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Area Mail Processing Consolidations

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Background

In 2011, the U.S. Postal Service announced the Network Rationalization Initiatives (NRI), which involved potentially consolidating or closing 252 of 487 mail processing facilities. During 2012 and 2013, the Postal Service consolidated 141 mail processing facilities during Phase 1 of the NRI. The projected annual savings were about \$865 million.

In the summer of 2012, the Postal Service announced its intention to implement revised service standards for marketdominant mail products on February 1, 2014. On January 24, 2014, the Postal Service postponed implementing the revised service standards and Phase 2 of the NRI consolidations.

On June 30, 2014, the former Postmaster General announced that, starting January 2015, 82 mail processing facilities' consolidations would be completed in Phase 2 of the NRI. The projected annual savings were about \$568 million. Thirty-seven of the 82 consolidations had already started. From the time of the initial NRI announcement, mail volume continued to decline indicating the need for further mail processing facilities' consolidations. In May 2015, the Postal Service's chief operating officer announced that the Postal Service would delay implementation of Phase 2 consolidations, but he did not provide a definite date they would resume.

An area mail processing (AMP) feasibility study determines whether there is a business case for relocating processing and distribution operations. The study includes an analysis of customer and service impacts, transportation costs, equipment relocation costs, and other significant cost savings impacts. As part of the study, the Postal Service is required to hold public meetings and obtain comments.

In an October 6, 2014, management alert, we reported the Postal Service had not analyzed the impact of planned service standard changes or informed stakeholders of the changes related to Phase 2 AMP consolidations. Postal Service management responded that ordinarily such information is included in the individual AMP feasibility studies. However, because service standards were in the process of being changed, estimates of the impacts of planned service standard changes could not be determined at the time the feasibility studies were completed. Management included language in each feasibility study stating estimates of the impacts would be publicly available in the future. The Postal Service published the estimates in January 2015.

Our objective was to determine whether the Postal Service's AMP guidelines provide justification and sufficient transparency for consolidating AMP facilities.

What The OIG Found

The AMP guidelines provided sufficient instruction for justifying consolidations, and required analysis and disclosure of the impact on delivery service standards. Also, we analyzed Highlights Our objective was to determine whether the Postal Service's AMP guidelines provide justification and sufficient transparency for consolidating AMP facilities. Area Mail Processing Consolidations Report Number NO-AR-15-007 1 60 Phase 2 consolidations approved in 2012 and 2013 and determined they were cost justified and all yielded cost savings. Our projection of the savings for the 45 consolidations that have not started is \$253.1 million, about \$60 million less than the Postal Service's estimate of \$311.8 million.

However, the process should be more transparent. Specifically, the guidelines do not:

- Include a timeframe for implementing an AMP consolidation once a feasibility study is approved. Consequently, the AMP feasibility study could be significantly out of date by the time the consolidation occurs. As of April 1, 2014, four of the 94 gaining AMP feasibility studies facilities contained data over 2 years old; 88 contained data over 3 years old; and two contained data over 4 years old.
- Define the term "substantive change." A substantive change is the standard for determining whether an AMP feasibility study should be revised.
- Require updating of the public notification website when the consolidation schedule changes. Improved transparency could result in better acceptance of consolidations and improved stakeholder relation

What The OIG Recommended

We recommended the vice president, Network Operations, update the AMP guidelines to include guidelines for determining a timeframe for implementing an AMP consolidation once a feasibility study is approved, define the term “substantive change,” and require weekly updates of the public notification website.

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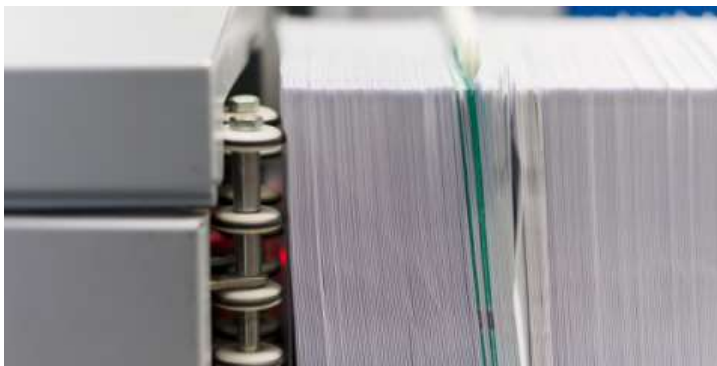


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You've probably noticed that wherever you go in this country, it's pretty easy to find a post office. After all, the U.S. Postal Service has the largest retail network in the country, using its more than 31,000 locations to

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