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Washington, DC 20548

September 26, 2014

The Honorable Thomas R. Carper
Chairman
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Heidi Heitkamp
United States Senate

The Honorable Jon Tester
United States Senate

U.S. Postal Service: Information on Recent Changes to Delivery Standards, Operations, and Performance

Since 2012, the United States Postal Service (USPS) has instituted several initiatives aimed at reducing expenses in its mail delivery and processing networks as part of broader efforts to address its fiscal challenges and move toward financial viability.¹ These initiatives included changing the mail delivery standards² for some types of mail and then consolidating many mail processing operations and facilities.³ For example, before some of the delivery standards changes became effective in July 2012, the delivery standard for a single-piece letter sent by First-Class Mail from Minneapolis to Chicago was 2 days.⁴ With the delivery standards change, it became 3 days. This report updates information that you requested and that we initially provided to your staff on July 9, 2014. The briefing slides in enclosure I describe (1) changes to

¹In July 2009, GAO added USPS's financial condition to the list of high-risk areas needing attention by Congress and the executive branch to achieve broad-based restructuring. Subsequently, GAO retained USPS on the high-risk list in fiscal year 2011 and fiscal year 2013. GAO, *High-Risk Series: Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability*, [GAO-09-937SP](#) (Washington, D.C.: July 28, 2009); *High-Risk Series: An Update*, [GAO-11-278](#) (Washington, D.C.: February 2011); *High-Risk Series: An Update*, [GAO-13-283](#) (Washington, D.C.: February 2013).

²For purposes of this report, delivery standards refer to USPS regulations and rules for determining on time delivery of market-dominant products—which primarily include First-Class Mail (e.g., correspondence, bills, payments, statements, and advertising); Standard Mail (mainly bulk advertising and direct mail solicitations); Periodicals (mainly magazines and local newspapers); and some types of Package Services (primarily Alaska Bypass Mail, Media/Library Mail, and Bound Printed Matter). See 39 CFR Part 121. USPS refers to our description of delivery standards as “service standards.”

³Consolidation involves combining two or more originating and/or destinating mail processing operations in a single postal processing facility. Originating mail refers to outgoing and local mail that enters the point of origin for mail processing. Local mail remains within the facility and is combined with destinating mail from other origin facilities. Destinating mail refers to mail arriving at the point of entry for distribution and dispatch to a post office for delivery.

⁴Single-piece letters refer to letters sent individually versus bulk letters which are generally multiple or batches of letters mailed at the same time by commercial mailers. USPS will implement further changes to the delivery standards on January 5, 2015.

delivery standards starting in 2012 and how they affected the number of days it takes for mail to be delivered, (2) operational changes USPS has made starting in 2012 and how these may have affected delivery time, and (3) trends in delivery performance starting in fiscal year 2011.

To conduct this performance audit, we reviewed USPS's rules and regulations that define its delivery standards and operational changes. We reviewed relevant reports from USPS and the Postal Regulatory Commission (PRC) as well as USPS's *Federal Register* notices about its operational changes and changes to delivery standards for market-dominant products. We used mail delivery performance and mail volume data provided by USPS to analyze performance trends. We compared the data before and after delivery standard changes, from fiscal years 2011 through the third quarter of fiscal year 2014, at the national level, and for one rural ("Dakotas") and one urban ("Chicago") postal district. The two districts for which we analyzed data were selected on a judgmental basis. Therefore, the results cannot be generalized across all postal districts. The data on delivery performance for bulk First-Class Mail, Standard Mail, and Periodicals are limited to mail pieces tracked with barcodes that meet certain USPS business rules. These performance data are not from a random sample and therefore may not be representative of all mail. However, they are the only available delivery performance data for these types of mail. We assessed the reliability of the data through a review of related documents, such as written responses from USPS. We found these data sufficiently reliable for the purposes of this report. A detailed discussion of our scope and methodology, including the limitations of the data included in this report, is included in enclosure II.

We conducted this performance audit from April 2014 to September 2014 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.

In summary, we found:

- Revised delivery standards have increased delivery time for some First-Class Mail and Periodicals, notably by reducing mail with a 1-day standard. USPS revised its 1-day delivery standard for First-Class Mail to maintain the 1-day delivery standard for intra-Sectional Center Facility (SCF) mail, but not for inter-SCF mail. SCFs serve as the processing and distribution centers for post offices in a designated geographic area as defined by the first three digits of the ZIP Codes of those offices. Intra-SCF mail refers to mail that originates and destines within the range of 3-digit ZIP Code areas assigned to the same SCF, while inter-SCF refers to mail that originates or destines outside those range of 3-digit Zip Code areas. USPS also revised its delivery standards for 2-day delivery. Mail must now be within a 6-hour drive between the applicable processing facilities rather than within a 12-hour drive time to meet the 2-day delivery standard; mail sent outside the 2-day delivery area shifted to a 3-day delivery standard. USPS estimated that about one quarter of First-Class Mail volume was affected by the changes in delivery standards. Further, the percentage of single-piece and bulk First-Class Mail with a 1-day delivery standard decreased from 2012 to 2014, while the percentage with a 3-5 day delivery standard increased.⁵ USPS also

⁵First-Class Mail delivered within the 48 contiguous states has a 3-day delivery standard, while First-Class Mail delivered from the 48 contiguous states to the noncontiguous states, Puerto Rico, the U.S. Virgin Islands, or Guam has a 4-5 day delivery standard.

eliminated 1-day delivery standards for end-to-end⁶ Periodicals, which generally shifted to a 2-day standard.

- USPS's changes in delivery standards enabled it to make significant operational changes, including closing some mail processing facilities. USPS stated that as a result, there are fewer facilities,⁷ and less need to rely on air transportation of mail between facilities to meet the 2-day delivery standard. As a result, USPS shifted long-distance transportation of some mail from air to surface transportation. Also, USPS moved the deadline, referred to as the Critical Entry Time (CET), for entering some bulk business mail to earlier in the day; mail entered later than the CET could be processed that same calendar day or the following day. In addition, USPS took actions intended to balance its workload, notably by increasing the delivery time of some Standard Mail from 3 to 4 days.
- National delivery performance trends between the beginning of fiscal year 2011 and the third quarter of fiscal year 2014 varied for the following types of mail: First-Class Mail, Standard Mail, and Periodicals (see app. II for detailed performance data). National performance for single-piece First-Class Mail with 1-day, 2-day, and 3-5 day delivery standards was generally improving until the second quarter of fiscal year 2013, then leveled off or declined, with 3-day performance declining throughout fiscal year 2014. National delivery performance for bulk First-Class Mail with 1-day, 2-day, and 3-5 day delivery standards improved in fiscal 2012, but generally declined throughout fiscal year 2014. Generally, performance for four types of Standard Mail improved with exceptions in the third quarter of fiscal year 2013 and the second quarter of fiscal year 2014 when all four types declined. National delivery performance for Periodicals has fluctuated in recent years (ranging from about 69 percent on-time delivery in fiscal year 2012 to 82 percent in fiscal year 2013), with the most recent performance levels similar to those in fiscal year 2011 (about 80 percent so far in fiscal year 2014 to 76 percent in fiscal year 2011).⁸

GAO is not making any recommendations in this report.

Agency Comments

We provided a draft of this report to the USPS for comment. USPS provided a written response, which is reproduced as enclosure III to this letter. USPS also provided technical comments, which we incorporated as appropriate. In its comments, USPS discussed two points we made in our draft report. First, USPS noted that our analysis of two postal districts is not representative of performance, service areas, and delivery standards across all postal districts. We agree and stated in our scope and methodology that the performance results of these two

⁶End-to-end mail is mail that USPS processes through its entire network, as opposed to "destination-entered" mail that bypasses most of USPS's processing network for entry at a USPS facility closer to the mail's final destination.

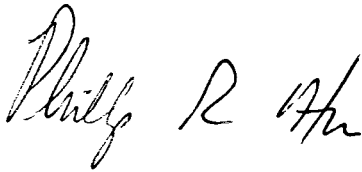
⁷Based on the new delivery standards, USPS reported that it reduced the number of mail processing facilities by 141 in 2012 and 2013, from 461 to 320 facilities.

⁸A variety of factors can affect delivery performance, such as operational changes and efficiency; however, we did not analyze these factors in our review. According to USPS, quarters 1 and 2 of each fiscal year generally have lower delivery performance scores than quarters 3 and 4 of the same fiscal year and the delivery performance score for the entire fiscal year due to increased volumes and inclement weather. USPS specifically noted that inclement weather negatively affected delivery performance during quarters 1 and 2 of fiscal year 2014.

districts cannot be generalized across all postal districts. Second, USPS cautions against drawing conclusions based on comparisons of recent performance, specifically the first two quarters of fiscal year 2014, due to the severe winter weather experienced during that period. We noted in our report that a variety of factors can affect delivery performance, such as operational changes and efficiency; however, we did not analyze these factors in our review. As our third objective states, we provided information on trends in national-level delivery performance using the performance data that USPS publicly reports on a quarterly basis from fiscal year 2011 to the third quarter of fiscal year 2014.

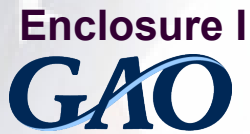
We are sending copies of this report to the USPS and other interested parties. In addition, the report will be available at no charge on GAO's website at <http://www.gao.gov>.

If you or your staff has any questions about this report, please contact me at (202) 512-2834 or herrp@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report were Teresa Anderson (Assistant Director), Samer Abbas, Swati Deo, Kenneth John, Thanh Lu, John Mingus, Joshua Ormond, Kelly Rubin, Lorelei St. James, and Crystal Wesco.

A handwritten signature in black ink that reads "Phillip R. Herr". The signature is written in a cursive style with a large initial "P" and a stylized "H".

Phillip R. Herr
Managing Director
Physical Infrastructure Issues

Enclosures - 3



**U.S. POSTAL SERVICE:
Information on Recent Changes to Delivery
Standards, Operations, and Performance**

**Information for the Committee on Homeland
Security and Governmental Affairs, United
States Senate**



Introduction

- The U.S. Postal Service (USPS) is expected to provide prompt, reliable, and efficient nationwide service while remaining self-supporting, but it is facing serious fiscal challenges, with insufficient revenues to cover its expenses and finance needed for capital investments.
- Since July 1, 2012, USPS has undertaken several initiatives aimed at reducing expenses in its mail delivery and processing networks as part of broader efforts to improve its financial position.
- USPS initiatives have involved changing its delivery standards to increase the expected number of days that it can take to deliver some types of mail, consolidating mail processing facilities, and realigning its operations to capture potential savings.



Introduction

- USPS's mail processing network within the contiguous 48 states is configured primarily so that USPS can meet its First-Class Mail delivery standards within 1 to 3 days.
- Total mail volume has declined 55 billion pieces from its peak of 213 billion pieces in fiscal year 2006—a 26 percent decline.
 - First-Class Mail volume has declined 38 billion pieces—a 36 percent decline—since it peaked in fiscal year 2001 at nearly 104 billion pieces.
- In response to declines in mail volume and revenue, in May 2012, USPS announced a two-phase plan to consolidate its mail processing operations and network.
 - In phase one, effective July 1, 2012, USPS changed its delivery standards, which USPS reported enabled it to significantly reduce the number of mail processing facilities.
 - In phase two (scheduled to begin January 5, 2015), single-piece First-Class Mail will no longer be subject to a 1-day delivery standard and USPS plans to further reduce the number of mail processing facilities by up to 82 facilities, from 320 to as few as 238.
 - After phase two implementation, USPS projects 20 percent of First-Class Mail will be delivered in 1 day, 35 percent in 2 days, and 44 percent in 3 days.



Objectives

In this report, we describe

1. changes to delivery standards starting in 2012 and how they affected the number of days it takes for mail to be delivered (i.e., delivery time),
2. operational changes USPS has made starting in 2012 and how these changes may have affected delivery time, and
3. trends in delivery performance starting in fiscal year 2011.



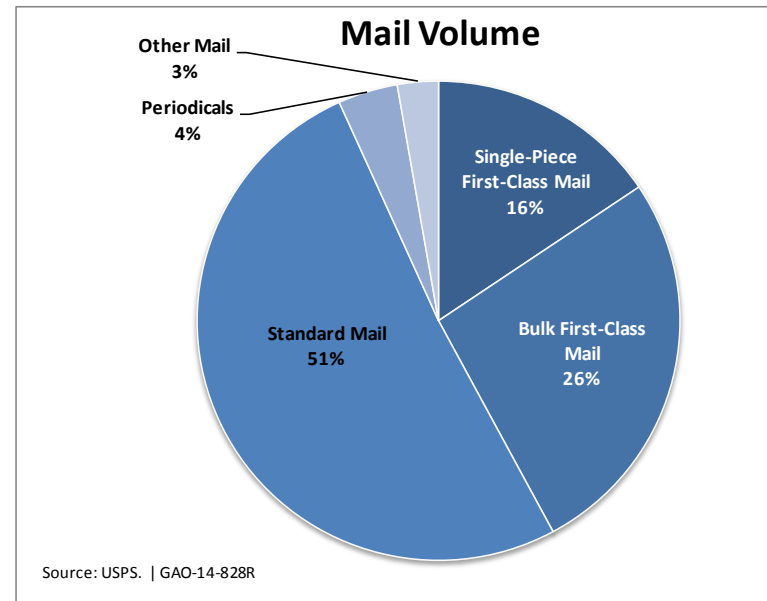
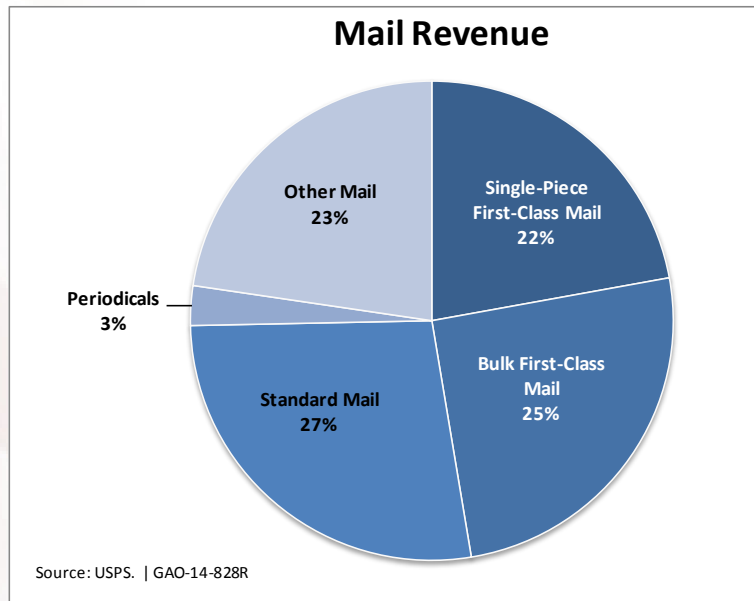
Methodology

- We reviewed USPS regulations that define its delivery standards, information on USPS operational changes, and available data on USPS delivery performance. We conducted this work from April through September 2014.
 - To describe changes USPS made to its delivery standards, we reviewed relevant documents, including *Federal Register* notices, USPS regulations, annual reports and other documents issued by USPS and the Postal Regulatory Commission (PRC), and USPS-generated maps and data on its delivery standards.
 - To describe the operational changes USPS has made in recent years and the impact on delivery times, we reviewed *Federal Register* notices, reports by USPS and the PRC describing operational changes, and “critical entry times” (CET), which determine when the delivery standards for mail entered at USPS processing facilities are calculated.
 - To analyze USPS performance, we obtained annual and quarterly USPS data on mail delivery performance from fiscal year 2011 to the third quarter of fiscal year 2014.



Figure 1: USPS Mail Volume and Revenue by Type of Mail, Fiscal Year 2013

- First-Class Mail generates nearly half of mail revenue, while Standard Mail comprises a majority of mail volume.





Background

- USPS mail delivery standards and performance are central to its mission of providing postal services to all communities and have been long-standing concerns for mailers and recipients.
- Delivery performance standards for on-time delivery of mail enable USPS, mailers, and recipients to set realistic expectations and organize their activities accordingly.
- Delivery performance results are used to understand what standards are being met—information vital for management, oversight, and accountability.



How USPS Defines Delivery Standards

- According to USPS, delivery standards represent the level of service that USPS strives to provide to customers.
- USPS standards for the timely delivery performance of each type of mail (delivery standards) specify the maximum number of days for “on-time” delivery based on when and where the mail is entered into the postal distribution system and its intended destination.
 - Mail must be received by the “Critical Entry Time” for that day to be counted toward the number of days in the delivery standard.
- USPS has separate delivery standards for “destination-entered” bulk mail that bypasses most of USPS’s processing network for entry at a USPS facility closer to the mail’s final destination, and other bulk mail that is entered at a USPS facility closer to the mail’s origination and processed “end-to-end” through the entire USPS network.
 - Destination entry and end-to-end standards apply to Standard Mail (mainly advertising), Periodicals (mainly newspapers and magazines), and Package Services (primarily Alaska Bypass Mail, Media/Library Mail, and Bound Printed Matter).



Results in Brief

- Revised delivery standards have increased delivery time for some First-Class Mail and Periodicals, notably by reducing mail with a 1-day (overnight) standard.
- Revised delivery standards have also enabled USPS to make operational changes including consolidating its mail processing network, shifting some mail from air to surface transportation, moving the last time to enter some bulk business mail to earlier in the day, and actions intended to balance workload.
- National delivery performance trends varied for the following types of mail: First-Class Mail, Standard Mail, and Periodicals. For example, national on-time delivery performance for single-piece First-Class Mail improved until quarter 2 of fiscal year (FY) 2013, and 3-5 day performance declined in FY 2014.



Objective 1: Summary

Objective 1: Describe changes to delivery standards starting in 2012 and how these changes affected the number of days it takes for mail to be delivered.

- USPS's revisions in delivery standards have increased delivery time for some First-Class Mail and Periodicals, notably by reducing mail with a 1-day standard.
- USPS revised its First-Class Mail delivery standard, which increased the number of days to deliver some First-Class Mail from 1 day to 2 days.
 - USPS revised its 1-day delivery standard for First-Class Mail to maintain intra-Sectional Center Facility (SCF) mail, but no longer include inter-SCF mail.
 - SCFs serve as the processing and distribution center for post offices in a designated geographic area as defined by the first three digits of the ZIP Codes of those offices. Intra-SCF mail refers to mail that originates and destines within the 3-digit ZIP Code areas assigned to that SCF, while inter-SCF refers to mail that originates or destines outside those 3-digit ZIP Code areas.
 - USPS also revised its delivery standards for 2-day delivery from a maximum of a 12-hour drive time between mail processing plants to a maximum of 6 hours. Mail sent outside the 2-day delivery area shifted to a 3-day delivery standard.
 - About one quarter of First-Class Mail volume was affected.
- USPS eliminated 1-day delivery standards for end-to-end Periodicals; the affected mail generally shifted to a 2-day standard.



Table 1: Key Changes in Recent Years to Delivery Standards for Market-Dominant Mail

Type of mail	Delivery standards before July 1, 2012 ^a	Delivery standards as of Apr. 10, 2014	Highlights of changes to standards and related policies and plans
First-Class Mail	1 to 3 days	1 to 3 days	The rulemaking defining the scope of 1-day (overnight) service excluded destinations outside of the Intra-Sectional Center Facility (SCF) service area, with affected mail generally revised to a 2-day standard. The 2-day standard area was reduced, with affected mail revised to a 3-day standard.
Periodicals: <i>destination entry</i>	1 to 2 days	1 to 3 days	1-day and 2-day standards were revised to 3 days for mail entered at specified facilities.
Periodicals: <i>end-to-end</i>	1 to 9 days	2 to 9 days	The 1-day (overnight) standard was eliminated and generally revised to a 2-day standard.
Standard Mail: <i>destination entry</i>	2 to 5 days	2 to 5 days	The 3-day standard was revised to 4 days for Standard Mail entered at a Destination Sectional Center Facility (DSCF) on Friday or Saturday.
Standard Mail: <i>end-to-end</i>	3 to 10 days	3 to 10 days	No changes to standards.
Package Services: <i>destination entry</i>	1 to 3 days	1 to 3 days	No changes to standards.
Package Services: <i>end-to-end</i>	2 to 9 days	2 to 9 days	No changes to standards.

Sources: USPS and *Federal Register* releases of final rules. | GAO-14-828R

^a As part of its network rationalization initiative, USPS issued revised delivery standards for First-Class Mail and Periodicals that took effect on July 1, 2012. As part of its load leveling initiative, USPS revised delivery standards for Standard Mail that took effect on April 10, 2014.

Note: Market-dominant mail is primarily First-Class Mail, Standard Mail (mainly advertising), Periodicals (mainly magazines and local newspapers), and Package Services (primarily Alaska Bypass Mail, Media/Library Mail, and Bounded Printed Matter). Destination entry is discounted bulk mail entered at postal facilities (e.g., delivery unit or mail processing plant) that generally are closer to the final destination of the mail; end-to-end is all other mail. Sectional Center Facilities (SCFs) are mail processing plants responsible for distribution of letters, flats, and small packages. The delivery standards presented in this figure apply to mail sent within the contiguous 48 states and the District of Columbia.



USPS Downgraded Delivery Standards for About One-Quarter of First-Class Mail

- Delivery standards are downgraded when USPS increases the number of days it can take to deliver mail on time; they are upgraded when USPS decreases the number of days.
- According to USPS estimates, 28 percent of all First-Class Mail volume was downgraded due to changes in delivery standards on or after July 1, 2012, while about 1 percent was upgraded, and the remaining 71 percent was unchanged.^a

^a See enclosure 2 for more detail on these estimates and their limitations.



Table 2: Delivery Standards for Single-Piece and Bulk First-Class Mail Volumes

- According to USPS, the percentage of single-piece and bulk First-Class Mail volumes with 1-day delivery standards decreased from fiscal year 2012 to fiscal year 2014, while the percentage with 3-5 day standards increased.

Type of First-Class Mail measured		Volume of mail (percentage) by fiscal year (FY) and quarter		
		FY 2012 Q2	FY 2014 Q2	Change
Single-piece letters and cards: Test mail pieces created for the External First-Class Mail Measurement System (EXFC)^a	1-day standard	45	35	-10
	2-day standard	24	26	2
	3-5 day standard	31	39	8
	Total	100	100	N/A
Bulk (presort) letters and cards: Actual mail pieces tracked by the Intelligent Mail Accuracy and Performance System (iMAPS)^b	1-day standard	15	10	-5
	2-day standard	32	23	-9
	3-5 day standard	53	67	14
	Total	100	100	N/A

Source: USPS. | GAO-14-828R

^a According to USPS, these EXFC volume data simply represent the volume of mail measured by delivery standard. Because the statistical design for the EXFC study is destination based to manage the statistical precision of district level scores, the volume of mail measured to each district is similar. Thus, according to USPS, the measured volume information should not be used for inferences about real mail volumes.

^b According to USPS, these iMAPS volume data represent the measured volume for each quarter. Mailer adoption of Full-Service Intelligent Mail has not necessarily been random or geographically representative of the origin points of mail. Thus, according to USPS, the volume information should not be considered to be in proportion to total presort mail volumes.

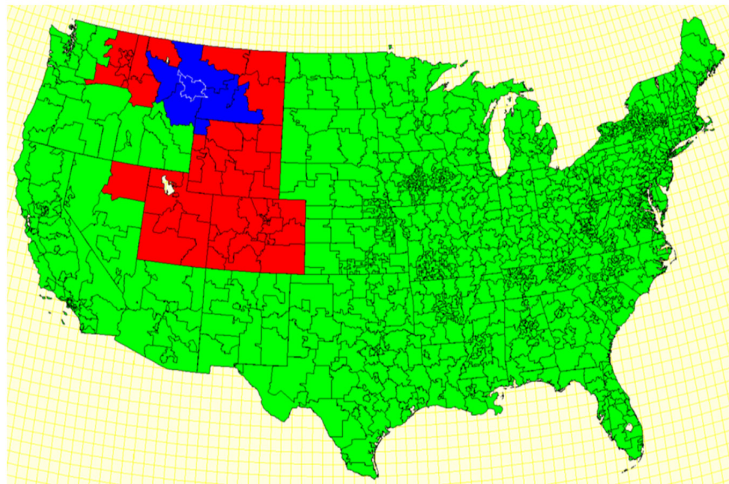
Note: The second quarter of fiscal year 2012 was the quarter that preceded USPS changes in delivery standards for First-Class Mail. Data for First-Class Mail Flats and Parcels are not shown in this table. See enclosure II for more detail on these estimates and their limitations.



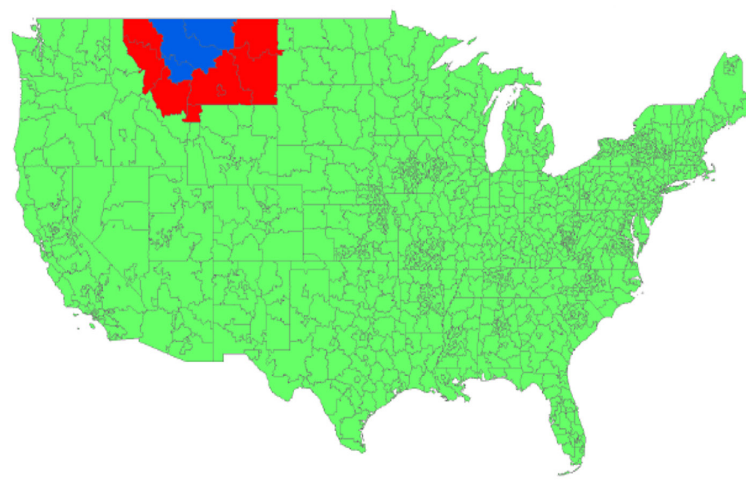
Figure 2: Example of Change in Delivery Standards for First-Class Mail: Helena, MT

- Standards for First-Class Mail originating from Helena (596 3-digit ZIP Code).
- Scope of 1-day (blue) and 2-day (red) delivery standard areas decreased; the 3-day (green) delivery standard area increased.

Standards as of Quarter 1, FY 2008



Standards as of Quarter 3, FY 2014



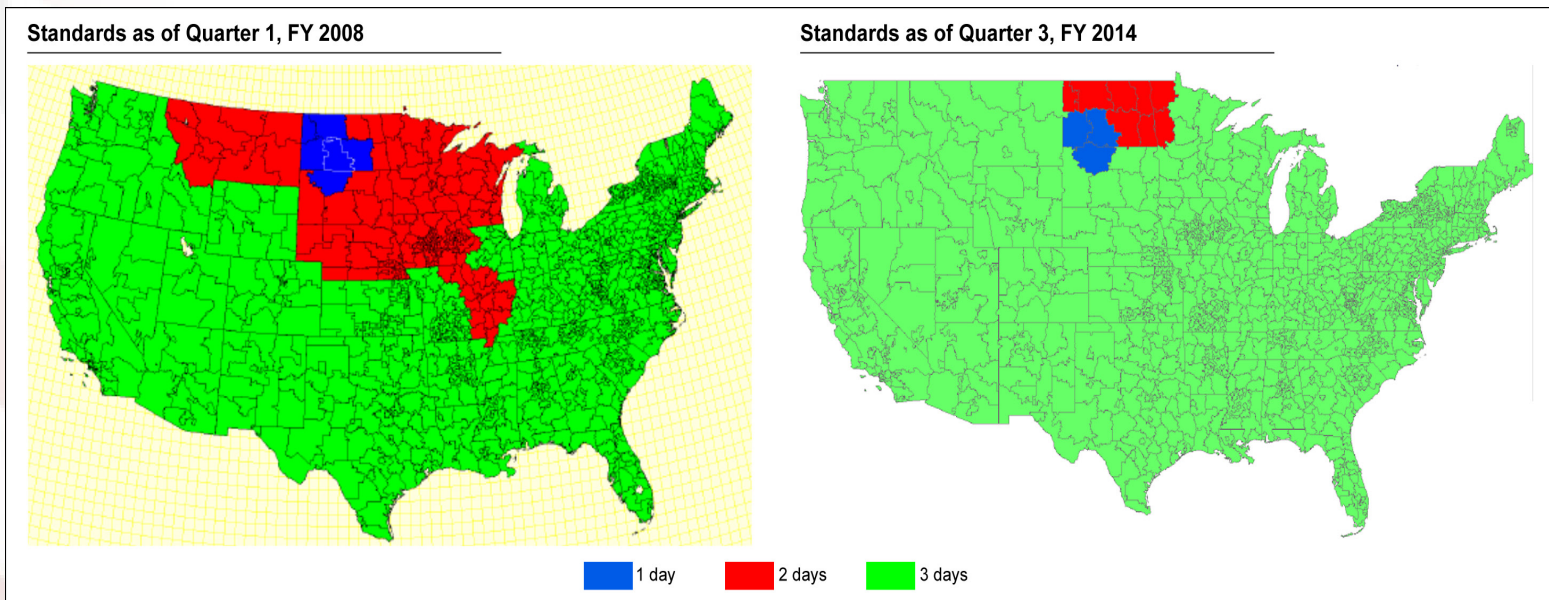
1 day 2 days 3 days

Source: USPS. | GAO-14-828R



Figure 3: Example of Change in Delivery Standards for First-Class Mail: Bismarck, ND

- Standards for First-Class Mail originating from Bismarck (585 3-digit ZIP Code).
- Scope of 1-day (blue) and 2-day (red) delivery standard areas decreased; the 3-day (green) delivery standard area increased.

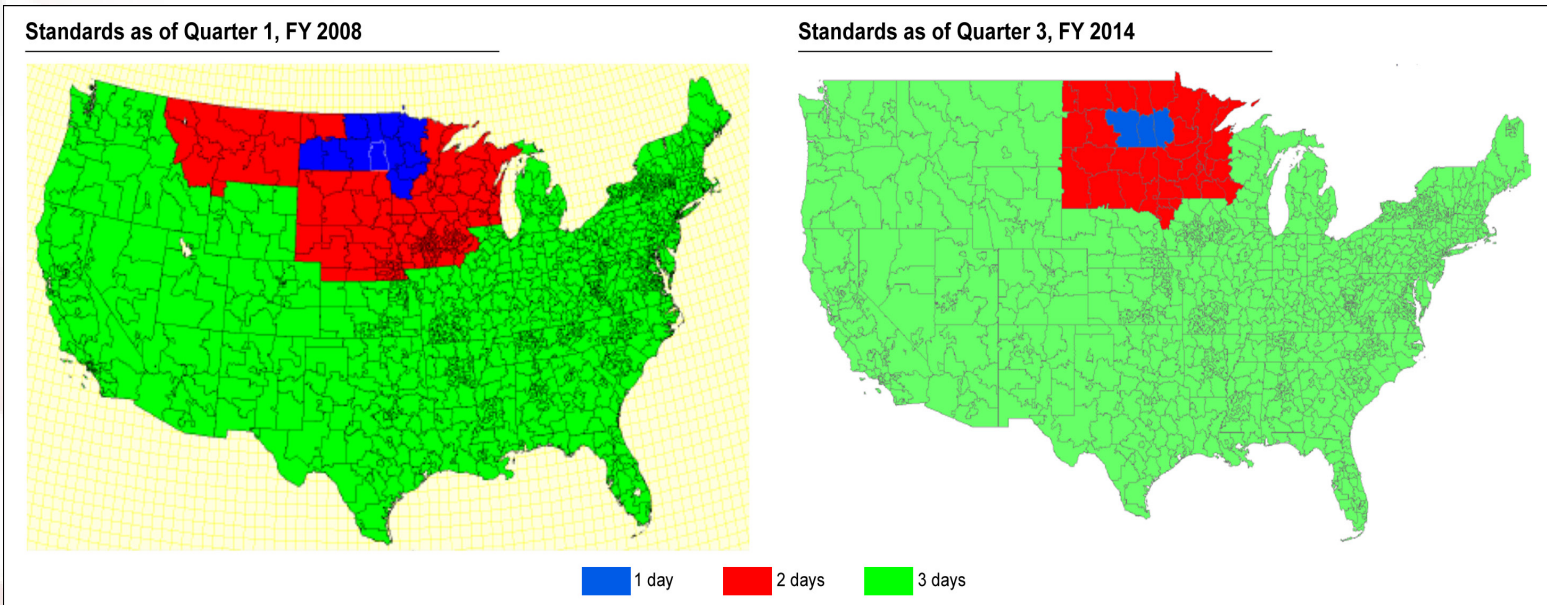


Source: USPS. | GAO-14-828R



Figure 4: Example of Change in Delivery Standards for First-Class Mail: Fargo, ND

- Standards for First-Class Mail originating from Fargo (580 3-digit ZIP Code).
- Scope of 1-day (blue) and 2-day (red) delivery standard areas decreased; 3-day (green) delivery standard area increased.

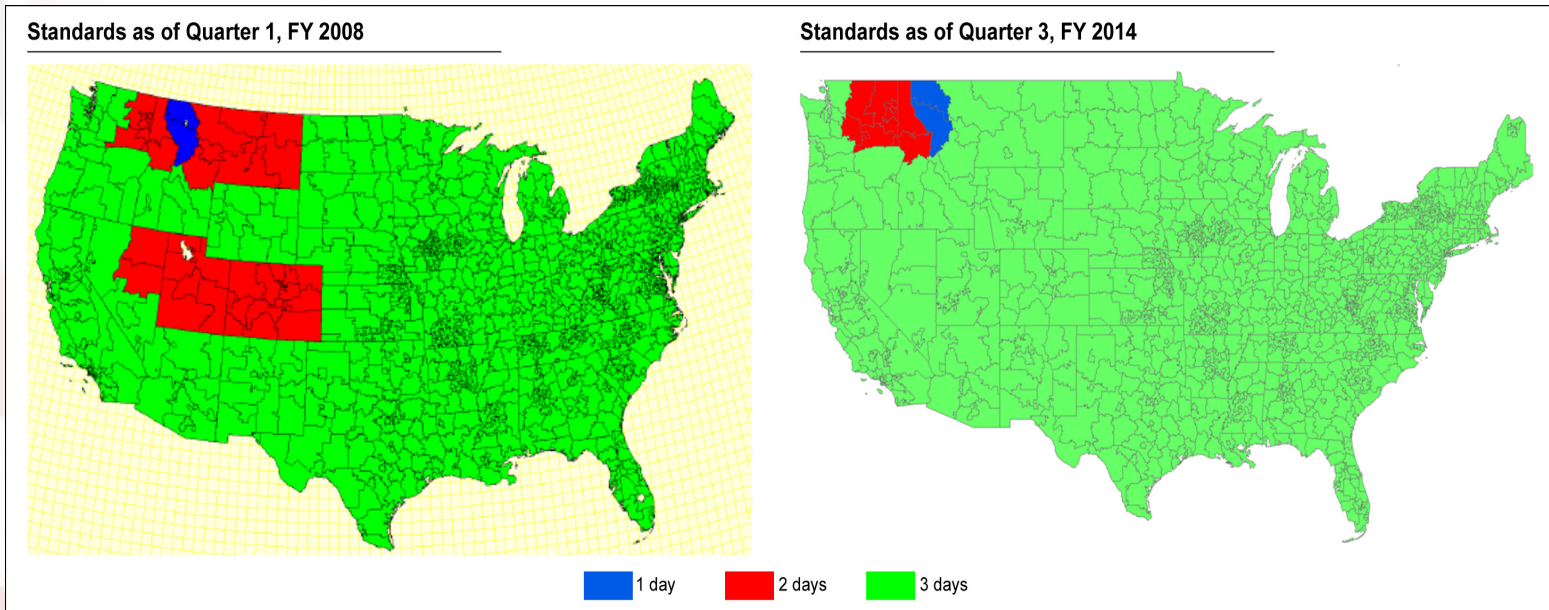


Source: USPS. | GAO-14-828R



Figure 5: Example of Change in Delivery Standards for First-Class Mail: Kalispell, MT

- Standards for First-Class Mail originating from Kalispell (599 3-digit ZIP Code).
- Scope of 1-day (blue) and 2-day (red) delivery standard areas decreased; the 3-day (green) delivery standard area increased.

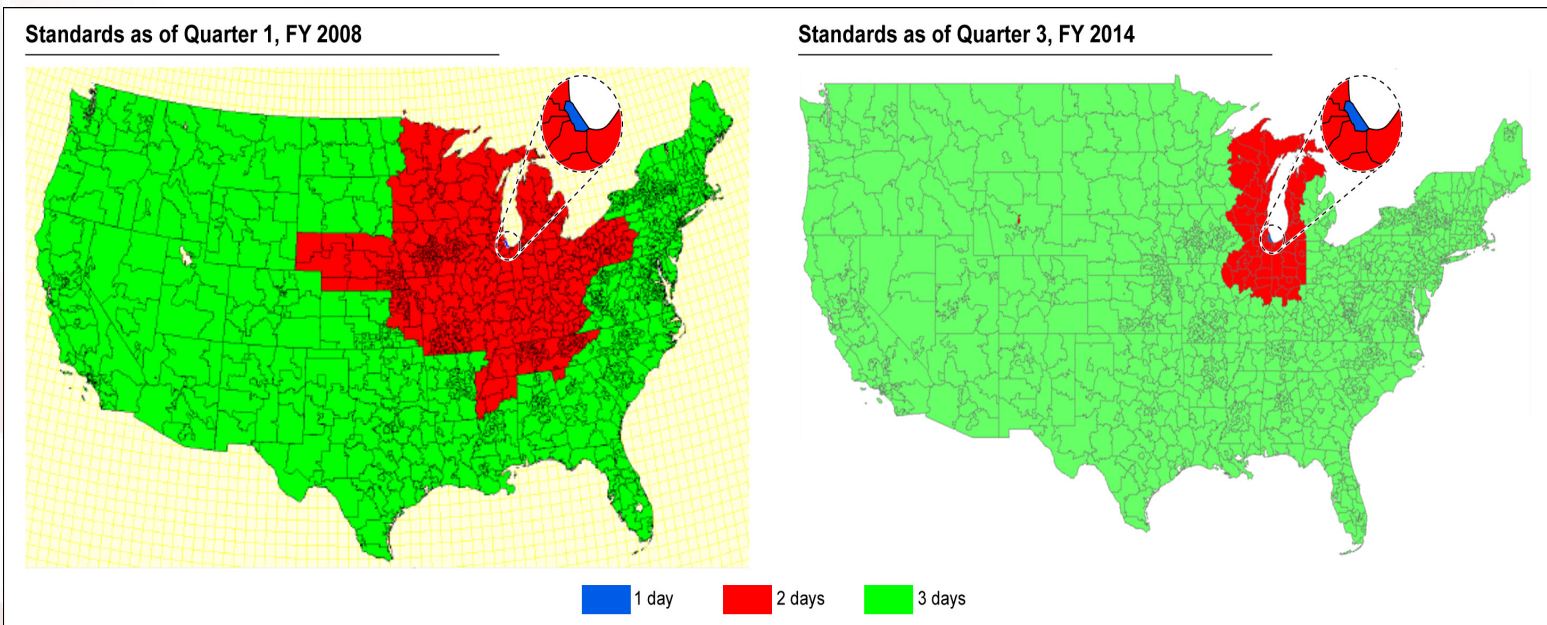


Source: USPS. | GAO-14-828R



Figure 6: Example of Change in Delivery Standards for First-Class Mail: Chicago, IL

- Standards for First-Class Mail originating from Chicago (606 3-digit ZIP Code).
- Scope of 1-day (blue) and 2-day (red) delivery standard areas decreased; 3-day (green) delivery standard area increased.



Source: USPS. | GAO-14-828R



Objective 2: Summary

Objective 2: Describe operational changes USPS has made starting in 2012 and how these changes may have affected delivery time.

- USPS's changes in delivery standards enabled it to make significant operational changes, including closing some mail processing facilities.
 - USPS stated that as a result, there are fewer facilities, and less need to rely on air transportation of mail between facilities to meet the 2-day delivery standard. Thus, USPS shifted long-distance transportation of some mail from air to surface transportation.
- USPS moved the deadline for entering some bulk business mail, referred to as the Critical Entry Time (CET), to earlier in the day; mail entered later than that time could be processed that same calendar day after the CET or the following day.
 - USPS took actions intended to balance its workload, notably by increasing the delivery time of some Standard Mail from 3 to 4 days.



Operational Change: USPS Phase 1 Consolidation of Its Mail Processing Network

- Effective July 1, 2012, USPS changed several delivery standards as part of its Phase 1 plan to modernize its mail processing network.
 - USPS stated that its network rightsizing was based on current and expected future mail volumes (an increase in Packages and a decrease in First-Class Mail and Periodicals volumes).
 - USPS added that since most First-Class Mail and some Periodicals would no longer be subject to a 1-day delivery standard, USPS could meet its delivery standard with fewer mail processing facilities.
- Based on the new delivery standards, USPS reported that it reduced the number of mail processing facilities by 141 in 2012 and 2013.



Table 3: Mail Processing Consolidations in the Dakotas and Chicago Districts

- To review examples of USPS’s mail consolidation changes in specific geographic areas, we selected a rural (“Dakotas”) and urban (“Chicago”) district.

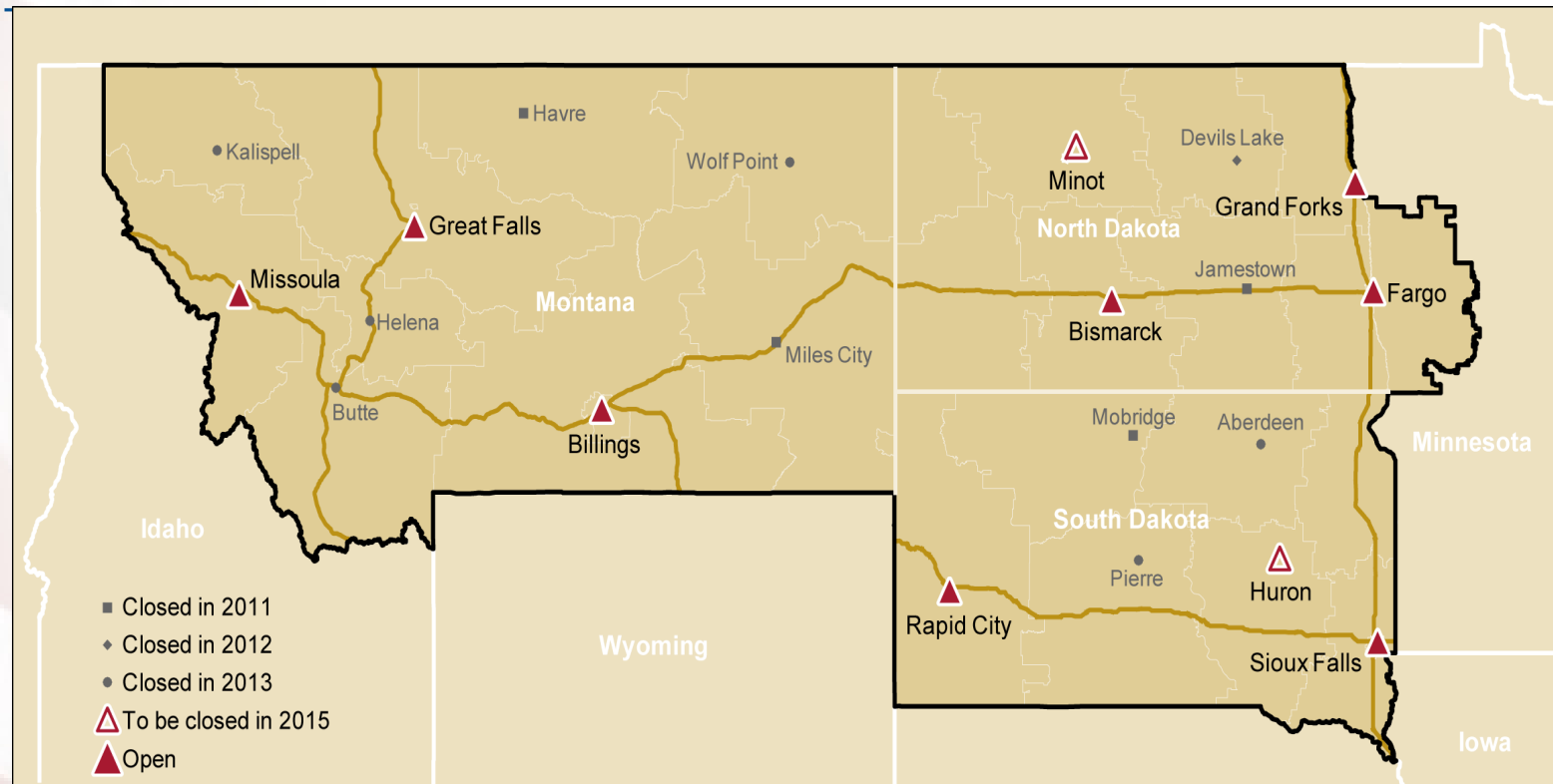
Postal district and its geographic area	3-Digit ZIP Codes	Number of mail processing facilities in fiscal year 2011	Facilities closed since July 2011
Dakotas – Montana, North Dakota, South Dakota, and western Minnesota.	565, 567, 570-577, 580-588, 590-599	21	11
Chicago – City of Chicago and several nearby suburban cities.	606-608	2	0

Source: USPS. | GAO-14-828R

Note: See appendix I for specific facility information.



Figure 7: Dakotas District: Mail Processing Consolidations and Remaining Plants, 2011-2015



Source: GAO based on USPS information. | GAO-14-828R



USPS Plans More Processing Consolidations, Which Could Further Increase Delivery Times

- On June 30, 2014, USPS announced it would make more changes to its delivery standards, enabling consolidation of up to an additional 82 mail processing facilities. (USPS refers to this action as “Phase 2 network rationalization.”)
 - Pursuant to the delivery standard changes that go into effect on January 5, 2014, single-piece First-Class Mail will no longer be subject to a 1-day standard.
- USPS said it would implement Phase 2 consolidations starting January 5, 2015, and complete them by the fall mailing season.



Revised First-Class Mail Delivery Standards Increased Delivery Time and Allowed USPS to Make Transportation Changes

- According to USPS, adding a day to the delivery standards allowed it to shift long-distance transportation of some First-Class Mail from air to surface transportation.
 - USPS explained that the new delivery standards allow for expansion or relaxation of processing entry times and greater reliance on less expensive and less expeditious surface transportation between plants.
 - USPS was unable to estimate the mail volume that shifted from air to surface transportation as a result of the July 2012 delivery standards change, but estimated that the volume that moved from air to surface transportation between May 2012 and September 2012 reduced annual air network costs by approximately \$190,000.



USPS Changes in Critical Entry Times May Increase Delivery Time for Some Bulk Mail

- USPS moved the CET deadline for entering some bulk business mail to earlier in the day.
 - In July 2011, USPS implemented national CETs for Periodicals and some Standard Mail ranging from 8 a.m. to 5 p.m., depending on how they are processed.
 - In July 2008, USPS implemented national CETs for destination-entry Standard Mail (entered at facilities that are generally closer to the final destination of the mail) that were noon or 4 p.m., depending on mail preparation.
- Processing of mail entered after the CET is to occur later the same day or on the next applicable day.



USPS Actions to Balance Workload Increased Delivery Time for Some Standard Mail

- USPS took action to balance its workload by increasing the delivery standard for some Standard Mail.
 - On March 5, 2014, USPS finalized revised delivery standards for some Standard Mail entered at specified mail processing facilities near the mail's final destination, which became effective on April 10, 2014.
 - The revisions extended delivery time from 3 days to 4 days for this mail when it is entered on Friday or Saturday.
- USPS stated that the change will improve delivery efficiency and reduce its traditional heavy Monday workload.
- The change may also reduce the number of USPS carriers delivering mail after 5 p.m.



Objective 3: Summary

Objective 3: Describe trends in delivery performance starting in fiscal year 2011.

- National delivery performance trends varied for the following types of mail: First-Class Mail, Standard Mail, and Periodicals.
 - National delivery performance for single-piece First-Class Mail was generally improving until quarter 2 of fiscal year 2013 and then leveled off or declined, and 3-5 day performance declined throughout fiscal year 2014.
 - National delivery performance for bulk First-Class Mail improved in fiscal year 2012, but generally declined throughout fiscal year 2014.
 - Generally, delivery performance for Standard Mail improved with exceptions in quarter 3 of fiscal year 2013 and quarter 2 of fiscal year 2014 when it declined.
 - National delivery performance for Periodicals has fluctuated in recent years, with the most recent performance levels similar to those in fiscal year 2011.
- See appendix II for more detailed information on national delivery performance.



Figure 8: Single-Piece First-Class Mail - National Delivery Performance

- National performance for single-piece First-Class Mail was improving until quarter 2 of fiscal year 2013 and then generally declined, and 3-5 day performance declined in fiscal year 2014.

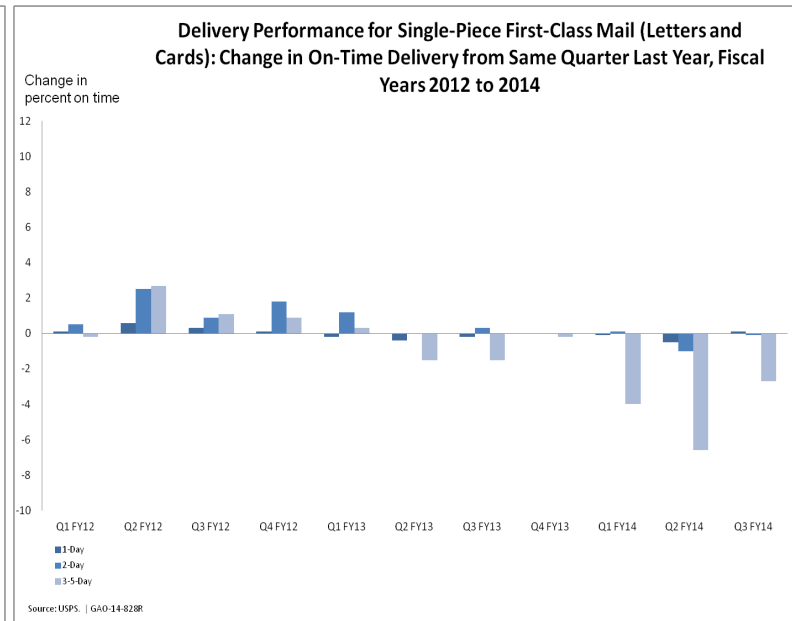
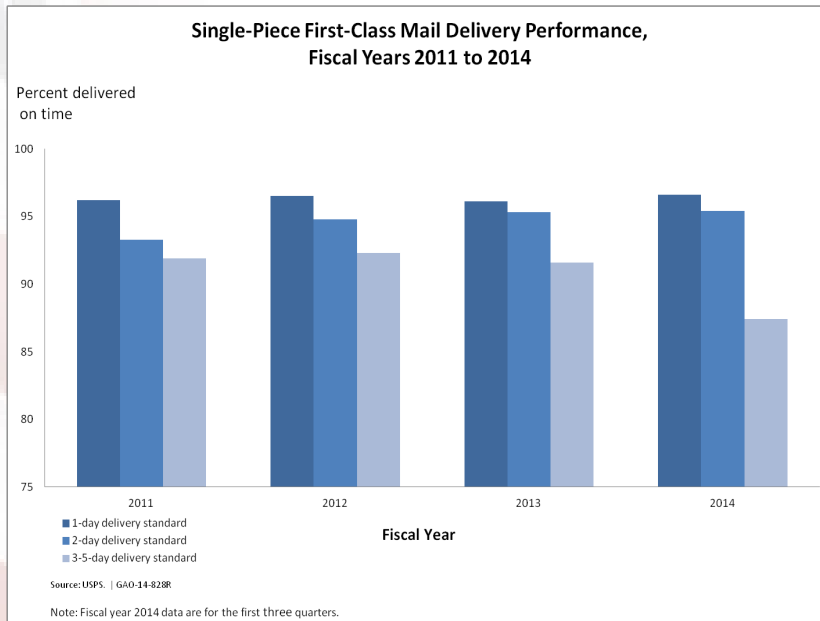




Figure 9: Bulk First-Class Mail - National Delivery Performance

- National delivery performance for bulk First-Class Mail improved in fiscal year 2012, but declined in fiscal year 2014.

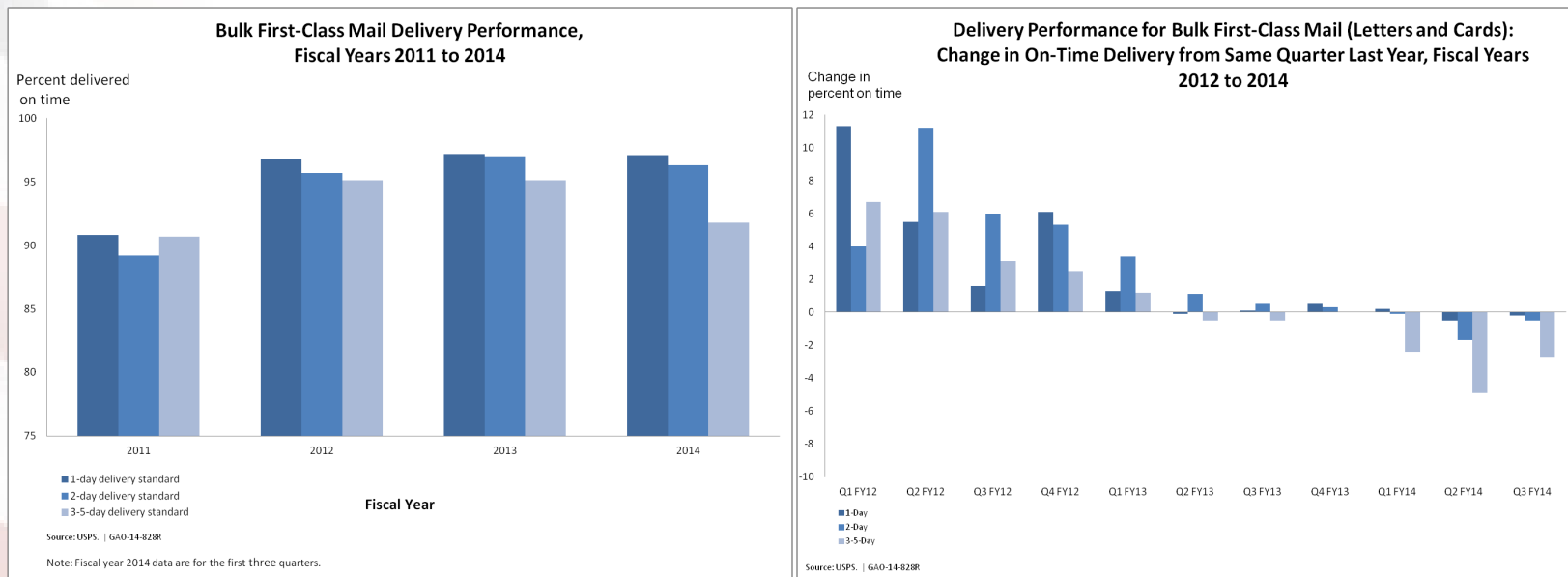
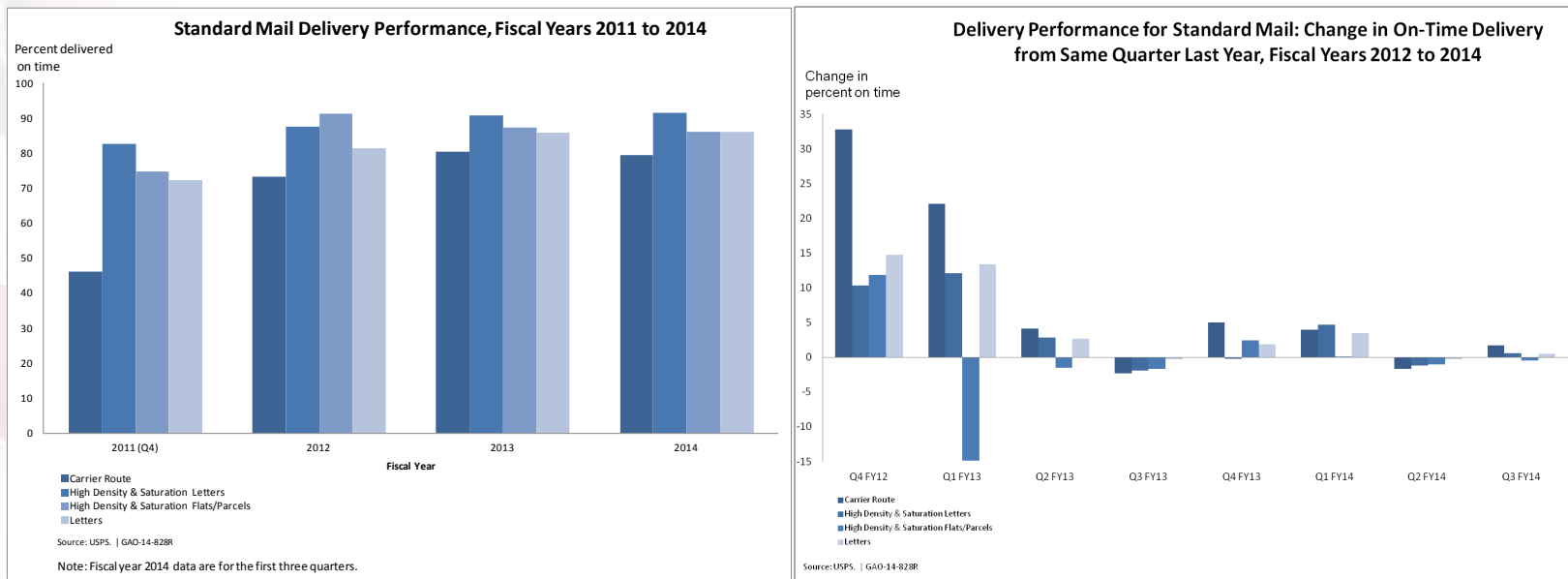




Figure 10: Standard Mail - National Delivery Performance

- Generally, performance for Standard Mail improved with exceptions in quarter 3 of fiscal year 2013 and quarter 2 of fiscal year 2014 when it declined.



Note: Standard Mail consists of: 1) carrier route, which requires a mailer to sort mailpieces to the individual carrier routes within a 5-digit ZIP Code, 2) high density and saturation letters, which must be prepared in carrier walk sequence, 3) high density and saturation flats/parcels, which must be prepared in carrier walk sequence, and 4) letters that are included among the Standard Mail mailing requirement of 200 pieces. In addition, different volume and/or weight requirements apply to these types of Standard Mail.



Figure 11: Periodicals - National Delivery Performance

- National delivery performance for Periodicals has fluctuated in recent years, with the most recent performance levels similar to those in fiscal year 2011.

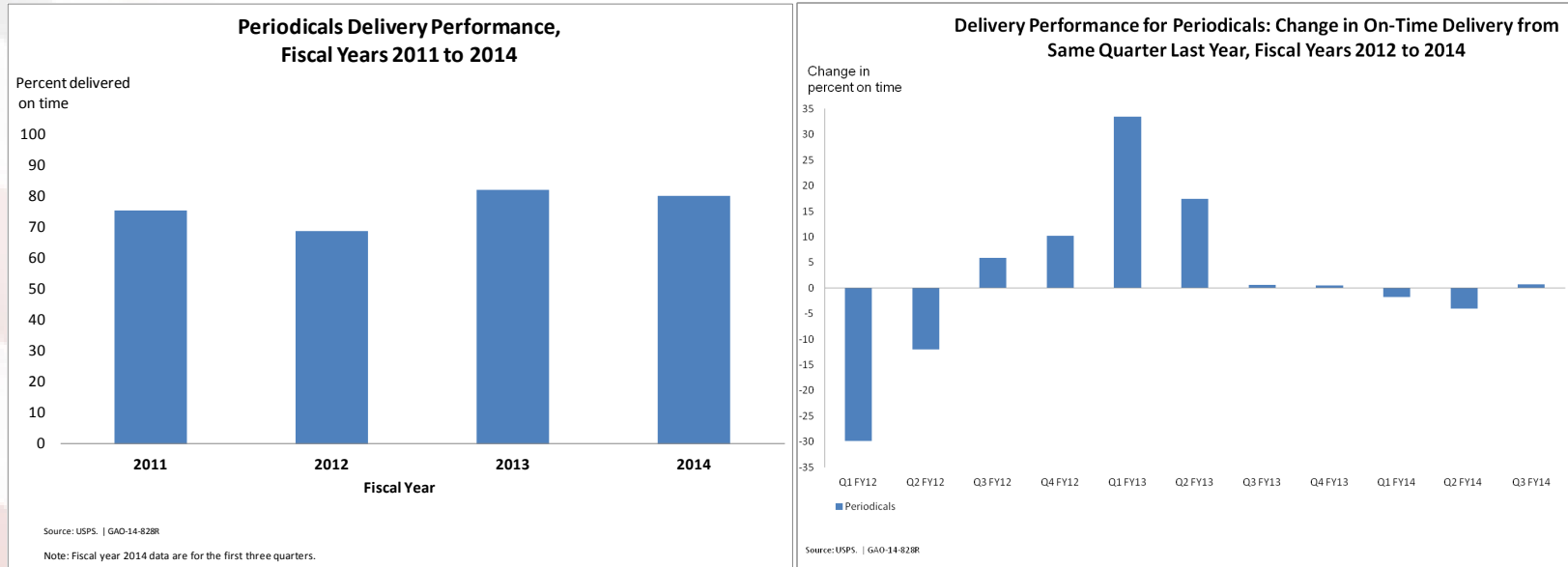




Table 4: USPS Mail Processing Plants in the Dakotas and Chicago Districts, Fiscal Years 2011-2014

Name	City	State	5-digit ZIP	Status	Year closed or planned	3-digit ZIP consolidated	Current 3-digit Service area	Date origination consolidation completed	Date destination consolidation completed
Fargo P&DC/P&DF	Fargo	ND	58102	Open			580, 581, 584		
Grand Forks CSMPC	Grand Forks	ND	58201	Open			582-583		
Devils Lake CSMPC	Devils Lake	ND	58301	Closed	2012	583	None	7/1/2012	7/1/2012
Jamestown CSMPC	Jamestown	ND	58401	Closed	2011	584	None	12/1/2011	12/1/2011
Bismarck P&DC/P&DF	Bismarck	ND	58504	Open			576, 585-586		
Minot CSMPC	Minot	ND	58701	Open	2015		587-588		
Billings P&DC	Billings	MT	59101	Open			590-593, 597		
Wolf Point CSMPC	Wolf Point	MT	59201	Closed	2013	592	None	4/20/2013	4/20/2013
Miles City CSMPC	Miles City	MT	59301	Closed	2011	593	None	9/30/2011	9/30/2011
Great Falls P&DF	Great Falls	MT	59404	Open			594-596		
Havre CSMPC	Havre	MT	59501	Closed	2011	595	None	9/30/2011	9/30/2011
Helena CSMPC	Helena	MT	59601	Closed	2013	596	None	12/3/2011	5/4/2013
Butte CSMPC	Butte	MT	59701	Closed	2013	597	None	12/3/2011	6/17/2013
Missoula CSMPC	Missoula	MT	59801	Open			598-599		
Kalispell CSMPC	Kalispell	MT	59901	Closed	2013	599	None	2/18/2013	2/18/2013
Sioux Falls P&DC	Sioux Falls	SD	57104	Open			500-513, 570, 571		
Dakota Central P&DF	Huron	SD	57399	Open	2015		573-575		
Aberdeen P&DF	Aberdeen	SD	57401	Closed	2013	574	None	2/23/2013	2/23/2013
Pierre CSMPC	Pierre	SD	57501	Closed	2013	575	None	2/23/2013	2/23/2013
Mobridge CSMPC	Mobridge	SD	57601	Closed	2011	576	None	12/1/2011	12/1/2011
Rapid City P&DF	Rapid City	SD	57701	Open		577	577		
Cardiss Collins P&DC	Chicago	IL	60699	Open		606-608	606-608	5/16/2012	
Irving Park Road	Chicago	IL	60701	Open			606-608		

Source: USPS. | GAO-14-828R



Mixed Delivery Performance in Areas of the Dakotas District Affected by Consolidations

- Delivery performance was mixed for specific areas in the Dakotas District affected by processing facility consolidations.
- The next slide shows on-time delivery performance for single-piece First-Class Mail in the two quarters before and after the consolidations, for areas that had been served by the processing facilities that were consolidated.
 - For example, on-time performance improved 1-day, 2-day, and 3-day single-piece First-Class Mail for the area served by the Jamestown, ND facility after it was consolidated; conversely, on-time performance declined for the areas served by the Wolf Point, MT, Devil's Lake, ND, and Kalispell, MT facilities.



Figure 12: Effect of Consolidations on Delivery Performance in Dakotas District, Fiscal Years 2011-2013

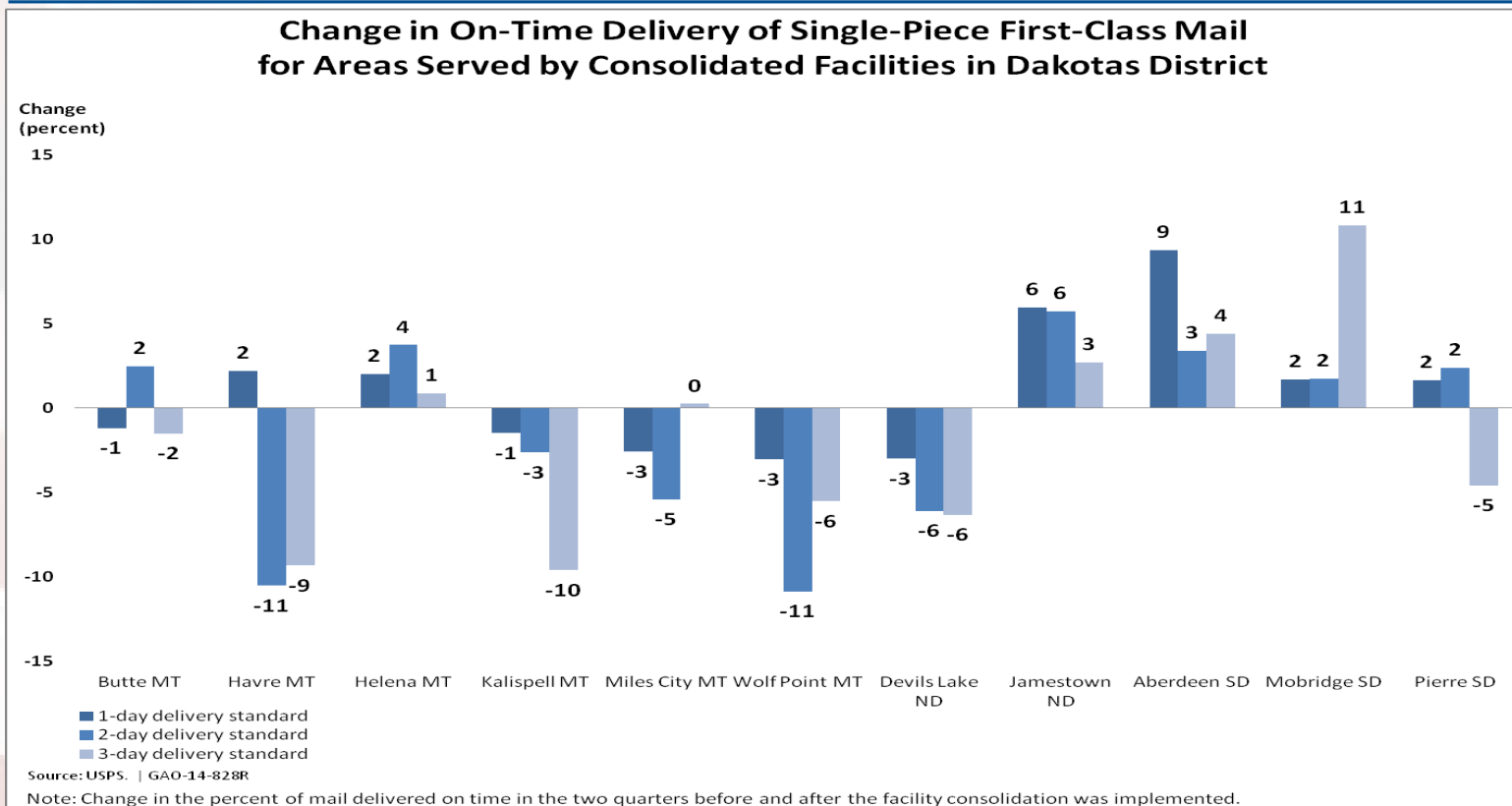




Table 5: National Delivery Performance Data

National Data			Percent On Time														
			FY 2011 Q1	FY 2011 Q2	FY 2011 Q3	FY 2011 Q4	FY 2012 Q1	FY 2012 Q2	FY 2012 Q3	FY 2012 Q4	FY 2013 Q1	FY 2013 Q2	FY 2013 Q3	FY 2013 Q4	FY 2014 Q1	FY 2014 Q2	FY 2014 Q3
First-Class Mail	Single Piece Letter & Postcard	1-Day	96.5	96.6	97.0	96.9	96.6	97.2	97.3	97.0	96.4	96.8	97.1	97.0	96.3	96.3	97.2
		2-Day	93.2	93.2	95.5	94.9	93.7	95.7	96.4	96.7	94.9	95.7	96.7	96.7	95.0	94.7	96.6
		3-5 Day	90.0	90.5	94.1	93.4	89.8	93.2	95.2	94.3	90.1	91.7	93.7	94.1	86.1	85.1	91.0
	Bulk (Presort) Letter & Postcard	1-Day	84.2	91.8	96.0	91.1	95.5	97.3	97.6	97.2	96.8	97.2	97.7	97.7	97.0	96.7	97.5
		2-Day	88.9	84.8	91.2	92.2	92.9	96.0	97.2	97.5	96.3	97.1	97.7	97.8	96.2	95.4	97.2
		3-5 Day	85.9	89.5	93.8	94.0	92.6	95.6	96.9	96.5	93.8	95.1	96.4	96.5	91.4	90.2	93.7
	Flats	1-Day	90.2	90.1	91.0	89.8	88.4	90.0	90.9	89.8	86.9	86.7	86.6	86.1	83.6	83.8	85.7
		2-Day	83.7	83.3	85.8	83.3	81.4	84.9	85.9	87.9	83.9	83.9	84.9	84.8	81.6	80.5	84.1
		3-5 Day	78.2	78.8	82.5	80.8	74.9	79.5	83.5	81.7	76.2	76.9	78.4	78.7	69.5	69.4	74.9
	Parcels	1-Day	89.0	89.8	92.2	90.3	86.0	89.7	92.4	92.2	87.8	88.2	89.9	90.4	86.9	86.7	90.1
		2-Day	79.9	81.9	86.6	84.4	78.7	85.7	90.2	91.0	85.4	87.5	90.6	90.5	84.9	84.0	89.1
		3-5 Day	83.4	85.8	89.2	88.0	82.4	88.7	91.7	90.5	84.6	87.3	90.3	91.2	80.4	80.9	87.1
Standard Mail	Carrier Route	N/A	N/A	N/A	46.2	47.7	78.3	88.2	79.0	69.8	82.4	85.9	84.0	73.8	80.7	87.6	
	High Density & Saturation Letters	N/A	N/A	N/A	82.7	74.4	88.5	94.6	93.0	86.5	91.3	92.7	92.8	91.2	90.1	93.3	
	High Density & Saturation Flats/Parcels	N/A	N/A	N/A	74.8	94.9	90.7	92.9	86.7	80.0	89.2	91.2	89.1	80.1	88.2	90.7	
	Flats	N/A	N/A	N/A	57.8	51.4	73.2	84.6	77.3	72.1	75.7	80.2	80.5	72.6	73.4	80.2	
	Letters	N/A	N/A	N/A	72.2	68.3	82.1	88.7	87.0	81.7	84.8	88.4	88.9	85.2	84.5	88.9	
	Mixed Product Letters	N/A	N/A	N/A	66.9	65.2	80.4	88.8	87.2	81.6	83.9	90.0	90.4	84.9	85.0	90.9	
	Mixed Product Flats	N/A	N/A	N/A	50.6	44.4	70.0	82.9	78.5	72.5	81.8	83.1	85.6	50.2	47.9	87.3	
Periodicals	Outside County	N/A*	N/A*	N/A*	N/A*	45.9	65.8	82.1	82.6	79.4	83.2	82.7	83.1	77.7	79.2	83.4	
Package Services	Single-Piece Parcel Post	77.7	83.1	85.2	81.7	79.3	87.5	91.2	89.7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
	Bound Printed Matter Flats	N/A	N/A	N/A	42.1	40.0	60.7	49.2	67.2	57.2	56.8	63.0	72.1	68.9	55.8	59.1	
	Bound Printed Matter Parcels	N/A	N/A	N/A	83.2	89.0	95.2	97.3	96.0	N/A	N/A	N/A	N/A	N/A	N/A	99.6	
	Media Mail/Library Mail	84.7	86.8	92.1	87.3	87.1	92.7	95.9	94.4	N/A	N/A	N/A	N/A	N/A	N/A	94.7	

Source: USPS. | GAO-14-828R

N/A* are quarters for which data were not available using the same system that started to measure delivery performance in quarter 1, fiscal year 2012.
 Note: Results are not shown in this table for Within County Periodicals, Standard Mail Parcels, and Inbound Surface Parcel Post (at UPU rates) because no data were available that measured the on-time performance of these types of mail.



Table 6: Dakotas District Delivery Performance Data

Dakotas District			Percent On Time														
			FY 2011 Q1	FY 2011 Q2	FY 2011 Q3	FY 2011 Q4	FY 2012 Q1	FY 2012 Q2	FY 2012 Q3	FY 2012 Q4	FY 2013 Q1	FY 2013 Q2	FY 2013 Q3	FY 2013 Q4	FY 2014 Q1	FY 2014 Q2	FY 2014 Q3
First-Class Mail	Single Piece Letter & Postcard	1-Day	96.5	95.8	97.1	97.0	96.1	96.7	97.3	97.4	96.2	96.4	97.4	97.1	97.4	97.3	96.9
		2-Day	92.5	92.2	95.1	94.5	93.6	95.1	96.0	97.1	95.4	95.5	96.0	94.8	93.3	96.3	95.5
		3-5 Day	87.2	90.1	94.3	93.6	87.8	90.8	95.5	93.6	88.8	89.2	91.0	91.2	80.4	81.7	89.3
	Bulk (Presort) Letter & Postcard	1-Day	N/A	97.2	97.8	99.1	99.1	99.3	99.3	99.4	99.2	99.4	99.4	99.0	98.8	99.2	99.2
		2-Day	84.0	95.8	96.1	95.4	96.0	98.1	98.1	98.9	97.9	98.2	98.7	98.7	97.0	98.6	98.8
		3-5 Day	78.7	89.4	94.3	95.0	91.6	95.6	96.6	96.8	93.4	92.7	94.0	93.8	87.3	89.3	92.3
	Flats	1-Day	93.6	93.7	93.8	90.3	91.0	92.2	92.9	92.9	89.8	88.6	92.4	90.8	88.0	85.9	90.1
		2-Day	84.7	82.7	85.7	86.7	88.8	90.0	85.1	88.9	93.9	88.5	86.9	85.9	77.0	81.9	87.9
		3-5 Day	74.0	76.5	82.5	73.9	72.8	80.2	80.0	78.8	70.1	71.6	76.0	77.4	66.2	70.8	73.7
	Parcels	1-Day	96.2	95.8	97.5	96.7	93.9	95.5	96.3	97.4	N/A	N/A	N/A	N/A	N/A	N/A	96.1
		2-Day	84.0	86.1	88.7	89.4	81.3	88.2	92.3	96.5	N/A	N/A	N/A	N/A	N/A	N/A	94.6
		3-5 Day	84.3	88.4	92.2	92.0	82.8	89.9	93.8	92.1	N/A	N/A	N/A	N/A	N/A	N/A	89.3
Standard Mail	Carrier Route	N/A	N/A	N/A	20.8	74.0	77.7	88.3	87.4	82.5	83.8	82.9	87.3	82.5	90.2	92.8	
	High Density & Saturation Letters	N/A	N/A	N/A	87.9	96.4	98.6	99.6	90.5	82.8	79.7	80.3	90.0	91.4	91.4	95.0	
	High Density & Saturation Flats/Parcels	N/A	N/A	N/A	N/A	N/A	N/A	86.6	87.2	84.7	80.2	85.7	89.9	84.7	93.0	94.6	
	Flats	N/A	N/A	N/A	73.2	51.9	81.2	91.5	86.3	84.1	82.5	79.2	80.5	77.7	79.8	87.2	
	Letters	N/A	N/A	N/A	85.3	80.6	91.3	94.9	92.4	87.9	87.0	86.3	90.4	89.1	90.0	93.3	
	Mixed Product Letters	N/A	N/A	N/A	59.8	73.5	86.5	94.5	92.2	88.5	80.2	87.0	93.5	91.9	94.3	96.2	
	Mixed Product Flats	N/A	N/A	N/A	50.9	59.9	78.8	92.0	88.7	90.1	88.8	77.8	88.1	49.5	50.3	64.8	
Periodicals	Outside County	N/A	N/A	N/A	N/A	54.4	67.2	80.2	85.1	84.8	85.0	82.3	84.7	81.8	84.4	N/A	
Package Services	Single-Piece Parcel Post	75.9	78.6	81.7	80.1	73.9	84.4	90.0	86.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
	Bound Printed Matter Flats	N/A	N/A	N/A	47.7	48.2	79.9	81.4	79.5	85.6	71.4	37.9	78.4	79.2	64.7	82.7	
	Bound Printed Matter Parcels	N/A	N/A	N/A	94.7	95.9	94.2	95.0	94.9	N/A	N/A	N/A	N/A	N/A	N/A	99.0	
	Media Mail/Library Mail	82.6	81.7	87.8	84.0	82.1	88.8	94.2	91.7	N/A	N/A	N/A	N/A	N/A	N/A	93.3	

Source: USPS. | GAO-14-828R

Note: Results are not shown in this table for Within County Periodicals, Standard Mail Parcels, and Inbound Surface Parcel Post (at UPU rates) because no data were available that measured the on-time performance of these types of mail.



Figure 13: Dakotas District: Single-Piece First-Class Mail Delivery Performance

- District performance for single-piece First-Class Mail generally improved until quarter 2 of fiscal year 2013, followed by declines through quarter 3 of fiscal year 2014.

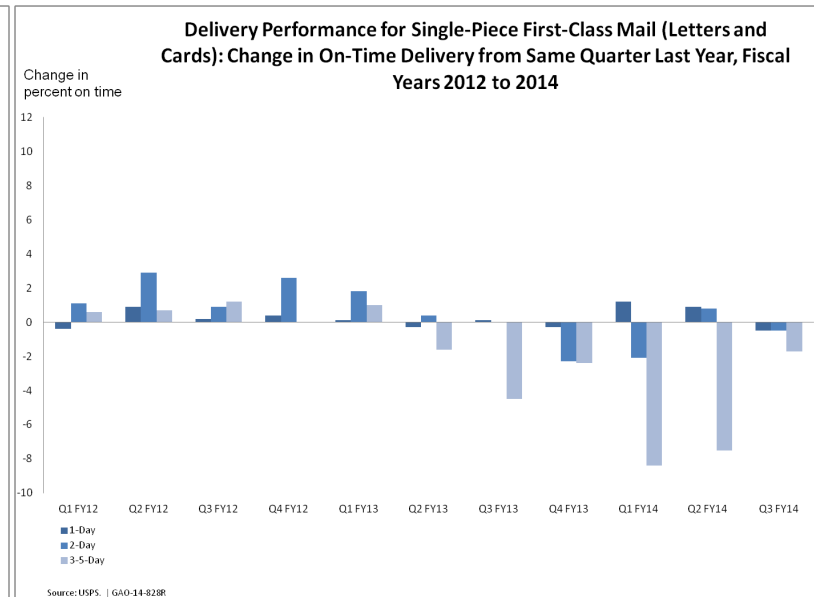
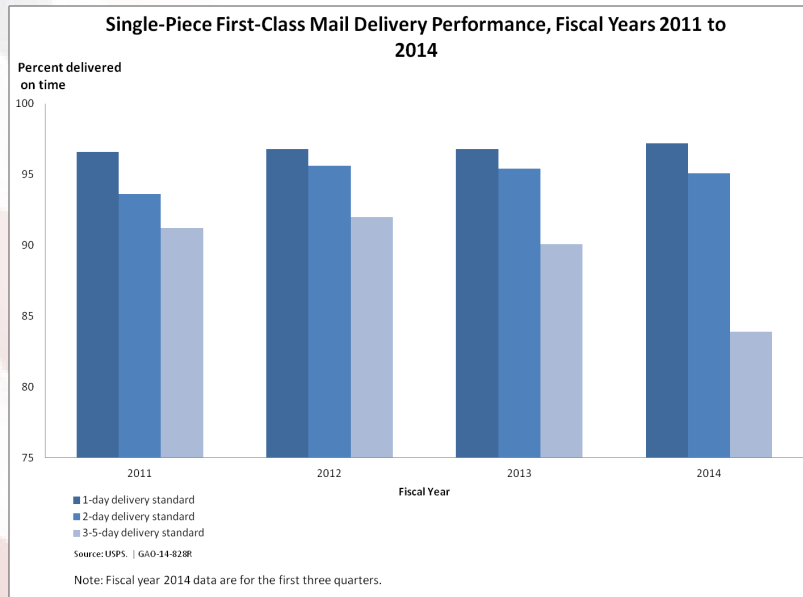




Figure 14: Dakotas District: Bulk First-Class Mail Delivery Performance

- District performance for bulk First-Class Mail improved through quarter 1 of fiscal year 2013, with declines for 3-5 day mail starting in quarter 2 of fiscal year 2013.

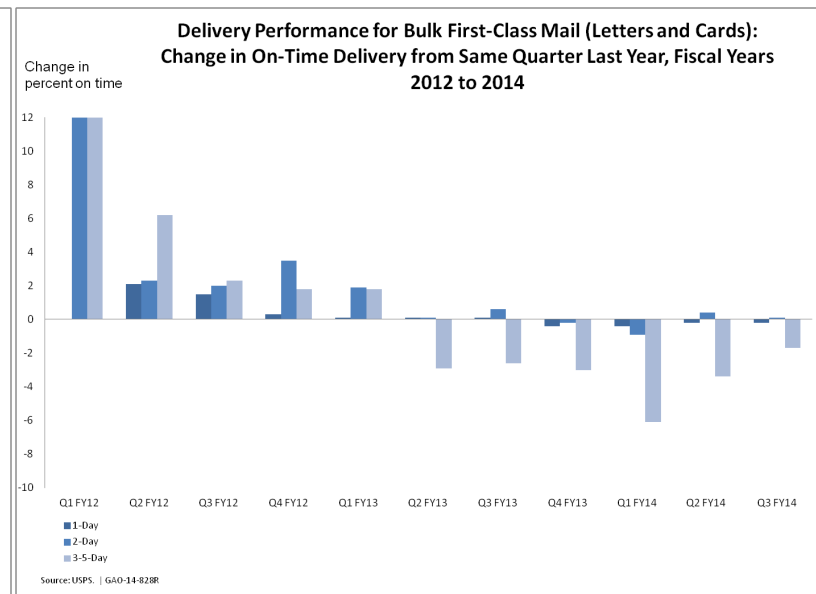
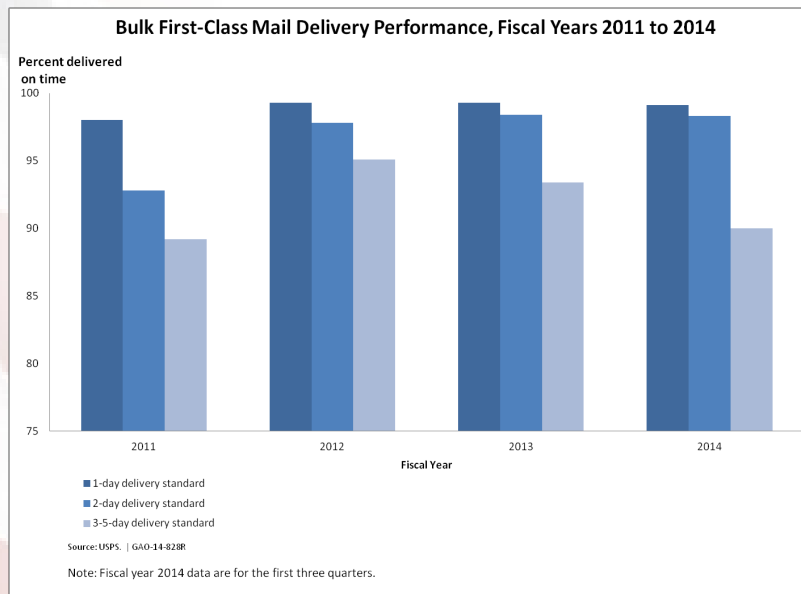




Table 7: Chicago District Delivery Performance Data

Chicago District			Percent On Time														
			FY 2011 Q1	FY 2011 Q2	FY 2011 Q3	FY 2011 Q4	FY 2012 Q1	FY 2012 Q2	FY 2012 Q3	FY 2012 Q4	FY 2013 Q1	FY 2013 Q2	FY 2013 Q3	FY 2013 Q4	FY 2014 Q1	FY 2014 Q2	FY 2014 Q3
First-Class Mail	Single Piece Letter & Postcard	1-Day	95.7	94.7	96.0	95.6	95.6	95.4	95.9	95.5	93.6	95.7	96.6	96.4	95.2	91.7	95.5
		2-Day	94.6	91.8	95.8	95.5	93.4	95.6	97.2	97.6	97.0	96.8	97.7	98.0	95.7	94.3	97.5
		3-5 Day	85.2	82.4	92.6	91.3	85.3	91.1	93.5	94.3	90.4	91.4	94.0	94.0	85.1	77.4	90.3
	Bulk (Presort) Letter & Postcard	1-Day	N/A	93.3	96.1	96.3	96.5	96.7	96.0	84.0	96.4	97.8	96.6	95.7	87.0	94.3	97.1
		2-Day	75.9	72.1	94.5	86.1	91.8	94.9	96.7	97.8	95.7	96.7	96.8	96.7	93.8	92.4	96.9
		3-5 Day	82.5	81.2	94.2	93.2	90.7	94.6	95.4	96.3	94.9	94.5	96.2	93.8	87.7	81.4	91.8
	Flats	1-Day	90.2	86.4	88.5	83.9	81.3	85.0	84.0	82.0	82.1	74.0	81.8	81.3	78.8	76.9	79.2
		2-Day	80.7	80.4	83.6	79.6	83.1	83.1	87.5	89.2	87.5	80.4	87.2	90.2	90.4	81.3	86.8
		3-5 Day	74.5	66.6	83.7	74.9	78.8	79.6	83.4	84.9	77.3	77.7	76.7	75.8	71.4	60.7	77.1
	Parcels	1-Day	70.3	75.5	85.4	82.9	80.1	77.0	76.2	71.5	N/A	N/A	N/A	N/A	N/A	N/A	42.0
		2-Day	78.3	78.5	88.2	86.5	84.1	89.6	90.7	91.0	N/A	N/A	N/A	N/A	N/A	N/A	77.0
		3-5 Day	79.9	80.3	87.5	85.9	80.8	87.1	89.9	86.3	N/A	N/A	N/A	N/A	N/A	N/A	67.9
Standard Mail	Carrier Route	N/A	N/A	N/A	37.3	41.4	71.0	87.8	85.0	79.0	89.9	89.0	86.8	64.0	60.0	81.2	
	High Density & Saturation Letters	N/A	N/A	N/A	75.4	30.6	82.8	97.6	97.1	91.1	98.0	92.0	90.2	92.9	91.4	86.7	
	High Density & Saturation Flats/Parcels	N/A	N/A	N/A	96.1	96.4	91.6	91.5	66.0	62.9	91.3	77.0	75.6	44.9	77.8	80.2	
	Flats	N/A	N/A	N/A	39.7	29.5	59.8	84.8	74.5	72.0	73.1	72.3	77.3	52.4	47.2	62.9	
	Letters	N/A	N/A	N/A	53.5	42.6	74.4	89.1	90.3	84.2	90.1	90.2	88.3	89.3	82.2	88.8	
	Mixed Product Letters	N/A	N/A	N/A	52.2	45.7	71.7	88.9	89.8	83.6	89.6	91.9	86.7	93.3	90.3	93.4	
	Mixed Product Flats	N/A	N/A	N/A	42.3	32.4	64.9	84.8	80.9	74.6	80.4	79.8	87.4	19.9	22.3	39.5	
Periodicals	Outside County	N/A	N/A	N/A	N/A	45.2	73.1	88.5	89.4	88.1	90.8	89.7	89.2	77.2	66.2	N/A	
Package Services	Single-Piece Matter Post	72.1	76.7	87.1	85.1	83.5	90.6	93.6	91.4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
	Bound Printed Matter Flats	N/A	N/A	N/A	27.3	10.5	19.4	47.3	69.0	24.1	32.8	43.9	40.1	43.2	44.9	72.5	
	Bound Printed Matter Parcels	N/A	N/A	N/A	89.0	94.3	96.7	98.5	97.0	N/A	N/A	N/A	N/A	N/A	N/A	94.6	
	Media Mail/Library Mail	80.2	80.9	93.0	90.7	91.9	94.6	97.0	95.9	N/A	N/A	N/A	N/A	N/A	N/A	93.2	

Source: USPS. | GAO-14-828R

Note: Results are not shown in this table for Within County Periodicals, Standard Mail Parcels, and Inbound Surface Parcel Post (at UPU rates) because no data were available that measured the on-time performance of these types of mail.



Figure 15: Chicago District: Single-Piece First-Class Mail Delivery Performance

- District performance generally improved through quarter 1 of fiscal year 2013, marginally improved through quarter 4 of fiscal year 2013, and 3-5 day mail declined in quarter 1 and quarter 2 of fiscal year 2014.

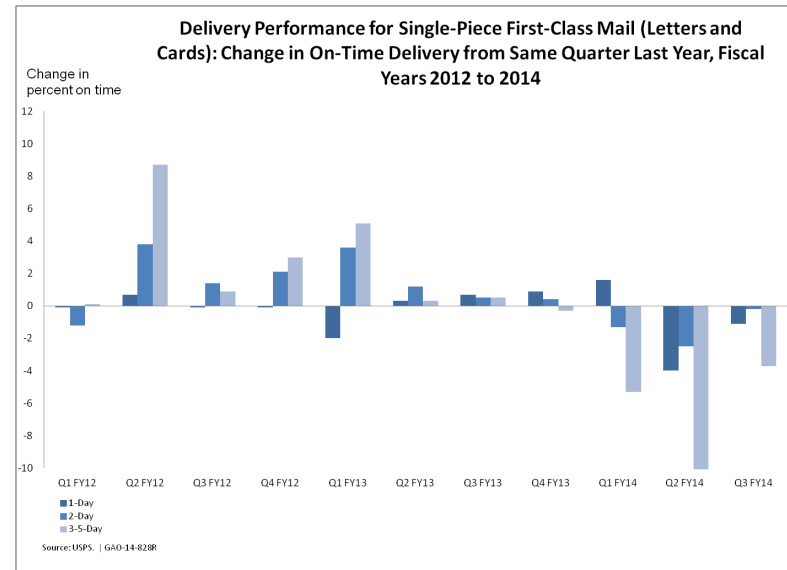
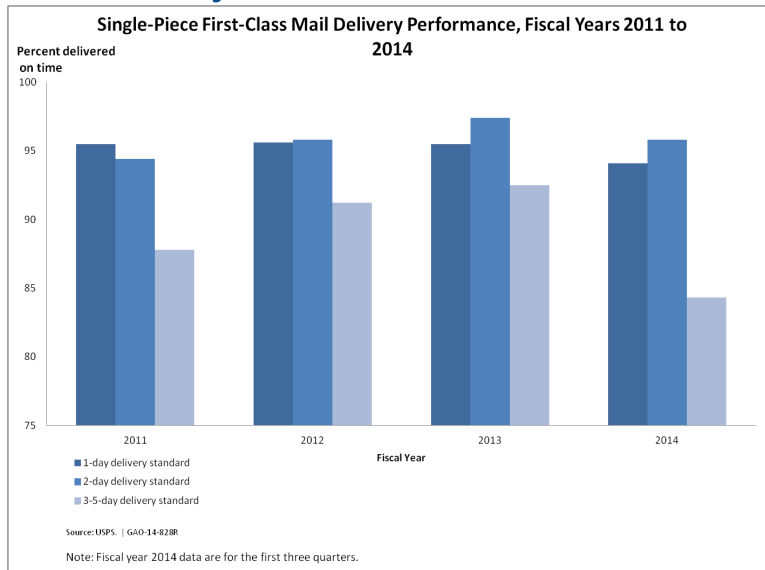
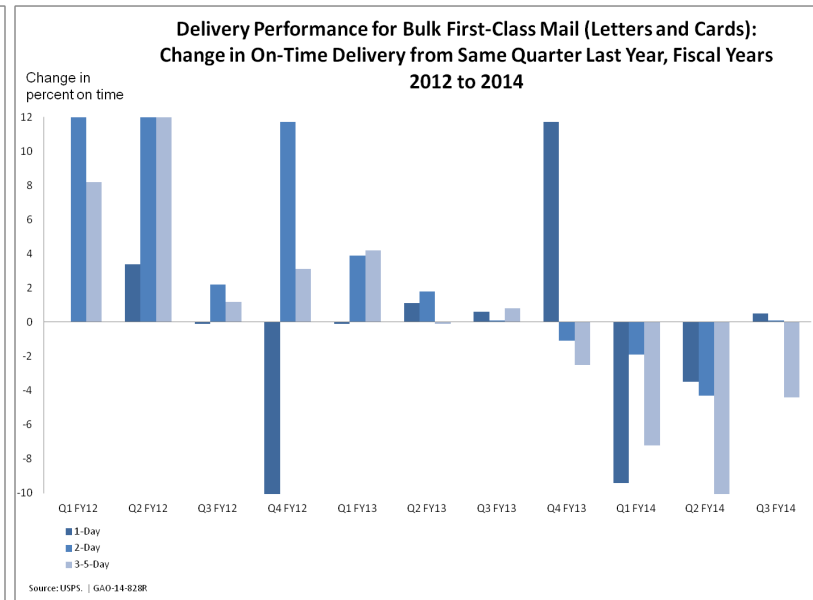
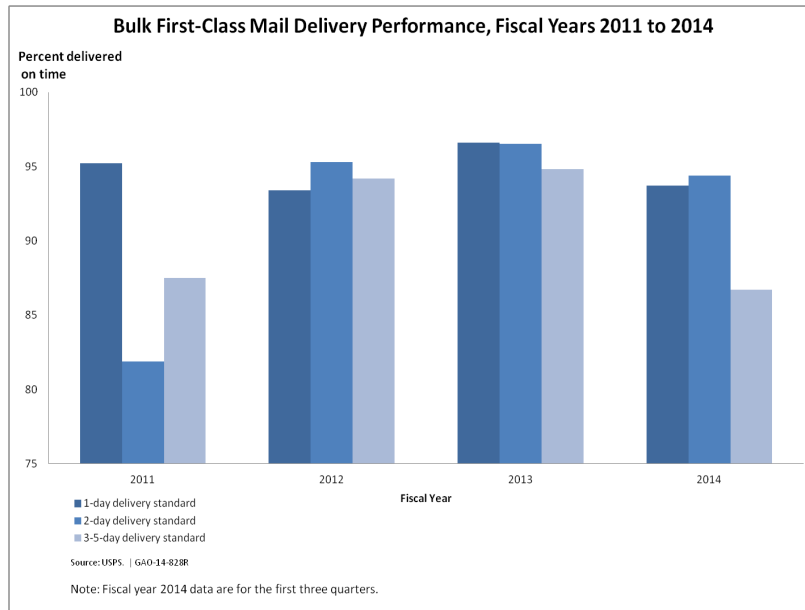




Figure 16: Chicago District: Bulk First-Class Mail Delivery Performance

- District delivery performance trends varied for bulk First-Class Mail, particularly for 1-day mail, and with declines for 2-day and 3-5 day mail starting in quarter 4 of fiscal year 2013.



Enclosure 2: Objectives, Scope, and Methodology

Our objectives were to describe (1) changes to delivery standards starting in 2012 and how they affected the number of days it takes for mail to be delivered (i.e., delivery time); (2) operational changes the U.S. Postal Service (USPS) has made starting in 2012 and how these may have affected delivery time; and (3) trends in delivery performance starting in fiscal year 2011.

To conduct this performance audit, we reviewed USPS regulations that define its delivery standards and operational changes. We also reviewed relevant reports from USPS and the Postal Regulatory Commission (PRC) as well as USPS's *Federal Register* notices and written responses from USPS about its operational changes and changes to delivery standards for major types of market-dominant mail.⁹ We used mail delivery performance and mail volume data provided by USPS to analyze performance trends. We compared the data before and after delivery standard changes, from fiscal years 2011 to the second quarter of fiscal year 2014, at the national level, and for one rural ("Dakotas") and one urban ("Chicago") postal district; "Dakotas" was chosen primarily due to its relatively large size and rural nature, while "Chicago" was chosen primarily for its relatively small size, and urban nature. We selected the Dakotas and Chicago districts on a judgmental basis, and therefore, the results cannot be generalized across all postal districts.

With respect to reviewing the impact that changes to delivery standards had on mail volumes, USPS estimated the percent of First-Class Mail volume that had delivery standards upgraded (i.e., standards changed with fewer days to deliver the mail) or downgraded (i.e., standards changed with more days to deliver the mail). To develop its estimates, USPS compared First-Class Mail delivery standards from the third quarter of fiscal year 2012 to the third quarter of fiscal year 2014 to determine which 3-digit ZIP Code pairs were upgraded or downgraded. USPS then estimated mail volumes which were sent between ZIP Code pairs that were upgraded or downgraded, using data collected by the Origin Destination Information System-Revenue, Pieces, and Weight (ODIS-RPW) in the second quarter of fiscal year 2014. The ODIS-RPW statistical sampling system is a national probability sampling system of mail destinating or exiting from USPS stations, branches, associate offices and mail processing plants used for estimating mail revenue and volume by product, and for other purposes. In the process of collecting these data, the ODIS-RPW data collectors record the origin ZIP Code on the mail piece. The origin ZIP Code is present on all single-piece First-Class Mail allowing the measurement of volume between 3-digit ZIP Code pairs between origin cancellation and destination locations and thus volume by delivery standard. However, the ODIS-RPW sample design is not designed to collect information for every 3-digit ZIP Code pair. Sampled mail that only had information for the 3-digit ZIP Code where the mail destinated (and not where it originated) was excluded from the analysis of the impact of changes in delivery standards on mail volume. For this reason, 35 percent of First-Class Mail pieces sampled by ODIS were excluded from the analysis, including 9 percent of single-piece First-Class Mail and 50 percent of bulk First-Class Mail that consisted of mail with a Permit imprint that had no origin ZIP Code

⁹The major types of market-dominant mail include First-Class Mail, Standard Mail, Periodicals (mainly magazines and local newspapers), and Package Services (primarily Alaska Bypass Mail, Media/Library Mail, and Bound Printed Matter). Carrier Route Standard Mail is organized according to letter carrier routes. Standard Mail that qualified for saturation and high density rates consists of mailings that are to exceed minimum percentages or numbers of addresses on a mail delivery route.

on the mail piece.¹⁰ We assessed the reliability of the ODIS data through a review of related documents, such as written responses from USPS. We found the ODIS data on volume sufficiently reliable as the data source for providing a general description on the impact changes to delivery standards had on First-Class Mail volumes.

With respect to reviewing the volumes of market-dominant mail subject to different delivery standards (e.g., 1-day standard, 2-day standard, etc.), USPS provided data on volumes for single-piece First-Class Mail and bulk (presort) First-Class Mail subject to different delivery standards for each quarter from fiscal year 2011 to the second quarter of fiscal year 2014. These data included:

- *External First-Class Mail Measurement System (EXFC) data:* EXFC is a system in which a USPS contractor creates test mail pieces to measure on-time delivery performance in 892 3-digit ZIP Code areas among which virtually all single-piece First-Class Mail originates and destinate. We assessed the reliability of the EXFC data through a review of related documents, such as written responses from USPS. We found the EXFC data on volume sufficiently reliable as the data source for providing a general description of single-piece First-Class Mail volumes with different delivery standards. According to USPS, the volume data provided for single-piece First-Class Mail letters and postcards “simply represents the volume of mail measured by service standard. Because the statistical design for the EXFC study is destination based to manage the statistical precision of district level scores, the volume of mail measured to each district is similar. Thus the measured volume information should not be used for inferences about real mail volumes.” USPS further explained that “the EXFC system design dictates the planned minimum number of pieces by service standard going to each district each quarter to meet desired statistical precision targets for each reported service standard group and to achieve other coverage criteria. The service standard is determined by comparing the entry location 3-digit [ZIP Code] (where mail is entered) and 3-digit of destination/routing ZIP Code of the mail piece to the USPS service standards directory.” Although USPS could have used a national sampling system to provide more representative data on the impact that changes to delivery standards had on single-piece First-Class Mail volumes, it did not do so because this would have required special computer programming, unlike EXFC. USPS explained that the sample design for ODIS-RPW is not set up to obtain information from all origin-destination ZIP Code pairs and in their right proportion to delivery standard groupings.
- *Intelligent Mail Accuracy and Performance System (iMAPS) data:* This internal measurement system measures on-time delivery performance for bulk (presort) First-Class Mail pieces that have Full Service Intelligent Mail Barcodes and that meet other data rules. We assessed the reliability of the iMAPS data through a review of related documents, such as written responses from USPS. We found the iMAPS data on volume sufficiently reliable as the data source for providing a general description of bulk (presort) First-Class Mail (FCM) volumes with different delivery standards. However, according to USPS, the volume of these barcoded pieces with 1-day, 2-day, and 3-to-5 day standards should not be considered to be in proportion to total volumes of bulk First-Class Mail. USPS explained that “Mail volume information provided for Presort First-Class Mail letters and cards represents the measured volume for each quarter. Mailer

¹⁰A Permit imprint displays an authorization to mail by using indicia or an imprint in place of stamps or meter impressions. Mail with a Permit imprint does not have an origin ZIP Code on the mail piece.

adoption of Full-Service Intelligent Mail has not necessarily been random or geographically representative of the origin points of mail. Thus, the volume information should not be considered to be in proportion to total presort mail volumes. The lack of participating mailers in locations is most impactful on the overnight volumes, particularly in the early quarters of the data provided.” USPS noted that iMAPS was not designed to include all bulk (presort) First-Class Mail letters and cards in measurement. USPS said, “Instead, the system uses only the Full Service Intelligent Mail pieces to represent service performance for all Presort FCM. Data exclusion rules remove pieces that do not have the basic elements required for accurate measurement (start-the-clock date/time and location and stop-the-clock date/time and location) or which have inconsistencies in the data indicating that accurate measurement is not possible.” In the second quarter of fiscal year 2014, 55 percent of Full Service and 43 percent of Commercial Mail was “in measurement.” These exclusions could further affect the representativeness of the measured mail.

In addition, USPS projected the percent of all First-Class Mail volume that would be subject to different delivery standards after implementation of Phase 2 of its plan to consolidate its mail processing operations and network, which is scheduled to begin January 5, 2015, and posted these projections on its Web site.¹¹ In explaining how its projections were compiled, USPS told us that: “The expectation of 20% of First-Class Mail delivered overnight under Phase 2 represents a high level analysis of potential First Class overnight in the future network. Mailer behavior based on the future network is currently unknown, and reasonable assumptions were made to estimate the impact. This analysis looked at First-Class Mail volume from ODIS broken down to 3-digit [ZIP Code] pairs, expected service standards at the completion of planned consolidations, planned processing windows (incoming primary [sortation of mail] starting at 0800, [Delivery Point Sequencing] DPS between 1200 and 0600, etc.),¹² processing capacity (expected number of machines and expected throughput) and expected mail arrival profile to determine how much mail could potentially receive overnight service based on the future network.” Thus, USPS projections for First-Class Mail volumes subject to different delivery standards after Phase 2 were based on different sources and methods than USPS data for single-piece and bulk First-Class Mail volumes subject to different delivery standards for each quarter from fiscal year 2011 to the second quarter of fiscal year 2014.

To further illustrate how changes to delivery standards affected the number of days it takes for mail to be delivered, we included maps that illustrate examples of delivery standards for First-Class Mail that were in effect before and after USPS changed its delivery standards on July 1, 2012. These maps show standards in effect as of the first quarter of fiscal year 2008, and the third quarter of fiscal year 2014. The maps for the third quarter of fiscal year 2014 were generated using USPS software accessible on its Web site. The maps for 2008 were generated using USPS data and software that GAO obtained in conjunction with a previous review. We requested mapping software to produce comparable maps for delivery standards in effect as of third quarter fiscal year 2012, which was the most recent quarter before the July 2012 change in delivery standards. USPS said the requested data were not available because the source data are updated each quarter and maps from previous quarters are not archived. Since the maps

¹¹See USPS answers to frequently asked questions about Phase 2, available as of Sept. 2, 2014, at <http://about.usps.com/news/electronic-press-kits/our-future-network/ofn-phase-2-faqs.htm>.

¹²Incoming primary sortation of mail is a mail processing operation that sorts mail destined in the area served by the processing plant for dispatch to local post offices and retail facilities, where carriers typically pick up their mail. Delivery Point Sequencing sorts mail into the order it is to be delivered on a carrier route.

do not consist of underlying data and provide only a visual representation of delivery standards—which enabled us to provide a visual illustration for how changes in delivery standards affected delivery—we did not assess the reliability of this information.

To analyze trends in delivery performance starting in fiscal year 2011, we analyzed delivery performance data for each type of mail based on comparing how long it takes for the mail to be delivered with the applicable standard; mail delivered within the delivery standard is considered to be on time. These are the only available delivery performance data for these types of mail. We assessed the reliability of the data through a review of related documents, such as written responses from USPS. We found these data sufficiently reliable for illustrating general trends in mail delivery performance before and after USPS changed mail delivery standards.

- To analyze the impact changes in delivery standards had on the on-time delivery of single-piece First-Class Mail, we used EXFC data. As noted above, EXFC is a system in which a USPS contractor creates test mail pieces to measure delivery performance in 892 3-digit ZIP Code areas among which virtually all single-piece First-Class Mail originates and destinate. Senders record the time they place test pieces in a collection box or lobby chute. Those test mail pieces are sent to a nationwide panel of receivers who record the date when the mail piece was delivered. Actual transit time is then compared against First-Class Mail delivery standards. The 2006 Postal Accountability and Enhancement Act required USPS to, among other things, use an external system to measure delivery performance of market-dominant products, but also authorized the PRC to approve a qualified internal system as a replacement for an external system.¹³ EXFC is an external measurement system that USPS has used to fulfill this requirement.
- To analyze the impact changes in delivery standards had on the on-time delivery of bulk (presort) First-Class Mail, Periodicals, Standard Mail (letters and flats), and Bound Printed Matter flats (a type of market-dominant Package Services), we used measurement data USPS generated from iMAPS.
- To analyze the impact changes in delivery standards had on the on-time delivery of various types of market-dominant Package Services (i.e., single-piece Parcel Post, Bound Printed Matter Parcels, and Media Mail/Library Mail), we used measurement data USPS generated from its Product Tracking System, which was replaced with the Product Tracking and Reporting System effective April 21, 2013. This internal measurement system measured delivery performance using barcode scans, including Delivery Confirmation scans. We assessed the reliability of these data through a review of written responses from USPS. We found this data sufficiently reliable for providing a general description on mail delivery performance for various types of market-dominant Package Services before and after USPS changed mail delivery standards.
- The data on on-time delivery performance for bulk First-Class Mail, Standard Mail, Periodicals, and market-dominant Package Services included in this report are limited to mail pieces tracked with barcodes that meet certain USPS business rules. These on-time performance data are not from a random sample and therefore may not be representative of all mail. These data also are not complete for all periods from the first quarter of fiscal year 2011 through the third quarter of fiscal year 2014. In some cases, measurement did not occur at all for a type of mail in a given period or was insufficient to

¹³Pub. L. 109-435, § 301, 120 Stat. 3218 (Dec. 20, 2006), codified at 39 U.S.C. § 3691.

report results.¹⁴ In other cases, measurement did not occur for a given district because there was no measured volume originating from or destinating from that district during the period, even though volume was measured in other locations.

- The data on on-time delivery performance included in this report are limited to market-dominant products. According to USPS officials, USPS considers delivery performance data for competitive products (e.g., Priority Mail) to be commercially sensitive and therefore the data are not made publically available. Additionally, USPS considers delivery performance data as commercially-sensitive and non-public for Single Piece Parcel Post (now identified as Standard Post) after its transfer from the market-dominant product list to competitive product list on January 27, 2013.
- National on-time delivery performance data presented in this report are based on results for mail sent within the United States. Delivery performance data for each postal district included in this report are composite performance data that include performance of mail originating and/or destinating in a given postal district.

We conducted this performance audit from April 2014 to September 2014 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.

¹⁴For example, Standard Mail results were not available in the first two quarters of fiscal year 2011 because too few mailers were certified to provide reliable measurement results. In the third quarter of fiscal year 2011, some Standard Mail was measured but scores were not calculated for specific types of Standard Mail. Starting in the third quarter of fiscal year 2013, no Standard Mail parcels were measured—in prior quarters only proxy data were reported; such data are not included in this report. Similarly, only proxy data were reported for Within County Periodicals and Inbound Surface Parcel Post at Universal Postal Union (UPU) rates; these data also are not included in this report. In addition, results on First-Class Mail parcels were based solely on single-piece retail parcels because no data were available for commercial First-Class Mail Parcels.

Comments from the United States Postal Service

DAVID E. WILLIAMS
VICE PRESIDENT, NETWORK OPERATIONS



September 18, 2014

Mr. Phillip Herr
Managing Director, Physical Infrastructure Issues
United States Government Accountability Office
Washington, DC 20548-0001

Dear Mr. Herr:

Thank you for the opportunity to provide comments to the Government Accountability Office (GAO) report titled, *U.S. Postal Service: Information on Recent Changes to Delivery Standards, Operations and Performance*. The report reviews service standard and operational changes implemented by the Postal Service since July 1, 2012 and summarizes service performance beginning in fiscal year 2011. The GAO did not offer any recommendations to the Postal Service. Our comments to this report are below.

First, as noted on page 2, the sample rural (Dakotas District) and urban (Chicago District) Postal Districts selected as the focus of this audit were chosen on a judgmental basis. The comparative analysis of service performance, service areas and service standards for these two districts are not representative of performance, service areas and service standards across all Postal Districts and the results of this audit in the sample rural and urban districts cannot be generalized.

Second, as noted in footnote 7, a variety of factors influence service performance, many of which were not analyzed in this review. We appreciate that the GAO did note that quarters 1 and 2 for each fiscal year generally have lower service performance due to increased volume and inclement weather. We caution, however, against drawing conclusions based on comparisons of recent performance (*i.e.*, quarters 1 and 2 of fiscal year 2014) against prior fiscal years. We note that quarters 1 and 2 of fiscal year 2014, which were used repeatedly as a basis for comparison through the report, had historically severe winter weather. For example, from October 1, 2013 to March 30, 2014, the Postal Service experienced more than 17,880 more flight cancellations due to weather than during the same period the previous year.

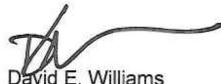
Furthermore, according to the National Oceanic and Atmospheric Administration (NOAA), the Northwest, Northern Rockies, much of the Great Plains, Midwest, and Northeast experienced above-average snowfall this past winter and many cities, including Chicago, Illinois and Billings,

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Montana, experienced more than twice the average snowfall.¹ In contrast, NOAA reports that the winters of 2012 and 2013 were relatively warm and mild. Specifically, NOAA describes the winter of December 2011 to February 2012 to be "non-existent".²

In addition to the current positive national service performance trends, we are continually improving efficiencies by making better use of space, staffing, equipment and transportation to process the nation's mail. Through initiatives such as Network Rationalization, we can adapt our network and infrastructure to the realities it is facing today.

Sincerely,



David E. Williams

cc: Sally K. Haring, Manager, Corporate Audit and Response Management

¹ NOAA National Climatic Data Center, *Winter Snowfall Departure from Average*, available at: <http://www.ncdc.noaa.gov/sotc/national/2014/2/supplemental/page-4/>.

² NOAA National Climatic Data Center, *National Snow & Ice for Annual 2012*, available at <http://www.ncdc.noaa.gov/sotc/snow/2012/13>.

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