



Report to the Chairman, Committee on
Oversight and Government Reform,
House of Representatives

May 2014

U.S. POSTAL SERVICE

Delivery Mode Conversions Could Yield Large Savings, but More Current Data Are Needed

This report was revised on May 12, 2014. A sentence in the GAO Highlights was corrected to read as follows: “USPS officials estimate a new study could be conducted to replace the 1994 study for a total of about \$100,000 to \$750,000, depending on the extent of the study.”

GAO Highlights

Highlights of [GAO-14-444](#), a report to the Chairman, Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

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. Mail delivery is USPS's largest cost area, totaling about \$30 billion annually. Although USPS lacks authority to make certain changes that could reduce costs, it does have the authority to convert from more expensive to less expensive delivery modes.

GAO was asked to examine potential cost savings and issues related to delivery conversion. This report discusses: (1) the estimated costs of each delivery mode and potential savings associated with converting to less costly modes and (2) USPS actions to convert to less costly delivery modes and any impediments to conversions. GAO obtained and analyzed USPS estimates from fiscal years 1994 through 2012 on delivery mode costs as well as potential savings from conversions to less costly modes and determined that the estimates have limitations, which we discuss in the report. GAO also interviewed officials from USPS and mailing industry stakeholders.

What GAO Recommends

GAO recommends that USPS collect updated data on delivery mode costs and the potential savings of converting to less costly modes of delivery and establish a time frame for publicly reporting the results. USPS agreed with the recommendation.

View [GAO-14-444](#). For more information, contact Lorelei St. James at (202) 512-2834 or stjamesl@gao.gov.

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U.S. POSTAL SERVICE

Delivery Mode Conversions Could Yield Large Savings, but More Current Data Are Needed

What GAO Found

The U.S. Postal Service (USPS) estimates of delivery mode costs and potential savings from converting to less costly modes show that door-to-door delivery is much more costly than delivery to a curbside or centralized mailbox and that USPS could achieve large savings by mandating large-scale conversions from door delivery to other modes. For fiscal year 2012, USPS estimated average annual costs of about \$380 per delivery point for door delivery, compared with about \$240 for delivery to the curb, and about \$170 for delivery to a central location. USPS also estimated potential ongoing savings of over \$2 billion annually from mandating conversion of about one-third of door deliveries to other modes. However, USPS's estimates of these specific costs and savings have limitations, in part because they rely on data from a 1994 USPS study. In lieu of current data, USPS adjusted the 1994 data according to increases in the Consumer Price Index—an adjustment that may not have been the same as changes in USPS delivery costs, which are affected by factors such as increases in postal wage rates, postal benefit costs, and gasoline prices. USPS officials estimate a new study could be conducted to replace the 1994 study for a total of about \$100,000 to \$750,000, depending on the extent of the study. Without current information on costs of delivery modes and on potential savings through delivery conversions, USPS and lawmakers may not have an accurate understanding of the impact of delivery mode changes on which to base their decisions.

USPS has taken some actions to shift door deliveries to less costly delivery modes on a voluntary basis, but it faces stakeholder resistance and other impediments to mandatory conversions. USPS revised its regulations in April 2012 specifying that USPS determines the mode of delivery for new addresses and that new addresses must receive less costly modes, such as centralized delivery, unless USPS approves an exception. Additionally, USPS implemented voluntary business conversions in fiscal year 2013. USPS reported that 43,333 out of about 5.6 million business door delivery points—or about 0.8 percent—were voluntarily converted in fiscal year 2013. USPS has set a modest goal of about 35,000 additional voluntary business conversion goals for fiscal year 2014. USPS also converted about 36,302 out of about 32.2 million residential door delivery points—or about 0.1 percent—to centralized delivery on a voluntary basis in fiscal year 2013. Through the voluntary conversion process, customers on a route may choose to maintain door delivery, reducing the number of conversions and lowering potential savings. Large-scale mandatory conversions have the potential to achieve large savings. However, USPS is reluctant to mandate conversions. There is some evidence that USPS would face resistance from customers, USPS employees, and mailing industry stakeholders if it were to implement mandatory conversion of delivery to less costly modes. Stakeholder concerns include personal safety, mail security, and difficulty finding suitable urban locations for boxes to deliver mail to a curbside or centralized location.

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Abbreviations

CBU	Cluster Box Unit
CPI-U	Consumer Price Index for All Urban Consumers
DRIVE	Delivering Results, Innovation, Value and Efficiency
NDCBU	Neighborhood Delivery and Cluster Box Unit
USPS	U.S. Postal Service
USPIS	U.S. Postal Inspection Service

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May 12, 2014

The Honorable Darrell Issa
Chairman
Committee on Oversight and Government Reform
House of Representatives

Dear Mr. Chairman:

The U.S. Postal Service (USPS) is required to fulfill its mission of providing prompt, reliable, and efficient nationwide service to the public while remaining financially self-sustaining. However, for the past several years, USPS has been facing serious fiscal challenges, has insufficient revenues to cover its expenses,¹ and has stated that it must continue to cut costs and improve efficiency to remain viable. In fiscal year 2013, USPS delivered mail to a network of more than 150 million delivery points; mail delivery represents USPS's largest cost area, totaling about \$30 billion annually out of its total expenses of about \$72 billion in fiscal year 2013, while consuming about half of its work hours. Delivery expenses are subject to cost pressures from increasing postal wage rates, rising costs of employee benefits, and continued growth in the number of delivery points in USPS's network, according to USPS data. USPS is bound by specific legal and other restrictions that limit its ability to make certain business decisions to reduce its delivery expenses, such as moving from 6-day delivery to 5-day mail delivery with 6-day package delivery—a change USPS estimated could reduce its annual expenses by about \$2 billion on an ongoing basis.² However, it does have the flexibility to revise its regulations to make changes from more costly to less costly

¹See for example, GAO, *U.S. Postal Service: Action Needed to Address Unfunded Benefit Liabilities*, [GAO-14-398T](#) (Washington, D.C.: Mar. 13, 2014); and *U.S. Postal Service: Health and Pension Benefits Proposals Involve Trade-offs*, [GAO-13-872T](#) (Washington, D.C.: Sept. 26, 2013).

²See GAO, *U.S. Postal Service—Applicability of Appropriations Act Provision Under Continuing Resolution*, B-324481 (Washington, D.C.: Mar. 21, 2013). A provision in the Consolidated Appropriations Act, 2014 provides “[t]hat 6-day delivery and rural delivery of mail shall continue at not less than the 1983 level.” Pub. L. No. 113-76, 127 Stat. 5. Congress has enacted a similar provision for many years.

modes of delivery.³ The most expensive delivery mode is directly to the customer's door, primarily because of the added personnel expense when compared to USPS's other modes, such as to a customer's curbside mailbox. To capture potential savings, proposed postal reform legislation has included provisions to reduce door delivery.⁴ In this context you asked us to examine potential cost savings and related delivery conversion issues. This report discusses (1) the estimated costs of each delivery mode and potential savings associated with converting to less costly delivery modes, and (2) USPS actions to convert delivery modes to less costly modes, and any impediments to conversions.

To ascertain the cost of each delivery mode and the potential savings from delivery mode conversions, we obtained USPS data and supporting documentation on the costs of different mail delivery modes from fiscal years 2008 through 2012. In addition to the cost data, USPS generated several scenarios with estimates of potential savings from converting specific numbers of delivery points⁵ from door delivery to less costly modes. We obtained USPS documentation and interviewed USPS about the methodology used to develop the estimates and asked specific questions about reliability and limitations of the data used to calculate the estimates. We determined that these were the only data available and have limitations for estimating delivery costs and potential savings, which we discuss in the report. To determine USPS's actions to convert delivery modes to less costly modes, we obtained USPS data from fiscal years 2008 through 2013 and the number of delivery points using each mode of delivery and the number of conversions in fiscal year 2013. To determine any impediments to increased reliance on these delivery modes, we obtained USPS documentation related to its conversion efforts, and interviewed its headquarters and field officials, postal unions representing city and rural letter carriers, and a broad cross-section of organizations representing the mailing industry. We also interviewed U.S. Postal

³The primary modes of mail delivery are defined by the type and location of mail receptacles and include door delivery to door slots and receptacles near the door, curbside delivery to mailboxes at the curb, and centralized delivery to cluster box units, Neighborhood Delivery and Collection Box Units, and other centrally located mail receptacles such as apartment house mailboxes.

⁴H.R. 2309 § 214, 112th Cong. (2011); S. 1789 § 205, 112th Cong. (2011); H.R. 2748 § 102, 113th Cong. (2013); S. 1486 § 205, 113th Cong. (2013).

⁵USPS maintains data on the number of delivery points rather than addresses. A delivery point can include multiple addresses.

Inspection Service officials to obtain information on mail security issues. Further details on our scope and methodology appear in appendix I.

We conducted this performance audit from June 2013 to May 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.

Background

According to USPS data, in fiscal year 2013, USPS delivered mail to a network of more than 150 million delivery points, including 133 million delivery points served by more than 230,000 career carriers that comprised almost half of the career workforce.⁶ In addition, USPS employed more than 75,000 non-career carriers who were mostly part-time employees, such as substitute carriers on rural routes. Mail delivery is USPS's largest cost area, comprising 41 percent of total costs in fiscal year 2013. The extent to which USPS uses each mode of delivery and the mode's associated costs play a substantial role in USPS's overall financial condition.

USPS uses three basic modes for residential and business mail delivery:

- *Door delivery* includes delivery to mail slots in the door as well as mailboxes attached to houses and delivery made to businesses such as delivery to mail slots in the door, mailboxes attached to the business near the door, or locations within office buildings. Door delivery is the most costly because the carrier must walk from door to door, which is often the case on foot routes or park-and-loop routes.⁷
- *Curblin delivery* (also referred to as curbside delivery) includes delivery to curblin mailboxes that are commonly used on routes serving residential customers, such as those living in rural and

⁶About 20 million delivery points were Post Office Boxes, other forms of box delivery, and customer pickup of bulk mail from USPS facilities, among other things.

⁷Foot routes involve mail delivery without a vehicle; on park-and-loop routes, a letter carrier parks the vehicle and walks out and back over one or more streets, delivering mail away from and looping back to the vehicle.

suburban areas. Curblin mailboxes are typically unlocked mail receptacles on a post.⁸ USPS regulations require curblin mailboxes to be located at the curb where they can be efficiently, safely, and conveniently served by the carrier from the carrier's vehicle, and so that customers have reasonable and safe access. Curblin delivery is less costly than door delivery, as it takes less time for the carrier to move between curblin mailboxes, particularly when the carrier can load mail into the mailbox directly from the delivery vehicle.

- *Centralized delivery* is provided to centrally-located mail receptacles, such as apartment house mailboxes and cluster box units. Both wall mounted and cluster box units can be installed to service both residential and business delivery. Cluster boxes are generally pedestal-mounted units located outdoors with individually locked mail receptacles for each delivery point. Cluster boxes and apartment house mailboxes have become more secure over time, as USPS developed and implemented regulations for higher security standards for manufacturers. The newer Cluster Box Units (CBUs) also include locked receptacles for parcels and outgoing mail, unlike older Neighborhood Delivery and Cluster Box Units (NDCBU). This mode of delivery is also less costly than door delivery as it takes less time to service a cluster box than to walk from door to door, particularly when the carrier can drive between cluster boxes.

Figure 1 shows the types of mail receptacles commonly used for each major mode of delivery.

⁸USPS regulations allow locked curblin mailboxes. Curblin mailboxes can contain mailboxes for multiple addresses sharing the same post. Mailboxes serving two addresses are known as "dual delivery."

Figure 1: Mail Receptacles



Door slot



Mailbox attached to house



Curbline mailbox



Cluster Box Unit (CBU)



Covered CBU



Neighborhood Delivery and Collection Box Unit (NDCBU)



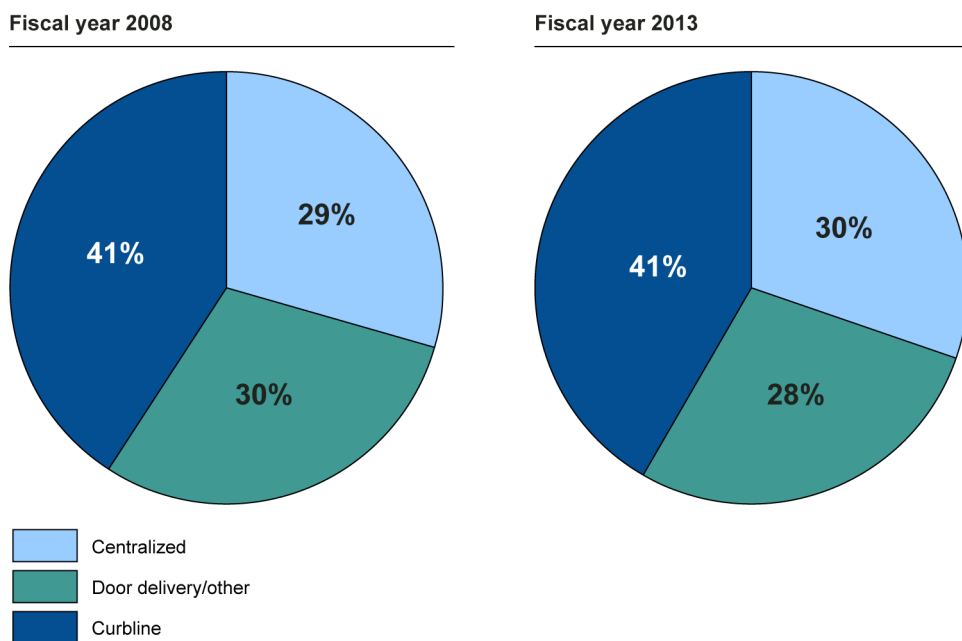
Apartment house mailboxes

Sources: GAO; © 2013 USPS, all rights reserved (door slot, curbline mailbox, Cluster Box Unit (CBU) and covered CBU images).

According to USPS data, in fiscal year 2013 about 41 percent of existing delivery points received curbline delivery, about 30 percent received centralized, and about 28 percent had other modes, which primarily

consist of door delivery. These percentages have changed little over the past 5 years (see fig. 2).⁹

Figure 2: Percentage of Delivery Points by Mode, Fiscal Years 2008 and 2013



Source: USPS.

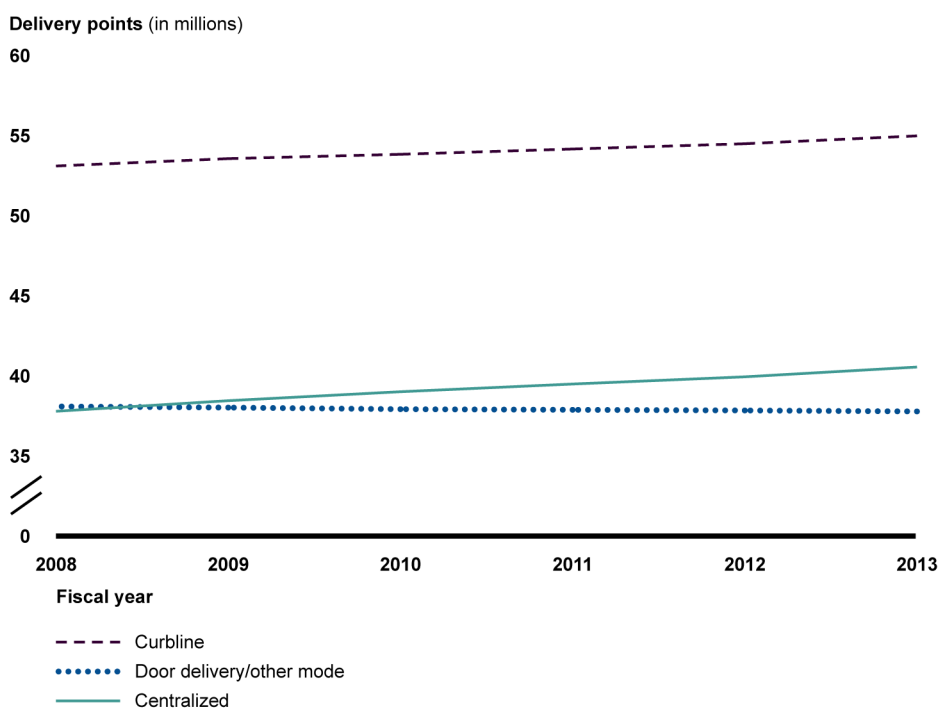
Note: Most door delivery/other delivery points receive door delivery, according to USPS officials.

From fiscal years 2008 to 2013, the total number of door delivery points declined by about 308,000—including about 287,000 residential door delivery points, and about 21,000 business door delivery points—leaving about 32.2 million residential door delivery points and about 5.6 million business delivery points (see fig. 3). According to a USPS official, these changes mostly reflect redevelopment, such as replacement of older homes that had door delivery with new apartment buildings with centralized delivery, and new business developments such as office parks and strip malls. While the number of door delivery points declined

⁹Other modes of delivery also include delivery to mailboxes at locations other than the door, such as along sidewalks where mailboxes are located a distance from the front door. For the purposes of this report, we refer to this category of “door/other” as door delivery.

by 1.2 percent from fiscal years 2008 to 2013, the number of curblines and centralized delivery points—the primary modes of delivery—increased by 0.1 percent and 1.1 percent respectively. From fiscal years 2008 to 2013, the number of centralized delivery points increased by 2.8 million, while the number of curblines delivery points increased by 1.9 million. See appendix II for details on the number of delivery points for each mode in fiscal years 2008 through 2013.

Figure 3: Number of Delivery Points for Each Mode, Fiscal Years 2008 through 2013



Source: USPS.

USPS is required to provide prompt, reliable, and efficient services to patrons in all areas.¹⁰ USPS has the flexibility to revise its regulations to convert delivery points from more costly to less costly modes of delivery, and postal statutory provisions provide that USPS is required to fulfill its mission by operating an efficient delivery network. USPS is specifically

¹⁰39 U.S.C. § 101(a).

required to plan, develop, promote, and provide adequate and efficient postal services at fair and reasonable rates and fees.¹¹

USPS Data Have Limitations, but USPS Estimates Large Potential Savings from Large-Scale Delivery Mode Conversions

USPS estimates of delivery mode costs and potential savings from converting to less costly modes have limitations because they rely on cost estimates and data from a 1994 USPS study. USPS increased these 1994 cost estimates for each mode of delivery by 55 percent, based on the total percent change in the Consumer Price Index for All Urban Consumers (CPI-U) from fiscal year 1994 to 2012, which may not have been the same as changes in USPS delivery costs. USPS estimates updated through fiscal year 2012 based on the 1994 data show door delivery costs greatly exceed costs for other modes of delivery. USPS officials stated that although many aspects of postal operations have changed over the past 20 years, the manner in which a carrier delivers mail on the street has changed little. USPS's estimated costs of door delivery were about 160 percent higher than curbside delivery and estimated door delivery costs were more than double that of centralized delivery. Based on the differences in delivery mode costs, USPS estimates that it could realize large savings from large-scale mandatory conversions of both residential and business delivery points from costly door delivery. We determined that these were the only data available and have limitations for estimating delivery costs and potential savings. However, these estimates may not be the best source to inform decisions about conversion approaches, as estimates based on updated data may yield differing results.

USPS Delivery Mode Cost and Savings Estimates Have Limitations

USPS estimates of delivery mode costs and potential savings from converting to less costly modes have limitations because they rely on cost estimates and data from a 1994 USPS study.¹² The study collected data on the time postal employees used to prepare and deliver mail for each mode of delivery. These data were then combined with postal wage and benefit cost data, as well as other data (e.g., delivery vehicle costs), to estimate the costs for each mode of delivery. In lieu of current data, USPS increased these 1994 cost estimates for each mode of delivery by

¹¹39 U.S.C. § 403(a).

¹²USPS, *City Delivery Cost of Delivery Study* (Washington, D.C.: Feb. 1995). Data for this study were collected from July to September 1994.

55 percent, based on the total percent change in the Consumer Price Index for All Urban Consumers (CPI-U) from fiscal year 1994 to 2012. (See app. III for further details on USPS's methodology for conducting this study.) Because CPI-U is a measure of inflation for the U.S. economy, changes in CPI-U over this period of time may not have been the same as changes in USPS delivery costs, which are affected by factors such as postal wage rates, postal benefit costs, and gasoline prices. In fact, according to USPS officials, key delivery-related costs increased more than inflation from 1994 to 2012.¹³ These cost increases may have been offset by gains in postal productivity, such as automated mail sorting by delivery sequence, which reduces the amount of carrier time needed for manual sorting,¹⁴ so it is unclear whether USPS's estimates are generally understated or overstated.

Another potential weakness in the estimates is USPS's application of the same 55 percent increase in the 1994 data for the cost of each delivery mode—a method that assumes that the cost for each delivery mode increased at the same rate from fiscal years 1994 to 2012. Available evidence suggests this assumption may not be correct. According to USPS, since the original study was conducted, it has adopted work rules that disproportionately increase the cost of door delivery. For example, to comply with current collective bargaining agreement work rules, city postal carriers must manually collate some advertising mailing before loading it into satchels to carry on foot routes and park-and-loop routes, which are largely door delivery, according to USPS.¹⁵ This work rule does not apply to motorized routes, such as curblines where carriers load mailboxes from the delivery vehicle. In addition, to the extent that some modes of delivery are more labor intensive than others, the actual increase in USPS wage and benefit costs from fiscal years 1994 to 2012 may have affected the costs of some delivery modes more than others.

¹³For example, the compensation and benefits rates for city carriers and gasoline prices increased faster than CPI-U from 1994 to 2012.

¹⁴See GAO, *U.S. Postal Service: Actions Needed to Strengthen the Capital Investment Process*, [GAO-14-155](#) (Washington, D.C.: Jan. 7, 2014) and GAO, *U.S. Postal Service: Mail Delivery Efficiency Has Improved, but Additional Actions Needed to Achieve Further Gains*, [GAO-09-696](#) (Washington, D.C.: July 15, 2009).

¹⁵The work rule specifies that city letter carriers on foot routes and park-and-loop routes will not be required to carry more than three bundles of mail pursuant to USPS's collective bargaining agreement with the National Association of Letter Carriers, which represents city carriers.

Government auditing standards state that managers are responsible for providing reliable, useful, and timely information for transparency and accountability of programs and their operations.¹⁶ Legislators, oversight bodies, and the public need to know whether or not government services are provided effectively, efficiently, and economically.¹⁷ This standard is particularly relevant because pending postal reform legislation in the House and Senate would mandate the conversion of some delivery points from door delivery to centralized or curblines delivery.¹⁸ Furthermore, the administration's budget for fiscal year 2015 also proposes "allowing the Postal Service to begin shifting to centralized and curbside delivery where appropriate."¹⁹ Internal controls for federal agencies state that financial information is needed to support operating decisions, monitor performance, and allocate resources.²⁰ Without such information on costs of modes and on potential savings through delivery conversions, USPS and lawmakers may not have an accurate understanding of the impact of delivery mode changes on which to base their decisions.

USPS officials told us that its estimates of delivery mode costs and potential savings "have validity" despite the use of the inflation adjustment in lieu of updated data. USPS officials stated that although many aspects of postal operations have changed over the past 20 years, the manner in which a carrier delivers mail on the street has changed little. However, USPS officials also acknowledge the weakness of USPS's delivery mode data. USPS estimates the cost of a new delivery study using ongoing operational data at \$75,000 to \$100,000, and the cost of a more

¹⁶GAO, *Government Auditing Standards: 2011 Revision*, [GAO-12-331G](#) (Washington, D.C.: December 2011).

¹⁷ [GAO-12-331G](#).

¹⁸See H.R. 2748, § 102, 113th Cong. (2013); S. 1486, § 205, 113th Cong. (2014). The House bill would, among other things, require the phase out of most door delivery, including conversion of at least 30 million door delivery points to more cost-effective delivery modes by the end of fiscal year 2022, as well as conversion of business addresses with door delivery to centralized delivery to the maximum extent feasible, and where not feasible, to curbside delivery. The Senate bill would, among other things, require conversions of business addresses with door delivery to centralized or curbside delivery. Both bills also have provisions for voluntary delivery mode conversion.

¹⁹Office of Management and Budget, *Fiscal Year 2015 Appendix: Budget of the U.S. Government*, p. 1362 (Washington, D.C.: Mar. 4, 2014).

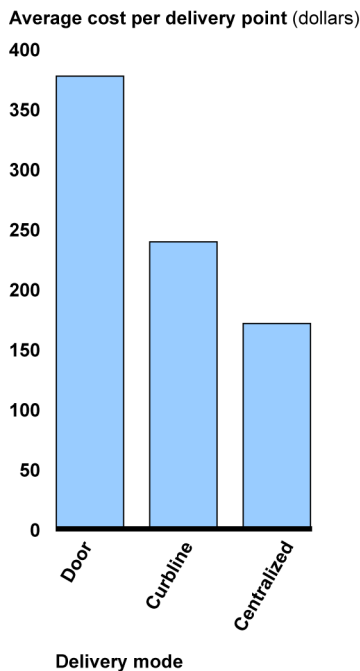
²⁰GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

extensive study collecting new data at \$250,000 to \$750,000. Mail delivery represents the largest cost area relative to USPS's annual expenses of approximately \$72 billion, and updating the 1994 study would be relatively low cost compared to those expenses. Without a current delivery cost study, USPS may be less able to determine accurate cost savings from various delivery mode conversion scenarios.

USPS Estimates Large Cost Differences among Different Delivery Modes

USPS estimates updated through fiscal year 2012 based on the 1994 data show door delivery costs greatly exceed costs for other modes of delivery. Estimated costs of door delivery were about 160 percent higher than curbline delivery and estimated door delivery costs were more than double that of centralized delivery. Specifically, USPS estimated that its delivery costs in fiscal year 2012 ranged from about \$380 annually for the average door delivery point to about \$240 for curbline delivery and about \$170 for centralized delivery such as cluster boxes and apartment house mailboxes (see fig. 4).

Figure 4: USPS Estimates of the Average Annual Average Delivery Costs for Each Mode of Delivery, Fiscal Year 2012



Source: USPS.

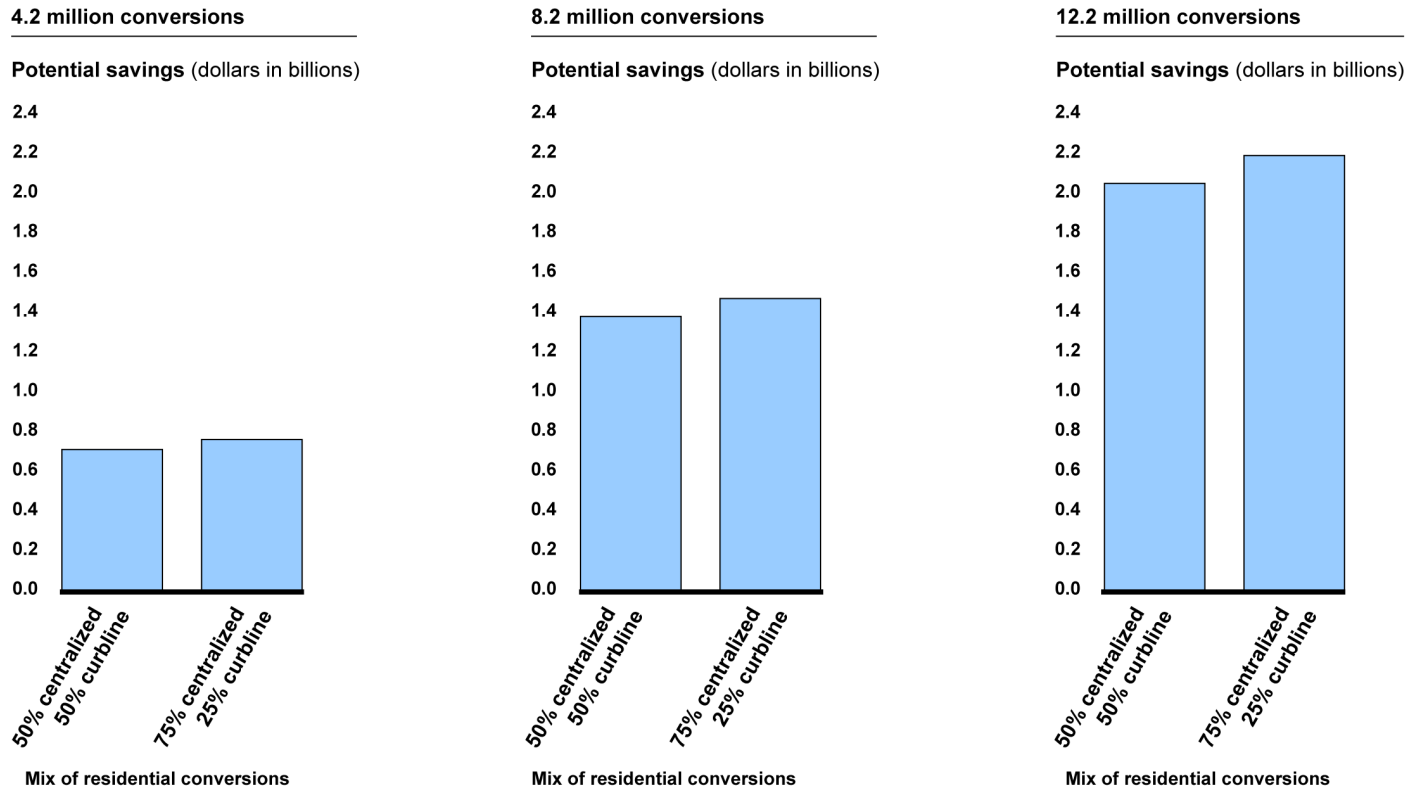
Note: USPS's estimated cost for each delivery mode in fiscal year 2012 is based on USPS data for fiscal year 1994; USPS increased the 1994 estimates by 55 percent based on the total percent

change in the Consumer Price Index for All Urban Consumers from 1994 through 2012. These USPS estimates have limitations but are the most recent USPS estimates and the only available data on delivery mode costs. See appendix III for more information.

USPS Estimates Large Potential Savings from Mandatory Conversion of Residential and Business Delivery Points to Less Costly Modes

Based on the differences in delivery mode costs, USPS provided us with estimates showing that it could realize large savings from large-scale mandatory conversions of both residential and business delivery points from costly door delivery even as it continues to add new delivery points every year. For example, there were about 770,000 new delivery points added in fiscal year 2013, an increase of about half of 1 percent from fiscal year 2012 levels. Specifically, USPS estimates that potential ongoing annual savings exceeding \$2 billion could be achieved by mandatory conversion of 12.2 million door delivery points over the next decade to a mix of centralized and curblines boxes (see fig. 5). This level of conversion is about one-third of the 38 million door delivery points and would still provide future opportunities to realize savings from additional conversions. About 85 percent of these conversions would be residential and 15 percent would be business delivery points. Based on USPS's schedule for these conversions, the potential savings would be realized in the first full fiscal year after full implementation—fiscal year 2024—and every following fiscal year. USPS also estimated proportionately smaller savings from less extensive mandatory conversions (see fig. 5). We determined that these were the only data available and have limitations for estimating delivery costs and potential savings. However, these estimates may not be the best source to inform decisions about conversion approaches, as estimates based on updated data may yield differing results.

Figure 5: USPS Estimates of Potential Ongoing Annual Savings after Converting Door Delivery to Less Costly Delivery Modes in Fiscal Years 2014 to 2023



Source: GAO analysis of USPS data.

Notes: The savings shown in this figure are the ongoing annual savings after all delivery points are converted to a less costly mode and do not include any one-time conversion costs. The scenarios based on 4.2 million conversions include 500,000 conversions per year for fiscal years 2016 through 2023; scenarios based on 8.2 million conversions include 1 million annual conversions over this period; and scenarios based on 12.2 million conversions include 1.5 million annual conversions over this period. Residential conversions comprise about 85 percent of these conversions. In addition, each USPS estimate of potential savings includes conversion of 35,000 business delivery points in fiscal year 2014 from door delivery to centralized delivery, as well as 200,000 residential and business delivery points in fiscal year 2015 from door delivery to a mix of centralized and curblines delivery.

All estimates were developed by USPS. These data and its resulting estimates have limitations. The estimates of fiscal year 2012 delivery mode costs are based on fiscal year 1994 delivery mode costs collected by USPS's 1994 cost of delivery study that USPS adjusted for inflation using the Consumer Price Index for All Urban Consumers (CPI-U). Annual reductions in delivery mode costs were based on USPS estimates of the difference in fiscal year 2012 costs for each mode of delivery. USPS estimates of potential savings from conversions of door delivery to centralized delivery were based on annual reductions in delivery costs of \$205 per delivery point, which were partially offset by annual costs of \$15 per delivery point to maintain cluster boxes for converted delivery points. USPS estimates of potential savings from conversions from door delivery to curblines delivery were based on annual reductions in delivery costs of \$138 per delivery point. Based on available data, USPS estimated the same potential savings per delivery point for business and residential deliveries. Potential savings are largely comprised of wages and benefits.

According to USPS officials, its estimates are based on what they could reasonably accomplish with a deliberate pace of mandatory conversions that would be feasible for postal operations and customers. USPS officials told us that this pace—converting up to 1.5 million delivery points annually—would enable them to realign delivery routes to achieve ongoing savings from modes of delivery that are less labor intensive. Based on this pace, USPS officials said they could achieve sufficient savings to recoup costs to buy and install cluster boxes within the same year.²¹

To understand how USPS estimates it could realize these savings, it is important to understand how the changes would reduce USPS's workload and how this would translate into lower USPS costs. Conversion of delivery points from door to curblines and centralized delivery would reduce the time required to organize and deliver the mail. Motorized routes with centralized and curblines delivery require less of a carrier's time than walking from door to door. Reducing carrier workload through mandatory conversions could enable USPS to reorganize delivery into smaller numbers of routes, with each route including a larger number of delivery points. The resulting decrease in the number of routes could help reduce the number of carriers needed to fulfill delivery needs. USPS has historically reduced its workforce through attrition and has no-layoff provisions in its collective bargaining agreements with its four major postal unions. In this regard, large numbers of career carriers are expected to retire in the coming years. In addition to realigning delivery routes, our prior work has found that USPS can use established work methods for accomplishing delivery to a given geographic area with fewer carriers.²² Further, USPS could adjust to lower carrier workload by reducing overtime as well as the number of hours worked by carriers with flexible schedules. In this regard, most door delivery is made to city delivery routes served by city carriers. The average hourly wage and benefit costs of all city carriers, including career and non-career employees, exceeds \$41 per hour, according to USPS data.

²¹USPS estimated it would cost about \$73 per delivery point to buy and install cluster boxes, which could be recouped in less than 5 months based on the ongoing savings from more efficient delivery.

²²For example, USPS often divides up an unstaffed route among multiple carriers who each cover a part of this route in addition to their regular route—a work method that is used to augment the work of some carriers with less than 8 hours of workload on their route. See [GAO-09-696](#).

According to USPS officials, conversions from door delivery would also decrease the time and costs associated with organizing mail for delivery. For example, the organization of mail for delivery would take less time as it would no longer involve strapping bundles of mail to help keep it organized for carriers. The officials also said that, in cases in which delivery mode conversion enabled a foot route to convert to a motorized route, mail would no longer be prepositioned along those routes.²³ Additionally, USPS could avoid manual handling of some advertising mail for routes converted to motorized delivery.²⁴

USPS Has Taken Some Actions to Shift to Less Costly Delivery Modes but Faces Impediments

USPS Actions Include Changes in Delivery Policy and a Voluntary Conversion Program for Existing Business Delivery

In April 2012, USPS updated its policy regarding assigning delivery modes to new addresses. USPS revised its *Postal Operations Manual*—a regulation of the USPS pursuant to the Code of Federal Regulations²⁵—to specify that USPS determines the mode of delivery for new addresses. According to USPS officials, USPS used to provide for customer preferences as a factor in deciding on the mode of delivery. The revised *Postal Operations Manual* states that new business addresses must receive centralized delivery unless USPS approves an exception, and the modes approved for new residential delivery are curblin delivery,

²³USPS had 7,561 foot routes in fiscal year 2013, on which carriers delivered mail without a vehicle. Mail is prepositioned in boxes along foot routes because it exceeds what carriers can carry when leaving the office.

²⁴USPS's collective bargaining agreement for city carriers restricts the carrying of mail to a maximum of three bundles on foot routes and on park-and-loop routes (for which a letter carrier parks the vehicle and walks out and back over one or more streets, delivering mail away from and looping back to the vehicle), which can require additional handling of advertising mail so it is not in a separate bundle.

²⁵The *Postal Operations Manual* is a regulation of the USPS pursuant to the Code of Federal Regulations. 39 C.F.R. § 211.2(a)(2).

centralized delivery, and sidewalk delivery, unless an exception is granted or the new address area is a continuation of an existing block.²⁶ The manual continues to provide that customers can request changes to their mode of delivery on a hardship basis, which USPS considers “where service by existing methods would impose an extreme physical hardship on an individual customer.”²⁷ Finally, the manual does not authorize USPS to implement delivery mode conversions on a mandatory basis. Instead USPS is required to obtain customer signatures to document that a delivery mode conversion is made on a voluntary basis before the delivery mode is changed.

In 2013, USPS implemented voluntary conversion for businesses as part of its Delivering Results, Innovation, Value and Efficiency (DRIVE) initiative.²⁸ In this effort, USPS provides conversion goals to its field officials who then identify specific businesses as candidates for conversion from door delivery to centralized delivery. USPS field officials told us that strip malls and high-rise office buildings receiving door delivery are good candidates for conversion because these delivery routes are labor intensive and the facilities could have suitable space to install a centralized mail receptacle. For example, in Chicago, USPS converted a high-rise office building, with mail delivered individually to all 50 tenant suites and twice a day mail pick-up, to centralized delivery and pickup.

However, the DRIVE program has not converted as many businesses from door delivery as originally expected, and large savings are not likely due to the low number of conversions that have occurred. According to a USPS official, USPS set an overall goal for the total number of conversions for each fiscal year starting with fiscal year 2013. For the first year, USPS set a nationwide goal of voluntary conversions of 279,718 of the approximately 5.6 million business door delivery points to centralized

²⁶Furthermore, in May 2013, USPS stated that carriers on motorized city routes should advise customers that they may use only approved curbside mailboxes when replacing mailboxes that are designed primarily for door delivery and that have been installed and serviced under previous regulations. See USPS, *Postal Bulletin* 22363, p. 4 (Washington, D.C.: May 16, 2013).

²⁷USPS, *Postal Operations Manual*, Section 631.42 (Washington, D.C.).

²⁸DRIVE is a portfolio of strategic initiatives to improve business strategy development and execution. DRIVE consists of 44 initiatives, one of which is “Optimize Delivery Operations.”

delivery. USPS achieved 43,333 such conversions, about 15 percent of its goal—or about 0.8 percent—of the about 5.6 million business door delivery points. USPS officials explained that based on the fiscal year 2013 results, they set a lower goal of 34,652 voluntary business conversions for fiscal year 2014. They reported 11,488 conversions in the first quarter—about 33 percent of their goal. This initiative is solely focused on business conversions, and USPS has not set any goals for converting residential door delivery points to different modes of delivery. USPS did achieve some voluntary residential conversions in fiscal year 2013. USPS reported 36,302 out of about 32.2 million residential door delivery points—or about 0.1 percent—were converted to centralized delivery.

As stated above, USPS’s potential savings estimates show that achieving large savings would require large-scale door delivery conversions. However, according to USPS officials, USPS has been reluctant to mandate conversions. Under the voluntary conversion process, customers on a route may choose to maintain door delivery, or a high number of customers may request and receive hardship exemptions for elderly persons or those with special needs, which would allow them to keep door delivery service, thus reducing the number of conversions and lowering potential savings. Furthermore, field officials we spoke with said that voluntary conversions are time consuming and labor intensive due to the amount of direct outreach and follow-up required, and a short-term cost increase may result from undertaking these efforts to generate long-term savings.

USPS Faces Stakeholder Resistance and Other Impediments to Conversions

Large-scale mandatory conversions have the potential to achieve large savings, but USPS faces impediments, such as customer inconvenience and safety and security concerns. USPS officials and several mailing industry stakeholders we spoke with told us that many postal customers are resistant to service changes, especially changes that might inconvenience them. USPS officials told us that some of the concerns could be addressed through hardship exceptions to continue door delivery. Stakeholders also said that service changes would particularly affect city letter carriers, by reducing the total number of carrier work hours and

associated routes.²⁹ However, USPS officials stated some customer concerns could diminish as they become accustomed to the new service.

Among the impediments to increased use of less costly modes were concerns raised about personal safety and mail security. Several mailing industry stakeholders we met with identified the placement of CBUs in convenient, well lit and secure areas as a means to ensure customer safety when accessing mail, especially in higher crime areas. USPS officials said they take placement of centralized delivery locations into consideration, as both carriers and customers are affected when a CBU is placed in an improper or unsafe location. For example, in Chicago, USPS officials said they converted existing door delivery in some areas of the city to centralized delivery to address the personal safety concerns of residents and mail carriers generated from increased crime rates in those areas of the city. Some stakeholders also noted mail security issues, such as the potential for increases in theft of mail from people picking up their mail or break-ins to centralized mail receptacles. Others indicated that there are opportunities to increase mail security by converting the mode of delivery from unlocked mailboxes, like those affixed near doors or many curblineline mail boxes, to CBUs with locked receptacles for mail and parcels. USPS officials told us that the new model CBUs are more secure than the old model NDCBUs, which are considered legacy equipment. The materials used to construct CBUs combined with design changes have improved the security of mail delivered to them.

Although USPS engineering officials told us they test the security of each type of cluster box and provide some guidance on door and curblineline mail receptacles, no data are available on the relative security of each receptacle type once they are put in place and in use. Data are collected on mail theft and convictions for mail theft and other mail security violations, but these data do not generally specify the type of mail receptacle involved in a mail theft or related incident. We met with officials of the U.S. Postal Inspection Service, which collects complaint data on lost or stolen mail, and they told us that while there are fields on the online form for mail receptacle type, these fields usually are not completed by the mail customer reporting the theft. Customers can also call a USPS help line or go to a post office in-person to report mail loss or

²⁹Rural carriers already deliver predominantly to curblineline or centralized delivery locations, and would see less change in routes with increased use of less costly modes.

theft, and often in those cases the mail receptacle data are not collected. U.S. Postal Inspection Service officials said that for their investigative purposes, the complaint does not need to include the receptacle type in order to pursue cases of lost or stolen mail. See appendix IV for available data on convictions for mail theft and other mail security violations.

Finally, according to USPS officials, there are places, such as densely populated urban areas, where it is difficult to find suitable locations for CBUs. This could make converting existing door delivery to centralized or curbside boxes that meet both customer needs and USPS requirements difficult. Field officials we spoke with in Washington, D.C., and Los Angeles, California, noted this concern. For example, a field official in Washington, D.C. noted that with extensive street parking and limited common space, it can be very difficult to find a suitable location for CBU units. A USPS official noted that if public space was not available for a CBU on a delivery route, gaining access rights to install one requires working with local governments and can be cumbersome.³⁰ He said that easements or other property access rights vary across localities and regions and some neighborhoods would not have sufficient or convenient space available for installation of CBUs. However, as shown in fig. 1, CBUs and other centralized delivery methods have a range of types and sizes that could be used to accommodate the available footprint and placement options.

Conclusions

USPS cost estimates for each mode of delivery and potential savings from converting door delivery points to other delivery modes are based on a 20-year-old study and are of questionable accuracy. Although USPS extrapolated fiscal year 1994 delivery mode costs to fiscal year 2012 by applying inflationary increases to the cost of each delivery mode, it is unclear whether this extrapolation reflects the actual change in postal costs, such as changes in carrier wage and benefits, which increased faster than inflation over this period. Because USPS productivity also increased, the accuracy of USPS's fiscal year 2012 cost estimates is unknown.

³⁰USPS has the power of eminent domain for the furtherance of its official purposes (39 U.S.C. § 401), but use of this power or other procedures to gain access rights was beyond the scope of our review.

USPS officials acknowledge the weakness of USPS's delivery mode data. We believe that accurate data are needed for Congress, USPS, and other stakeholders to understand the cost-saving potential for delivery mode conversions as compared with other savings options to improve USPS's financial viability. This is particularly relevant because pending postal reform legislation would mandate the conversion of some delivery points from costly door delivery to other modes. USPS's estimates of the cost of a new delivery study using ongoing operational data at \$75,000 to \$100,000, or a more extensive study at \$250,000 to \$750,000 do not seem cost prohibitive given USPS's annual expenses of about \$72 billion. Thus, we conclude that the benefits of obtaining current, reliable data on delivery mode costs would make the cost of doing so a worthwhile investment.

Recommendation for Executive Action

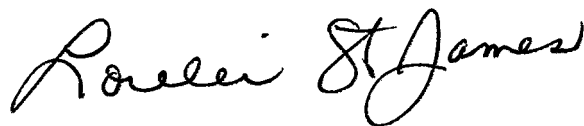
To improve information needed for USPS and congressional decision making as well as transparency for all stakeholders, we recommend that the Postmaster General and USPS's executive leaders collect and analyze updated data on delivery mode costs and the potential savings from converting delivery points to less costly modes of delivery and establish a time frame for publicly reporting the results.

Agency Comments

We provided a draft of this report to USPS for review and comment. USPS provided comments, which are reprinted in appendix V. USPS concurred with our recommendation and agreed that steps should be taken to improve the accuracy and reliability of delivery mode cost estimates and potential savings from converting delivery points to less costly modes of delivery. Further, USPS plans to initiate efforts to determine how to most efficiently capture cost data, create a project plan, and determine a timeline to produce results.

If you or your staff have any questions about this report, please contact me at 202-512-2834 or stjamesl@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff making key contributions to this report are listed in appendix VI.

Sincerely yours,

A handwritten signature in black ink that reads "Lorelei St. James". The signature is written in a cursive, flowing style.

Lorelei St. James
Director
Physical Infrastructure Issues

Appendix I: Scope and Methodology

To discuss the costs and potential savings associated with converting to less costly delivery modes, we obtained available U.S. Postal Service (USPS) data on the cost of each delivery mode from fiscal years 1994 through 2012, the most recent year for which data are available. We obtained USPS documentation on the assumptions and methodology used in developing these cost data. This documentation included a USPS report of the 1994 USPS study that measured the costs of each mode of delivery and the USPS methodology for increasing these costs by inflation to estimate delivery mode costs from fiscal years 1995 through 2012. We requested that USPS officials generate estimates, similar to those they created for Congress and USPS internal use, of the potential savings from increasing its reliance on less costly modes of delivery. We reviewed documentation of the assumptions, methodology, calculations, and underlying data for these estimates. We had extensive discussions with USPS officials regarding delivery mode cost and savings data, and obtained detailed written responses to follow-up questions regarding their reliability. We identified concerns with the quality of available USPS delivery mode cost and savings data. We interviewed USPS officials about the methodology used to develop the estimates and determined that these were the only data available and found the data to have limitations for estimating delivery costs and potential savings, which we discuss in the report. Further, we reviewed whether there were any opportunities to improve the quality of these data. USPS officials provided detailed written responses that identified such opportunities, including the scope, methodology, and estimated costs of a new USPS study to measure delivery mode costs, and USPS's views on the merits of such a study.

To discuss USPS's actions to convert delivery modes to less costly modes and any impediments to conversion, we reviewed pertinent USPS documentation, such as information on the Delivering Results, Innovation, Value and Efficiency (DRIVE) initiative, and interviewed USPS delivery operations officials and field officials, on USPS's efforts to promote voluntary conversion of some business addresses to less costly modes of delivery. We also obtained written responses from USPS officials and interviewed them on policies, regulations, and procedures that govern decisions when adding new delivery points and converting existing delivery points to a different mode of delivery. These interviews included USPS headquarters officials in the Washington, D.C., area and USPS field officials in Washington, D.C.; Chicago, IL; Seattle, WA; Los Angeles, CA; and Dallas and Coppell, TX. We selected these field locations to reflect different population densities and climates, near GAO headquarters and field offices, and geographically dispersed in five of the

seven USPS areas.¹ To describe the outcome of USPS actions regarding use of less costly delivery modes, we obtained USPS data on conversions of delivery points to less costly modes of delivery for fiscal year 2013 and the first quarter of fiscal year 2014, the only periods for which national data were available. We also obtained and reviewed USPS data on the number of delivery points for each mode of delivery for fiscal years 2008 through 2013. We obtained written responses regarding the reliability of these data, analyzed their consistency with other USPS data, and determined that they were sufficiently reliable for the purposes of this report. To identify any impediments to delivery mode conversions, we obtained written USPS responses, including some made in recent public proceedings, and interviewed USPS headquarters and field officials. In addition, we interviewed postal stakeholders, including postal unions representing city and rural letter carriers. We also interviewed 11 organizations representing different groups that use the mail in their business including Alliance of Nonprofit Mailers, American Catalog Mailers Association, Association for Magazine Media, Association of Postal Commerce, Direct Marketing Association, Greeting Card Association, Major Mailers Association, National Newspaper Association, Newspaper Association of America, Parcel Shippers Association, and Saturation Mailers Coalition. We also met with U.S. Postal Inspection Service officials to obtain information on mail security issues and discussed mail and identity theft generally, including complaints made to the Inspection Service in these areas. We obtained data on convictions for offenses related to mail theft maintained by the U.S. Postal Inspection Service and the USPS Office of Inspector General, obtained written and oral responses regarding data reliability, and determined the data were sufficiently reliable for the purposes of this report.

¹USPS is geographically organized into seven areas encompassing 67 districts. We interviewed USPS field officials in the following five areas: Northeast, Capital Metro, Great Lakes, Southern, Western, and Pacific; the other two areas are Northeast and Eastern.

Appendix II: USPS Delivery Points by Mode of Delivery

Table 1: Number of Delivery Points by Mode, Fiscal Years 2008 through 2013

	2009	2010	2011	2012	2013
Centralized					
Residential	36,567,630	37,130,000	37,582,835	37,985,896	38,530,290
Business	1,884,127	1,878,440	1,911,611	1,951,768	2,014,999
Total	38,451,757	39,008,440	39,494,496	39,937,664	40,545,289
Cluster Boxes^a					
Residential	16,076,364	16,372,539	16,625,058	16,870,394	17,245,125
Business	1,098,137	1,128,391	1,150,479	1,177,739	1,227,887
Total	17,174,502	17,500,930	17,775,537	18,048,133	18,473,012
Other Centralized^b					
Residential	20,491,265	20,757,461	20,957,777	21,115,502	21,885,165
Business	785,989	750,049	761,182	774,029	787,112
Total	21,277,255	21,507,510	21,718,959	21,889,531	22,072,277
Curblines					
Residential	52,051,869	52,319,114	52,629,946	52,945,733	53,418,107
Business	1,509,744	1,513,724	1,532,181	1,539,470	1,557,962
Total	53,561,613	53,832,838	54,162,127	54,485,203	54,976,069
Door Delivery / Other^c					
Residential	32,413,117	32,327,535	32,283,391	32,236,861	32,197,111
Business	5,602,973	5,591,276	5,594,909	5,602,351	5,580,933
Total	38,016,090	37,918,811	37,878,300	37,839,212	37,778,044
ALL MODES					
Residential	121,036,073	121,776,649	122,505,380	123,168,499	124,145,508
Business	8,993,387	8,983,440	9,029,542	9,093,580	9,153,894
Total	130,029,460	130,760,089	131,534,923	132,262,079	133,299,402
All Other Delivery Points^d					
Residential	15,597,884	15,739,698	15,894,089	15,994,517	15,882,717
Business	4,488,537	4,355,674	4,062,979	3,889,955	3,738,314
Total	20,086,421	20,095,372	19,957,068	19,884,472	19,621,031
Total Deliveries					

Appendix II: USPS Delivery Points by Mode of Delivery

	2009	2010	2011	2012	2013
Residential	136,630,500	137,516,347	138,390,262	139,163,007	140,028,225
Business	13,485,381	13,339,114	13,101,729	12,983,544	12,892,208
Total	150,115,881	150,855,461	151,491,991	152,146,551	152,920,433

Source: USPS.

^aCluster boxes include Cluster Box Units and Neighborhood Delivery and Cluster Box Units.

^bOther centralized delivery includes delivery to centralized locations such as apartment house mailboxes.

^cDoor delivery/other includes door delivery to mail slots, mailboxes near the door, and locations within office buildings, as well as other locations, such as along sidewalks. Most door delivery/other points receive door delivery, according to USPS officials.

^dAll other delivery points include various types of Post Office Boxes, delivery points where a university or other entity then provides final delivery to the recipient, and delivery points where the recipient picks up mail in bulk quantities such as remittance mail.

Table 2: Change in Number of Delivery Points by Mode, Fiscal Years 2008 through 2013

	Change from Fiscal year 2012-2013 (number)	Change from Fiscal year 2012-2013 (percentage)	Change from Fiscal year 2008-2013 (number)	Change from Fiscal year 2008-2013 (percentage)
Centralized				
Residential	544,394	1.4%	2,571,952	7.2%
Business	63,231	3.2%	184,983	10.1%
Total	607,625	1.5%	2,756,935	7.3%
Cluster Boxes^a				
Residential	374,731	2.2%	1,499,834	9.5%
Business	50,148	4.3%	168,985	16.0%
Total	424,879	2.4%	1,668,819	9.9%
Other Centralized^b				
Residential	769,663	3.6%	1,672,118	8.3%
Business	13,083	1.7%	15,998	2.1%
Total	182,746	0.8%	1,088,116	5.2%
Curblines				
Residential	472,374	0.9%	1,804,337	3.5%
Business	18,492	1.2%	75,215	5.1%
Total	490,866	0.9%	1,879,551	3.5%
Door Delivery / Other^c				

Appendix II: USPS Delivery Points by Mode of Delivery

	Change from Fiscal year 2012-2013 (number)	Change from Fiscal year 2012-2013 (percentage)	Change from Fiscal year 2008-2013 (number)	Change from Fiscal year 2008-2013 (percentage)
Residential	-39,750	-0.1%	-286,792	-0.9%
Business	-21,418	-0.4%	-20,713	-0.4%
Total	-61,168	-0.2%	-307,504	-0.8%
ALL MODES				
Residential	977,009	0.8%	4,089,497	3.4%
Business	60,314	0.7%	239,485	2.7%
Total	1,037,323	0.8%	4,328,982	3.4%
All Other Delivery Points^d				
Residential	-111,800	-0.7%	247,257	1.6%
Business	-151,641	-3.9%	-848,092	-18.5%
Total	-263,441	-1.3%	-600,835	-3.0%
Total Deliveries				
Residential	865,218	0.6%	4,336,754	3.2%
Business	-91,336	-0.7%	-608,607	-4.5%
Total	773,882	0.5%	3,728,147	2.5%

Source: GAO analysis of USPS data.

^aCluster boxes include Cluster Box Units and Neighborhood Delivery and Cluster Box Units.

^bOther centralized delivery includes delivery to centralized locations such as apartment house mailboxes.

^cDoor delivery/other includes door delivery to mail slots, mailboxes near the door, and locations within office buildings, as well as other locations, such as along sidewalks. Most door delivery/other points receive door delivery, according to USPS officials.

^dAll other delivery points include various types of Post Office Boxes, delivery points where a university or other entity then provides final delivery to the recipient, and delivery points where the recipient picks up mail in bulk quantities such as remittance mail.

Appendix III: USPS Methods for Estimating Delivery Costs by Mode of Delivery

USPS estimates of delivery mode costs rely on a 1994 study of delivery mode costs, which is the most recent study that USPS has conducted in this area. USPS continues to rely on this study to estimate the potential for savings through the option of converting addresses to less costly modes of delivery. According to a USPS report on the 1994 study, USPS employees and retired postal managers served as data collectors who, through direct observation, recorded the actual time to deliver mail for each mode of delivery from July 5, 1994 to September 9, 1994 on 735 randomly selected city delivery routes.¹ USPS also estimated the time required for carriers to organize their mail for each mode of delivery. The cost of delivery was computed by factoring in the compensation costs associated with delivery times, delivery vehicle costs, as well as the costs to purchase, install, and maintain cluster boxes. USPS subsequently applied an inflation adjustment to the 1994 data to increase the cost for each delivery mode according to the annual change in the Consumer Price Index for All Urban Consumers (CPI-U), which produced cost estimates for fiscal years 1995 through 2012 (see fig. 5 in report). This inflation adjustment increased all delivery mode costs by the same percentage.

¹ USPS, *City Delivery Cost of Delivery Study* (Washington, D.C.: February 1995).

Appendix IV: U.S. Postal Service (USPS) Information on Mail Security

Table 3: Convictions for Mail Theft Tracked by the U.S. Postal Inspection Service, Fiscal Years 2008 through 2013

Fiscal year	USPS contractors	Members of the public/other	Total
2008	68	3,868	3,936
2009	83	4,019	4,102
2010	51	2,968	3,019
2011	34	2,454	2,488
2012	29	2,258	2,287
2013	42	2,199	2,241

Source: U.S. Postal Inspection Service.

Note: According to the U.S. Postal Inspection Service (USPIS), its mail theft investigations focus on theft of mail by all non-USPS employees, such as contractors, highway contract drivers, airline employees as well as member of the public. For the purposes of Table 1, mail theft convictions are based on the USPIS' cases and included offenses for all types of mail (e.g., letter mail and parcels). These offenses could include Desertion of mails (18 U.S.C. § 1700), Obstruction of mails generally (18 U.S.C. § 1701), Obstruction of correspondence (18 U.S.C. § 1702), Delay or destruction of mail or newspapers (18 U.S.C. § 1703), Theft of mail matter by officer or employee (18 U.S.C. § 1709), Misappropriation of postal funds (18 U.S.C. § 1711), Destruction of letter boxes or mail (18 U.S.C. § 1705), Frauds and swindles (18 U.S.C. § 1341), Fictitious name or address (18 U.S.C. § 1342), Keys or locks stolen or reproduced (18 U.S.C. § 1704), Injury to mail bags (18 U.S.C. § 1706), Theft of property used by Postal Service (18 U.S.C. § 1707), Theft or receipt of stolen mail matter generally (18 U.S.C. § 1708), Fraud and related activity in connection with identification documents, authentication features, and information (18 U.S.C. § 1028), Aggravated identity theft (18 U.S.C. § 1028A), and Fraud and related activity in connection with access devices (18 U.S.C. § 1029). According to USPIS, where federal prosecution is declined and/or state/local prosecution is sought, charges can include variations of larceny/theft, burglary and identity theft, based on the offense and jurisdiction.

Table 4: Convictions for Mail Theft Tracked by the USPS Office of Inspector General, Fiscal Years 2008 through 2013

Fiscal year	USPS employees	USPS contractors	Members of the public/other	Total
2008	297	14	7	318
2009	403	24	15	442
2010	402	44	10	456
2011	362	28	11	401
2012	319	28	18	365
2013	317	20	8	345

Source: USPS Office of Inspector General, Office of Investigations.

Note: According to the USPS Office of the Inspector General Office of Investigations, for the purposes of table 4, mail theft convictions included offenses for all types of mail (e.g., letter mail and parcels). These offenses were defined by sections of the U.S. Code that include theft or receipt of stolen mail matter generally (18 U.S.C. § 1708), theft of mail matter by officer or employee (18 U.S.C. § 1709), obstruction of mails generally (18 U.S.C. § 1701), obstruction of correspondence (18 U.S.C. § 1702), delay or destruction of mail or newspapers (18 U.S.C. § 1703), and destruction of letter boxes or mail

**Appendix IV: U.S. Postal Service (USPS)
Information on Mail Security**

(18 U.S.C. § 1705). According to the USPS Office of Inspector General, where federal prosecution is declined and state or local prosecution is sought, charges can include variations of larceny/theft, embezzlement, and misuse of public position/public trust based on the jurisdiction.

Appendix V: Comments from the U.S. Postal Service

EDWARD F. PHELAN
VICE PRESIDENT, DELIVERY AND POST OFFICE OPERATIONS



May 1, 2014

Ms. Lorelei St. James
Director, Physical Infrastructure
United States Government Accountability Office
Washington, DC 20548-0001

Dear Ms. St. James:

Thank you for providing the United States Postal Service (USPS) with the opportunity to review and comment on the draft report titled *U.S. Postal Service: Delivery Mode Conversions Could Yield Large Savings, but More Current Data Are Needed*. The draft report contains one recommendation. Our response to that recommendation is below.

Recommendation for Executive Action

To improve information needed for USPS and Congressional decision making, as well as transparency for all stakeholders, we recommend that the Postmaster General and USPS executive leaders collect and analyze updated data on delivery mode costs and the potential savings of converting delivery points to less costly modes of delivery and establish a timeframe for publicly reporting the results.

Management Response

We agree that updated data and analysis is needed to improve the accuracy and reliability of delivery mode cost estimates and the potential savings of converting delivery points to less costly modes of delivery. We will initiate an effort to determine how we can most efficiently capture all data elements necessary to calculate total delivery mode costs. For example, a determination must be made of what required information can be captured through existing data systems and what data can only be captured through personal observation. Once determined, a project plan will be developed including a timeline to produce the results.

Again, the United States Postal Service thanks the GAO for the opportunity to comment on its draft report. If you or your staff wishes to discuss this matter further, my staff and I are available at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Ed. Phelan Jr.", written over a horizontal line.

Edward F. Phelan Jr

475 L'ENFANT PLAZA SW
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cc: Joseph Corbett, Chief Financial Officer and Executive VP
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Appendix VI: GAO Contact and Staff Acknowledgments

GAO Contact

Lorelei St. James, (202) 512-2834 or stjamesl@gao.gov

Staff Acknowledgments

In addition to the individuals named above, Amelia Shachoy, Assistant Director; Derrick Collins; Geoffrey Hamilton; Kenneth John; Joshua Ormond; Amy Rosewarne; Kelly Rubin; and Betsey Ward-Jenks made key contributions to this report.

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