



**POSTAL ACCOUNTABILITY
AND ENHANCEMENT ACT § 302
NETWORK PLAN
FISCAL YEAR 2008 SUMMARY REPORT**

TABLE OF CONTENTS

	<u>Page</u>
I. Introduction	1
II. Core Components of the Network Rationalization Plan	2
A. Airport Mail Center Closures	2
B. Area Mail Processing Consolidations	2
C. Bulk Mail Center Transformation	3
III. Conclusion	4

TRADEMARKS

The following are among the trademarks owned by the United States Postal Service: First-Class Mail®, Post Office™, Parcel Post® Postal Service™, Standard Mail®United States Postal Service®, U.S. Mail™, U.S. Postal Service®, USPS®. This is not a comprehensive list of all Postal Service trademarks.

II. CORE COMPONENTS OF THE NETWORK RATIONALIZATION PLAN

A. AIR MAIL CENTER CLOSURES

A total of 12 postal Air Mail Centers (AMCs) were closed in fiscal year 2008. As explained on pages 17-21 of the June 2008 Network Plan, operations at many of these facilities have been made redundant by changes in the handling of mail subject to transportation by air. In each instance, postal mail processing operations were relocated to other facilities. Four AMC closures have been implemented since the Network Plan was submitted. These facilities were located in or near Dallas TX, Jacksonville FL, Fort Myers FL and Salt Lake City UT. These closures avoid the unnecessary expense of leasing and maintaining facilities on costly airport property. As indicated in the Network Plan, the Postal Service intends to continue AMC closures through 2009 and expects an estimated \$113 million in savings from the entire AMC closure program.

B. AREA MAIL PROCESSING CONSOLIDATIONS

Pages 21-30 of the Network Plan describe the Postal Service's Area Mail Processing (AMP) guidelines and procedures for identifying, analyzing and approving opportunities for the consolidation of local mail processing plant operations throughout its network. AMP consolidations are a critical element of the Network Plan. In 2008, the Postal Service initiated the consolidation of originating operations at the St. Petersburg FL mail processing plant into the Tampa FL plant, approximately 20 miles away.¹ An annual expected savings of \$4.7 million is projected to result from the transfer of operations from St. Petersburg, including cancellation of stamped First-Class Mail from collection boxes plus the sortation and dispatch of outgoing mail. The Postal Service will conduct periodic post-implementation reviews (PIRs) of the St. Petersburg consolidation to monitor the achievement of projected cost savings.

During FY 2008, final post-implementation reviews were completed on four previously implemented AMP consolidations: Newark NJ to DV Daniels NJ and Northern NJ Metro; Pasadena CA to Santa Clarita CA; Monmouth NJ to Trenton NJ and Kilmer NJ; and Greensburg PA to Pittsburgh PA. The PIRs validated that the savings targets were achieved.

¹ Originating operations are those associated with the acceptance and initial processing of mail that, for example, is either tendered at postal retail windows or bulk entry units, or is deposited in street corner collection boxes. Irrespective of the geographic location of the origin and destination of a mail piece, generally speaking, originating processing marks the beginning stages of its journey in the mail stream.

Analysis of other potential future mail processing plant operational consolidation opportunities was underway at the conclusion of FY 2008 and is ongoing. The FY 2009 annual report can be expected to provide an update on subsequent AMP progress.

The Government Accountability Office (GAO) recently reported to the United States House of Representatives and U.S. Senate Appropriations Subcommittees on Financial Services and General Government regarding the Postal Service's improved AMP guidelines and communications plan. See, *Progress Made Toward Implementing GAO's Recommendations to Strengthen Network Realignment Planning and Accountability and Improve Communication* (GAO-08-1134R: September 25, 2008). This report was a follow-up to GAO studies in 2005 and 2007 which evaluated the Postal Service's network realignment plans and processes; it also included a detailed review of the USPS Handbook PO-408: *Area Mail Processing Guidelines*, which had been comprehensively revised in March 2008.² The September 2008 GAO report found that the Postal Service has taken steps to address the GAO's earlier recommendations for strengthening the planning and accountability for its network realignment and mail processing consolidation efforts. In addition, the report found that significant steps had been taken to improve communications with postal stakeholders, allowing for improved public notification, engagement, and transparency.

C. BULK MAIL CENTER TRANSFORMATION

The third element of the Network Plan is the evaluation of alternatives to ensure that the Postal Service's Bulk Mail Center (BMC) network remains responsive to evolving customer needs. See June 2008 Network Plan at 30-34. The BMC network was designed over three decades ago to accommodate end-to-end surface transportation and processing of parcels and bulk mail. Postal customer mail entry patterns and use of the surface network have changed significantly over time. In the past, most Parcel Post and Standard Mail was deposited at origin and transported by the Postal Service to its destination. However, by 2007, 52 percent of Parcel Post was dropped at destination delivery units and 45 percent of Standard Mail was dropped at destination processing plants, bypassing postal BMC processing completely.

² A top-down approach for initiating an AMP feasibility study was added to the traditional bottom-up approach for identifying opportunities for operational consolidation and improved efficiency. The revised AMP guidelines assure accountability at all levels of postal management and utilize standardized analytical tools in creating the business case for consolidation. Other additions to the handbook involved improvements to the post-implementation review process. To convey clear and timely information on AMP consolidations to stakeholders, the AMP Communications Plan was also revised. There were several improvements such as rewriting notification templates, scheduling the public meeting earlier in the process and increasing stakeholders access to AMP information through the internet (<http://www.usps.com/all/amp.htm>).

As indicated in the June 2008 Network Plan, the Postal Service conducted market research to better understand industry best practices and capabilities that could help address postal needs for distribution and long-haul surface transportation. The Postal Service is currently evaluating alternatives to leverage these industry best practices within its own network and plans to test various network concepts in mid-2009.

III. CONCLUSION

In the three months of fiscal year 2008 remaining after the submission of its PAEA § 302 Network Plan to Congress in June, the Postal Service took significant steps toward implementation or further development of these key network initiatives. The need to analyze opportunities for network rationalization continues to be a high priority of postal management. Building on its previous successes, the Postal Service is committed to making its mail processing and transportation networks more efficient, economical, and environmentally sound. As this effort progresses, the Postal Service will follow its well-established processes for keeping external stakeholders and local communities informed and for providing opportunities for public input. The Postal Service will continue to work closely with its employee unions and associations. Further progress will be discussed in the FY 2009 annual report.