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**Hearing before the Subcommittee on Federal Workforce,  
Postal Service, and the District of Columbia  
Committee on Oversight and Government Reform  
United States House of Representatives**



**Long Statement for the Record  
On the  
Infrastructure and Realignment of the U.S. Postal Service**

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Mr. Chairman and members of the subcommittee, I appreciate the opportunity to submit my testimony concerning the Infrastructure and Realignment of the U.S. Postal Service. I would like to comment on the Postal Service's current network and its previous network realignment efforts. In addition, I would like to share with you the work of the Office of Inspector General (OIG) in this important area, Postal Service progress in network realignment, and some of the challenges we foresee for the Postal Service in planning and executing realignment activities.

### **Postal Service Network**

The Postal Service operates one of the world's largest distribution networks, processing, transporting, and delivering more than 213 billion pieces of mail annually, and interfacing daily with the \$900 billion a year domestic mail industry. This network of more than 700,000 employees, tens of thousands of facilities, many different types of processing equipment, and multiple modes of transportation provides universal 6-day service to more than 300 million customers.

The bricks and mortar of the network consist of almost 37,000 retail and delivery facilities, more than 600 processing facilities, and approximately 1,000 other facilities such as those for administrative, vehicle maintenance, and miscellaneous support purposes.

There are six main types of retail and delivery facilities:

- Over 27,300 Post Offices serve as the basic organizational unit of the Postal Service with the primary responsibility for collection, delivery, and retail operations in specific geographical areas.
- Nearly 5,000 Classified Branches and Stations are post office facilities operated by postal employees in owned or leased facilities for collection, delivery, and retail operations.
- Over 570 Carrier Annexes are separate buildings letter carriers use instead of a post office. These buildings exist because adequate space is not available at the post office, or they meet a logistical location need.
- More than 3,000 Contract Postal Units are subordinate postal units within the service area of a main post office. They are usually located in a store or place of business and operated by a contractor who accepts mail from the public, sells postage and supplies, and provides selected special services such as postal money orders or registered mail.
- Nearly 940 Community Post Offices are contract postal units that provide service in small communities where independent post offices have been discontinued.

Once mail is collected at post offices, it is transported to plants which sort and distribute it for delivery<sup>1</sup>. The mail is categorized into letter-size mail, flat-size mail, and parcels.<sup>2</sup> For many years the mail category determined the process for sorting, transporting, and distributing it for delivery; in recent years the Postal Service has learned it can commingle different categories in the transportation network. The more than 600 facilities which process the mail are of nine basic types:

- Nearly 270 Processing and Distribution Centers (P&DC) process and dispatch mail from the local area, along with other mail received from postal processing facilities outside of the local area, for delivery to customers or shipment to different facilities for further processing. Key components of the P&DC system are Business Mail Entry Units (BMEU) and Detached Mail Units (DMU), where the largest volume of mail enters Postal Service processing. Business mail is accepted at 1,900 BMEUs located at postal facilities (many are at P&DCs), and at 850 DMUs located in mailer or intermediary facilities. After receiving the business mail, the BMEUs and DMUs send it to the P&DCs for processing. The BMEUs and the DMUs account for approximately 55 percent of the Postal Service's revenue and more than 73 percent of its volume.

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<sup>1</sup> Page 26 of this document contains processing diagrams and narrative for First-Class Mail and Standard Mail processing.

<sup>2</sup> Flat-size mail exceeds the dimensions for letter-size mail. Parcel mail does not meet the mail processing category of letter-size mail or flat-size mail.

Mail processing uses both automated equipment and manual operations. In the case of letter mail processing, the Advanced Facer Canceler System (AFCS) and the Delivery Bar Code Sorter (DBCS) are the main automation equipment used. The AFCS locates the stamp, uses it to face each mail piece in the same direction, cancels the mail, sprays an identification barcode on the envelope, and sorts the mail to a set of bins for further processing. Once the initial processing is complete the DBCS sorts the letter mail in letter carrier delivery walk sequence. This eliminates the need for sorting by the letter carriers and allows the letter carriers to load the mail directly into their vehicles for delivery.

The Automated Flats Sorting Machine 100 (AFSM 100) and the Upgraded Flats Sorting Machine 1000 (UFSM 1000) are the main equipment used to process flat-size mail. The AFSM 100 is a fully automated sorting machine designed to streamline flats mail processing operations and reduce manual processing. The AFSM 100 receives mail via automatic feeders and processes mail using optical character recognition technology. The UFSM 1000 is capable of sorting flat mail pieces that are beyond the size capabilities of the AFSM 100. The UFSM 1000 can sort both non-barcoded mail and barcoded mail. A keyboard operator identifies and enters the proper keycode for each non-barcoded mail piece and the UFSM 1000 sorts the mail piece to the correct bin based on the

operator's input. On the other hand, the equipment automatically sorts barcoded mail.

A significant component of future flats mail automation is the Flats Sequencing System (FSS). This equipment is designed to put flat mail, such as catalogs and magazines, in delivery route sequence for the letter carriers. This will eliminate the need for letter carriers to manually sort this type of mail. The Postal Service anticipates this technology will provide annual operating savings of approximately \$612 million. The installation of FSS is scheduled to begin in 2008 and be completed by 2011.

The Automated Package Processing System (APPS) and the Small Parcel and Bundle Sorter (SPBS) process parcels. The APPS sorts parcels and bundles of mail using automatic package induction and address recognition. In addition, the APPS collects detailed information about each package — such as its type, size and weight — using an optical character reader. The SPBS sorts small parcels, irregular parcel post, bundles of mail, and priority mail into as many as 100 separations. The SPBS is an operator-paced machine. The mail is introduced through input hoppers, which feed conveyors that present parcels to the operators who key the mail pieces' ZIP code destinations. The mail pieces are then mechanically transported to bins for delivery.

- Almost 70 Annexes are an extension of a mail distribution facility, such as a P&DC, that processes incoming and outgoing mail for a designated service area.
- The 195 Customer Service Facilities (CSF) are smaller-sized processing plants similar to P&DCs. These facilities allow access to additional geographic areas and usually report to a post office; however, larger CSFs report directly to an area office. A CSF contains equipment similar to a P&DC, but on a much smaller scale.
- More than 20 Bulk Mail Centers (BMC) are highly mechanized mail processing plants that receive and ship large volumes of Standard Mail, periodicals, and parcels. These facilities can contain APPS and SPBS. In addition, BMC operations rely on conveyers and the Singulation Scan Induction Unit (SSIU). The SSIU is a high-speed processing unit that scans bar-coded parcels and sorts them to their outgoing destination ZIP code for delivery.
- The 11 Logistic and Distribution Centers (L&DC) were initially developed to assure rapid processing and delivery of Priority Mail. Excess capacity allowed non-Priority Mail to be added to these locations. L&DCs may also process First-Class Mail® and Standard Mail, and may operate as a central dispatch point. L&DCs generally have at least SPBS, UFSM 1000, or APPS for mail processing.

- The 20 Surface Transfer Centers (STC), also known as “hubs,” are critical nodes in the Postal Service’s surface transportation network. STCs provide concentration points that receive and consolidate surface mail from locations across the country and transfer it to vehicles leaving the hub for final plant destinations. This technique allows the Postal Service to combine loads, maximize vehicle capacity, dispatch full vehicles, and save money by eliminating unneeded trips. Postal Service officials plan to open two additional STCs during fiscal year (FY) 2007, as they continue to increase their emphasis on ground transportation and decrease their emphasis on air transportation. The mail processing equipment in an STC will vary from location to location, and may include equipment to sort trays and packages such as APPS and SPBS machines.
- Almost 60 Airport Mail Centers (AMC) are hubs for the Postal Service's air transportation network and located at major airports. An AMC receives mail from the Postal Service’s ground transportation network, distributes or “tenders” that mail to commercial air carriers for airport-to-airport transportation, monitors mail in air carriers’ possession, supervises air carriers’ mail handling operations during aircraft loading and unloading, recovers mail from air carriers, and redistributes mail for onward transportation and delivery. The mail processing equipment in an AMC will vary from location to location and, depending on Area requirements, some larger facilities may have equipment similar to that found in a P&DC.



- The 12 Remote Encoding Centers (REC) use video images to assign barcodes to mail that mail processing machines at regular processing locations cannot read. The barcode is imprinted on the mail, allowing the mail piece to be returned to automated mail processing.
- The five International Service Centers (ISC) distribute, dispatch, and receive international mail. The mail processing equipment in an ISC will vary from location to location and can include UFSM 1000, APPS, and DBCS machines.

Transportation is a key component of the overall network. The retail/delivery and processing portions of the network are connected by 16,727 highway routes. Approximately 216,000 vehicles operate in the network and 2.3 billion pounds of mail are carried on contract air routes annually.

### **Recent Changes Impacting the Network**

The existing network developed over time to support the Postal Service's historic business model that relied on rising First-Class Mail volume to cover the cost of operating the expanding delivery network and its significant infrastructure investment. However, in the last 6 years single piece First-Class Mail volume has decreased by over 6.1 billion pieces. During the same time, the delivery network expanded by 8.0 million new delivery points and continues to expand by approximately 2 million new mail delivery points each year.

The decline in single piece First-Class Mail volume is due in large part to electronic diversion as businesses, nonprofit organizations, governments, and households increasingly rely on e-mail and other electronic means to conduct financial transactions and send correspondence. This dynamic was not, of course, anticipated in 1970 when the business model was established.

Besides the impact of declining single piece First-Class Mail volume, the Postal Service's network is affected by such things as worksharing, mail processing automation, and providing the "last mile of delivery." These impact revenue and costs in ways that are dynamic and not always easily predicted, and have left the Postal Service network oversized.

Worksharing — This occurs when a mailer (or mailer agents) does part of the work the Postal Service itself would normally perform in exchange for a discount. The idea is that if the mailer can do the activity at a lower cost than the Postal Service, then they should do it themselves and save the Postal Service the costs it would otherwise bear (and for which the mailer would pay). For example, mailers generally have accurate address databases. They can receive a discount for such things as placing address automation barcodes on each piece of mail. This saves the Postal Service processing costs and it is more

economical for the mailer to ensure correct addresses on the mail than for the Postal Service to incur the costs of handling undeliverable mail. Worksharing is believed to have cut costs, spurred volume growth, and lowered postage rates. It has been estimated that worksharing saves the Postal Service approximately \$11 billion to \$15 billion a year, and many believe it has benefited mailers, the mailing industry, consumers, and the economy at large.

Another example of worksharing is the drop shipment of mail. This involves movement of a mailer's products via private (non-postal) transportation from the point of production to a postal facility located closer to the destination of those products. A simplified scenario could be a mailer preparing a mailing in Wheeling, West Virginia for delivery in Fairfax, Virginia. Instead of mailing it in Wheeling, it would be taken by private transportation to the local Northern Virginia P&DC where it would be processed for delivery to residents in Fairfax. This saves the Postal Service processing costs in Wheeling and the transportation costs between the two processing plants. In turn, the mailer gets a discount based on a predetermined formula. This type of arrangement is clearly a "win/win" for everyone. However, the Postal Service must consider the long-term impact of these arrangements and directly plan with the mailers to ensure that adequate processing capability exists at the receiving processing plant and that by-passed processing plants are not overstaffed and underused as this mail volume moves past them. Over 70 percent of all Standard Mail is drop shipped to the Postal Service.

Mail Processing Automation — Between FY 2000 and FY 2006, the Postal Service approved \$5.8 billion in engineering investments that are expected to produce \$19 billion in savings over their useful life. The Postal Service generally does not invest in automation equipment unless it can be expected to generate at least a 20 percent return on investment. With overall volume levels growing slowly, automation has facilitated cost cutting in workhours for processing and delivery operations.

The Postal Service continues to make significant strides in automating mail processing. This can be seen in the improving flats and parcel technology, which is maturing and benefiting from technology adapted from letter automation systems. As noted earlier, the Postal Service anticipates FSS technology will provide annual operating savings of approximately \$612 million starting in 2012.

The value of automation technology can be seen with letter mail sorting technology, which has increased the Postal Service's productivity by sorting mail to delivery walk sequence, thereby eliminating much of the manual handling of this mail. Sorting mail by automation is more than 10 times cheaper than manual processing – it costs \$5 to sort 1,000 letters through automation versus more than \$55 to sort the same amount manually.

Automation savings contribute to the Postal Service's Total Factor Productivity (TFP), which is a measure of postal efficiency and cost-effectiveness. TFP is a ratio of output (workload) to input (resources). Workload includes the number of delivery points and mail volume. Resources include labor, materials, transportation, and capital. Postal Service productivity for the last 7 years has grown at an average annual rate of 1.5 percent. In 2006 the TFP improved by 0.4 percent. This is a notable achievement considering that from 1972 to 1999 the average annual growth rate was 0.3 percent. The recent annual TFP trend is encouraging as it seems to be a departure from the historic gain/loss cycle.<sup>3</sup> However, sustaining the current trend may prove to be a challenge. The recent TFP increases are a direct result of the Postal Service's efforts to use fewer workhours, but it may not be possible to continue cutting these costs indefinitely. Labor comprises 79 percent of the total operating expenses of the Postal Service, and it has limited flexibility to manage labor costs. To sustain TFP growth, the Postal Service must have the freedom to adjust its network and staffing levels to operate at maximum efficiency. At the same time, it is important to ensure that TFP growth does not come at the expense of the employees' workplace environment or service to the customer.

Last Mile of Delivery — The Postal Service has the nation's most comprehensive delivery network, providing universal service to more than 300 million customers

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<sup>3</sup> Historically, during times of increasing mail volume growth, the Postal Service experienced TFP gains. However, when mail volume growth slowed, so did productivity.

6 days a week. The portion of the network from the post office to the customer's door is commonly called the "last mile."

The Postal Service has been able to leverage this last mile into "co-opetition" with United Parcel Service, Federal Express, and DHL for delivery to residential addresses. In addition, the Postal Service connects the digital economy of online shopping with the traditional one by being able to touch all neighborhoods, urban and rural, with delivery services.

### **Postal Service Network Realignment Efforts**

In April 2001 the U.S. Government Accountability Office (GAO) placed the Postal Service on its High-Risk List<sup>4</sup> and called for the Postal Service to develop a comprehensive plan to address its financial, operational, and human capital challenges. The following month the GAO called for the Postal Service to develop a comprehensive transformation plan and noted the deteriorating financial outlook. In June 2001, Congress endorsed the GAO's recommendations and requested a comprehensive transformation plan from the Postal Service.

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<sup>4</sup> The GAO began the "high-risk" program in 1990. It focuses on the major programs and operations in need of urgent attention and transformation to ensure that the Federal government functions in the most economical, efficient, and effective manner possible.

In April 2002 the Postal Service issued its *United States Postal Service Transformation Plan* (Transformation Plan). The Transformation Plan recognized the Postal Service faced changing customer needs, declining mail volumes, rising costs outside its direct control,<sup>5</sup> fixed infrastructure costs to support universal service, global competition in both domestic and foreign markets, and increasing security costs. One of the cost-saving strategies the Postal Service said it would implement was the redesign of the logistics network to optimize the number and location of processing centers, processing strategies for mail, and transportation modes and routes to meet customer service requirements at minimal total system costs.

The Transformation Plan characterized the redesign of postal logistics networks as the Network Integration and Alignment (NIA) initiative. The NIA charter was to create a flexible logistics network that reduced the Postal Service's and customers' costs, increased overall operational effectiveness, and improved consistency of service. This initiative included simplifying and downsizing the network, redefining the roles and functions of processing plants, and consolidating mail and transportation operations. NIA anticipated examining over 500 processing and transportation-related facilities and evaluating all modes of transportation for cost and service performance, with the potential for doing an overall redesign of the national surface transportation network.

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<sup>5</sup> The Postal Service identified these costs as retirement and health benefit liabilities.

NIA relied on optimization and simulation models. Management used the optimization models to identify alternatives and generate a network solution given certain inputs and constraints associated with a proposed scenario. The simulation models were used to test the feasibility of the solutions given service performance and resource utilization statistics for specific network alternatives coming from the optimization model. Because of the complexity of the Postal Service's network, management used the simulation models at the national, regional, and facility levels.

In September 2004, the Postal Service announced that the Evolutionary Network Development (END) initiative would be the next step in rationalizing and optimizing its networks. According to the Postmaster General, the change from NIA was made because of the unpredictability of mail volume and processing. END was intended to use an incremental approach, allowing the Postal Service to continually rationalize its networks to keep them efficient and affordable.

In early 2006, the Postal Service publicly announced its END plans to redesign its mail processing and transportation networks. The Postal Service anticipated it would take several years to effect the realignment and implement operational changes using an incremental approach, and factored in the *Area Mail Processing (AMP) Guidelines* to help with implementation. The AMP is used to consolidate mail processing functions and to eliminate excess capacity, increase



efficiency, and better use resources. The END network simplification plan centered on regional distribution centers, local processing centers, destination processing centers, airport transfer centers, surface transportation centers, and remote encoding centers. The plan was to reduce network facilities from more than 600 facilities to just over 400 facilities.

However, in October 2006, management announced they were stepping back and reexamining the assumptions behind the END initiative, as well as remodeling the previous NIA network used to create the regional distribution center concept centered on APPS machines. An important aspect of the new modeling was to consider the impact of both APPS and FSS.

Shortly after that, the Postal Accountability and Enhancement Act (the Act) became law. It requires the Postal Service to develop a plan by June 20, 2008 that describes how it will increase the efficiency and effectiveness of its systems, processes, and facilities for delivering the mail. In considering the Act, Congress<sup>6</sup> found the Postal Service has more facilities than it needs and streamlining and consolidating sorting facilities would eliminate excess costs.

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<sup>6</sup> Pub. L. 109-435, Section 302(c)(1)(B)

## Office of Inspector General Work

Since 2002 the OIG has been reviewing both the forward-looking NIA and END initiatives, and the current postal processing operations and transportation networks. In the case of NIA, our specific reviews in 2003 and 2004 led us to conclude that:

- The Postal Service could be subject to fairness and accuracy criticisms as was the Department of Defense base realignment and closing process in the 1980s and 1990s.
- The Postal Service needed policies and procedures for independent verification and validation for the NIA models.
- A separate contractor or an independent Postal Service team was needed to conduct verification and validation for the NIA models.

During this time we worked with the GAO to ensure adequate oversight without duplicating efforts. Concurrent with our findings, the GAO reported the Postal Service needed to develop strategies to realign its infrastructure and expressed concerns about the level of public transparency for financial and operating information, including the transformation. The GAO recommended the Postmaster General develop a comprehensive plan to optimize the Postal Service's infrastructure and workforce, in collaboration with its key stakeholders, and make it publicly available.

In 2005, our work shifted focus to the END initiative. We reported that:

- Stakeholder opposition challenged the initiative. .
- The Postal Service needed a top-down and bottom-up approach for using AMPs to address incremental closings and stakeholder resistance.
- The Postal Service needed a project office and integration plans apart from local management.

Even though management announced it was stepping back and reexamining the END initiative, we have continued our AMP work. In 2006, we developed a model to rank proposed AMPs according to risk. To date, we have ranked approximately 40 proposed AMPs, completed audits of four of the AMP processes, and are currently working on one other which we will report on in late summer.

In the four completed audits we generally found management complied with their overall guidelines and maintained adequate documentation to support their conclusions. However, management did not always comply with the specific AMP processes and there were weaknesses in some management controls. We also identified inconsistent, inaccurate, incomplete, or unsupported AMP proposal data. In a systemic audit of 10 AMP proposals, we told the Postal

Service they could improve the documentation of service impacts. In particular, the Postal Service did not always fully document service standard upgrades and downgrades for certain classes of mail such as First-Class Mail and periodicals. This was due, in part, to inadequate handbook guidance and inconsistent use of guidelines. In addition, we assisted management by assessing proposed AMP worksheets as part of the Postal Service's ongoing AMP guideline revision. We have made a number of recommendations to improve the AMP process, which the Postal Service is currently implementing.

Our audit work since 2002 to assist the Postal Service in optimizing its \$25 billion processing and transportation networks has identified potential cost avoidance and savings. Our plant efficiency reviews target operations that will optimize individual processing facilities. In conducting the individual plant efficiency reviews, we look at such things as staffing, productivity, overtime, idle time, mail volume trends, and equipment performance. Our work continues to focus on facilities that show overall performance below national averages.

Our transportation audit work since 2002 has looked at various network segments to find ways to reduce costs via eliminating redundancy in highway and rail transportation, better managing logistical support costs such as those for fuel and the vehicle fleet, and optimizing the air network. This work has identified potential cost savings in the transportation network and opportunities to improve

its ability to meet operational demands today, as well as its ability to realign and make needed infrastructure changes in the future.

### **Postal Service Progress**

Postal Service accomplishments in recent years using an incremental approach to network optimization include:

- Reducing 180.5 million workhours (which equates to 86,779 staff years);
- Closing over 90 mail facilities;
- Converting over 30 facilities to a new network infrastructure; and
- Reducing highway contract routes by over 65 million miles.

Organizations can use very different approaches to plan for large-scale projects. These vary from a long-range, detailed plan with elaborately sequenced steps for the entire project, to a short-range, more incremental approach. Each has its merits, and the Postal Service, as previously noted, has elected to use the incremental approach. Given the size, complexity, and expense of this undertaking, it appears that taking this approach to network changes represents an acceptable method for reducing inefficiencies and standardizing best operational practices. This approach has been reasonable considering that other

major government modernization efforts<sup>7</sup> that used traditional strategic planning approaches nevertheless experienced significant cost overruns and delays.

The incremental approach:

- Provides network flexibility to allow for easier changes as demographics, mail mix, and technology evolve;
- Reduces risks inherent in attempting to make all network changes at once;
- Allows testing via pilot projects in a more forgiving environment; and
- Generates incremental internal capital to cover the cost of network optimization.

The Postal Service's incremental experience and successes should help it construct a strategy in accordance with the Act because working with smaller pieces such as the AMPs has made the overall picture clearer to understand. It also has clarified many of the challenges the Postal Service faces with comprehensive network realignment.

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<sup>7</sup> Examples include the Internal Revenue Service, Federal Aviation Administration, and Department of Defense modernization projects.

## Network Realignment Challenges

Although the network picture is clearer now than in 2002, the complete realignment will not be easy to accomplish. One reason is that not all postal stakeholders share the same goals. These stakeholders include the individual customer, mailers, postal unions, and the Congress. The 1970 business model anticipated the Postal Service would operate as a business and the Act reinforces the business model by delineating competitive and non-competitive products. However, management continues to receive mixed signals from its key stakeholders about its business vs. public service roles, complicating its optimization efforts. These mixed signals are found in such fundamental issues as:

- Universal 6-day service – It may not make economic sense in all locations, but the interests of the Congress and the tax payers may be contrary to that of the rate payers.
- Opposition at the local, state, and national levels to closing post offices – Many are not strategically located or may not be essential for mail service and represent a cost no other public or private entities are required to bear.
- Opposition to eliminating mail acceptance points – Many may no longer be needed to operate the network and their elimination would save costs, but mailers often oppose any reduction in the number of available entry points.

- The prohibition against what is referred to as “crossing crafts”<sup>8</sup> – This may slow the Postal Service’s efforts to increase efficiencies in mail processing and delivery.
- Management of letter carrier costs – To achieve a significant breakthrough in delivery costs, the Postal Service needs to explore an incentive-based letter carrier performance system, regardless of how it currently classifies delivery routes.
- Concerns about contracting out some functions – The Postal Service is considering this option for a significant portion of the BMC network operated by approximately 20,000 postal employees.

The Postal Service must reconcile these sometimes conflicting messages from influential stakeholders and mitigate their risks where possible to preclude paralyzing inaction.

Other significant challenges confronting the Postal Service in this effort include:

- The constantly changing mix of volume and type of mail in the midst of an ongoing communications revolution.

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<sup>8</sup> The labor agreements between the Postal Service and three of its four major unions — the American Postal Workers Union, the National Postal Mail Handlers Union, and the National Association of Letter Carriers — state that “normally, work in different crafts, occupational groups or levels will not be combined into one job.” This is a prohibition against what is referred to as “crossing crafts,” which cannot be done except in accordance with certain restrictive provisions.



- Evolving relationships with mailers in regard to discounts and mail preparation and submission requirements.
- The need for the velocity of the builddown to avoid protracted anemic staffing of an oversized network which can lead to operational and customer service failures.
- The extremely dynamic environment in which the Postal Service operates, especially compared to the more stable environments in which most other government entities function.
- Continuously advancing technological capabilities, which are not always easily predicted.
- The need to understand, evaluate and, where necessary, mitigate the effect of the builddown on standardization.

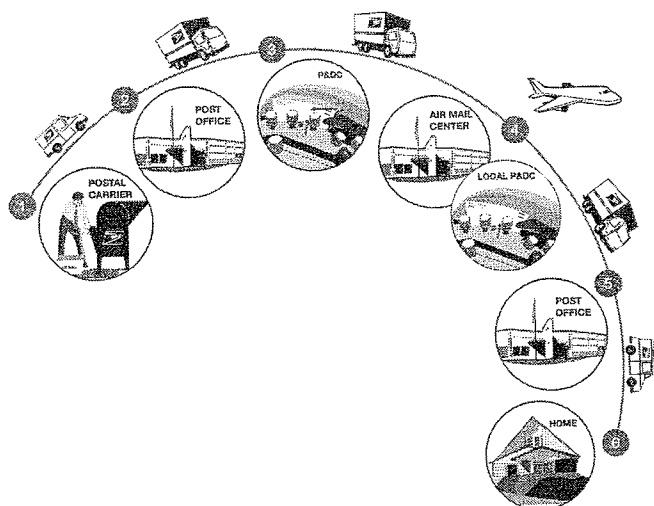
## **Conclusion**

Although the Act does not specify a planning model to be used, the Postal Service believes it is well served by using an “order of battle” approach that incorporates flexibility and expects external change to occur throughout the process. The Postal Service needs to prepare and plan as best it is able to reach an optimal network size that still provides enterprise resilience in the event

of major disruptions, natural disasters or acts of terrorism. Further, robust measurement is needed to monitor cost and service impacts as the plan unfolds. Finally, the plan must be effectively communicated to all stakeholders to prevent surprises and a negative impact on customer service. For example, mailers must understand well in advance the mail acceptance impacts to their business. Likewise, postal employees must understand how their jobs will be impacted.

The support of Congress and the Postal Regulatory Commission is critical during this time of great change for the Postal Service to remain a viable business providing universal mail service at affordable prices to the American public. My office will continue to support postal efforts and we are cognizant of our continuing responsibility to keep Congress fully and currently informed.

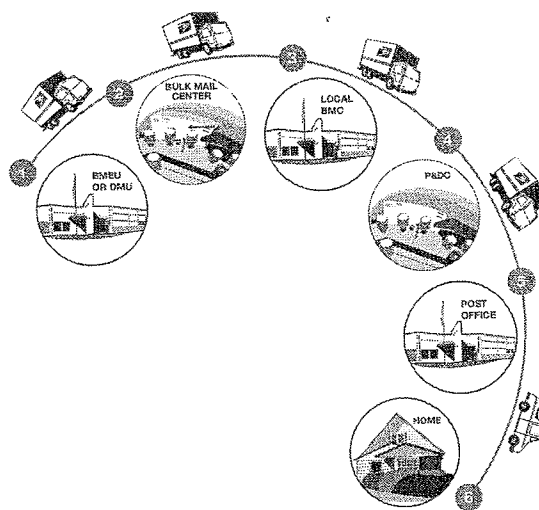
## First-Class Mail Processing



An example of First-Class Mail processing is a greeting card mailed from Alexandria, Virginia, to Los Angeles, California. This card would be processed as follows:

- It is picked up from a mailbox by a carrier and brought to the local post office.
- It is next transported to the Northern Virginia Processing and Distribution Center (P&DC) where:
  - First, it joins other letters and packages for separation by mail handlers with the assistance of mechanization that separates the mail based on its size.
  - Next, an Advanced Facer Canceler System applies the postmark and cancels the postage stamp.
  - Then, a Delivery Bar Code Sorter (DBCS), operated by a mail processing clerk, applies a barcode reflecting the proper destination.
  - Last, the greeting card is subsequently sorted to the first three digits of the ZIP Code by the same DBCS that applied the barcode and then sent to its next destination. (Multiple sorts are required because of the high number of five-digit ZIP Codes.)
- Next, the card is transported to the Washington-Dulles Air Mail Center (AMC) in Virginia and flown to the Worldway Air Transfer Office (ATO) in California.
- After arriving at the Worldway ATO, mail is transferred to the Los Angeles P&DC, where mail processing clerks again use the same type of DBCS to perform a final sort of the mail by ZIP Code for the letter carrier.
- Finally, the greeting card is transported to the local post office to be picked up by a letter carrier and delivered to the addressee.

## Standard Mail Processing



An example of Standard Mail processing is a package mailed from Arlington, Virginia, to Dallas, Texas, that takes the following steps:

- The package enters the mail stream via a Business Mail Entry Unit (BMEU) in Northern Virginia, a post office, or a detached mail unit (DMU) (an area in a mailer's facility where postal employees perform mail verification, acceptance, dispatch, and other postal functions).
- It is then transported to the Washington, DC, Bulk Mail Center (BMC) where it is sorted by clerks and mail handlers. Unlike First-Class Mail, this mail generally does not need to be separated or have stamps cancelled because postage stamps are not used. Mailers apply other types of postage such as metered postage or permit imprint.
- Next, using a Small Parcel and Bundle Sorter (SPBS) or the Automated Package Processing System (APPS), the package is sorted to its three-digit ZIP Code for Dallas.
- The package is then transported to the Dallas BMC for final sorting to its five-digit ZIP Code for the letter carrier, using a SPBS or the APPS.
- Finally, the package is transported to the Dallas P&DC for dispatch to a post office, where a letter carrier delivers it to the addressee.