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Report to Congressional Requesters

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REVISED DELIVERY STANDARDS

Postal Delivery Scores Improved but Service Is Slower

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The Honorable William L. Clay
Chairman, Committee on Post Office
and Civil Service
House of Representatives

The Honorable Robert E. Wise
Chairman, Government Information,
Justice, and Agriculture Subcommittee
Committee on Government Operations
House of Representatives

This report, prepared at your request, reviews the changes made by the United States Postal Service in delivery standards for First-Class Mail. The report describes the extent of the changes and their impact on Postal Service operations and delivery service.

We are sending copies of the report to the Postal Service Board of Governors, the Postmaster General, and the Postal Rate Commission and are making copies available to others upon request.

Major contributors to the report are listed in appendix III. Please contact me at (202) 275-8676 if you have any questions concerning the report.

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Executive Summary

Purpose

Claiming that its customers valued consistency over promptness in mail delivery service, the United States Postal Service revised its First-Class Mail service standards in 1990. The new standards were intended to set more realistic goals for the time a letter should take to travel between two points and thus to allow the goals to be met more consistently.

Concerns that the changes in standards were extensive and could hurt mail service prompted two congressional committees—the Government Information, Justice, and Agriculture Subcommittee, House Committee on Government Operations, and the House Post Office and Civil Service Committee—to ask GAO to review the impact of the changes in delivery standards. This report discusses (1) the volume of First-Class Mail subject to new standards, (2) the effect of the standards changes on the speed and consistency of delivery service and on postal operations, (3) savings from operational changes, and (4) the views of postal management, customers, and unions on the revised standards.

Background

In 1971 and 1972, the Postal Service established First-Class Mail service standards which set goals of 1, 2, or 3 days for delivering mail within the continental United States. The 1-, 2-, and 3-day goals depended on the delivery distance and other factors. In 1989, asserting that its standards were outdated and unrealistic and that its customers desired more consistent service, the Postal Service proposed to redefine the standards—primarily by allowing an additional day for delivery between some locations. Postal Service goals indicate delivery to an area is consistent if 95 percent or more of the mail is delivered within the specified standard. Speed is determined by the proportion of mail delivered in 1, 2, and 3 days—regardless of the applicable standard. Consistency and speed are determined by the Postal Service's Origin-Destination Information System, which actually measures only the time taken between the date a letter is postmarked and when it is available for delivery.

The Postal Rate Commission questioned the Postal Service's contention that customers were interested more in consistency than speed of delivery. The Commission was concerned that the Postal Service wanted to relax standards primarily to make them more easily achievable and to allow changes in mail processing and transportation that would reduce operating costs. An advisory opinion issued by the Commission that recommended against changing the standards nationwide did not stop the

Postal Service from redefining its overnight service areas in July 1990 and its 2-day service areas in October 1990.

Results in Brief

In 1990, the Postal Service relaxed the delivery standards for almost half of its overnight and 2-day ZIP Code paired locations and over 11 percent of the daily First-Class mailstream. About 8 percent of overnight mail was shifted to 2-day mail, and about 22 percent of 2-day mail became 3-day mail. After the standards were relaxed, delivery service for stamped mail more often met the new standards—driving up the percentage of mail delivered on time (consistency). But there was no improvement in actual delivery service. (See pp. 20 through 22.)

Under the new standards, service measurement scores for stamped mail showed some improvement for 55 percent of locations that changed standards from overnight to 2-day and for 60 percent of locations that changed standards from 2-day to 3-day. However, most of the locations that changed overnight standards did not have a consistency problem with stamped mail before the standards were changed. Consistency was a major problem for 2-day mail service. Most locations continued to have consistency problems with this mail after the delivery standards changed, and a third of the locations reported worse consistency scores than before the relaxation of standards. (See pp. 24 through 27.)

As might be expected with a relaxation of the standards, the speed of delivery service slipped. Under the new standards, the percentage of stamped mail delivered nationwide within 1 day decreased by about 3 percentage points and the percentage of mail delivered within 2 days decreased by about 1 percentage point. (See pp. 33 through 34.)

Not only did the changes in delivery standards affect service, but anticipated opportunities for making mail processing changes either did not materialize or were not exploited. Field officials and the Postal Inspection Service said that the Postal Service had not taken advantage of opportunities for making mail processing changes. For that reason, the modest anticipated savings, although reasonably derived, were not fully realized. (See pp. 42 through 45.)

Despite the Postal Service's stated intention to provide better mail delivery service by improving consistency, most of the large business mailers GAO surveyed did not notice a difference in the speed or consistency of service. (See pp. 50 through 53.)

In addition, postal unions that GAO contacted generally did not believe the changes in standards were warranted. (See p. 54.)

GAO's Analysis

A Large Number of Zip Codes and Mail Pieces Were Affected by the New Standards

In 1991, the Postal Service processed mail between 853,776 pairs of 3-digit ZIP Code areas. The revised standards shifted 44 percent of the approximately 14,600 overnight 3-digit ZIP Code pairs to the 2-day standard and 48 percent of the approximately 284,600 2-day pairs to the 3-day standard. The first 3 digits of a ZIP Code identify the location of a large mail processing facility. (See p. 20.)

Because the changes were disproportionately (and deliberately) concentrated in low-volume city pairs, only 11 percent of all First-Class stamped and metered mail volume was affected by the changes in delivery standards. Daily, 8 percent of overnight mail was shifted from the overnight to 2-day standard, and 22 percent of 2-day mail was shifted from the 2-day standard to the 3-day standard. (See pp. 21 through 22.)

The amount of mail subject to the new standards varied widely from area to area. For example, 40 percent of the overnight mail originating in Chicago changed to a 2-day standard, while only 12 percent of San Francisco's overnight mail was affected. (See p. 23.)

Delivery Service Scores Improved, but Speed Declined

Standards changes improved, but did not solve, consistency problems. In 1990, before standards were changed, 93 percent or 355 of the 381 locations that eventually changed standards from 2-day to 3-day had consistency scores below the 95-percent goal. After the standards changed, 60 percent of these 381 locations achieved better consistency scores, but 89 percent of them still failed to meet the 95-percent consistency target in 1991. Only 15 of the 355 locations moved from below the target to above it after the standards changes.

Results for locations with overnight consistency problems showed similar improvement. Of the 347 locations that changed any standards from overnight to 2-day, 55 percent improved consistency scores under the new standards, and 32 of 98 locations that had had below-standard scores achieved at least 95-percent consistency under the new standards.

However, although the stated purpose of changing the delivery standards was to improve the consistency of delivery service, 72 percent of these locations had had consistency scores for stamped mail of at least 95-percent in 1990 and, therefore, did not have a consistency problem. (See pp. 25 through 32.)

Although the changes in standards improved consistency scores for many locations, they did not always improve delivery service. Specifically, the relaxed standards allowed measured and reported scores to improve without improving service because the Postal Service gave itself an extra day to deliver the mail. The effect of this additional day was slower delivery service.

If the percentage of all mail delivered in 1 or 2 days declines, more mail is delivered later, and therefore is slower. Servicewide, the percentage of stamped mail delivered within 1 day decreased by about 3 percentage points, and the percentage of mail delivered within 2 days decreased by about 1 percentage point following the standards changes. GAO's analysis shows that following the change in delivery standards, most locations experienced decreases in the speed of mail delivery. For example, of the 381 locations that had changes in standards from 2-day to 3-day, 63 percent had decreases in the percentage of mail delivered overnight, and 64 percent had decreases in the percentage of mail delivered in 2 days. Additionally, many locations that did not have consistency problems in 1990 experienced slower mail service after standards were changed. (See pp. 33 through 37.)

Anticipated Operational Changes and Savings Were Not Realized

Postal Service officials anticipated some mail processing and transportation changes to take advantage of the additional delivery time allowed by the new service standards. Potential changes included shifting some of the mail processing workload at postal facilities from the early morning to the less busy daytime work shift when more of the mail could be processed on more efficient automated equipment. Officials also believed that transportation could be managed more efficiently by sending some mail on trucks rather than airlines and by consolidating some truck routes. (See pp. 41 through 42.)

At the five postal locations GAO visited, however, managers reported that they implemented few mail processing changes after the standards were changed because little of their mail was affected by the new standards or

because processing changes could have reduced service. (See pp. 43 through 46.)

Because few mail processing changes were made, it is unlikely the Postal Service has realized significant associated savings. The Postal Service has specifically stated that it was never its intention to revise standards to realize savings, although it anticipated some benefits from the changes. In 1990, Postal Service officials indicated that the realignment of delivery standards and associated opportunities for operational changes could produce mail processing savings of over $23 million. The Postal Service estimate assumed that the overnight mail changed to a 2-day standard could be processed less expensively on a later tour with automated processing equipment. Officials were intentionally liberal in their assumptions regarding cost savings in order not to understate possible cost reductions. In this light, the method used to estimate the savings appears to have been reasonable. Nevertheless, the potential savings, even if realized, would have been modest when compared to the Postal Service's 1991 mail processing costs of $8.9 billion. (See pp. 42 through 44.)

Postal Service officials reported that the Service did save an additional $17 million by negotiating reduced air transportation rates based on the possibility of shifting some of that mail to surface transportation. (See p. 46.)

Survey of Mailers Indicated Service Did Not Improve After Standards Were Changed

GAO surveyed 78 large business mailers including federal agencies, financial institutions, utilities, and insurance companies to determine their perceptions of the new standards. In general, the survey indicated that the new standards did not improve mailers' satisfaction with delivery service. For example, regarding outgoing mail, 38 of 45 respondents indicated about the same or a lower level of satisfaction with delivery service after the standards changed. (See pp. 48 through 49.)

The survey also indicated that the new standards had not helped mailers' business. For example, regarding outgoing mail, only 8 of 43 respondents reported that the new standards had helped their business. Financial institutions' responses, more frequently than other industries, indicated that the new standards had hindered their businesses. Regarding outgoing mail, 8 of 12 responding financial institutions indicated that the new standards had been a hindrance. (See pp. 49 through 50.)

Mailers' responses also indicated that they did not perceive any improvement in the consistency or speed of delivery service. Before and after the standards were changed, virtually the same number of respondents perceived that their outgoing mail was delivered within standard at least 80 percent of the time. (See pp. 51 through 53.)

Similarly, most respondents thought the new delivery standards did not speed delivery service. Twenty-nine of 37 respondents perceived no change in the delivery speed of outgoing mail and 6 perceived that delivery speed was slower. (See pp. 50 through 51.)

Union Representatives Generally Did Not Support the Delivery Standards Changes

Postal unions that GAO talked with generally believed that the delivery standards changes were not warranted. The American Postal Workers Union believed that the Postal Service's effort to realign standards would lead to slower service—which would be unacceptable to the American public.

The National Postal Mail Handlers Union did not believe that delivery service is any better now than before the changes, and the National Rural Letter Carriers' Association believed that the Postal Service changed delivery standards for operational convenience reasons rather than to achieve greater consistency on behalf of postal customers. (See p. 54.)

Recommendations

GAO is not making any recommendations in this report.

Agency Comments

The Postal Service provided written comments on a draft of this report. It said it believed that the report generally supported its basic position regarding the realignment of delivery standards. It also believed that readers would benefit from a fuller discussion of its reasons for revising delivery standards. It provided that discussion in its comments, which are reproduced in appendix II.

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Abbreviations

EXFC	External First-Class Measurement System
MSC	management sectional center
ODIS	Origin-Destination Information System
SCF	sectional center facility

Introduction

To measure performance in delivering First-Class Mail, the Postal Service established, in 1971 and 1972, standards of 1, 2, or 3 days for delivering First-Class Mail between ZIP Code areas.[1] In 1990, after assessing its customers' needs, the Postal Service made nationwide changes that shifted many locations to 2- or 3-day delivery areas.

Postal Operations

The Postal Service organization consists of its Washington, D.C., headquarters and a field service divided into 5 regions that include 73 divisions made up of 170 management sectional centers (MSC).[2] Management of day-to-day operations is the responsibility of division and MSC managers who oversee the collection and delivery of mail through an extensive network of local post offices and larger mail processing centers.

In 1991, the Postal Service delivered about 65 billion pieces of stamped and metered First-Class Mail, or an average of about 208 million letters per day.

Mail processing and transportation are critical to timely mail delivery. Most processing is done at general mail facilities, which then (1) send the mail on to other processing facilities for further sorting and distribution or (2) distribute mail to local post offices for delivery. The types of mail processing operations include (1) high-speed processing on automated equipment, (2) mechanized processing on letter sorting machines, and (3) manual sorting. Automated processing is the most efficient of the three methods and its use is increasing as more automated equipment is installed.[3]

Once mail is picked up from mailboxes, it is typically transported by truck to the nearest general mail facility for processing. After processing, the overnight mail is usually transported by truck to a local post office for delivery. Two- and 3-day mail is typically forwarded to mail processing facilities in other cities by truck and/or air. Trucks are used for shorter

[1]Standards are defined for mail delivery from every originating (sending) 3-digit ZIP Code to every destinating (receiving) 3-digit ZIP Code.

[2]A field division is a postal installation, serving from 1 to an average of 12 or more 3-digit ZIP Codes. A general manager/postmaster is responsible for all postal operations within a designated geographic area, including MSCs. An MSC is a designated postal facility whose manager has full responsibility for all post offices within an area made up of from one to an average of five 3-digit ZIP Codes.

[3]The Postal Service has undertaken a $5 billion automation program to improve productivity. By the end of 1996 the Postal Service plans to install enough automated equipment to process nearly all mail. Our report, Postal Service: Automation Is Restraining But Not Reducing Costs (GAO/GGD-92-58, May 12, 1992), recently addressed the issue of postal automation.

distances, but air transportation is needed to meet commitments to faraway locations. For example, trucks can be used to transport mail with a 2-day service standard for distances ranging up to approximately 500 or 600 miles, but air transport is needed for greater distances in order to deliver mail within a 2-day standard. Once the mail is processed at its destination facility, it is usually trucked to local post offices for final delivery. In any case, it is the Service's policy to use the most cost- and time-effective mix of transportation to achieve delivery within standard time frames.

The 9-digit ZIP Code is also an integral part of the mail delivery and processing system. The first digit identifies a specific geographical area encompassing several states. Each state is divided into smaller geographical areas, identified by the second and third digits of the ZIP Code, which can represent a large city or a large postal facility service area. The fourth and fifth digits identify a delivery area or location such as a small town or a post office within the corporate limits of a large city. The sixth and seventh digits designate a smaller area called a sector, which includes postal boxes, streets, and rural routes. The eighth and ninth digits refer to specific locations, called segments, which can include a mailbox cluster, a cul-de-sac, or even a floor within a building.

Service Standards

Service standards of 1, 2, or 3 days linking the nation's 3-digit ZIP Code areas prescribe the time allowed from collection to delivery for all First-Class Mail.[4] Before standards were revised in 1990, (1) 56 percent of the mail was subject to 1-day standards, (2) 29 percent to 2-day standards, and (3) 15 percent to 3-day standards. Each 3-digit postal facility has unique standards for mail originating in its service area, which prior to the revision of standards, generally included

- 1-day service for local post offices and for other postal facilities that could be reached by surface transportation in time to distribute mail for next day delivery, generally those that were within a 100-mile radius;
- 2-day service to post offices generally within a 600-mile radius; and
- 3-day service for all domestic mail not included in 1- or 2-day service areas.

The Postal Service's goal is to deliver at least 95 percent of the mail within the applicable standard. The effectiveness of postal facilities in accomplishing this goal is measured by two systems—an internal system

[4]Some Alaska and Hawaii 3-digit ZIP Code areas do not have mail in all service standard categories.

called the Origin-Destination Information System (ODIS)[5] and an external system called the External First-Class Measurement System (EXFC). ODIS measures the time taken between the date a letter is postmarked and the date it is available for delivery. EXFC is operated under contract by Price Waterhouse and measures delivery time between the scheduled pickup of mail at collection boxes or post offices and the receipt of that mail in the home or small business. We did not use EXFC data for this review because EXFC was not implemented until June 1990—the same quarter overnight standards were realigned. Consequently, no EXFC historical data were available for comparison purposes.

Postal Service standards were first established in 1971 and 1972 to improve the performance and reputation of the postal system following the implementation of the Postal Reorganization Act. Those early standards, which were based primarily on operational, transportation, and logistical considerations, remained largely unchanged for almost 20 years even though transportation, mail processing, and delivery area profiles changed. In July 1988, in response to customer complaints about inconsistent delivery, the Postal Service initiated a series of studies to assess the needs of business and residential customers. Two initial studies were done in the New York metropolitan area in August and October 1988; a 12-city study was done in December 1988; and a 44-city study was done in September and October 1989. In total, approximately 27,000 customers were interviewed, and 90 focus group sessions were held.

According to Postal Service officials, the studies revealed that customers wanted "consistency" of delivery more than they wanted "speed" of delivery. Postal Service goals indicate that delivery service is consistent if 95 percent or more of the mail is delivered within the time allowed by the service standard. For example, if 95 of 100 letters subject to a 1-day standard were delivered within 1 day of their mailing, delivery would be at the desired consistency level of 95 percent. On the other hand, speed of delivery can be measured by how long it takes to deliver mail, regardless of the service standard. For example, speed is represented by the percentage of mail delivered in 1, 2, or 3 days, regardless of its standard.

[5]ODIS uses probability sampling techniques to measure mail volume by examining a small fraction of that volume. It also measures the number of days between the postmark date and the day the mail is at the delivery office, ready for delivery. It does not measure the number of days between the time of mailing to the time of delivery to the addressee. The statistical reliability of ODIS estimates depends on the number of sample pieces and delivery units tested. The system has no overall measure of reliability; each ODIS score has its own level of reliability. We used ODIS data for our review because it was the most detailed data source available and because the Postal Service used it in evaluating and revising delivery standards.

The studies also indicated that customers needed overnight delivery in what they considered to be their local area, which in many instances, was smaller than the existing overnight service area. Additionally, the studies indicated that customers did not need 2-day service everywhere the Service was attempting to provide it.

Based on this research, in late 1989 the Postal Service decided to realign service standards, saying that the revised standards would more closely conform to the needs of customers. Moreover, it hoped to improve delivery performance, which at that time, as measured by ODIS, was significantly below its 95-percent goal, particularly for 2- and 3-day mail. Although the changes were made primarily for improving service, the Postal Service acknowledged that the use of more efficient operational methods could potentially reduce costs.

In final preparation for establishing new standards, the Postal Service directed individual division offices to make operational and marketing analyses of existing standards to identify which 3-digit ZIP Code areas should be changed. The operational analysis consisted of reviewing the mail volumes, processing, and transportation associated with each 3-digit area. To ensure that changes were generally acceptable, the marketing analysis consisted of discussions with the division's largest mailers about the realignment program in general, as well as the specific standards proposed for revision. The proposed standards resulting from this process were submitted to regional offices and Postal Headquarters for review and approval.

On September 29, 1989, the Postal Service asked the Postal Rate Commission to issue an advisory opinion on the proposed standard realignment. On July 25, 1990, the Commission stated that it did not believe the Postal Service's proposed nationwide reductions in service levels were justified, although it did not disagree with adjusting standards on a local basis if the need could be demonstrated. The Commission's primary concerns were that the Postal Service's market research was inadequate to measure customer support for a national realignment and that the Postal Service had not developed a cost/benefit justification that could be used to evaluate the program's effect on its operations and its customers.

The Postal Service found nothing in the Commission's advice to warrant delaying implementation of new standards.[6] Accordingly, it realigned overnight standards on July 28, 1990, and 2- and 3-day standards on October 20, 1990.

Congressional concern about the new standards was expressed in a November 30, 1990, report by the Committee on Government Operations, House of Representatives. The report criticized the Postal Service for implementing the new standards without adequate justification and for not considering the Commission's advisory opinion. The report recommended, among other things, that the Service rescind its realignment of standards and be required to develop additional evidence that the changes were warranted.

Objectives, Scope, and Methodology

We received separate requests to review changes in service standards from the Chairman of the Government Information, Justice, and Agriculture Subcommittee of the House Committee on Government Operations and the Chairman of the House Committee on Post Office and Civil Service.

We consolidated the requests and, in consultation with the requesters, agreed on the following objectives: to determine (1) the number of delivery areas affected by the changes; (2) how much mail was affected by the changes; (3) the effect of the changed standards on delivery consistency and speed; (4) what operating changes the Postal Service made after standards were revised; (5) whether Postal Service estimates of anticipated savings from more efficient operations under the revised standards appeared to be reasonable; (6) the views of Postal Service management, labor, and customers on the impact of the changes; and (7) the impact of the new standards on postal employment levels.

To determine the number of delivery areas affected, we analyzed a database of old and new standards for every 3-digit ZIP Code pair in the country. To determine the volume of mail affected by the changes, we compared ODIS volume data for overnight, 2-day, and 3-day First-Class stamped and metered mail during Postal Quarter 3, 1991, with data generated by a Postal Service computer model using 1990 standards to show how 1991 mail volume would have fallen into overnight, 2-day, and 3-day categories under the old standards. The differences in the data show

[6]At the Commission's request, the Postal Service developed cost estimates for potential savings that might be realized as the result of operational and transportation changes.

how much of each category of mail shifted from one category to another.[7] The volume data we analyzed were reported by individual sectional center facilities (SCF). SCFs serve as the principal mail processing facilities, receiving and dispatching mail for one or more post offices. Although there are 470 SCFs nationwide, 43 either gained or lost one or more 3-digit ZIP Codes from their areas between 1990 and 1991; therefore, we deleted these SCFs from our analysis because the data were not comparable for both years. We also deleted from our analysis three SCFs that we did not have data on. We deleted an additional five SCFs from our analysis (four in Alaska and one in Hawaii) because they did not have 1-, 2-, and 3-day standards for both years.

To assess whether delivery service was more consistent under the new standards, we compared on-time ODIS delivery scores for Postal Quarter 3, 1990, with scores for Postal Quarter 3, 1991. To determine whether the new delivery standards affected the speed of mail service, we compared ODIS data from Postal Quarter 3, 1990, and Postal Quarter 3, 1991, that showed the amount of mail delivered in 1, 2, or 3 days—regardless of the applicable standard.[8] In both consistency and speed analyses, we examined data on First-Class stamped mail because the postmark date on stamped mail is considered to be a more accurate record of the date of mailing than the meter date on metered mail.

To address the Postal Service's operational changes, we reviewed mail processing and transportation operations conducted by the major postal facilities serving five MSC areas—Chicago, Cincinnati, Salt Lake City, San Francisco, and Tampa. We selected MSCs that were geographically dispersed in four of the five postal regions and that had varying affected mail volumes (0 to 40 percent shifts in overnight or 2-day mail). At each location we discussed processing operations with division and postal facility managers and reviewed their operating plans and other data pertaining to mail processing procedures, schedules, and methods to determine what mail processing changes, if any, had occurred since service standards were revised. We also obtained information on

[7]Overnight delivery standards were changed on July 28, 1990, in Postal Quarter 4. Two-day standards were changed in Postal Quarter 1, 1991. The last full quarter under the old delivery standards was Postal Quarter 3, 1990. Therefore, to ensure that comparisons of volumes before and after the changes were comparable, we used Postal Quarter 3, 1991, for our analysis, which roughly included March and April 1991. A postal quarter is approximately 3 months.

[8]We used ODIS data from Postal Quarter 3, 1990, for our speed and consistency calculations because it was the last full quarter under the old standards. We compared these data to Postal Quarter 3, 1991, a comparable quarter in the year after the standards were implemented. It is unclear how consistency and speed were affected by the changes in the makeup of the mail volume from 1990 to 1991. For example, within a given SCF, the proportion of presorted or prebarcoded mail could have changed from 1990 to 1991, potentially affecting delivery speed and consistency.

transportation schedules from postal managers and transportation management system centers to determine what transportation changes, if any, had occurred. We also used ODIS delivery performance data for specific areas subject to new standards to determine the operational causes leading to changes in delivery service.

To determine if the Postal Service made reasonable estimates of cost savings resulting from revised service standards, we reviewed the supporting documentation and used our analysis of processing and transportation operations at the selected facilities to determine whether projected savings were being accomplished. Our review of the Postal Service's documentation assessed the reasonableness of its methodology and the basis for its calculations. In determining whether projected savings were accomplished, we also considered the results of the Postal Inspection Service's January 19, 1992, report, "Service Performance," which assessed the effects of the revised standards on postal operations in six divisions. We did not independently verify financial and operating data obtained from the Postal Service.

To obtain the views of postal labor unions and Postal Service officials on the impact of the changes in standards, we met with representatives of three major postal labor unions that agreed to discuss the standards changes and with Postal Service officials in Headquarters and at the five field locations we visited. The labor unions were (1) the American Postal Workers Union, (2) the National Postal Mail Handlers Union, and (3) the National Rural Letter Carriers' Association.

At Postal Service Headquarters, we met with the Consumer Advocate and officials in the Operations Support Group, the Postal Inspection Service, the Finance Group, and the Marketing and Customer Service Group. At the five postal facilities we visited, we met with division and MSC managers and their staffs. Because the policies of division and postal facility managers are critical to timely mail delivery, we specifically discussed their policies on processing mail with 1-, 2- or 3-day service standards and if their operations had changed after the new standards were adopted.

We sent questionnaires to 78 large-volume mailers (financial institutions, insurance companies, utilities, and federal agencies) to determine if they were more or less satisfied with mail delivery after the new standards were adopted. Mailers, chosen from national mail accounts serviced by officials at Postal Service Headquarters, were selected by industry and on the basis of First-Class Mail volume.

To determine the effect of the new standards on employment levels, we compared July 1991 staffing levels for mail processing and distribution functions at the five postal facilities with the levels that existed in July 1990, before the standards were revised.

In its comments on a draft of our report, the Postal Service said it believed that the report generally supported its basic position regarding the realignment of delivery standards. It also believed that readers would benefit from a fuller discussion of the Postal Service's reasons for revising delivery standards. It provided that discussion in its comments, which are reproduced in appendix II.

We did our work from May 1991 to August 1992 in accordance with generally accepted government auditing standards.

How New Delivery Standards Have Affected Mail Service

The Postal Service revised its delivery standards for about 45 percent of its overnight and 2-day ZIP Code paired locations and 11 percent of its mail, primarily to improve the consistency of its mail delivery service—even though many of the sectional center facilities (SCF) that changed overnight standards did not have a consistency problem as indicated by ODIS data. Although the Postal Service improved the overnight ODIS scores of many SCFs that changed standards, it was not as successful in eliminating consistency problems with 2-day service.

In those instances where the Postal Service was successful in improving measured and reported consistency, that improvement might not have represented better service because standards were relaxed, making previously below-standard service fall within the new standard. Further, the speed of mail delivery service slowed following the change in standards—the percentage of mail delivered in 1, 2, and 3 days, regardless of standard, was generally lower in 1991, indicating that a greater percentage was delivered in 4 or more days.

Delivery Standards Affected a Large Number of ZIP Codes and Mail Pieces

The changes in delivery standards implemented in 1990 involved about 44 percent of overnight ZIP Code paired locations (3-digit areas) and about 48 percent of 2-day ZIP Code paired locations nationwide. Daily, the changes affected more than 20 million pieces of mail between those sending and receiving locations.

Changed Standards Affected Numerous Eligible Areas

In 1991, the Postal Service processed mail between 853,776 pairs of 3-digit areas. As table 2.1 shows, the revised standards shifted 6,389 of the 14,578 overnight 3-digit ZIP Code paired locations to the 2-day standard and 137,958 of the 284,551 2-day paired locations to the 3-day standard.

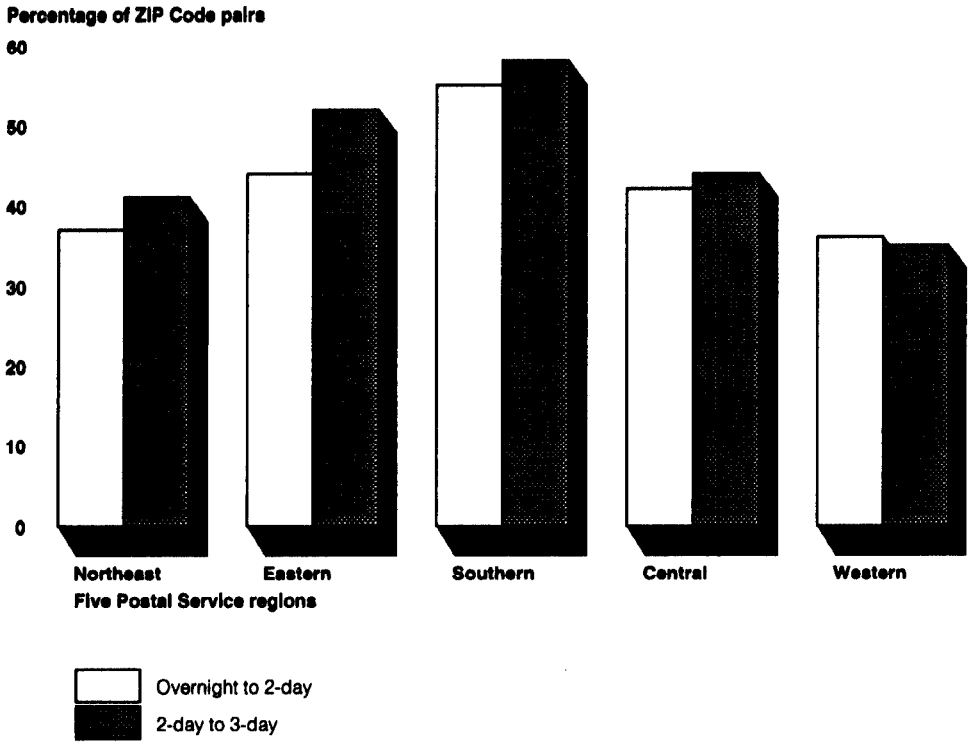
Table 2.1: Changes in Overnight and 2-Day ZIP Code Paired Locations

	Overnight	2-day
Number of pairs before standards changes	14,578	284,551
Number of pairs changed to 2-day	6,389	
Number of pairs changed to 3-day		137,958
Percentage of pairs that shifted	44	48

Less than 1 percent of 3-digit ZIP Code paired locations changed from a 3-day to a 2-day standard or from a 2-day to an overnight standard. An analysis of all 3-digit ZIP Code paired location changes is shown in

appendix I. ZIP Code paired location changes for overnight to 2-day standards ranged from 36 percent in the Western Region to 55 percent in the Southern Region; changes from 2-day to 3-day standards ranged from 35 percent in the Western Region to 58 percent in the Southern Region (see figure 2.1).

Figure 2.1: Percentage of Zip Code Pairs Affected by Changes in Delivery Standards



Changed Standards Affected Significant Amounts of Mail

The changed delivery standards affected millions of pieces of mail sent daily between sending and receiving locations. In 1991, the Postal Service processed about 166 billion pieces of mail. Of that, First-Class stamped and metered mail, which is subject to overnight, 2-day, and 3-day delivery standards, totaled about 65 billion pieces or 39 percent of the total mail volume. Nationwide, the average daily volume of First-Class stamped and metered mail in 1991 was about 208 million pieces. Under the revised standards, overnight, 2-day, and 3-day mail represented 100 million, 58 million, and 50 million pieces, respectively. A Postal Service computer model shows that under the old standards, 1991 mail in overnight, 2-day, and 3-day standard areas would have consisted of 108 million, 64 million,

and 36 million pieces, respectively. Thus, as table 2.2 shows, the new delivery standards shifted 8 million pieces, or 8 percent of overnight mail, from the overnight to 2-day standard and 14 million pieces, or 22 percent of 2-day mail, from the 2-day to the 3-day standard. These changes represent a shift in overnight mail of 4 percent of all First-Class stamped and metered mail and a shift in 2-day mail of 7 percent—a total shift of 11 percent of all First-Class stamped and metered mail.

Table 2.2: Average Daily 1991 Volume of Mail That Shifted From Overnight to 2-Day and From 2-Day to 3-Day

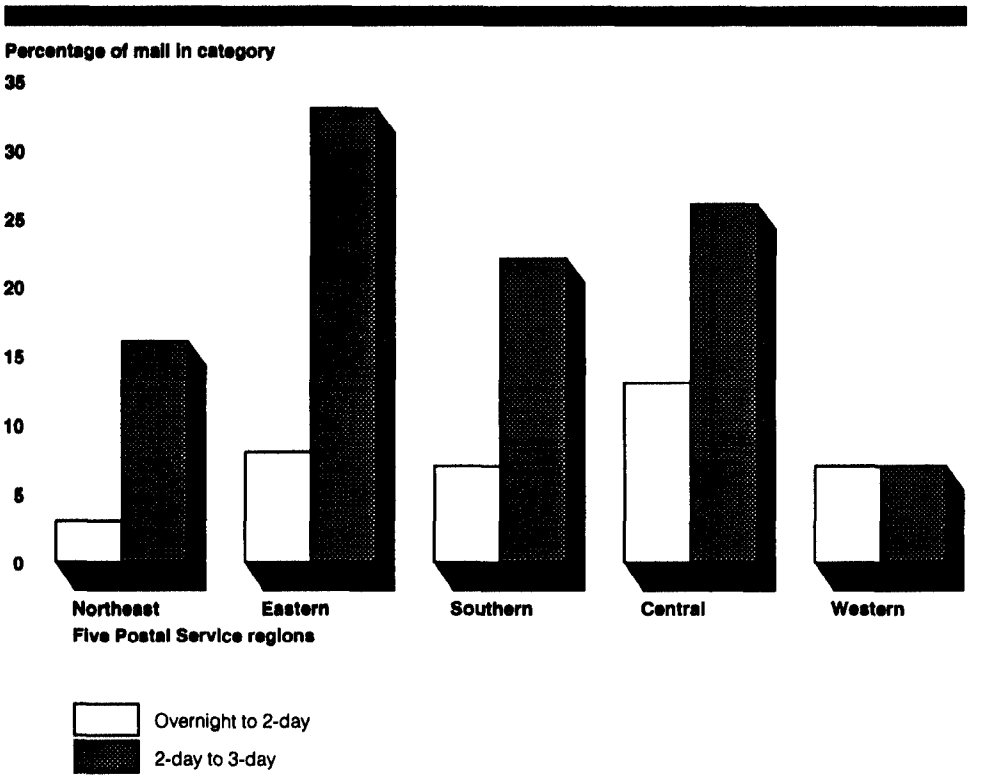
	Overnight	2-Day
Volume if standards had not changed	107,921,116	63,779,861
Volume that shifted to 2-day standard	8,418,746	
Volume that shifted to 3-day standard		14,159,738
Percentage shifted to new standard	7.8	22.2

These results are consistent with Postal Service expectations before the implementation of the changes in delivery standards. In testimony before the Government Information, Justice, and Agriculture Subcommittee, House Government Operations Committee, on September 6, 1990, the Postmaster General said that 3.8 percent of First-Class Mail would shift from overnight to 2-day standards and that between 5 and 7 percent would shift from 2-day to 3-day standards. As anticipated by the Postal Service, the relatively large percentage of affected overnight and 2-day ZIP Code pairs compared to the smaller percentage of affected volume indicates that the ZIP Code pairs with low volume experienced a relatively large percent of the standards changes.

Regional Shifts Varied Widely

Among the five regions, the volume of mail that shifted from overnight to 2-day and from 2-day to 3-day varied widely. As figure 2.2 shows, volume shifts from overnight to 2-day ranged from 3 percent in the Northeast Region to 13 percent in the Central Region. Shifts from 2-day to 3-day ranged from 7 percent in the Western Region to 33 percent in the Eastern Region.

Figure 2.2: Percentage of Mail Volume Affected by Changes in Delivery Standards



Shifts Among SCFs Varied Considerably

The amount of mail affected by changes in delivery standards varied considerably among the SCFs. The Central Region's high percentage of affected mail volume in the overnight to 2-day and 2-day to 3-day categories was influenced by the Chicago SCF's huge shifts in both categories. Chicago moved 40 percent of its overnight mail to 2-day and 39 percent of its 2-day mail to 3-day. In contrast, only 12 percent of San Francisco's overnight mail and 9 percent of its 2-day mail were affected.

Of the 470 SCFs, 43 either gained or lost one or more 3-digit ZIP Codes from their areas between 1990 and 1991; therefore, we deleted these SCFs from our analysis because the data were not comparable for both years. We also deleted from our analysis three SCFs that we did not have data on. We deleted an additional five SCFs from our analysis (four in Alaska and one in Hawaii) because they did not have 1-, 2-, and 3-day standards for both years. Of the remaining 419 SCFs, 172 experienced volume shifts on or above the national average for overnight to 2-day, 175 experienced shifts below the national average, and 72 experienced no shift. For example, 2 percent of overnight mail in Ely, NV, shifted to 2-day, and 1 percent of 2-day mail shifted to 3-day. In contrast, 28 percent of overnight mail in

West Palm Beach shifted to 2-day, and 31 percent of 2-day mail shifted to 3-day. Table 2.3 shows the variability in percentage of mail shifting from overnight to 2-day standards and from 2-day to 3-day standards in selected SCFs.

Table 2.3: Percentage of Mail Affected by Changes in Delivery Standards in Selected SCFs

	Overnight to 2-day[a]		2-day to 3-day[b]	
SCF	% of daily volume shifted	Avg. daily volume shifted	% of daily volume shifted	Avg. daily volume shifted
Shifts of more than the national average in both overnight and 2-day mail				
West Palm Beach, FL	28	112,958	31	71,468
Kalamazoo, MI	21	51,619	28	45,786
Columbus, OH	16	189,300	39	714,884
Wilmington, DE	15	61,437	27	138,928
Shifts of less than the national average in both overnight and 2-day mail				
Buffalo, NY	1	10,508	13	37,738
Ely, NV	2	42	1	21
Bridgeport, CT	1	711	8	3,786
Durango, CO	1	115	1	47

[a]The national average shift in overnight to 2-day mail was 7.8 percent.

[b]The national average shift in 2-day to 3-day mail was 22.2 percent.

Mail volume shifts out of the overnight and 2-day standards areas should increase the likelihood that remaining mail would be processed within standard because of less volume falling under that standard. For example, the Columbus SCF would have processed an average daily volume of 1,164,938 pieces of overnight mail under the old standards. After the changes in delivery standards, it processed 975,638 pieces of overnight mail, which is a decrease of 189,300 pieces or 16 percent.

Also, shifting locations difficult to reach within the specified standard to the next standard category should further improve the Postal Service's ability to meet its standards more consistently.

Delivery Standards Affected the Consistency of Mail Delivery

As explained in chapter 1, the Postal Service's stated reason for changing delivery standards was to make mail delivery more consistent. Our analysis shows that consistency, particularly for 2-day mail, was a problem

in 1990. Following the changes in delivery standards, consistency improved for many, but not all, SCFs.

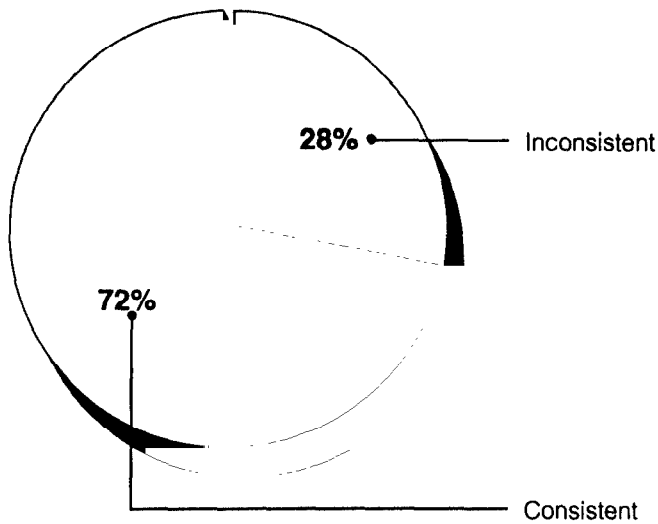
Consistency Was a Problem for Some, but Not All, SCFs That Had Their Standards Changed

Postal Service goals indicate that delivery service to an area is consistent if 95 percent or more of the mail meets its service standard; delivery performance of less than 95 percent constitutes inconsistent service. The Postal Service uses ODIS reporting data to assess its performance. These data measure the number of days between the postmark date and the date the mail is available for delivery at the delivery office. The postmark date is considered to be a more accurate record of the date of mailing than a postage meter date.

Because the stated goal of the Postal Service was to improve the consistency of delivery service, we looked at the consistency of service of SCFs in the third quarter of 1990—just before the standards changes—to see which SCFs had consistency problems.

Before standards were changed in 1990, 355 (93 percent) of the 381 SCFs that experienced volume shifts from 2-day to 3-day had a consistency problem. Only 98 (28 percent) of the 347 SCFs that experienced volume shifts from overnight to 2-day had consistency problems (see figure 2.3).

Figure 2.3: 1990 Consistency of SCFs That Changed Overnight Standards



Changes in Standards Improved Consistency but Did Not Solve All Consistency Problems

As shown in table 2.4, consistency of mail delivery, as measured by ODIS, improved at 190 (55 percent) of the 347 SCFs that shifted mail volume from overnight to 2-day service. Table 2.5 shows that consistency improved at 228 (60 percent) of the 381 SCFs that changed standards from 2-day to 3-day service. The tables also show a direct relationship between the volume of mail shifted to new standards and improvement in ODIS scores. Sixty-six percent of the SCFs that shifted 7.8 percent or more of their overnight volume to 2-day had better consistency scores in 1991.

After the standards changed, of the 347 SCFs that changed standards from overnight to 2-day, 61 (18 percent) had the same ODIS scores and 96 (28 percent) had worse scores (see table 2.4). Of the 381 SCFs that changed standards from 2-day to 3-day, 34 (9 percent) had the same scores and 119 (31 percent) had worse scores (see table 2.5).

Table 2.4: Consistency of Overnight Service for SCFs From 1990 to 1991

	Number of SCFs	Percentage
347 (of 419) SCFs experienced volume shifts from overnight to 2-day		
Better consistency scores	190	55
Same consistency scores	61	18
Worse consistency scores	96	28
172 (of 347) SCFs shifted 7.8 percent (the national average) or more of their overnight mail to 2-day		
Better consistency scores	113	66
Same consistency scores	28	16
Worse consistency scores	31	18
175 (of 347) SCFs shifted less than 7.8 percent (the national average) of their overnight mail to 2-day		
Better consistency scores	77	44
Same consistency scores	33	19
Worse consistency scores	65	37
72 (of 419) SCFs shifted no mail from overnight to 2-day		
Better consistency scores	22	31
Same consistency scores	18	25
Worse consistency scores	32	44

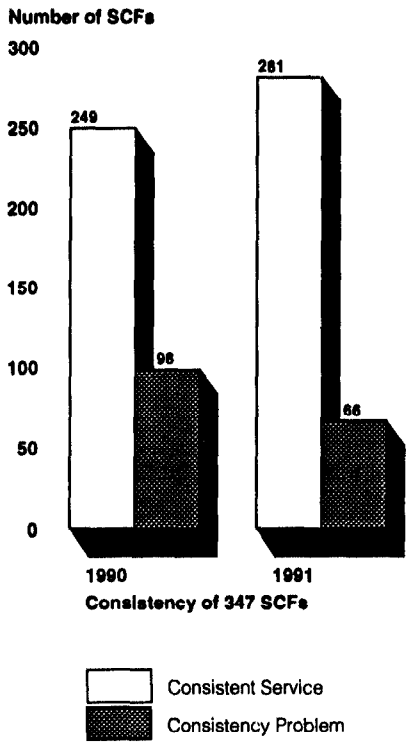
Table 2.5: Consistency of 2-Day Service for SCFs From 1990 to 1991

	Number of SCFs	Percentage
381 (of 419) SCFs experienced volume shifts from 2-day to 3- day		
Better consistency scores	228	60
Same consistency scores	34	9
Worse consistency scores	119	31
149 (of 381) SCFs shifted 22.2 percent (the national average) or more of their 2-day mail to 3-day		
Better consistency scores	109	73
Same consistency scores	12	8
Worse consistency scores	28	19
232 (of 381) SCFs shifted less than 22.2 percent (the national average) of their 2-day mail to 3-day		
Better consistency scores	119	51
Same consistency scores	22	9
Worse consistency scores	91	39
38 (of 419) SCFs shifted no mail from 2-day to 3-day		
Better consistency scores	13	34
Same consistency scores	2	5
Worse consistency scores	23	61

SCFs With Improved Consistency

Before standards were changed, 249 (72 percent) of the 347 SCFs that changed standards from overnight to 2-day had overnight ODIS scores of at least 95 percent (see table 2.6). Following the standards changes, that number increased to 281 SCFs (81 percent), an improvement of 9 percentage points (see figure 2.4). Of the 381 SCFs that changed standards from 2-day to 3-day, 26 (7 percent) had ODIS scores of at least 95 percent. Following the standards changes, that number increased to 41 SCFs (11 percent) (see table 2.7).

Figure 2.4: Consistency of SCFs That Changed Standards From Overnight to 2-Day



SCFs With Below Standard Performance

As shown in figure 2.4 and table 2.6, 66 (19 percent) of the 347 SCFs that experienced volume shifts from overnight to 2-day service maintained a consistency level of less than 95 percent in 1991. As shown in figure 2.5 and table 2.7, 340 (89 percent) of the 381 SCFs that experienced volume shifts from 2-day to 3-day remained below the 95-percent target after the delivery standards changes. For example, the Northern Virginia SCF, which shifted an average daily volume of about 200,000 pieces of mail (38 percent) from 2-day to 3-day, improved its ODIS score 6 percentage points

in 1991 to 89 percent but was still 6 points below the 95-percent consistency target.

Figure 2.5: Consistency of SCFs That Changed Standards From 2-Day to 3-Day

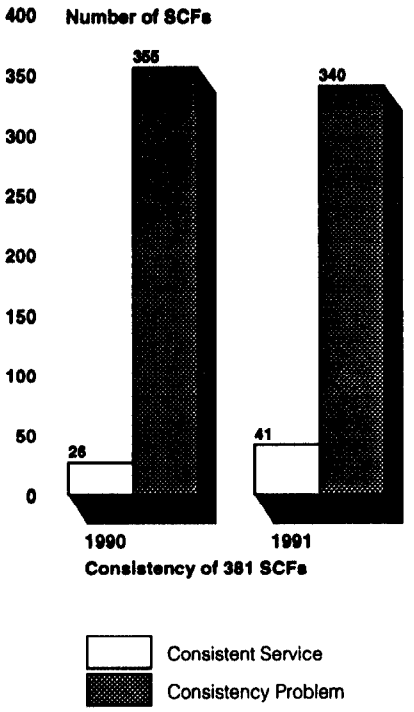


Table 2.6: SCFs Meeting the 95-Percent Target for Overnight Service for 1990 and 1991

	1990		1991		Number changed
	No.	%	No.	%	
347 (of 419) SCFs experienced volume shifts from overnight to 2-day					
SCFs with ODIS scores below standard	98	28	66	19	–32
SCFs with ODIS scores on or above standard	249	72	281	81	32
172 (of 347) SCFs shifted 7.8 percent (the national average) or more of their overnight mail to 2-day					
SCFs with ODIS scores below standard	59	34	29	17	–30
SCFs with ODIS scores on or above standard	113	66	143	83	30
175 (of 347) SCFs shifted less than 7.8 percent (the national average) of their overnight mail to 2-day					
SCFs with ODIS scores below standard	39	22	37	21	–2
SCFs with ODIS scores on or above standard	136	78	138	79	2
72 (of 419) SCFs shifted no mail from overnight to 2-day					
SCFs with ODIS scores below standard	15	21	13	18	–2
SCFs with ODIS scores on or above standard	57	79	59	82	2

Table 2.7: SCFs Meeting the 95-Percent Target for 2-Day Service for 1990 and 1991

	1990		1991		Number changed
	No.	%	No.	%	
381 (of 419) SCFs experienced volume shifts from 2-day to 3-day					
SCFs with ODIS scores below standard	355	93	340	89	–15
SCFs with ODIS scores on or above standard	26	7	41	11	15
149 (of 381) SCFs shifted 22.2 percent (the national average) or more of their 2-day mail to 3-day					
SCFs with ODIS scores below standard	145	97	136	91	–9
SCFs with ODIS scores on or above standard	4	3	13	9	9
232 (of 381) SCFs shifted less than 22.2 percent (the national average) of their 2-day mail to 3-day					
SCFs with ODIS scores below standard	210	91	204	88	–6
SCFs with ODIS scores on or above standard	22	9	28	12	6
38 (of 419) SCFs shifted no mail from 2-day to 3-day					
SCFs with ODIS scores below standard	32	84	33	87	1
SCFs with ODIS scores on or above standard	6	16	5	13	–1

SCFs With Worse Consistency Scores

Despite the Postal Service's intent to improve consistency by changing delivery standards, some SCFs that provided consistent service (scores of 95 percent or better) in 1990 had lower ODIS scores in 1991. Of the 347 SCFs that had overnight to 2-day standards changes, 249 (72 percent) had consistent service in 1990. Of those, as shown in table 2.8, 85 SCFs experienced lower ODIS scores after the changes in standards, including 30 SCFs that fell below the 95-percent target in 1991. For example, Albuquerque, which shifted an average daily volume of about 33,000 pieces of mail from overnight to 2-day, scored 96 in 1990 but fell below target, to 94, in 1991.

Table 2.8: Consistency of Overnight Service for SCFs From 1990 to 1991

	Number of SCFs	Percentage
98 (of 347) SCFs experienced volume shifts from overnight to 2-day and were below the 95-percent target in 1990		
Better consistency scores	81	83
Same consistency scores	6	6
Worse consistency scores	11	11
249 (of 347) SCFs experienced volume shifts from overnight to 2-day and were on or above the 95-percent target in 1990		
Better consistency scores	109	44
Same consistency scores	55	22
Worse consistency scores	85[a]	34

[a]Includes 30 SCFs that fell below the 95-percent target in 1991.

Of the 381 SCFs that changed standards from 2-day to 3-day, 26 (7 percent) had consistent service in 1990. Of those, as shown in table 2.9, 18 SCFs experienced lower ODIS scores after the standards changes, including 16 SCFs that fell below the 95-percent target in 1991.

Table 2.9: Consistency of 2-Day Service for SCFs From 1990 to 1991

	Number of SCFs	Percentage
355 (of 381) SCFs experienced volume shifts from 2-day to 3-day and were below the 95-percent target in 1990		
Better consistency scores	225	63
Same consistency scores	29	8
Worse consistency scores	101	28
26 (of 381) SCFs experienced volume shifts from 2-day to 3-day and were on or above the 95-percent target in 1990		
Better consistency scores	3	12
Same consistency scores	5	19
Worse consistency scores	18[a]	69

[a]Includes 16 SCFs that fell below the 95-percent target in 1991.

ODIS Scores Were Affected by the Volume of Mail That Changed Standards

We also looked at the volume of mail that shifted from overnight to 2-day and from 2-day to 3-day to determine the impact of volume on ODIS scores. The data show that improvement in SCF scores was related to the percentage of volume shifted from overnight to 2-day and from 2-day to 3-day. Our analysis shows that ODIS improvement was greater for the SCFs with average or greater volume shifts from overnight to 2-day and from 2-day to 3-day than for SCFs with below-average volume shifts. As shown in table 2.6, of the 172 SCFs that had 7.8 percent (national average) or greater volume shifts from overnight to 2-day, 30 (17 percent) that had a consistency problem in 1990 improved scores to 95 percent or better in 1991. Of the group of 175 SCFs that shifted less than 7.8 percent, only 2 (1 percent) that had ODIS scores below 95 percent in 1990 improved those scores to 95 percent or better in 1991.

As shown in table 2.7, of the 149 SCFs that had 22.2 percent (national average) or greater volume shifts from 2-day to 3-day, 9 (6 percent) that had a consistency problem in 1990 improved scores to 95 percent or better in 1991. Of the 232 SCFs that shifted less than 22.2 percent, 6 (3 percent) that had ODIS scores below 95 percent in 1990 improved those scores to 95 percent or better in 1991.

EXFC Scores, Like ODIS Scores, Showed Improvement in Consistency

As noted in chapter 1, we did not use scores from the Postal Service's EXFC for our review, because it was not implemented until June 1990—the same quarter that overnight standards were realigned. Consequently, no historical data were available for comparison.

Nevertheless, EXFC scores, like ODIS scores, have reflected a trend toward more consistent service since delivery standards were revised in July and October 1990. For example, EXFC scores for overnight mail were 2.9 points higher for Postal Quarter 2, 1992, than they were for Postal Quarter 2, 1991—the first full quarter after the new overnight and 2-day standards were in place. Two-day service was up 1.4 points, although 3-day service was down 0.7 points. See table 2.10.

Table 2.10: One-Year Shift in EXFC Scores

	EXFC scores		
Standard Category	Quarter 2 1991	Quarter 2 1992	Change
Overnight	79.9	82.8	+2.9
2-Day	72.9	74.3	+1.4
3-Day	76.9	76.2	–0.7

Delivery Standards Affected the Speed of Mail Delivery

The speed of mail delivery can be measured in terms of the percentage of mail delivered in the first and succeeding days, regardless of the standard. A change in the percentage of mail delivered indicates whether the speed of delivery increased or decreased. Our analysis shows that, after the change in delivery standards, the speed of mail delivery decreased at most SCFs. Many SCFs that did not have a consistency problem in 1990 experienced slower mail delivery service after standards were changed. Among the SCFs that changed standards, there was no apparent relationship between the volume of mail affected and the increase or decrease in speed.

Overall, the Speed of Mail Delivery Slowed Under the New Standards

Our analysis shows that, as might be expected, the changed processing priorities for affected mail slowed the speed of mail delivery service. Service slowed under the new delivery standards because the new standards generally allow an extra day for delivery of affected mail.

To determine the speed of mail delivery service for stamped mail under the new and old standards, we compared Quarter 3, 1990, data (before standards were changed) to Quarter 3, 1991, data (after standards were changed), examining the percentage of all mail delivered nationwide in 1, 2, or 3 days—regardless of the standard. As table 2.11 shows, under the new standards, the percentage of stamped mail delivered nationwide within 1 day decreased by about 3 percentage points (2.6 million pieces daily) and the percentage of mail delivered within 2 days decreased by

about 1 percentage point (1.8 million pieces daily). The percentage of mail delivered in 3 days did not change.

Table 2.11: Speed of Delivery for Nationwide Stamped Mail Before and After Standards Were Changed

	Percentage delivered in 1 day	Percentage delivered in 2 days	Percentage delivered in 3 days
1990	64	88	97
1991	61	87	97
Change	–3	–1	0

Although changes in the composition of the mail volume, such as less mail to short-distance destinations, could have caused a decrease in the percentage of mail delivered in 1 day, the average mail delivery time also increased because, after the changes in standards, the affected mail was processed as a lower priority. It is standard practice for postal facilities to base processing priority on when the mail must be delivered under the service standards. For example, overnight mail would be processed before 2-day and 3-day mail.

Most of the 347 SCFs that changed standards from overnight to 2-day and most of the 381 that changed standards from 2-day to 3-day experienced a decrease in the percentage of mail delivered in 1, 2, or 3 days, as shown in tables 2.12 and 2.13. Of the 347 SCFs that shifted volume from overnight to 2-day, 219 (63 percent) experienced decreases in the percentage of mail delivered overnight, 222 (64 percent) had decreases in the percentage of mail delivered in 2 days, and 168 (48 percent) had decreases in the percentage of mail delivered in 3 days.

Table 2.12: Effect of Delivery Standard Changes on Speed of Mail Delivery Service From 1990 to 1991 for SCFs With and Without Shifts in Mail From Overnight to 2-Day

Categories of change in the percentage of mail delivered in 1991 compared to 1990	Number of SCFs in each change category for mail delivered in 1, 2, or 3 days		
	1 day	2 days	3 days
347 (of 419) SCFs experienced volume shifts from overnight to 2-day			
Increased %	101	88	77
Same %	27	37	102
Decreased %	219	222	168
98 (of 347) SCFs with ODIS scores below standard			
Increased %	40	26	26
Same %	11	13	32
Decreased %	47	59	40
249 (of 347) SCFs with ODIS scores on or above standard			
Increased %	61	62	51
Same %	16	24	70
Decreased %	172	163	128
72 (of 419) SCFs shifted no mail from overnight to 2-day			
Increased %	24	22	14
Same %	9	12	19
Decreased %	39	38	39
15 (of 72) SCFs with ODIS scores below standard			
Increased %	7	3	1
Same %	2	4	3
Decreased %	6	8	11
57 (of 72) SCFs with ODIS scores on or above standard			
Increased %	17	19	13
Same %	7	8	16
Decreased %	33	30	28

Table 2.13: Effect of Delivery Standard Changes on Speed of Mail Delivery Service From 1990 to 1991 for SCFs With and Without Shifts in Mail From 2-Day to 3-Day

Categories of change in the percentage of mail delivered in 1991 compared to 1990	Number of SCFs in each change category for mail delivered in 1, 2, or 3 days		
	1 day	2 days	3 days
381 (of 419) SCFs experienced volume shifts from 2-day to 3-day			
Increased %	113	96	79
Same %	28	42	116
Decreased %	240	243	186
355 (of 381) SCFs with ODIS scores below standard			
Increased %	106	91	73
Same %	27	40	112
Decreased %	222	224	170
26 (of 381) SCFs with ODIS scores on or above standard			
Increased %	7	5	6
Same %	1	2	4
Decreased %	18	19	16
38 (of 419) SCFs shifted no mail from 2-day to 3-day			
Increased %	12	14	12
Same %	8	7	5
Decreased %	18	17	21
32 (of 38) SCFs with ODIS scores below standard			
Increased %	11	13	11
Same %	5	6	5
Decreased %	16	13	16
6 (of 38) SCFs with ODIS scores on or above standard			
Increased %	1	1	1
Same %	3	1	0
Decreased %	2	4	5

Our analysis shows that the decreases in the percentage of mail delivered in 1 and 2 days were greater for SCFs that changed standards than for those that did not. The 347 SCFs that shifted mail from overnight to 2-day had an average decrease in the percentage of mail delivered overnight of 2.8 percent; the decrease for the 72 SCFs that did not shift mail from overnight to 2-day was 1.7 percent. Similarly, the average decrease in percentage of mail delivered in 2 days for the 381 SCFs that shifted mail from 2-day to 3-day was 1.6 percent, while the decrease for the 38 SCFs with no such volume shift was 0.8 percent.

For example, the Savannah SCF, which changed standards from overnight to 2-day, delivered 62 percent of its mail in 1 day in 1990 and 52 percent in 1991—a drop of 10 percentage points. That SCF, which also changed standards from 2-day to 3-day, delivered 89 percent of its mail in 2 days in 1990 and 83 percent in 1991—a drop of 6 percentage points.

SCFs That Changed Standards but Did Not Have Consistency Problems Suffered More Speed Decreases

Of the 249 SCFs that changed standards from overnight to 2-day and had no consistency problem in 1990, 172 (69 percent) had a reduction in the speed of mail delivered in 1 day in 1991. In comparison, of the 98 SCFs that also changed standards and had a consistency problem, 47 (48 percent) experienced slower service in 1991. See table 2.12.

In addition, of the 26 SCFs that changed standards from 2-day to 3-day and had no consistency problem in 1990, 19 (73 percent) had a reduction in the speed of mail delivered in 2 days in 1991. In comparison, of the 355 SCFs that also changed standards and had a consistency problem, 224 (63 percent) experienced slower service in 1991. See table 2.13.

Changes in Delivery Speed Were Not Related to Mail Volume

To determine whether the volume of mail that changed standards was related to the speed of mail delivery, we compared volume and speed data for the 172 SCFs that shifted 7.8 percent (national average) or more of their overnight mail to 2-day with data from the 72 SCFs that shifted none of their overnight mail to 2-day. The differences between the two groups were generally not large. For example, of the 172 SCFs that shifted 7.8 percent or more of the mail, 43 (25 percent) increased the amount of mail delivered in 1 day, 13 (8 percent) remained the same, and 116 (67 percent) experienced slower delivery service. Similarly, of the 72 SCFs that shifted none of the mail, 24 (33 percent) increased the amount of mail delivered in 1 day, 9 (13 percent) remained the same, and 39 (54 percent) experienced slower delivery service. Data comparing speed and volume for overnight to 2-day mail are shown in table 2.14. The results for 2-day to 3-day mail were similar and are shown in table 2.15.

Table 2.14: Effect of Delivery Standard Changes on Speed of Mail Delivery Service From 1990 to 1991 for SCFs With Shifts in Mail From Overnight to 2-Day

Categories of change in percent of mail delivered in 1991 compared to 1990	Number of SCFs in each change category for mail delivered in 1, 2, or 3 days		
	1 day	2 days	3 days
172 (of 347) SCFs shifted 7.8 percent (the national average) or more of their overnight mail to 2-day			
Increased %	43	48	42
Same %	13	14	50
Decreased %	116	110	80
59 (of 172) SCFs with ODIS scores below standard in 1990			
Increased %	17	16	14
Same %	6	8	20
Decreased %	36	35	25
113 (of 172) SCFs with ODIS scores on or above standard in 1990			
Increased %	26	32	28
Same %	7	6	30
Decreased %	80	75	55
175 (of 347) SCFs shifted less than 7.8 percent (the national average) of their overnight mail to 2-day			
Increased %	58	40	35
Same %	14	23	52
Decreased %	103	112	88
39 (of 175) SCFs with ODIS scores below standard in 1990			
Increased %	23	10	12
Same %	5	5	12
Decreased %	11	24	15
136 (of 175) SCFs with ODIS scores on or above standard in 1990			
Increased %	35	30	23
Same %	9	18	40
Decreased %	92	88	73

Table 2.15: Effect of Delivery Standard Changes on Speed of Mail Delivery Service From 1990 to 1991 for SCFs With Shifts in Mail From 2-Day to 3-Day

Categories of change in percent of mail delivered in 1991 compared to 1990	Number of SCFs in each change category for mail delivered in 1, 2, or 3 days		
	1 day	2 days	3 days
149 (of 381) SCFs shifted 22.2 percent (the national average) or more of their 2-day mail to 3-day			
Increased %	50	28	26
Same %	11	12	44
Decreased %	88	109	79
145 (of 149) SCFs with ODIS scores below standard in 1990			
Increased %	47	26	25
Same %	11	12	44
Decreased %	87	107	76
4 (of 149) SCFs with ODIS scores on or above standard in 1990			
Increased %	3	2	1
Same %	0	0	0
Decreased %	1	2	3
232 (of 381) SCFs shifted less than 22.2 percent (the national average) of their 2-day mail to 3-day			
Increased %	63	68	53
Same %	17	30	72
Decreased %	152	134	107
210 (of 232) SCFs with ODIS scores below standard in 1990			
Increased %	59	65	48
Same %	16	28	68
Decreased %	135	117	94
22 (of 232) SCFs with ODIS scores on or above standard in 1990			
Increased %	4	3	5
Same %	1	2	4
Decreased %	17	17	13

Conclusions

The Postal Service revised its delivery standards for over 6,000 of its approximately 15,000 overnight ZIP Code paired locations and approximately 138,000 of its almost 285,000 2-day paired locations. The changes affected 8 percent of overnight mail and 22 percent of 2-day mail.

The Postal Service's primary objective in changing mail delivery standards was accomplished. More consistent mail delivery occurred at 55 percent of the SCFs that shifted mail volume from overnight to 2-day service and at 60 percent of the SCFs that shifted mail volume from 2-day to 3-day service. However, although 249 SCFs were already at the 95-percent level or better, further improvement to the 95-percent standard occurred at only 9 percent of the 347 SCFs with overnight volume shifts and at 4 percent of the 381 SCFs with 2-day volume shifts. Performance below the 95-percent consistency standard remained at

- 66 of 347 SCFs that shifted overnight volume to 2-day service, and
- 340 of 381 SCFs that shifted 2-day volume to 3-day service.

Many of the SCFs that changed overnight standards did not have a consistency problem. Only 98 of 347 SCFs that changed standards from overnight to 2-day had 1990 ODIS scores of less than 95 percent. On the other hand, over 90 percent (355 of 381) of the SCFs that shifted mail volume from 2-day to 3-day service had 1990 ODIS scores of less than 95 percent.

The additional time allowed for delivery under the relaxed standards was apparently used because the percentage of mail delivered in 1 and 2 days, regardless of standard, decreased after the standards changed. The percentage of stamped mail delivered nationwide within 1 day decreased by about 3 percentage points. Mail delivered within 2 days decreased by about 1 point.

The Postal Service Anticipated Improving Operations, but Potential Savings Were Modest

As stated in chapter 2, the Postal Service's primary goal in changing delivery standards was to improve the consistency of mail delivery service. The Postal Service specifically stated that its intention in revising standards was not to realize savings, although it anticipated some benefits from the changes—including opportunities to consider more efficient procedures that could reduce costs.

Because reducing costs was not an objective, the Postal Service did not originally estimate any savings that might accrue from enhanced procedures or revised transportation arrangements. Postal Service officials developed estimates only after the Postal Rate Commission expressed concern that the Service had not identified cost savings. Although the Postal Service's method of estimating potential savings appears reasonable, projected savings were (1) modest in comparison to total mail processing costs and (2) based on the assumption that most incoming mail with a new 2-day standard would be shifted from the morning tour to the day tour for processing on automated equipment wherever available. However, managers at the five field locations we visited[1] said that little mail with the new 2-day standard had been shifted to the day tour for processing and that no measurable savings had been realized since the new standards were implemented.

The Postal Service Identified Potential Opportunities for More Cost-Effective Mail Processing Created by the Changes in Delivery Standards

In 1990, Postal Service Headquarters issued guidance suggesting that postal facilities take advantage of the additional time provided by the revised standards. The guidance suggested that postal facilities consider shifting the processing of all incoming mail with a new 2-day standard from the morning tour (Tour 1—typically 11 p.m. to 7 a.m.) to the day tour (Tour 2—typically 7 a.m. to 3 p.m.) when labor-saving automated equipment is underused and labor costs are lower. The guidance also indicated that facilities should consider improving efficiency and reducing costs by eliminating or consolidating some surface transportation trips and sending more mail on trucks rather than on airlines.

The Postal Service also expected that moving new 2-day mail to the day tour would allow the morning tour to concentrate automated equipment (where available) on processing the remaining mail to achieve a finer sorting of the mail to the carrier level or to specific buildings. Such changes would reduce mail handling not only at the facility but also later, when letter carriers sort the mail. Processing new 2-day mail during the

[1]Chicago, Cincinnati, Salt Lake City, San Francisco, and Tampa.

day tour was also expected to reduce labor costs because employees are paid an additional 10 percent for the hours worked before 6 a.m.

The Postal Service further anticipated that division offices would use the additional delivery time allowed by the new standards to make their transportation operations more efficient. Service guidance instructed divisions to consider eliminating multiple daily trips when overnight delivery was no longer required and to use trucks for new 3-day mail rather than more costly air transportation.

Anticipated Savings From Operational and Transportation Opportunities Were Modest Compared to Total Mail Processing Costs

The Postal Service initially estimated an annual savings of as much as $23.7 million in mail processing costs and approximately $3 million in ground transportation costs during fiscal years 1991 and 1992 as a result of the overnight to 2-day delivery standards changes. It also estimated a savings of $17 million in air transportation costs as a result of the 2- to 3-day changes. These anticipated savings are modest compared to 1991 mail processing costs of $8.9 billion and domestic transportation costs of $2.4 billion.

Postal Service officials based projected mail processing savings on the assumption that most mail subject to the new 2-day standard could be processed during the day tour instead of the morning tour. They reasoned that because less mail usually is processed during the day tour, automated equipment could be more fully used to process the new 2-day standard mail, thereby reducing the amount of mail processed manually and mechanically.

However, the officials knew it was unlikely that all of the mail with a new 2-day standard would actually be processed during the day tour instead of the morning tour. They made that assumption to ensure that possible cost savings were not underestimated, particularly because the Postal Service had been asked to estimate cost savings for Postal Rate Commission hearings in 1989 and 1990. Officials at the field locations we visited said that, despite the additional processing time permitted by the relaxed standards, they did not routinely shift new 2-day mail to the day tour and therefore did not shift more mail to automation on that later tour.

As a result of the overnight to 2-day changes, Postal Service officials estimated potential annual savings in mail processing costs amounting to (1) $19.4 million in lower initial mail processing costs due to increased use of automated and mechanized equipment, (2) a $2.2 million reduction in

rehandling costs because mail could be more accurately sorted on automated equipment, and (3) a $2.1 million reduction in labor costs because of a smaller workload on the morning tour when higher labor rates are paid. Officials did not believe any mail processing cost savings would be associated with the 2- to 3-day standard changes because those changes would not result in any operational alterations.

The method postal officials used to develop estimates of potential savings from more efficient operations was intentionally liberal to avoid understating possible cost reductions and, accordingly, appeared to be reasonable.

Field Locations Experienced Little Savings From Standards Changes

At the facilities we visited, managers reported implementing few changes in mail processing and transportation because little of their mail was affected by the new standards or because processing changes could reduce service. Additionally, they reported no changes in staffing levels caused by the changes in standards.

Anticipated Opportunities for Making Mail Processing Changes Did Not Materialize or Were Not Exploited

According to managers at the postal facilities we visited, mail processing operations were not significantly altered as a result of the revised standards. Our analysis of operations and discussions with managers indicated that the facilities did not change the times they receive, process, and dispatch mail.

The Postal Service facilities we visited generally did not alter their operations to increase processing the new 2-day mail during the day tour either because little of their mail was affected by new standards or because managers believed such changes would impair service.[2] Field officials said that despite the additional processing time permitted by the relaxed standards, they did not routinely shift new 2-day mail to the day tour and therefore did not realize the savings associated with increased automation.

At some facilities, little mail was affected by the new standards; therefore, managers had little opportunity to make mail processing changes. The potential to make changes depended primarily on the amount of incoming mail that was subject to new 2-day standards, which varied considerably

[2]Headquarters operations officials did not believe that, nationwide, facilities managers feared changed standards would impair service. According to the Headquarters officials, the facilities managers were the ones who initiated the changes in standards.

among facilities.[3] For example, none of Salt Lake City's overnight mail was affected; therefore, it had no opportunity to change processing.

Mail processing operations in Chicago did not change significantly with the new standards primarily because local postal managers wanted to maintain, to the extent possible, the same level of service that previously existed. Chicago managers said they rescinded initial operating changes (processing new 2-day mail at a later time) for mail from the neighboring North and South Suburban MSCs because the resulting service to Chicago was unacceptable.

At the locations we visited, managers said their policy now is to process all mail when it is received regardless of its service standard. Although the adoption of new standards has slowed delivery of some new 2-day mail because it has a lower priority (as discussed in chapter 2), postal facilities still process as much of it as possible so delivery can be accomplished within the old overnight time frame. As a result, some new 2-day mail is still delivered in 1 day although less often than before standards were revised. Local managers told us that moving the processing of new 2-day mail to the day tour would eliminate any possibility of overnight delivery for this mail.

Because few processing changes were reported at the five locations we visited, it appears that the potential savings estimated by the Postal Service in this area will probably not be realized. A January 1992 report by the Postal Inspection Service reached a similar conclusion: that is, changes were not being made to maximize opportunities created by the new delivery standards.

The Inspection Service reviewed operations at six MSCs in 1990 and 1991: Portland, OR; San Diego; Memphis; Houston, TX; Hartford; and South Suburban (Chicago), IL. In its report, the Inspection Service noted that the realignment of First-Class Mail delivery standards was expected to contribute to increased use of automated equipment on the day tour. Because the volume of overnight-destinating mail on the morning tour was reduced when some of the overnight commitments became 2-day, the new 2-day mail would no longer require processing on the morning tour. Instead, the Inspection Service determined that this mail could be processed on underused automation equipment during the day tour. This strategy of balancing the workload was expected to increase effective

[3]Postal facilities know when delivery is required for incoming mail and can stage it for more efficient processing.

morning tour capacity during peak volume periods to process overnight mail.

The Inspection Service further noted that balancing the workload and increased use of automation were viewed as essential in reducing the error rate in sorting operations. Because the missort rate of automation equipment was significantly less than the missort rate on mechanical letter sorting machines and in manual distribution operations, increased automated sorting was believed to contribute to improved delivery consistency.

However, the Inspection Service found that at five of the six MSCs it audited, overall day tour automation mail processing had not increased substantially as a result of delivery standard changes. Additionally, at several of the MSCs, it noted inadequate plans for how mail would be sorted to maximize opportunities created by the new standards.

The Inspection Service concluded that mail processing managers at the six MSCs it visited had not fully implemented the operations changes necessary to ensure consistent and reliable mail delivery service, even though the new delivery standards were established to improve service and to provide opportunities for more efficient and effective mail processing operations.

Staffing Levels Were Not Affected by Revised Delivery Standards

Revised service standards and processing changes could have affected employee staffing levels. For example, increasing the use of automated equipment could have reduced mail processing staffing levels. However, at the five facilities we visited, officials reported that staffing levels were not affected by revised standards. Permanent mail processing staffing levels declined only slightly at facilities the year after standards were revised, ranging from 2 to 8 percent, and division officials attributed the decreases to the installation of additional automated equipment.

Transportation Changes Have Been Limited

We found that although the Postal Service has reduced some transportation costs, savings have been limited. Division offices responsible for mail transportation at the five postal facilities made few changes even though Headquarters advised them to consider eliminating surface transportation routes and transporting mail by truck rather than on airlines. The Tampa and Salt Lake City facilities saved $167,000 and $24,000, respectively, in annual transportation costs by eliminating some surface transportation routes. However, the remaining three facilities

made no surface transportation changes, and none of the five facilities shifted mail transportation from airlines to trucks.

Division officials said they originally made few surface transportation changes because the Postal Service imposed a 1-year moratorium, effective in July 1990, on such changes when they affected second-class mail delivery. Second-class mail, consisting of newspapers and magazines, is normally transported on trucks along with First-Class Mail, according to division officials. Even after the moratorium ended, division officials planned few transportation changes because they were still concerned about delaying other mail that is transported with First-Class Mail.

Chicago officials said another reason that truck trips were not reduced was that postal facility managers wanted to maintain overnight delivery service levels for mail even though its service standard had changed to 2 days. They said they did not eliminate truck trips to two nearby suburban locations after the service standard changed from overnight to 2-day because they prefer to dispatch mail as soon as processing is completed in order to deliver as much mail as possible overnight. As a result, mail is still trucked several times a day to the two suburban facilities even though Chicago could still meet its new 2-day standard by consolidating some trips.

Although division officials said that the 1-year moratorium did not prevent shifting mail from airlines to trucks, they told us that generally they were already trucking mail to locations as far away as was reasonable. For example, officials responsible for San Francisco's transportation considered sending mail to Denver and Spokane on trucks. However, they determined that the distance to Denver was too great to allow on-time delivery and that trucking mail to Spokane was not cost-effective because mail volume was insufficient.

Nevertheless, Headquarters officials told us that by pointing out how much could be saved by shifting mail from air to surface transportation, the Postal Service was able to negotiate a lower rate with the airlines which will result in a savings of $17 million. Officials also reported savings of about $3 million by eliminating some surface routes.

Conclusions

Although the Postal Service did not change delivery standards to produce cost savings, it anticipated that the revised standards could create opportunities to increase efficiency and reduce operating costs. Although

the method the Postal Service used to estimate potential savings appears reasonable, projected savings were (1) modest in comparison to total mail processing costs and (2) based on the assumption that most incoming mail with a new 2-day standard would be shifted from the morning tour to the day tour for processing on automated equipment.

Managers at the field locations we visited, however, reported that few changes were made in mail processing operations, leading us to conclude that the opportunities either did not materialize or were not exploited and that the potential savings estimated by the Postal Service in this area will probably not be realized.

Additionally, the field managers did not identify any staffing changes resulting from the standards changes. Transportation savings were limited primarily to those resulting from reduced air carrier rates and the elimination of some surface routes.

Survey of Mailers Indicated No Service Improvement Following Standards Changes

The Postal Service's stated purpose for realigning delivery standards was to better meet the needs of mailing customers by providing more consistent service. Although the consistency of service has improved for many SCFs as measured by the new standards, as discussed in chapter 2, our survey of mailers indicated that, in general, the changes in standards did not improve service.

Postal Service officials said they believe that customers are generally satisfied with the new standards because a May 1991 Postal Service review showed that few postal patrons requested revisions to the standards. In our survey of National Accounts and Mailers Technical Advisory Committee members, few respondents felt that service improved following the changes in delivery standards. Most respondents indicated equal or less satisfaction with service under the new standards. Similarly, responses indicated that the new standards had not helped mailers' business and had not improved speed or consistency of mail delivery service. There were some differences in responses depending on the industry reporting.

Responses to GAO's Survey

We surveyed 78 mailers (National Accounts and members of the Mailers Technical Advisory Committee) to determine their perceptions about the new standards. Mailers surveyed included federal agencies, financial institutions (banks and securities firms),[1] utilities, and insurance companies. We received 51 responses (65 percent).[2]

We asked about the mailers' level of satisfaction with mail delivery after the standards changed, the overall effect of the new standards on their businesses, and changes in the speed and consistency of delivery service for outgoing, incoming, and post office box mail.

Satisfaction With Mail Delivery After the Standards Changed

The most common reply from respondents regarding their level of satisfaction with mail delivery was that they were equally or less satisfied after the standards changed. For example, regarding outgoing mail, 38 of 45 respondents indicated the same or a lower level of satisfaction. Seven of 45 respondents indicated that they were more satisfied.

[1]Financial institutions include banks and securities firms. Because only one securities firm returned our survey, we combined its responses with those received from banks.

[2]There were fewer than 51 responses to some questions because some of the respondents did not answer every question or may not have handled a particular type of mail such as post office box mail.

Results were similar regarding incoming mail—most respondents (34 of 38) were equally or less satisfied with mail delivery after the standards changed. Among those respondents who experienced a change in level of satisfaction, a greater number were less satisfied than more satisfied. As shown in table 4.1, regarding incoming mail, 17 of 38 respondents were less satisfied and 4 were more satisfied.

Table 4.1: Mailers' Satisfaction With Delivery Service After Standards Changed

	Satisfaction			
Outgoing mail	**More satisfied**	**Equally as satisfied**	**Less satisfied**	**Total**
Federal government	1	2	1	**4**
Financial institution	2	2	7	**11**
Utility	0	4	3	**7**
Insurance	4	12	7	**23**
Total	**7**	**20**	**18**	**45**
Incoming mail				
Federal government	1	2	1	**4**
Financial institution	1	1	6	**8**
Utility	0	2	3	**5**
Insurance	2	12	7	**21**
Total	**4**	**17**	**17**	**38**
P.O. box mail				
Federal government	1	1	0	**2**
Financial institution	1	3	3	**7**
Utility	0	2	2	**4**
Insurance	3	7	6	**16**
Total	**5**	**13**	**11**	**29**

Effects of New Standards on Business

We asked mailers if the new First-Class Mail delivery standards helped, hindered, or neither helped nor hindered their business, financially or otherwise. Table 4.2 shows that few respondents thought the new delivery standards had helped their business. For example, regarding outgoing and incoming mail, more respondents indicated that the new standards had had no effect or had hindered rather than helped their business.

Financial institutions' responses, more frequently than other industries', indicated that the new standards had hindered business. For example,

with regard to outgoing mail, 8 of 12 responding financial institutions indicated that the new standards had hindered their business. In contrast, only 1 of 4 responding federal agencies, 2 of 6 utilities, and 3 of 21 insurance companies reported the same effect.

Table 4.2: Effect of New Delivery Standards on Mailers' Business

	Effect on business			
Outgoing mail	**Helped**	**Neither helped nor hindered**	**Hindered**	**Total**
Federal government	1	2	1	**4**
Financial institution	1	3	8	**12**
Utility	1	3	2	**6**
Insurance	5	13	3	**21**
Total	**8**	**21**	**14**	**43**
Incoming mail				
Federal government	1	2	1	**4**
Financial institution	2	3	4	**9**
Utility	1	3	1	**5**
Insurance	2	14	3	**19**
Total	**6**	**22**	**9**	**37**
P.O. box mail				
Federal government	1	1	0	**2**
Financial institution	1	5	2	**8**
Utility	1	3	1	**5**
Insurance	3	8	3	**14**
Total	**6**	**17**	**6**	**29**

Changes in the Speed of Delivery Service

Table 4.3 shows that most respondents thought the new delivery standards did not speed delivery service. Most respondents perceived either no change in speed or slower service. Twenty-nine of 37 respondents perceived no change in the delivery speed of outgoing mail, and 6 perceived slower speed; 23 of 33 respondents perceived no change in the speed of incoming mail, and 7 perceived slower speed; and 23 of 34 respondents perceived no change in the delivery speed of post office box mail, and 7 perceived slower speed.

Among those respondents who believed a change had occurred, more believed that the speed of delivery service was slower rather than faster.

For example, regarding outgoing mail, six thought mail service was slower, while two thought it was faster.

Responses were generally uniform for all types of mailers.

Table 4.3: Respondents' Perceptions of the Speed of Service Under New Delivery Standards

	Speed			
Outgoing mail	**Faster**	**No change**	**Slower**	**Total**
Federal government	0	2	1	**3**
Financial institution	0	10	3	**13**
Utility	1	3	1	**5**
Insurance	1	14	1	**16**
Total	**2**	**29**	**6**	**37**
Incoming mail				
Federal government	0	2	1	**3**
Financial institution	0	5	3	**8**
Utility	1	3	1	**5**
Insurance	2	13	2	**17**
Total	**3**	**23**	**7**	**33**
P.O. box mail				
Federal government	1	1	0	**2**
Financial institution	0	7	4	**11**
Utility	2	2	2	**6**
Insurance	1	13	1	**15**
Total	**4**	**23**	**7**	**34**

Changes in the Consistency of Mail Delivery Service

Mail consistency refers to the percentage of mail that is delivered within the established standard. Responses to questions about the consistency of delivery before and after standards were changed showed no major differences.

As shown in table 4.4, the largest group of respondents perceived that their mail service was within standard 80 to 94 percent of the time—both before and after the changes in standards. For example, regarding incoming mail, 18 of 42 respondents thought that 80 to 94 percent of their First-Class Mail was received within the standard before the changes. After the changes, 18 of 42 respondents had the same perception. Fewer

than eight respondents thought that 95 to 100 percent of their First-Class Mail was received within the standard.

The number of respondents who perceived that outgoing mail was received within standard at least 80 percent of the time was virtually the same before and after the standards were changed (30 and 29, respectively). Responses for incoming and post office box mail showed a similar absence of notable improvement after the standards were changed.

Table 4.4: Responses to the Question,"With Regard to Outgoing, Incoming, and Post Office Box Mail, What Percent of the Time was First-Class Mail Received Within Standard?"

	Outgoing	Incoming	P.O. box
Before standards were changed			
95-100%	7	5	5
80-94%	23	18	18
60-79%	6	6	5
40-59%	0	2	0
Below 40%	0	0	0
No basis	12	11	9
Total	**48**	**42**	**37**
After standards were changed			
95-100%	7	7	7
80-94%	22	18	17
60-79%	8	7	5
40-59%	0	2	0
Below 40%	0	0	0
No basis	11	8	7
Total	**48**	**42**	**36**

An analysis of responses by industry indicated that perceptions of the consistency of service did not change significantly after the standards changed. Table 4.5 shows that the government agencies, financial institutions, utilities, and insurance companies surveyed believed the consistency of mail delivery under the new standards was not better than it had been under the old standards. For example, regarding incoming mail, 26 of 31 respondents indicated consistency was the same.

Of the few respondents who believed consistency was better or worse, more believed it was worse for outgoing mail. For example, four respondents believed consistency was worse, and two respondents

thought it was better. However, more thought consistency was better for incoming and post office box mail.

Table 4.5: Respondents' Perceptions of the Consistency of Mail Delivery Under New Delivery Standards

	Percentage of mail on time			
Outgoing mail	**Better**	**Same**	**Worse**	**Total**
Federal government	1	2	1	**4**
Financial institution	0	7	3	**10**
Utility	0	6	0	**6**
Insurance	1	16	0	**17**
Total	**2**	**31**	**4**	**37**
Incoming mail				
Federal government	0	3	1	**4**
Financial institution	0	6	1	**7**
Utility	1	4	0	**5**
Insurance	2	13	0	**15**
Total	**3**	**26**	**2**	**31**
P.O. box mail				
Federal government	0	1	0	**1**
Financial institution	1	7	2	**10**
Utility	2	2	0	**4**
Insurance	1	12	0	**13**
Total	**4**	**22**	**2**	**28**

Conclusions

Our survey of mailers indicates that service did not improve after delivery standards were changed. Overall, most respondents indicated no improvement in level of satisfaction, effect on business, and speed and consistency of mail service. Respondents from financial institutions and utilities reported less satisfaction than federal agencies or insurance companies.

Union Representatives Generally Did Not Support the Delivery Standards Changes

Union officials we spoke with generally believed that the delivery standards changes were not warranted. The American Postal Workers Union believed that the Postal Service's market research did not justify a nationwide revision of standards and that any delivery standards that were determined to be out of alignment should be fixed locally. It also believed that the nationwide effort to realign standards would lead to slower service—which would be unacceptable to the American public.

The National Postal Mail Handlers Union did not believe that the changes in delivery standards were justified and did not believe that service was any better after than before the changes. It believed that the primary reason for the change was to provide the Postal Service more flexibility in mail processing. For example, mail processing windows would be less tight, allowing the Postal Service to process more mail during the day when there would be more room on the automated equipment and labor costs would be lower.

The National Rural Letter Carriers' Association believed that the Postal Service changed delivery standards for operational reasons rather than to achieve greater consistency. It also was concerned that rural customers would be upset if mail service took longer under the new standards. However, the union said that it had not yet received any complaints.

The National Association of Letter Carriers provided no opinions on the changes in delivery standards at the time of our review. However, in testimony before the Subcommittee on Postal Operations and Services, House Committee on Post Office and Civil Service, on April 28, 1992, a union official questioned the Postal Service's justification for changing the standards. The official disagreed with the Postal Service's conclusion that customers preferred consistency over speed of delivery.

Analysis of All Originating 3-Digit ZIP Code Paired Location Changes

	Overnight	2-day	3-day
Before standards changes	14,578	284,551	554,647
Overnight to 2-day	(6,389)	6,389	
2-day to overnight	117	(117)	
3-day to overnight	1		(1)
2-day to 3-day		(137,958)	137,958
3-day to 2-day		4,829	(4,829)
After standards changes	8,307	157,694	687,775
Net increase (decrease)	(6,271)	(126,857)	133,128
Percentage change	(43.02)	(44.58)	24.00

Most changes occurred in the number of 3-digit ZIP Code paired locations that went from a 2-day standard to a 3-day standard (137,958 of 284,551, or 48 percent). The second largest number of changes occurred in overnight 3-digit ZIP Code paired locations that changed to a 2-day standard (6,389 of 14,578, or 44 percent). Less than 1 percent of 3-digit ZIP Code paired locations changed from a 3-day to a 2-day standard or from a 2-day to an overnight standard.

Comments From the United States Postal Service

THE POSTMASTER GENERAL
Washington, D.C. 20260-0010

October 6, 1992

Mr. Richard L. Fogel
Assistant Comptroller General
United States General Accounting Office
Washington, D.C. 20548-0001

Dear Mr. Fogel:

Thank you for providing us an opportunity to comment on the draft report entitled, Revised Postal Delivery Standards: Delivery Scores Improved But Service Is Slower. While we believe that the report generally supports our basic position regarding the realignment of our delivery standards, we feel that readers will benefit from a fuller discussion of our reasons for revising those standards.

The First-Class Mail delivery standards were created in the early 1970s based primarily on our operational capabilities, commercial airline and surface transportation schedules, and our organizational boundaries. At that time, little attention was given to the levels of delivery performance that our customers needed. In the intervening twenty years, significant changes have occurred that made us take a fresh look at the delivery standards. The needs and expectations of our customers have changed. Airline routes and schedules have changed dramatically. There have been major population shifts during this period and mail volume has doubled. In 1988 and 1989, as we began automating our mail processing and distribution operations, we realized that the time was right to systematically assess our customers' current mailing needs and expectations.

Our reevaluation of the existing delivery standards was accomplished through a series of extensive mailer surveys and focus group meetings. We received several clear messages. First, customers were not satisfied with the service we were providing primarily because delivery was not consistent. Second, customers needed and expected overnight service within their local area but their definition of what constitutes local area was usually smaller than the area to which we were trying to provide

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overnight service. Third, 2 or 3-day service to non-local areas met their needs. The overall message from our customers was that while speed of delivery was important to them, consistent and dependable delivery was paramount.

Based on these clearly expressed requirements, we developed guidelines for field division managers to use in aligning their delivery standards to meet their customers' needs and expectations. For the first time, national and local delivery standards were openly shared with our customers and their input was actively sought and considered in making the realignments to the delivery standards. Division managers were instructed to make the changes necessary to meet customers' needs and to disregard cost or past delivery performance. During this process, we learned of the critical concerns of the finance, retail, insurance and publishing industries and took several significant steps to incorporate their input more fully. The divisions' recommended changes were reviewed both at the regional and headquarters level. After initial approval, we publicized the revised standards. In addition, an ad-hoc committee of mailers and Postal Service representatives was formed at Headquarters to work out the implementation details and set up an annual review process. This process solicits feedback from our customers and recommends modifications to the standards. In this way, we can keep our delivery standards in step with the needs of our customers. This annual review process has been completed for 1991 and 1992.

Our revision of delivery standards was not meant to be a cost reduction program. At the time the Postal Service began looking at potential changes, it was decided that cost savings would not be considered in making the decisions. This was done as an intentional safeguard against over-zealous proposals. Nevertheless, opportunities to capture savings in transportation and processing were identified as potential but clearly secondary benefits. The fact that only 11 percent of the total First-Class Mail volume has been impacted by the delivery standard revisions obviously impacts the opportunity for savings.

It is our position that adjusting the delivery standards was the right thing to do and done at the right time. With the continuing assistance of our customers, we are moving forward in tailoring our operations, transportation and facility plans to best meet their needs both now and for the future.

We trust that you will include more detail on the rationale for the delivery standards revisions in your final report. We

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appreciate the opportunity to review and comment on the report. If you wish to discuss any of my comments, my staff is available at your convenience.

Best regards,

Marvin Runyon

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