honor mail

⁶⁹ As previously noted, one of the Task Force's five subcommittees—the subcommittee on “Recycling Collection of the Mail”—intends to, among other goals, increase mail recycling by implementing and supporting mail recycling initiatives in postal facilities, office buildings, and private residences.

⁷⁰ As previously described, certified paper is produced from forests that are managed according to a variety of environmentally preferable practices. The two major forest certification programs in the U.S. are the Sustainable Forestry Initiative® and the Forest Stewardship Council. The Sustainable Forestry Initiative®—formerly a part of the American Forest & Paper Association—is now an independent organization managed by the Sustainable Forestry Initiative, Inc. The logos for these certification programs are depicted in figure 1 of appendix III.

⁷¹ As previously discussed, mail opt-out programs enable mail recipients to decline to receive certain mail solicitations, such as credit card offers and catalogs, from direct mail marketing companies. One such program is Catalog Choice, which is a free service that allows mail recipients to opt-out of unwanted catalogs that they currently receive. For more information on Catalog Choice, see appendix IV.

recipients' requests to be removed from their mailing listings.⁷² A Green Rate also could reward mailers who, over time, reduce the amount of UAA mail they send. Beginning in May 2009, USPS intends to use its Intelligent Mail Barcodes to establish large mailers' UAA mail rates (the baseline) and, over time, measure changes in the frequency of the mailers' UAA mail. While large mailers will be required to use the barcodes to receive worksharing rates for their mailings, USPS also could choose to use these data to reward mailers who meet a specified target for UAA mail reductions. In addition, if USPS chose to do so, it could reward mailers according to a "sliding scale," whereby mailers would receive larger discounts for greater UAA mail reductions.⁷³ A final example of practices that could be considered for a Green Rate is the use of two-way reusable envelopes and other mailpieces that use materials efficiently.

Finally, numerous stakeholders suggested that USPS, using its existing transportation network, initiate a mail take-back program to facilitate the recycling of discarded and unwanted mail in rural, sparsely populated areas that do not have access to municipal paper recycling.⁷⁴ While the details of such a program would need to be developed, stakeholders suggested that USPS—possibly, in collaboration with others—could supply mail recipients in these locations with pre-addressed packages to send their discarded mail either directly to a plant for recycling or, indirectly, to other facilities—including, possibly, USPS facilities—where the packages could be held for subsequent pick up and recycling. Conceptually, such a program resembles several existing take-back programs for used products—such as inkjet cartridges, digital cameras, and cellular phones—whereby the program sponsor (e.g., a manufacturer) supplies the consumer with a pre-paid and pre-addressed envelope for returning used products through the U.S. mail. Stakeholders noted that USPS receives revenue for returning the products under the existing take-back programs and, depending on how such a program is funded, also could receive revenue under a take-back program for mail.

⁷² As discussed, DMA allows mail recipients to opt-out of receiving certain mailings from its members. Because DMA members are required to honor those requests, it seems unlikely that such actions would qualify for a special postal discount. Therefore, if USPS were to develop a Green Rate related to the mailers' participation in opt-out programs, it would likely focus on programs in which mailer participation is voluntary.

⁷³ The current performance-based Negotiated Service Agreement with Bank of America is structured in a similar fashion.

⁷⁴ According to a 2005 survey conducted by the American Forest and Paper Association, 14 percent of the population (31 percent of U.S. communities) reside in these areas.

USPS Would Need to Assess Several Factors in Deciding Whether to Adopt the Opportunities

Each of the five stakeholder-identified opportunities appears to be consistent with (1) the agency's long-standing commitment to environmental leadership and (2) the Postmaster General's recently expressed commitment to minimize USPS' impact on every aspect of the environment and to act as a positive environmental influence in U.S. communities. However, based on our analysis, USPS would need to assess factors such as cost; feasibility, including logistical considerations; and mission compatibility in deciding whether to adopt the opportunities.

Cost Considerations

Each of the five opportunities has overall cost considerations given their likely impact on staff and other resources that would be needed to, among other actions, develop plans, procedures, and agreements for implementing them. USPS also would need to identify the staff and offices responsible for successfully initiating and carrying out the opportunities, and provide training as appropriate. In addition, while the costs associated with implementing a program for recognizing mail-related recycling achievements are likely to be minimal (and more than offset by increases in USPS' revenues), the remaining four opportunities necessitate additional cost consideration. For example, two of the opportunities—increasing awareness about mail recycling and initiating a Green Rate—appear to have little likelihood of increasing the agency's revenue. Furthermore, the remaining two opportunities—collaborating with parties interested in increasing the supply of paper fiber available for recycling and initiating a mail take-back program—may not generate sufficient revenues to cover their costs. Depending on the magnitude of variance between the expected costs and revenues, USPS may find implementing one or more of the opportunities unacceptable. This is, in part, because as we recently testified, USPS faces multiple short- and long-term pressures in improving its operational efficiency, increasing its revenues, and controlling its costs—some of which are increasing faster than the overall inflation rate.⁷⁵ In addition, unlike in the past, USPS is now subject to an inflation-based cap on the prices it can charge for its goods and services. Specifically, the 2006 Postal Accountability and Enhancement Act includes an annual limitation on the average percentage changes in rates for each market-dominant mail class—such as First-Class Mail and Standard Mail—

⁷⁵ GAO, *Postal Reform Law: Early Transition is Promising, but Challenges to Successful Implementation Remain*, GAO-08-503T (Washington, D.C.: Feb. 28, 2008).

which is linked to the change in the Consumer Price Index for All Urban Customers.⁷⁶

In addition to these overall cost considerations, three of the five opportunities have additional cost-related factors that USPS would need to assess prior to deciding whether to adopt them.⁷⁷ First, while the cost of collaborating with other entities to increase recycling awareness among mail recipients and to encourage mail recipients to recycle their mail could be minimal, according to a USPS official, each of its recent nationwide promotional campaigns (which do not involve collaboration) cost USPS approximately \$2.1 million. Such costs, however, may be overstated with respect to a recycling campaign because USPS could choose, in collaboration with others, to target only mail recipients in zip codes that do not have access to municipal paper recycling (about 14 percent of the U.S. population). Furthermore, USPS could elect to “piggyback” a recycling awareness message on another of its promotional mailings, which, by itself, would result in little additional cost. However, according to USPS officials, such a promotional campaign would necessitate the use of recycled paper to remain consistent with the agency’s recycling awareness message. As previously stated, using recycled paper is more expensive than using virgin paper and, thus, would increase the cost of such a campaign.

Second, because establishing a special discount to induce mailers to adopt more environmentally preferable business practices would—absent other actions—reduce USPS revenues,⁷⁸ USPS would have to assess the overall affects of such a discount on its financial position. In addition, USPS would need to assess the specific cost implications associated with each environmentally preferable attribute it chooses to include in a Green Rate. For example, if USPS were to consider allowing mailers who, among other

⁷⁶ The Act includes exceptions to this inflation-based limitation, but USPS cannot raise postage rates beyond its legal authority.

⁷⁷ We did not identify any additional cost considerations related to two of the five opportunities—implementing an incentives program and collaborating with others to increase the supply of paper fiber needed for recycling.

⁷⁸ Generally speaking, if USPS chose to implement a Green Rate, its net revenues would decrease by the amount of the discount multiplied by the number of mailpieces that were mailed using the discount. Although the lower cost for postage could cause some mailers to increase the number of mailpieces they send, we believe that such an increase would be marginal and that it likely would not offset the lost revenues to USPS caused by a Green Rate.

attributes, use certain mail targeting strategies to qualify for a Green Rate (e.g., participation in voluntary opt-out programs), USPS would need to assess whether, and to what extent, doing so would reduce its revenues. USPS also would need to assess the costs associated with, among other of its activities, defining a Green Rate (i.e., determining which environmentally preferable attributes mailers must use to qualify for the discount) and, to avoid potential abuse, ensuring that the mailpieces presented by mailers as “green” actually qualify for the discount.

Finally, initiating a mail take-back program in locations that do not have access to municipal paper recycling could greatly increase USPS’ costs and workload. The extent of these increases would depend on a variety of factors, including (1) the volume of additional mail generated by the program; (2) the characteristics, including the dimensions and weight, of the take-back packages that would require processing and delivery; (3) whether the packages would need to be manually processed;⁷⁹ (4) the frequency with which each package needs to be handled; and (5) the distance the packages need to be transported.⁸⁰ First, depending on the rate of program participation, the volume of mail requiring USPS processing and delivery could increase substantially. In addition, because the intent of such a program is for a mail recipient to combine all of the mail they discard during a given time frame into a single package, the package would greatly exceed the weight of typical mailpieces received by the recipient.⁸¹ Furthermore, because communities that do not have access to paper recycling are typically in rural, sparsely populated areas, the increased volume of larger and heavier mailpieces probably would travel long distances before reaching their final destination, thereby increasing USPS’ transportation costs throughout the journey. The volume, weight, and size of these packages also could overwhelm USPS’ service capacity in certain rural locations. Rural postal delivery service is typically carried out by USPS letter carriers using privately-owned vehicles that may not be capable of accommodating the increased volume, weight, and size of the

⁷⁹ Manual mail processing is far more costly than processing mail on USPS’ automated equipment.

⁸⁰ This distance includes both the mileage between (1) the mail recipient’s residence and the recipient’s local post office (i.e., the locations where the package presumably would be picked up and initially delivered) and (2) the local post office and the location of the package’s destination.

⁸¹ Additional take-back packages would be needed if the amount of discarded mail exceeded the capacity of a single package. The additional packages also would be heavier than those of typical mailpieces.

take-back packages.⁸² Thus, USPS may incur costs for additional vehicles or changes in its operational arrangements with its rural postal carriers. Finally, the packages mailed by recipients would not be presorted and, depending on how the program is implemented, may not be barcoded—two factors that would require more costly, manual processing before delivery.

Feasibility Considerations

Four of the five stakeholder-identified opportunities also have issues related to their feasibility, which USPS would need to assess prior to their adoption.⁸³ For example, if USPS chose to implement a program for recognizing mail-related recycling achievements, such as an incentive program for facility-level managers and employees, it would first need to collect the data needed to do so. The two existing sources for USPS recycling data—the agency’s evaluation tool for its areas and the budgetary line-item for its districts—do not include facility-level data. Furthermore, collecting this data may not be feasible due to staffing constraints and the large number (about 37,000, according to USPS) of postal facilities nationwide. In light of this feasibility limitation, however, and given USPS’ goal of earning \$40 million in recycling revenue in fiscal year 2010 from its districts’ efforts (approximately \$500,000 per district), the agency could, instead, focus on recognizing the significant achievements of its district managers and employees. A district-level incentives program, however, has its own feasibility constraints. For example, to help ensure equity in such an incentives program, USPS would need to resolve several factors related to the program’s successful implementation. Specifically, USPS likely would need to make adjustments for large, regional variations in the price paid for recyclable mail-related materials.⁸⁴ If USPS did not consider these variations, an incentives program based solely on revenue generated from mail-related recycling would seriously disadvantage certain districts. One possibility for resolving this issue may be to structure an incentives program on other

⁸² As noted previously, such packages likely would be picked up at the mail recipient’s address during the U.S. letter carriers’ normal mail deliveries.

⁸³ We did not identify any factors related to the feasibility of increasing recycling awareness among mail recipients.

⁸⁴ For example, according to USPS documentation, a Processing and Distribution Center in Portland, Oregon, sold its UAA mail for \$25 per ton in fiscal year 2006, whereas the Southeastern Pennsylvania Processing and Distribution Center was able to sell the same material for \$105 per ton.

metrics, such as the total tonnage of material recycled or a district's savings in waste disposal costs, either in lieu of, or addition to, recycling revenues. However, such an action would introduce other issues related to the opportunity's feasibility because, according to USPS officials, USPS does not currently require its organizations, including its districts, to (1) report their recycling tonnage or savings from waste disposal costs⁸⁵ or (2) collect and report their recycling data using consistent methods.⁸⁶ The Manager of USPS' Environmental Policy and Programs organization told us that the agency intends to require its area managers to report information on their recycling tonnage, in addition to their recycling revenue and waste disposal costs, but at the conclusion of our review, USPS had not required these managers to do so.

Second, if USPS chose to coordinate with parties, such as domestic recyclers, to increase the supply of fiber available for paper recycling, it would need to resolve a multitude of logistical considerations. For example, (1) Where will USPS store its mail-related materials for recycling? (2) Is sufficient storage available within USPS facilities? (3) Who will load the materials for delivery to the recycler? (4) Who will be responsible for transporting the materials and how will the deliveries be accomplished? and (5) Given space constraints, how often will the materials need to be transported, and to whom? Furthermore, to the extent that USPS facilities, vehicles, and other materials (e.g., crates and moveable carts) are used, the agency would need, among other actions, to develop a method for sharing its costs with recyclers and others who benefit directly from its efforts. If USPS were to undertake this opportunity with a goal of recycling domestically—as recommended by some stakeholders—USPS may also wish to explore arrangements to recoup a portion of any reduction in its revenues attributable to using domestic recyclers. If USPS did not use its staff or if sufficient and capable staff is not available to undertake these and other efforts, USPS could hire

⁸⁵ According to USPS documentation, in fiscal year 2006, three (Albany, New York; Southeastern Pennsylvania; and Carol Stream, Illinois) of the nine Processing and Distribution Centers USPS surveyed do not collect information on the amount of materials (tonnage) they recycle and two (Boston, Massachusetts; and Carol Stream, Illinois) do not collect data on savings from avoided waste disposal costs.

⁸⁶ As discussed, according to both USPS officials and our analysis of USPS documentation some district facilities combine recycling revenues with waste disposal costs. Additionally, our analysis of USPS documentation indicates that in fiscal year 2006, at least one large district facility combined recycling revenues with waste savings attributable to recycling, which, together, comprise the full financial benefit of recycling. Similar reporting inconsistencies exist at the District and Area levels, according to USPS officials.

a third party to identify locations where this opportunity may be feasible to implement and, in such cases, act as USPS' intermediary in addressing these and other logistical considerations.⁸⁷

Similarly, if USPS chose to establish a Green Rate, the agency would need to resolve a wide range of issues related to the feasibility of doing so. For example, USPS would need to assess whether a discount for mailpieces with certain environmental attributes is the appropriate mechanism for promoting environmentally preferable business practices. If USPS were to proceed, it would need to define the parameters of the discount and, to avoid abuse, determine how it would ensure that mail presented as "green" actually qualifies for the discount. Several stakeholders expressed particular concern about the feasibility of enforcing a Green Rate, indicating that such a task would be administratively difficult and, possibly, impossible to accomplish. Finally, to determine whether a Green Rate is feasible, USPS would need to (1) assess the impact of such a discount on its net revenues and existing postal rates; (2) determine whether, and to what extent, a Green Rate would affect its market-dominant products, which are subject to an annual inflation-based price cap; and (3) if the establishment of the discount resulted in the need to raise postal rates, evaluate whether USPS would be able to raise rates in accordance with the requirements in Postal Accountability and Enhancement Act.

Finally, to initiate a mail take-back program, USPS would need to consider the logistics and overall feasibility of collecting and transporting the increased volumes of larger and heavier mailpieces through the mail stream. USPS, probably in collaboration with others, also would need to determine how the program would work—which likely would be a complex arrangement. For example, what classes of mail would the program cover? Who would supply the packages and postage needed to return the discarded mail? How would the appropriate postage be determined? Furthermore, where would the packages be sent, and to how many locations? In addition, to estimate its costs, USPS would need to develop, among other factors, a method for estimating (1) the number of mail recipients who would participate in the program and (2) the volume, size, and weight of their discarded mail take-back packages. While these

⁸⁷ In New Jersey, for example, Rand Whitney serves as an intermediary between a paper-recycling company and 457 USPS facilities in Pennsylvania and, in return for its services, receives 25 percent of the full financial benefit generated under its contract.

considerations are numerous, the most serious question with respect to the program's feasibility is "Who will pay the substantial costs associated with implementing the program?"

USPS has three options to cover the costs of a mail take-back program. First, USPS could explore increases in its postage rates for the applicable classes of mail—an action that mailing industry stakeholders would likely strongly oppose. Furthermore, it may not be feasible to raise these rates because of a limitation specified in the Postal Accountability and Enhancement Act. Second, while USPS could require mail recipients to pay the postage needed to cover the program's costs, such an action, in our view, would greatly diminish or eliminate public participation. As we reported in 2006, one key to increasing the volume of materials recycled is to offer financial incentives to increase recycling. Thus, a mail take-back program that departs from this premise is, in our view, unlikely to succeed. Finally, USPS could solicit funding from other parties, such as communities, federal and non-profit organizations, businesses, environmental organizations, Congress, and other interested parties. While USPS could explore this option, it is unclear whether other parties would find it in their best interest to fund such a program.⁸⁸

Mission Compatibility Considerations

While each of these opportunities appears to be consistent with the agency's environmental commitments, including the Postmaster General's recent commitments to both minimize the agency's impact on every aspect of the environment and to act as a positive environmental influence in U.S. communities, it is unclear to what extent USPS views actions to fulfill these commitments as being compatible with its mission and strategic goals. Similarly, it is not clear whether, or to what extent, USPS would be willing to sacrifice revenue and/or incur additional costs to further its environmental commitments.

In addition, two of the five stakeholder-identified opportunities—the establishment of a mail take-back program and a Green Rate for mailpieces that incorporate a variety of environmentally preferable attributes—would necessitate additional cost considerations. First, several mailing industry stakeholders told us that they strongly oppose a Green

⁸⁸ While a mail take-back program is similar conceptually to several existing take-back programs for other used products (e.g., inkjet cartridges, digital cameras, and cellular phones), the critical difference is that for these programs, another party (not USPS) pays all of the costs—an action that the party presumably views as beneficial to its self-interest.

Rate, in part, because of mission compatibility concerns. According to these stakeholders, unlike worksharing rates that reward mailers for reducing USPS' costs, a Green Rate discount does not align with USPS' primary mission of delivering the mail. In addition, they said that market forces and mailer preferences—not the establishment of a Green Rate—should determine whether mailers choose to include environmentally preferable attributes in their mailpieces. Depending on how USPS chose to define a Green Rate, some specific aspects of the definition could cause additional mission compatibility concerns. For example, if the use of certified paper was included in a Green Rate, USPS lacks the expertise needed to evaluate the relative merits of the various—and controversial—certification programs.⁸⁹ Likewise, if a Green Rate incorporated certain targeted marketing strategies, USPS could be drawn into a contentious debate about the relative merits of various opt-out programs, including voluntary programs administered by Catalog Choice and others.⁹⁰

Finally, as discussed previously, establishing a mail take-back program likely would result in significant increases in the volume, size, and weight of packages moving through the mail stream. Such increases could overburden USPS' delivery networks and create delivery delays. Related to this, several stakeholders from USPS and the mailing industry told us that USPS' mission is to deliver the mail in a timely fashion—not to help mail recipients recycle their discarded and unwanted mail.

Conclusions

USPS, the mailing industry, and others have developed a wide range of initiatives that, over time, could alleviate some concerns related to the perceived negative impact of mail on the environment. Several of the initiatives also have the potential to improve USPS' financial position—while also enhancing its environmental reputation in U.S. communities. However, it is not clear what level of trade-offs, including decreased revenue and/or increased costs, USPS would find acceptable to incur to further its commitments and reputation on environmental matters.

⁸⁹ Evaluating the relative merits of the various certification programs likely would require expertise in environmental principles and practices associated with managing forests.

⁹⁰ For example, DMA recently advised its members not to accept opt-out requests originating from Catalog Choice and other (non-DMA) programs. Appendix IV provides additional information on this matter.

While much is being done, USPS has numerous opportunities to enhance its mail-related recycling efforts. For example, while establishing goals should assist USPS in generating substantial additional mail-related recycling revenues, the agency has not established similar goals for reducing its costs associated with waste disposal. Consequently, its recycling goals do not reflect the full financial benefit attributable to mail-related recycling. In our view, revising USPS' recycling goals to include savings from lower waste disposal costs or adopting additional goals that reflect the full financial benefit attributable to mail-related recycling would help focus USPS employees on the need to achieve greater cost reductions—consistent with one of USPS' strategic goals. Related to this, while USPS intends to develop a plan to help it achieve its recycling goals, it is not clear whether this plan will (1) specify how progress toward its goals will be measured or (2) ensure that the data USPS will use to measure its progress are accurate, reliable, and collected using a consistent method. Furthermore, while USPS launched a pilot recycling program in New York City to, among other objectives, apply lessons learned to other postal facilities, it is unclear whether, and to what extent, USPS will require its facility managers to adopt these lessons where applicable, feasible, mission compatible, and appropriate in view of cost and other considerations. Finally, while these considerations are also applicable to the adoption of the five stakeholder-identified opportunities discussed in this report, each opportunity, at a minimum, provides thoughts and insights on activities that USPS might find—after careful analysis—beneficial to adopt.

Recommendations for Executive Action

To increase USPS' recycling of mail-related materials and increase the amount of mail with environmentally preferable attributes, we recommend that the Postmaster General direct the Manager of Environmental Policy and Programs and other parties, as appropriate, to take the following four actions:

- Revise the agency's recycling goals to include savings from lower waste disposal costs or adopt additional goals that would reflect the full financial benefit attributable to mail-related recycling.
- Ensure that the mail-related recycling plan it develops specifies, among other matters, how USPS will (1) measure progress toward its goals and (2) ensure that the data it uses for these measurements are accurate, reliable, and collected using a consistent method.

-
- After completion of the New York City pilot, require facility managers at other facilities to adopt lessons learned, where applicable, feasible, mission compatible, and appropriate in view of cost and other considerations.
 - Assess the environmental benefits of the mail-related recycling opportunities identified by stakeholders in this report, and any others, and adopt those opportunities that are feasible, compatible with USPS' mission, and appropriate in view of cost and other considerations.

Agency Comments and Our Evaluation

USPS provided its written comments on a draft of this report by letter dated May 2, 2008. These comments are summarized below and are included, in their entirety, as appendix VI to this report. USPS agreed with three of our four recommendations and stated that it had begun initiating actions to implement them. USPS also agreed, in principle, with our remaining recommendation to adopt applicable lessons learned from its New York City recycling pilot nationwide, where feasible, mission compatible, and appropriate in view of cost and other considerations. USPS stated, however, that it cannot require all of its facility managers to adopt these lessons since “not all lessons learned are applicable nationwide.” We recognize that the pilot’s lessons will not be applicable at every postal facility and, thus, clarified the recommendation to avoid confusion.

We are sending this report to the congressional requestors and their staffs. We are also sending copies to the Postmaster General and other interested parties. We 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 staffs have 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 VII.



Katherine A. Siggerud
Director, Physical Infrastructure Issues

List of Congressional Committees

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
The Honorable Tom Coburn, M.D.
Ranking Member
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
The Honorable Kenny Marchant
Ranking Member
Subcommittee on Federal Workforce, Postal Service,
and the District of Columbia
Committee on Oversight and Government Reform
House of Representatives

Appendix I: Objectives, Scope, and Methodology

Our objectives were to (1) describe the key, recent recycling accomplishments (initiatives) of USPS,¹ the mailing industry, and other stakeholders and (2) identify additional recycling opportunities that USPS could choose to engage in (or influence mailers to undertake), including the factors that USPS would need to assess prior to adopting the opportunities. Such factors include costs to USPS; feasibility, such as logistical considerations; and compatibility with USPS' mission.

To address our overall reporting objectives, we interviewed a wide range of USPS officials as well as representatives from about 40 organizations (stakeholders) that have expertise in mail and paper recycling issues. For expertise in mail, we contacted numerous, major mailing industry associations which encompass the three major classes of mail that contain advertisements—First-Class, Standard, and Periodical. For expertise on environmental matters, we contacted organizations with positions on a wide range of environmental matters, including the waste generated from mail. For expertise in paper recycling issues, we contacted organizations that, among other matters, have an interest in increasing the amount of paper fiber available for recycling. During our interviews, we requested contact information for other relevant stakeholders and, as appropriate, contacted representatives from those organizations who agreed to speak with us.² The stakeholders we interviewed are listed in table 2.

¹ Because many of USPS' mail-related recycling efforts are in the early stages of their implementation, we discuss these efforts as "initiatives," rather than as "accomplishments."

² Despite several attempts, we were unable to obtain interviews with representatives from numerous organizations including the American Bankers Association; the American Catalog Mailers Association; the Center for a New American Dream; the Mailing & Fulfillment Service Association; the Major Mailers Association; the National Association of Presort Mailers; the Printing Industries of America; and the U.S. Conference of Mayors.

Table 2: Stakeholders Interviewed

Catalog Choice	The Forest Stewardship Council
Conservatree	The Fulfillment Management Association
Co-op America	The Greeting Card Association
EcoEnvelopes	The Institute for Local Self-Reliance
Environmental Defense	The Magazine Publishers of America
Forest Ethics	The Mail Moves America Coalition
GreenDimes	The Mailers Council
McDonough Braungart Design Chemistry	The National Newspaper Association
National Envelope	The National Postal Policy Council
Norm Thompson Outfitters	The National Recycling Coalition
Pitney Bowes, Inc.	The National Solid Wastes Management Association
Rand Whitney Recycling	The National Wildlife Federation
RR Donnelley	The Newspaper Association of America
The Alliance of Non-Profit Mailers	The 100% Recycled Paperboard Alliance
The American Forest and Paper Association	The Saturation Mailers Coalition
The Association for Postal Commerce	Time, Inc
The Bank of America Corporation	United States Environmental Protection Agency
The Direct Marketing Association	United States Office of the Federal Environmental Executive
The Direct Marketing Association Nonprofit Federation	United States Postal Service
The Envelope Manufacturers Association	Weyerhaeuser

Source: GAO.

In addition, to describe recent USPS initiatives, we (1) reviewed and analyzed relevant documents related to the initiatives; (2) toured various facilities engaged in recycling activities, including USPS facilities in Baltimore and Philadelphia, a paper recycling facility and a printing facility; and (3) attended meetings of the “Greening the Mail Task Force”—a committee of USPS, mailing industry, and other stakeholders whose mission is to identify and address environmental issues that relate to the mail. We also interviewed a wide range of officials in various USPS organizations, including Environmental Policy and Programs, Address Management, Product Development, Pricing and Classification, Marketing, Government Affairs, the Office of Inspector General, and the Memphis Category Management Center. In addition, we interviewed USPS staff

involved in implementing the New York City pilot; facility managers and employees involved with recycling in Baltimore and Philadelphia facilities; and employees involved with the National Postal Forum and the Mailers' Technical Advisory Committee, among others. To determine recent initiatives of the mailing industry and others, we interviewed each of the stakeholder organizations listed above and reviewed and analyzed relevant documents related to the initiatives they identified. We selected key, recent initiatives undertaken by USPS, the mailing industry, and others based on our professional judgment.

To identify additional mail-related recycling opportunities that USPS could choose to undertake, we solicited the views of representatives from the aforementioned stakeholders. We specifically inquired about opportunities to increase the recycling of mail and the amount of mail with environmentally preferable attributes.³ We reported on those opportunities that stakeholders cited more than twice and that were not currently being addressed by an ongoing USPS initiative. Finally, using our professional judgment, we analyzed pertinent factors, such as cost; feasibility, including logistical considerations; and compatibility with USPS' mission, that USPS would need to assess prior to adopting the opportunities.

We discussed First-Class, Standard, and Periodical Mail with stakeholders; however, we primarily focused on Standard Mail because of (1) its increasing prominence in the mail stream; (2) its contribution to the municipal solid waste stream; (3) USPS' responsibility for discarding large volumes of UAA Standard Mail; and (4) the issues critics cite related to Standard Mail, which are reflected in numerous "Do Not Mail" state legislative initiatives and a recent online petition for a national Do Not Mail Registry. While other studies measure the environmental impact of mail using different measurements (e.g., the carbon footprint attributable to mail),⁴ this report focuses on the role recycling plays in eliminating mail and mail-related materials from municipal solid waste, decreasing USPS'

³ As described previously, these attributes include mail that (1) contains paper from recycled paper fiber (recycled paper); (2) uses paper from responsibly-managed forests (certified paper); (3) is designed to use materials efficiently, such as reusable "two-way" envelopes; (4) is accurately addressed for delivery; and (5) is targeted to mail recipients who may wish to receive it.

⁴ For example, USPS issued a study in 2007 that concluded that advertising mail has a positive overall environmental impact, in part, because it reduces the number of shopping trips consumers would otherwise make to purchase products.

waste disposal costs, increasing USPS' revenue, and enhancing USPS' commitment to environmental leadership.

We conducted this performance audit from April 2007 to June 2008 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.

Appendix II: Other USPS Actions to Increase the Amount of Mail with Environmentally Preferable Attributes

In addition to the two multi-faceted initiatives discussed in the body of this report, USPS also has undertaken other actions to increase the amount of mail with environmentally preferable attributes. First, according to USPS officials, the agency uses 100 percent recycled paperboard in its Priority Mail and Express Mail packages and envelopes.¹ In addition, these officials stated that the agency's marketing materials, such as postcards and brochures, typically contain at least 10 percent recycled paper. Finally, USPS recently approved a change in its mailing standards which allows mailers to use reusable mailpieces, such as "two-way" envelopes. Such envelopes enable mail recipients to either remove or cover the recipient's address in order to reveal a return address.² Mailers that use two-way envelopes do not need to include a return envelope in their mailpieces, which reduces their paper use and costs.

¹ USPS received a "Cradle to Cradle" certification from a consulting firm in 2007 for its Priority Mail and Express Mail packages and envelopes. The consulting firm—which helps clients create "ecologically intelligent products"—awards these certifications to parties that demonstrate an understanding of their products' environmental impact.

² USPS officials stated that reusable mailpieces are not frequently used because mail recipients often inadvertently destroy the return mechanism when they first open the envelope. In addition, according to a USPS marketing official, USPS typically does not encourage customers to reuse its Priority Mail or Express Mail packaging and envelopes because doing so likely would decrease the image of these items and detract from USPS' brand name.

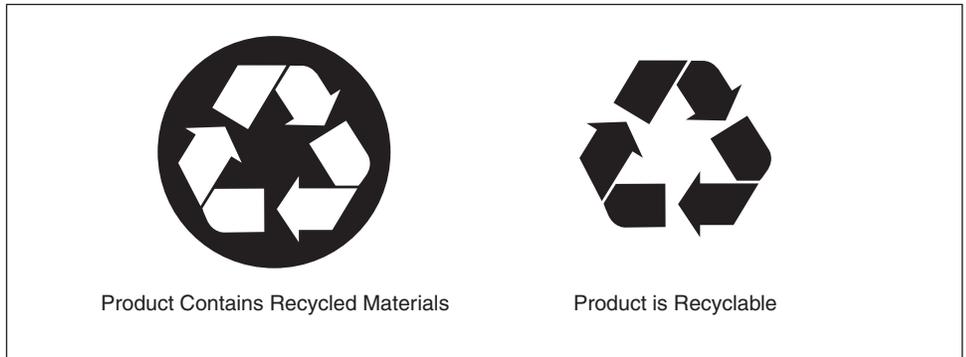
Appendix III: Depiction of Various Mail-Related Recycling Logos

Figure 1: Mail-Related Recycling Logos

 <p>Direct Marketing Association</p>	 <p>Envelope Manufacturers Association</p>
 <p>Magazine Publishers of America</p>	 <p>Recycling Magazines is Excellent (collaboration between Verso Paper, Time Inc., and the National Recycling Coalition)</p>
 <p>Sustainable Forestry Initiative® program</p>	 <p>Forest Stewardship Council</p>

Sources: The Direct Marketing Association; Envelope Manufacturers Association; Magazine Publishers of America; Verso Paper, Time Inc., and the National Recycling Coalition; Sustainable Forestry Initiative, Inc.; Forest Stewardship Council.

Figure 2: Logos Indicating Paper Products Contain Recycled Materials or Are Recyclable



Source: National Recycling Coalition.

Note: These logos appear on many products, including mail, but are not specific to mail.

Appendix IV: Other Stakeholder Initiatives to Increase the Amount of Mail with Environmentally Preferable Attributes

While several initiatives have been taken by the Direct Marketing Association (DMA), other stakeholders in the mailing industry and environmental advocacy organizations also have initiatives underway to increase the amount of mail with environmentally preferable attributes. For example, the National Postal Forum—a non-profit educational corporation—sponsors an annual postal event and trade show with the same name. This forum, among other goals, provides USPS and mailing industry attendees with training, education, and opportunities to communicate with USPS officials on matters related to the mail. In 2007, the forum included a series of workshops designed to educate mailers on USPS’ tools for improving the accuracy of their mailing lists and reducing UAA mail volumes. The May 2008 forum featured more workshops on improving the accuracy of mailing lists, including a series of “Xtremely Green” workshops to address the environmental implications of the mail and ways to effectively communicate to mail recipients about environmental issues.

A second stakeholder, the Mailers’ Technical Advisory Committee, (1) shares technical information on matters of mutual interest related to mail-related products and services and (2) discusses ways to enhance the value of these products and services.¹ The committee recently published two reports. The first report, issued in 2006, contained a list of best practices for accurately addressing mailpieces and recommended, among other matters, that mailers—prior to each mailing—update their mailing lists by using USPS’ tools for improving address accuracy. We were unable to ascertain the extent to which mailers have adopted the report’s recommendations. The second report, issued in 2007, (1) outlined a system by which USPS could certify the accuracy of mailing lists purchased by mailers and (2) described several scenarios in which such a system would reduce UAA mail. According to USPS, it intends to develop a list certification system by October 1, 2010. However, this time frame is contingent on the deployment of software upgrades related to its postal automated redirection system and the mailing industry’s implementation of Intelligent Mail barcodes, expected in May 2009.

Third, several parties within the environmental advocacy industry have undertaken initiatives to decrease the amount of unwanted mail received by mail recipients. For example, “41 Pounds” and “GreenDimes”—a non-profit and for-profit organization, respectively—were established in 2006

¹ The committee is comprised of USPS officials, over 50 mailer associations, and a small number of other organizations in the mailing industry.

to help mail recipients decline (i.e., opt-out of) many types of unwanted mail, including credit card and sweepstakes offers, insurance promotions, coupon booklets, and catalogs. These organizations accomplish this goal by, among other activities, (1) helping mail recipients register for DMA's Mail Preference Service and (2) directly contacting non-DMA mailers—who are not required to use this service—to request them not to send mail solicitations to these mail recipients. 41 Pounds charges \$41 for its services and, according to its Web site, donates one-third of this fee to community and environmental organizations. GreenDimes charges \$20 for its services and, as of mid-March 2008, planted five trees for its services and an additional tree for every catalog that a member (mail recipient) declined (up to five additional trees). In addition, Catalog Choice—a non-profit program sponsored by the Ecology Center and endorsed by the National Wildlife Federation and the Natural Resources Defense Council—offers a free service that allows consumers to stop receiving unwanted catalogs. Consumers can search for catalogs on the Catalog Choice Web site and, after providing their address information, opt-out of those they do not wish to receive.² According to the organization's Web site, nearly 700,000 people had registered for its service, opting out of over 9 million catalogs as of March 31, 2008.³

Fourth, some parties within the envelope industry also have undertaken initiatives to increase the amount of mail with environmentally preferable attributes. For example, one major envelope manufacturer enables its customers to customize their envelopes with an assortment of environmentally preferable attributes, including recycled and certified paper. A company official estimated that 80 percent of his company's

² The Catalog Choice Web site includes links to hundreds of catalog company Web sites. Catalog Choice also plans to offer consumers the opportunity to “opt in” to catalogs they wish to receive.

³ The introduction of services offered by organizations such as 41 Pounds, GreenDimes, and Catalog Choice has been contentious. In late 2007, the Direct Marketing Association met with its members and advised them not to accept opt-out requests provided by these and other organizations unless they meet certain authentication and privacy requirements. According to DMA officials, the advice was offered, in part, to address concerns about whether opt-out requests submitted through these organizations truly originated from a mail recipient. DMA officials explained that, several years ago, one company registered its entire mailing list with DMA's Mail Preference Service, with the objective of ensuring that its customers would not receive mail from other direct marketers. A Catalog Choice official explained that his organization also has measures in place to detect fraudulent opt-out requests. Additionally, the official said that although DMA's Service offers consumers the opportunity to opt-out of catalogs, he believes the service provided by Catalog Choice is easier to use.

envelope sales include at least one environmentally preferable attribute. Another company designed reusable “two-way” envelopes that are made with at least 30 percent recycled paper.

Fifth, some individual catalog mailers have undertaken their own efforts to incorporate environmentally preferable attributes in their mailpieces. In 2007, Forest Ethics—an environmental non-profit organization that, among other activities, encourages catalog companies to improve their environmental practices—surveyed the catalog industry and reported that nine major catalog mailers had attained its highest environmental rating by, among other actions, reducing the quantity of paper they use and using certified and recycled paper. Another catalog mailer partnered with Environmental Defense in 2001 and began using paper with 10 percent recycled paper. This company also offers mail recipients a “frequency opt-out” option that enables mail recipients to choose how often they wish to receive the company’s catalog.

Finally, to increase the prevalence of environmentally preferable attributes in magazines, a non-profit organization called Co-op America created the “Magazine PAPER Project.”⁴ The project helps magazines change their business practices to better protect the environment by, among other actions, educating magazine publishers about the environmental consequences associated with the paper they use and working with publishers to help them adopt environmentally preferable practices, such as the use of recycled or certified paper.⁵ A representative of Co-op America estimated that the percentage of magazines using recycled paper is extremely low.⁶ According to the representative, convincing magazine officials to use recycled or certified paper is difficult, due, in part, to (1) confusion regarding the environmental benefits of using these products, (2) the higher cost of recycled paper, (3) the availability of recycled paper, and (4) the perception among many magazine companies that using recycled paper will adversely affect the appearance of their products.

⁴ According to its Web site, Co-op America’s mission is to harness economic power—the strength of consumers, investors, businesses, and the marketplace—to create a socially just and environmentally sustainable society.

⁵ While there are several forest certification programs, the Magazine PAPER Project only supports paper certified by the Forest Stewardship Council.

⁶ Specifically, out of approximately 18,000 distinct magazine titles in the United States, the official estimated that less than 1 percent use recycled paper. His estimate is likely to understate the percentage of magazines that use recycled paper, however, because some magazines have low circulation rates and, consequently, are not known to Co-op America.

Appendix V: DMA's List of 15 Environmentally Preferable Business Practices

As discussed in the body of this report, DMA developed a list of 15 environmentally preferable business practices—the “Green 15.” While adoption of these 15 practices is mostly voluntary, in June 2008, DMA intends to establish goals and timetables for measuring its members’ success in implementing these practices, which, according to DMA officials, could lead to future DMA requirements. Overall, the Green 15 consists of five mailer business practices: paper procurement and use, mailing list accuracy and data management, mail design and production, packaging, and recycling and pollution reduction. A description of the specific practices related to each of the five overall business practices follows:

Paper procurement and use – Mailers should:

1. Encourage paper suppliers to increase their wood purchases from recognized forest certification programs;
2. Require paper suppliers to commit to implementing sustainable forestry practices that (a) protect forest ecosystems and biodiversity and (b) provide wood and paper products that meet industry needs;
3. Ask paper suppliers where their paper comes from before purchasing it, with the intent of avoiding paper from unsustainable or illegally managed forests;
4. Require paper suppliers to document that they do not produce or sell paper from illegally harvested or stolen wood; and
5. Evaluate the paper used for advertising, product packaging, and internal consumption in order to identify opportunities to increase their environmentally preferable attributes.

Mailing list accuracy and data management – Mailers should:

6. Comply with DMA guidelines for list management,¹ such as:
 - a. maintaining lists of consumers who do not wish to receive their mail solicitations;
 - b. updating their mailing lists against the Mail Preference Service database;

¹ DMA requires its members to comply with its list management guidelines. Currently, this is the only required component of the Green 15.

- c. including—on every direct mail solicitation they send—an option for mail recipients to opt-out of receiving all direct mail solicitations from that member, regardless of whether a business relationship has been previously established;
7. Use tools developed by USPS or other parties to improve the accuracy of their mailing lists; and
8. Apply predictive targeted marketing models to reduce unwanted mail, where appropriate.²

Mail design and production – Mailers should:

9. Review their direct mail solicitations and other printed marketing material to determine whether, for example, smaller or lighter designs (that use less paper) are appropriate; and
10. Test and use production methods that reduce waste.

Packaging – Mailers should:

11. Encourage their packaging suppliers to submit price quotes for environmentally preferable packaging alternatives, in addition to approved or existing packaging specifications.

Recycling and pollution reduction – Mailers should:

12. Purchase office paper and packaging materials that are made from recycled paper, where appropriate;
13. Integrate the use of electronic communications (e.g., e-mail, internet, and intranet) for both internal and external communications;
14. Ensure that all environmental labeling is clear, honest, and complete; and
15. Participate in DMA's "Recycle Please" campaign and/or other recycling campaigns in order to demonstrate that their company or organization has a program to encourage recycling.

² Predictive targeted models use customer data such as age, gender, and purchase history to forecast customer purchasing behaviors.

Appendix VI: Comments from USPS

DEBORAH GIANNONI-JACKSON
VICE PRESIDENT
EMPLOYEE RESOURCE MANAGEMENT



May 2, 2008

Ms. Katherine A. Siggerud
Director, Physical Infrastructure Issues
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 U.S. POSTAL SERVICE: Mail-Related Recycling Initiatives and Possible Opportunities for Improvement, (GAO-08-599).

The Postal Service prides itself as a recognized federal leader in environmental stewardship. Over the past 10 years we have received 39 White House Closing the Circle Awards and we continue to develop new and innovative strategies to help protect the environment. We have implemented a number of programs that reduce, reuse, recycle and rethink our use of resources that impact the environment. As such the Postal Service concurs with GAO's recommendations 1, 2 and 4 and we have already begun actions to implement those objectives. On recommendation 3, we agree in principle with this recommendation but not all lessons learned are applicable nationwide and therefore cannot be required of all managers.

Recommendation 1 – Revise the agency's recycling goals to include savings from lower waste disposal costs or adopt additional goals that would reflect the full financial benefit attributable to mail-related recycling.

Postal senior management has communicated recycling revenue improvement and solid waste disposal cost reduction goals for the next three years to the Vice Presidents, Area Operations. Monthly reporting on recycling revenue has been initiated and similar waste cost reduction data reporting is being developed. Fiscal Year 2009 area objectives for recycling are being reviewed to include solid waste cost reduction. These revised recycling revenue/solid waste disposal cost reduction objectives will be included in our national recycling plan that supports the Postal Service's Strategic Transformation Plan.

Recommendation 2 – Ensure that the mail-related recycling plan it develops specifies, among other matters, how USPS will (1) measure progress toward its goals and (2) ensure that the data it uses for these measurements are accurate, reliable, and collected using a consistent method.

The Postal Service currently tracks recycling revenue data from the organization's Enterprise Data Warehouse (EDW), which provides standardized, consistent and reliable information. The EDW also is expected to provide the same level of standardized data for solid waste disposal cost reduction. Each month, Environmental Policy and Programs reports to Areas and other USPS functions regarding recycling, including comparative data to other operating units and to same period last year (SPLY). The Postal Service also is improving its data collection/analysis ability for solid waste activities as part of its upgrade of the Environmental Management Information System (WebEMIS) in

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- 2 -

Fiscal Year 2008. The Postal Service also is leveraging its participation in the Environmental Protection Agency's (EPA) Waste Wise program to provide accurate, reliable recycling and solid waste disposal information from an independent source.

Recommendation 3 – After completion of the New York City pilot, require managers to adopt applicable "lessons learned" nationwide, where feasible, mission compatible, and appropriate in view of cost and other considerations.

Throughout Fiscal Year 2008, the Postal Service has developed and provided training, messaging, policy and on-site and analytical support to share best management practices and other "lessons learned" from various USPS recycling programs, including San Diego, Houston, Connecticut, Alabama, Northern Virginia and Dallas. This training included recycling training at the national meeting of USPS environmental employees in November 2007 and a two-day training course for Area Recycling Coordinators in December 2007. Since January 2008, Environmental Policy and Programs has conducted monthly telecons with each Area Recycling Coordinator and the Area Manager, Environmental Programs, about the progress, roadblocks and prospective solutions to improve recycling revenue. A Management Instruction on Recycling and a Recycling Guide have been written and will be distributed later this year. Moreover, Environmental Policy and Programs has funded a detail to provide on-site support for New York City and other districts to revitalize their recycling programs. Lessons learned from New York and other revitalization efforts have been and will continue to be shared with other districts and areas.

Recommendation 4 – Assess the environmental benefits of the mail-related recycling opportunities identified by stakeholders in this report, and any others, and adopt those opportunities that are feasible, compatible with USPS' mission, and appropriate in view of cost and other considerations.

The Postal Service continues to engage customers, mailers, mailing industry associations, suppliers, regulators, non-governmental organizations and other stakeholders regarding mail-related recycling activities. This dialogue includes the continuing work of the "Greening the Mail" Task Force, interactions with stakeholders at the National Postal Forum and in various ongoing dialogues within and outside the organization.

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

Sincerely,


fm Deborah Giannoni-Jackson

Appendix VII: GAO Contact and Staff Acknowledgments

GAO Contacts

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

Staff Acknowledgments

In addition to the individual named above, Kathleen Turner, Assistant Director; Samer Abbas; Kathleen Gilhooly; Jeff Jensen; Joshua Ormond; Daniel Paepke; Stephanie Purcell; and Erin Roosa made key contributions to this report.

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