



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

**U.S. Postal Service
Parcel Delivery Lockers
Management Advisory**

May 6, 2013

Report Number DR-MA-13-002



HIGHLIGHTS

BACKGROUND:

The U.S. Postal Service developed the gopost[®] parcel delivery locker concept in response to increasing parcel volumes and the changing needs of customers. The parcel delivery locker is a free alternative for customers to use 24 hours a day for both parcel shipment and receipt. Registered customers use their gopost card and personal identification number to ship and receive parcels and receive email or text notifications of parcel shipments.

The Postal Service implemented the parcel delivery locker pilot in the Capital Metro Area on February 2012. As of January 2013, it deployed 13 lockers, with 12 additional locations planned before ending the pilot. Our objective was to assess the parcel delivery locker pilot.

WHAT THE OIG FOUND:

The parcel locker concept has significant potential; however, while the pilot has thus far provided some operational insight, it has been limited and user adoption has been very slow. Additionally, lessons learned from other posts that have implemented parcel lockers have not always been considered or incorporated into the pilot. For example, the Postal Service has not made adjustments to simplify its complex registration process, even though two-thirds of registered users gave up on their registration before

finalization. These issues have not yet been explored because management wanted to limit the initial functionality of the pilot to evaluate operational strategy.

The experiences of other posts indicate that broadening the options tested during the pilot may be warranted. Exploring greater possibilities with parcel lockers could allow management to evaluate additional revenue generating and cost sharing arrangements and give them a more informed basis for implementing gopost on a broader scale. Cost avoidance opportunities related to reduced missed deliveries and lower labor rates may further support the business case. We estimate they could avoid annual labor costs of between \$147,000 and \$634,000 for the 13 locations.

WHAT THE OIG RECOMMENDED:

We recommended the vice president, Channel Access, coordinate with the vice president, Delivery and Post Office Operations, to adjust pilot access and implementation factors to maximize customer use and add revenue and cost reduction features to maximize return-on-investment opportunities. We also recommended implementing parcel locker best practices and strategies from international entities, where applicable.

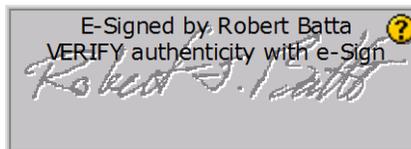
[Link to review the entire report](#)



May 6, 2013

MEMORANDUM FOR: KELLY M. SIGMON
VICE PRESIDENT, CHANNEL ACCESS

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



FROM: Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Management Advisory – U.S. Postal Service Parcel Delivery
Lockers (Report Number DR-MA-13-002)

This report presents the results of our review of U.S. Postal Service Parcel Delivery Lockers (Project Number 13XG017DR000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Rita F. Oliver, director, Delivery and Post Office Operations, or me at 703-248-2100.

Attachments

cc: Michael J. Amato
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TABLE OF CONTENTS

Introduction 1

Conclusion 2

Parcel Delivery Lockers..... 2

 Pilot Execution 3

 Features Not in the Pilot 4

Recommendations 8

Management’s Comments 8

Evaluation of Management’s Comments 8

Appendix A: Additional Information 10

 Background 10

 Objective, Scope, and Methodology 11

 Prior Audit Coverage 12

Appendix B: Pilot Site Locations and Performance Data..... 13

Appendix C: Monetary Impacts 14

Appendix D: Management's Comments 16

Introduction

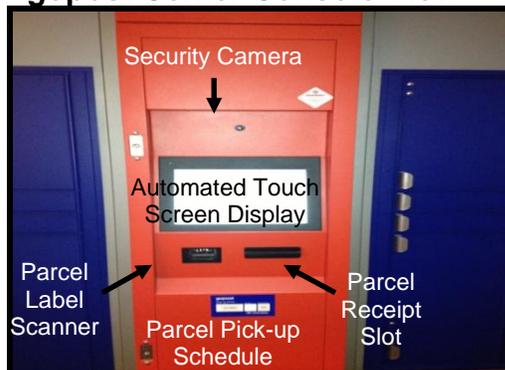
This report presents the results of our review, which focuses on U.S. Postal Service parcel delivery lockers. Our objective was to assess the parcel delivery locker pilot (Project Number 13XG017DR000). This self-initiated review addresses operational risk. See [Appendix A](#) for additional information about this review.

The Postal Service developed the gopost[®] parcel delivery locker concept in response to increasing parcel volumes¹ and the changing needs of customers. The parcel delivery locker is a free alternative for customers to use 24 hours a day. Registered customers use their gopost card and personal identification number (PIN) to ship and receive prepaid barcoded parcels. They receive email or text notifications of parcel arrivals and mailing confirmations (see Figures 1 and 2).

Figure 1.
gopost Ballston, VA Mall Location



Figure 2.
gopost Center Console View



Source:

Photographs taken by the U.S. Postal Service Office of Inspector General (OIG) on January 14, 2013.

The Postal Service implemented the parcel delivery locker pilot in February 2012 at shopping centers, commercially situated post offices, transportation hubs, or intersections. As of January 2013, the Postal Service deployed 13 lockers in the Capital Metro Area² (see [Appendix B](#)), with 12 additional locations planned before ending the pilot.

During the pilot, the Postal Service will gather sufficient data to support the decision analysis report (DAR).³ Postal Service guidance allows piloting of a concept to support DAR investment decisions.⁴ The DAR package will also include the Postal Service's

¹ The postmaster general stated in his February 13, 2013 testimony to the Senate's Committee on Homeland Security and Governmental Affairs that package sales increased 14 percent over the last 2 years.

² The Postal Service also deployed parcel delivery lockers in February 2013 at two locations in New York (the Grand Central and Manhattanville Station) and is preparing to deploy a parcel delivery locker in Virginia. We did not complete analyses on these parcel delivery lockers because no performance data exist.

³ The purpose of a DAR is to ensure that investments are properly documented and reviewed.

⁴ Postal Service Handbook F-66B, *Investment Policies and Procedures – Major Equipment*, dated January 2006.

strategic and implementation plans, goals, and data needed for the reviewing and approving officials to make the investment decision.

Conclusion

The parcel locker concept has significant potential. However, while the pilot has thus far provided some operational insight, it has been limited and user adoption has been very slow. Additionally, lessons learned from other posts have not always been considered or been incorporated into the pilot. For example, the Postal Service has not made adjustments to simplify its complex registration process, even though two-thirds of registered users gave up on their registration before finalizing the process. The Postal Service did not explore these issues in the pilot because it wanted to limit the initial functionality of the gopost pilot to evaluate its operational strategy.

The experiences of other posts indicate that broadening the options tested during the pilot may be warranted. Exploring greater possibilities with delivery parcel lockers could allow the Postal Service to evaluate additional revenue generating and cost sharing arrangements and generally have a more informed basis for determining whether it should implement gopost on a broader scale. Cost avoidance opportunities may further substantiate the business case, as we estimate the Postal Service could avoid workhour costs of between \$147,000 and \$634,000 annually for the 13 locations (see [Appendix C](#)).

Parcel Delivery Lockers

To gain a competitive edge in the parcel industry, the Postal Service began pilot testing gopost parcel delivery lockers⁵ in February 2012 to provide customers with a convenient and flexible alternative to their parcel delivery needs. Specifically, the parcel delivery locker initiative will:

- Increase the Postal Service's parcel readiness efforts as future online retail growth continues.⁶
- Expand available parcel delivery and shipment options for customers by giving them an easy, convenient, and secure package delivery alternative.⁷
- Provide the Postal Service with a marketing edge, using similar strategies implemented by international entities, over some of its large parcel delivery competitors that do not offer secure parcel locker service.

⁵ The parcel locker concept is a major equipment investment that requires completion of a DAR and approval of senior management officials. The DAR process allows piloting as a way to support expected benefits. Piloting before full implementation is important for identifying needed adjustments and illustrating the potential to succeed on a full-scale basis.

⁶ OIG is conducting a separate review of the Postal Service's readiness for package growth.

⁷ It could reduce customer concerns related to missed deliveries, address mix-ups, stolen packages, or weather-damaged goods.

Pilot Execution

Although parcel lockers offer many opportunities, we identified areas of concern with the execution of the pilot, including the registration process, site location, volume targets, and number of parcel pick-up days allowed.⁸ Further, the pilot results from the 13 parcel delivery lockers do not contain many strategies implemented internationally for similar locker systems.

- Registration Process – The full registration process required to access parcel delivery lockers is cumbersome for users and will likely limit adoption. Sixty-six percent (or 1,936 of 2,929) of the registered customers who wanted to participate in the pilot⁹ did not have parcel delivery locker access. The registration process requires a customer to pre-register online, receive a parcel locker access card in the mail (which can take 7 to 10 days), and complete the final authentication step by visiting a designated Post Office. The full registration process could take more than 10 days to complete, mainly because the final step requires a visit to a Post Office. In contrast, to gain full access, Australia Post customers only need to register online to establish a customer identification number. Additionally, Deutsche Post Dalsey, Hillblom, and Lynn (DHL) customers also register online, but a delivery person performs the final authentication step required to complete the registration process when it delivers the customer's registration package, which includes the access card. The 66 percent of customers without access to gopost needed to complete the final authentication step but did not, based on convenience or other reasons. One gopost user indicated to the OIG that the Postal Service clerk was unfamiliar with the authentication process, which resulted in a 4-week delay in gaining access. As plans to expand locker usage continue, streamlining the registration process and ensuring staff familiarity and training could reduce the significant gap between customers who are pre- and fully registered to use the parcel delivery lockers.
- Site Location – Postal Service management needs to re-evaluate their site location criteria as they continue to deploy parcel delivery lockers during the pilot phase. All 13 pilot sites are in the Capital Metro Area (six that are near postal facilities and seven that are not). Headquarters officials based their site selection criteria on research, focus groups, and quantitative results,¹⁰ which indicated placement in high-traffic areas that are convenient to customers. They also wanted the initial sites to be near Postal Service Headquarters. District delivery officials were involved in the initial pilot implementation stages but not throughout the process. Delivery officials indicated that they provided input on suggested site locations; however, the final selections were not always in the best locations. For example, they indicated

⁸ We attempted to obtain benchmarking data from four international posts, but only received responses from the Royal Mail Group (RMG) and Australia Post. RMG indicated that although it did initiate a parcel locker pilot test, it discontinued its efforts due to other priorities and delays with its supplier. We also researched data available online for other postal and nonpostal locations that offer parcel delivery lockers, such as Deutsche Post DHL.

⁹ Based on data provided by Postal Service Headquarters.

¹⁰ Their quantitative results identified target markets that have younger consumers (18 to 34 years old), college-educated male, eCommerce customers, tech-savvy consumers, and renters.

that one of the parcel delivery lockers was in a location that normally receives low-parcel volumes, and customer traffic can only view the rear-side of a parcel locker in another location. Australia Post also launched their 24/7 Parcel Lockers in postal and non-postal facilities, such as business hubs. It indicated that one of its lessons - determining suitable sites (in areas of demand) should not be underestimated.

If they were involved more in the process, district delivery officials could provide suggested locations based on their knowledge of high parcel volume ZIP Codes, and locations where customers are more likely to use the parcel delivery lockers. The Postal Service plans to expand the pilot to 25 locations. If it places lockers in locations with high traffic and parcel volumes, high parcel undeliverable rates, and major cities, it could render adequate feedback on the concept. The Postal Service should also consider placing gopost parcel delivery lockers in markets on the west coast where it is piloting same day delivery services.

- Volume Targets – The 13 parcel delivery locker locations have monthly volume averages of between one and 64 parcels per location since deployment (see [Appendix B](#)). Postal Service officials did not establish performance volume targets, nor do they have a formal system for tracking customer satisfaction. The low volumes could be because of the chosen site location, the large gap between the number of customers pre- and fully registered, the time it is taking customers to embrace the new alternative delivery option, or marketing efforts. Officials stated that, based on customer feedback received via the call center, emails, and delivery units, the responses during the pilot have been positive. Officials should establish a process for identifying low performing locations so that they can implement strategies to increase volume.
- Number of Parcel Pick-Up Days Allowed – Per Postal Service policy, after a first delivery attempt, customers have 15 days to pick up a parcel from the Post Office before the Postal Service treats the parcel as undeliverable (returned to sender).¹¹ As parcel volumes grow, the 15 days may become too long, resulting in parcel delivery lockers reaching full capacity. In comparison, other international entities allow less time. For example, Deutsche Post DHL allows its customers 9 calendar days for parcel pick-ups, and Australia Post only allows 48 hours.¹² Officials should review parcel pick-up days allowed by posts that use similar systems and determine whether it would be feasible to reduce the number of parcel pick-up days.

Features Not in the Pilot

Piloting the parcel delivery locker concept offers the Postal Service an opportunity to explore ideas in support of long-term investments, revenue generation, and cost reductions. The opportunity areas we identified relate to exploring the feasibility of pursuing revenue generating ideas and modifying the concept to reduce costs.

¹¹ *Postal Operations Manual (POM)*, dated July 2002.

¹² Source: Applicable international post website(s).

- Revenue Generation¹³ – We identified several opportunities the Postal Service should consider that would increase revenue:
 - Adding Purchasing Technology and Multiple Language Options – The parcel delivery locker’s automated center console does not accept debit and credit cards, nor do customers have the ability to purchase postal products in the seven locations not in the vicinity of a postal facility.¹⁴ Further, the gopost website and locker center console only offer one language option (English) for customers. In comparison to international entities, we found that Deutsche Post DHL’s PackStations accepts debit cards.¹⁵ As plans continue to expand, multiple language options should be added. Additionally, use of the lockers in locations that are not near postal facilities, but offer purchasing technology¹⁶ such as functionality to support easy parcel shipment returns, could increase customer usage and generate revenue.
 - Charging for Extended Holds – For parcels held in lockers for customers beyond established timeframes, the Postal Service should consider charging fees to generate revenue. ParcelPoint, a nonpostal Australian company, charges its customers for locker use. It also charges its customers \$2.95 per parcel for overdue collections (8 to 14 days after notification).¹⁷ The Postal Service could also offer mail-holding services for customers who may be away from home for extended timeframes; customers may use the service to ensure the security of their mail while away.
 - Forming Partnerships – Other courier companies, such as FedEx and UPS, cannot use the parcel delivery lockers. Forming a cross-platform concept with other couriers to allow them locker usage for a fee could also increase revenue because they may also want ways to reduce their missed delivery attempts. Australia Post, however, allows other couriers access to its lockers for a fee. Additionally, in our research, we found that ParcelPoint is piloting a partnership concept that allows other couriers to use its parcel lockers in Australia.¹⁸ The Postal Service should also consider forming partnerships with online retailers, such as Amazon and eBay. The partnerships could reduce the potential for duplicative parcel locker networks, as well as help other couriers and online retailers reduce costs associated with creating their own lockers concepts.

Collaborating with banks to add banking features, utility companies to allow bill payment features, and local vendors to offer them locker usage for a fee, are additional ways to generate revenue. For example, in our research we found that Australia Post is piloting a similar concept called Super Stores. Super Stores is a

¹³ The Postal Service would need to seek approval by the Postal Regulatory Commission for any revenue-generating opportunities it pursues.

¹⁴ The Ballston Mall location is the only nonpostal facility location that has a Self-Service Kiosk (SSK) machine near it.

¹⁵ Per Deutsche Post’s website.

¹⁶ Such as adding the SSK (formally called Automated Postal Center) technology.

¹⁷ Source: Applicable international post website(s).

¹⁸ *Postal Technology International* online article titled *TNT Express partners with ParcelPoint*.

one-stop self-service store that has parcel delivery lockers available and is also considered an online shopping zone (customers can dispatch parcels, purchase products, and shop online), with vending services for postal products and services. It also partners with other companies to offer customers travel services, bill payment services, and automated teller machine services at the Super Stores.

- Reviewing Future Leasing vs. Buying Options – Postal Service officials considered contractor-owned options used by international entities. Australia Post, for example, does not own its parcel delivery lockers.¹⁹ There could be challenges, however, with using contractor-owned equipment. Australia Post's contract is with Neopost,²⁰ which is responsible for the receipt, installation, and maintenance of the network of lockers. Australia Post, however, informed us that it encountered challenges with the integration between its in-house systems and the third-party locker systems.

Postal Service officials decided against contractor-owned options and used a contractor that had the Postal Service's corporate knowledge of equipment and security needs to build the postal locker systems.²¹ The Postal Service wanted to own its lockers and the security software and keep the management of customer data and security in-house and include it as part of an existing patent.²² The implementation cost per locker location is about [REDACTED], which includes site preparation, installation, and freight. While the purchase of the parcel delivery lockers may be feasible for the pilot test phase, the Postal Service may not be able to afford the large investment in the future installation of its own lockers.²³ However, the ownership option creates the possibility of generating additional revenue in the future by licensing their patent rights for the design and configuration of the lockers and the security software to others for a fee.²⁴

- Cost Reductions – Several cost-reduction opportunities exist for the Postal Service to consider, such as:
 - Locker Access Options – During the pilot, the Postal Service provided customers with free access cards for parcel delivery lockers and replacement cards. This can become costly as its customer base grows. In our research, we found that, although Deutsche Post DHL's website indicates that its customers use cards for parcel delivery locker access, Australia Post's website shows that it does not

¹⁹ Source: Applicable international website.

²⁰ An Australian company that won the contract in partnership with InPost for Australian Post's parcel delivery locker systems. InPost is a Polish company considered to be the biggest mailing alternative in the Polish market and the world leader in the design and manufacturer of secure electronic parcel lockers.

²¹ The Postal Service used the same contractor that designed and built its cluster box units.

²² A form of intellectual property with exclusive rights granted by a sovereign state to an inventor or their assignee.

²³ Postal Service engineers stated that there are additional hardware costs, most of which related to upfront costs that would be difficult to identify and apply on a per machine basis. Additionally, an Internet article about Australia Post indicated that it plans to spend \$50 million to deploy 250 parcel lockers (about \$200,000 per locker).

²⁴ The OIG Report, *Postal Service Patent Management Continuation* (Report Number DA-MA-11-002, dated April 8, 2011), addresses the Postal Service's opportunity to capitalize on active Postal Service patents.

issue access cards. Australia Post customers register online using account numbers and their parcel pick-up notification provides them an access code for retrievals. Allowing customers the option to access parcel delivery lockers using account numbers instead of physically issuing cards could reduce administrative costs.

- Creating Centralized Delivery/Collection Points – The parcel delivery lockers are only for parcels,²⁵ therefore, may not have letter-mail collection boxes nearby. With a goal and an existing Delivering Results, Innovation, Value and Efficiency Initiative (Delivery Optimization) related to increasing centralized delivery points, the parcel delivery lockers create an opportunity to achieve this goal, thereby reducing delivery operational costs.
- Monitoring Reduced Missed Delivery Attempts – Postal Service officials should capture and include savings related to reduced missed delivery attempts in their DAR as an added benefit for the long-term investment. Australia Post officials informed us that they experienced savings related to reducing the number of card notifications given to their customers of missed delivery attempts, as well as savings associated with their retail outlets resulting from missed deliveries.²⁶ For delivery attempts, Postal Service policy requires carriers to leave a missed delivery notification card for the customer.²⁷ The notifications can be very time-consuming to process because of the time used in missed delivery attempts (preparing and leaving the notification card for the customer).²⁸ Using the parcel delivery lockers will eliminate some of these costs.
- Using City Carrier Assistants (CCAs) vs. Full-Time (FT) Carriers –The newly added job classification of CCA²⁹ offers a lower wage alternative for servicing parcels delivery lockers. CCAs would be the best cost option since these deliveries and collections would not have to be on a regular route. Access channel officials should collaborate with delivery officials to determine the extent that they could use CCAs instead of FT carriers to fulfill parcel delivery locker requirements and include the potential savings in the DAR.

Exploring greater possibilities with parcel lockers would allow the Postal Service to evaluate additional revenue-generating and cost-sharing arrangements and generally have a more informed basis for determining whether it should implement gopost on a broader scale. Cost-avoidance opportunities may further substantiate the business case, as we estimate the Postal Service could avoid workhour costs of between \$147,000 and \$634,000 annually for the 13 locations (see [Appendix C](#)).

²⁵ Per Deutsche Post's website, Deutsche Post lockers also accept over-sized letters.

²⁶ Parcel capacity storage at retail outlets (and staff management of servicing the process) was an issue for Australia Post.

²⁷ POM, dated July 2002.

²⁸ Officials indicated that costs are even higher for 'foot' routes (a route served by a carrier on foot).

²⁹ Noncareer city letter carrier bargaining unit employee.

Recommendations

We recommend the vice president, Channel Access, in coordination with the vice president, Delivery and Post Office Operations:

1. Adjust access and implementation factors in the pilot to maximize customer utilization.
2. Add revenue and cost-reduction features to the pilot to maximize return-on-investment opportunities.
3. Implement parcel locker best practices and strategies from international entities in the pilot where applicable.

Management's Comments

Management agreed with the findings and recommendations. In subsequent discussions, management agreed with our 2-year monetary impact range of between \$294,273 and \$1,268,615.

For recommendation 1, management stated that they are in the process of developing a streamlined authentication process that maintains the integrity of the system and allows a customer to obtain a gopost account without coming to a Post Office. Management also stated that they are developing a process that allows customers to pick up a package that the Postal Service was unable to deliver on the first delivery attempt, and request that a package be placed in gopost for self-service pick up. Management's target implementation date is September 2013.

For recommendation 2, management stated that they are actively exploring a number of features and enhancements that will enable payment of postage and create other revenue opportunities. In subsequent discussions, management stated that their target implementation date is September 2013.

For recommendation 3, management stated that they have incorporated international entities' best practices into their development of parcel lockers and will continue to incorporate those practices in their planned future development. In subsequent discussions, management stated that their target date for implementation is September 2013. See [Appendix D](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report and the corrective actions should resolve the issues identified in the report.

The OIG considers all recommendations significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendix A: Additional Information

Background

Growth in online retail is forecasted across all geographies, presenting a healthy growth opportunity for the parcels market.³⁰ As eCommerce sales continue to increase, parcel shipping will possibly be one of the most difficult aspects of eCommerce due to customer concerns related to missed deliveries,³¹ address mix-ups, stolen parcels, or weather damaged goods. Customers want easy, convenient, and secure parcel delivery options. Since fiscal year (FY) 2010, shipping and parcel services have increased and future growth is projected in FY 2013 (see Table 1).

Table 1. 3-Year Shipping and Parcel Trend (in Millions)

Trend	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Projected
Volume	3,057	3,258	3,502	3,700
Revenue	\$10,156	\$10,670	\$11,596	\$12,800

Source: Postal Service 2012 Report on Form 10-K and 2013 Integrated Financial Plan.

Traditionally, for parcels that do not fit into a customer's mailbox, the carrier will attempt to deliver it to the customer's door. The carrier will either leave the parcel in a protected location, follow the mailer/addressee's delivery instructions, attempt a second delivery, or leave a delivery notice instructing the customer to pick up the parcel at the Post Office. With gopost, however, registered customers use their individually issued gopost card and PIN to ship and receive parcels³² free with gopost addresses recognized by the Postal Service National Address Management Service. Customers receive electronic shipping and receiving notifications through email or text. The parcel delivery locker is a concept already offered by several domestic and international postal and non-postal operators.

Customers pay their postage for parcels online or with their postage meters. There is no fee to use the gopost parcel delivery lockers. To ship a parcel, customers scan their gopost card, enter their PIN, select 'ship parcel,' scan the barcode label, and place the parcel into available lockers based on size accommodations. To receive a parcel, customers use their gopost card and PIN to access the designated locker, which lights up and then closes and locks automatically after parcel retrieval. Additionally, customers sign their name directly on the screen using their finger for parcels requiring signatures. If properly sized lockers are not immediately available for parcel delivery, the customer will receive notification of delivery, adding that he or she will receive the highest priority

³⁰ Accenture, *Achieving High Performance in the Postal Industry*, Accenture Research and Highlights 2012.

³¹ The postmaster general stated in his December 18, 2012 *State of the Post Office* speech that carriers were able to deliver 95 percent of their mail volume.

³² Acceptable labels include: Click-N-Ship®, PC Postage, and merchant-paid Return Services.

for the next available locker of the proper size. The Postal Service standard is to allow 15 days for parcel pickup and then treat the parcel as undeliverable.³³

Objective, Scope, and Methodology

Our objective was to assess the parcel delivery locker pilot. To accomplish our objective, we:

- Reviewed Postal Service documentation, including applicable policies and procedures, and prior reports related to parcels.
- Analyzed available parcel locker systems performance data for FYs 2012 and 2013 for the pilot sites and actual implementation costs to date.
- Interviewed Postal Service Headquarters, Capital Metro Area, and Northern Virginia District officials to discuss their parcel delivery lockers, assess the success of their pilot sites, and identify additional opportunities in delivery operations.
- Benchmarked with Australia Post, Deutsche Post DHL, and Parcel Point.³⁴

We conducted this review from January through May 2013 in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*. We discussed our observations and conclusions with management on March 22, 2013, and included their comments where appropriate.

To conduct this review, we used computer-processed data from the Enterprise Data Warehouse, but we did not test controls over the system. However, we checked the reasonableness of results by reviewing existing information about the data and the system that produces them. We also relied on system data provided by Postal Service officials. We determined that the data were sufficiently reliable for the purposes of this report.

³³ Parcel returned to sender for domestic shipments. International parcels are taken to a nearby Post Office and returned to the sender after being stored 15 days at the Post Office.

³⁴ Parcel Point is a nonpostal Australian private company that, per its website, offers parcel locker rentals.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Postal Service Patent Management Continuation</i>	DA-MA-11-002	4/8/2011	\$2,523,778,667
<p>Report Results: We reported that the Postal Service does not manage its portfolio of patents to maximize commercial significance. Our evaluation, conducted in conjunction with an intellectual property management firm, determined that the three patents identified as active and owned by the Postal Service held an annual commercial value of \$18.1 million. Postal Service policy covering new products and patent licensing agreements seeks to ensure that new and enhanced products consistently meet customer needs, generate new revenue, and strengthen the Postal Service as a viable business. The opportunity to capitalize on active Postal Service patents exists because management has not strategically considered using patents to generate new revenue. Management partially agreed with recommendation 3, contingent on the outcome of actions taken in response to recommendation 2.</p>			
<i>Foreign Posts' Strategies Could Inform U.S. Postal Service's Efforts to Modernize</i>	GAO-11-282	2/16/2011	None
<p>Report Results: The U.S. Government Accountability Office (GAO) examined initiatives that foreign posts have implemented to improve mail delivery and retail networks and related results, and modernization strategies used by foreign posts that can inform consideration of proposals to improve the Postal Service's financial condition and customer service. GAO selected foreign posts in Australia, Canada, Finland, Germany, Sweden, and Switzerland as case studies based on characteristics, such as delivery and retail changes and country size and location. GAO found that the foreign posts have developed alternative delivery choices for customers that, according to the posts, have reduced costs and improved customer satisfaction and service. The Postal Service generally agreed with GAO's conclusion that it must pursue modernization and that modernization could be more quickly and effectively instituted if legal and political barriers are removed.</p>			

Appendix B: Pilot Site Locations and Performance Data

	Area	District	Responsible Delivery Unit	gopost Location	Deployment Date	Months In Service	FY 2012 Parcels	FY 2013 Parcels ³⁵	Total Parcels	Average Parcels per Month
1	Capital Metro	Northern Virginia	Merrifield Main Post Office	Merrifield Main Post Office	February 2012	11	█	█	█	█
2	Capital Metro	Northern Virginia	Buckingham Carrier Annex	Ballston Common Mall	February 2012	11	█	█	█	█
3	Capital Metro	Northern Virginia	Prince William Post Office	Prince William Post Office	February 2012	11	█	█	█	█
4	Capital Metro	Northern Virginia	South Station Post Office	Arlington South Station Post Office	February 2012	11	█	█	█	█
5	Capital Metro	Northern Virginia	Chantilly Post Office	Chantilly Post Office	February 2012	11	█	█	█	█
6	Capital Metro	Northern Virginia	Kingstowne Post Office	Kingstowne Post Office	February 2012	11	█	█	█	█
7	Capital Metro	Northern Virginia	Centreville Main Post Office	Centreville Main Post Office	February 2012	11	█	█	█	█
8	Capital Metro	Northern Virginia	Eads Carrier Annex	Pentagon Centre	July 2012	6	█	█	█	█
9	Capital Metro	Northern Virginia	West Springfield Post Office	Old Keene Mill Shopping Center	July 2012	6	█	█	█	█
10	Capital Metro	Northern Virginia	Community Post Office	7770 Richmond Hwy	July 2012	6	█	█	█	█
11	Capital Metro	Capital	Rockville Carrier Annex	Montrose Crossing Shopping Center	September 2012	4	N/A	█	█	█
12	Capital Metro	Capital	Rockville Carrier Annex	Congressional Plaza	September 2012	4	N/A	█	█	█
13	Capital Metro	Capital	North College Park Post Office	Campus Village Shoppes	September 2012	4	N/A	█	█	█
14	Northeast	New York	Grand Central Station Post Office	Grand Central Station Post Office	February 2013	0	N/A	N/A	N/A	N/A
15	Northeast	New York	Manhattanville Station	Manhattanville Station	February 2013	0	N/A	N/A	N/A	N/A
16	Capital Metro	Northern Virginia	West Springfield Post Office	Burke Towne Plaza	To be determined	0	N/A	N/A	N/A	N/A
Total Parcels by Fiscal Year							█	█		
Total Parcels								█		

Note: N/A means not applicable.

Source: U.S. Postal Service Headquarters.

³⁵ Volume data as of January 2013.

Appendix C: Monetary Impacts

Recommendation	Impact Category	Amount Over 2-Years (1-Hour Scenario)	Amount Over 2 Years (6-Hour Scenario)
2	Funds Put to Better Use ³⁶ (CCA)	\$194,868	\$1,169,210
2	Funds Put to Better Use (Reduced Missed Delivery Attempts)	99,405	99,405
Total		\$294,273	\$1,268,615

City Carrier Assistant

We determined the Postal Service should consider using CCAs to deliver and retrieve parcels from gopost lockers because their hourly labor rates are lower than FT carriers' labor rates. CCAs hourly labor rate can be as low as \$16.25,³⁷ which is \$24.74 less than a FT carrier's overtime hourly rate.³⁸ Using this difference, we determined that, for each gopost location, the annual savings (per workhour used by a CCA instead of a FT carrier) would be \$7,494.94 when compared to a FT carrier's overtime rate.³⁹ Using this estimated annual savings per gopost location, we calculated total savings for the 13 existing gopost locations in operation as of January 2013, using a scenario of 1 to 6 hours per day.⁴⁰ We computed annual cost avoidances of between \$97,434.20 and \$584,605.17 when comparing a CCA labor rate for 6 hours to a FT carrier overtime rate, or between \$194,868.38 and \$1,169,210.34 over 2 years.

Reduced Missed Delivery Attempts

We estimated that processing a missed delivery attempt notification card, along with the subsequent requirement to scan, could take about 2 minutes⁴¹ per parcel. This equates to about 30.3 workhours (or 1,819 minutes) potentially saved for 910 of the 2,295 total

³⁶ Funds that could be used more efficiently by implementing recommended actions.

³⁷ Starting salary for transitional employees hired to a CCA Grade 1 position. However, officials indicated that this figure could change in the future under The President's Obama Care plan signed into law on March 23, 2010.

³⁸ FY 2013 \$40.99 FT overtime hourly rate, minus \$16.25 CCA hourly rate.

³⁹ \$24.74 difference between a FT overtime hourly rate and the CCA rate, times, 303 delivery days for FY 2013.

⁴⁰ Six hours used based on estimated time provided by district postal officials for the length of time it would take to fulfill gopost locker requirements at full capacity. However, Postal Service engineers indicated that they used a small sample to perform a time-in-motion study, which indicated that it would take about one hour to service a gopost at full capacity (each gopost has 80 lockers), instead of the six hour estimate we received from district management officials who are responsible for managing the daily delivery operation. Therefore, we used a range of 1 to 6 hours to estimate cost avoidances. Gopost fulfillment processes would include parcel handling at the office in the morning; travel time to gopost locations; trips back and forth to the vehicle to obtain parcels to load into lockers; and entering screen prompts to process each parcel delivery and shipment. Additionally, the estimate includes carriers' time to load parcels into vehicles shipped through gopost, load parcels back into vehicles that they could not load into lockers, and processing parcels brought back to the office.

⁴¹ Two minutes based on estimated time provided by district postal officials.

parcels sent to gopost during FY 2012.⁴² Using the FT carrier standard rate for the 30.3 workhours saved for the 910 parcels, this equates to an annual cost avoidance of \$49,702.54, or \$99,405.08 over 2 years.

⁴² First attempt parcel delivery success rate for Northern Virginia District (district with majority of gopost lockers) for FY 2012 was 60.37 percent; therefore, we excluded 60.37 percent of the 2,295 parcels for FY 2012 for our computation.

Appendix D: Management's Comments

KELLY M. SIGMON
VICE PRESIDENT, CHANNEL ACCESS



April 18, 2013

JUDITH LEONHARDT
DIRECTOR, AUDIT OPERATIONS
1735 North Lynn Street
Arlington, VA 22209-20202

SUBJECT: Audit on Parcel Lockers – DR-MA-13-DRAFT

This report contains information which management believes may contain proprietary or other Business information that may be exempt from disclosure under the Freedom of Information Act (FOIA). Attached is the report detailing the exact information that should be redacted.

Recommendation No. 1

We recommend the vice president, Channel Access, in coordination with the vice president, Delivery and Post Office Operations, to:

1. Adjust access and implementation factors in the pilot to maximize customer utilization.

Response: Agree. The Postal Service concurs with this recommendation. The Postal Service is in the process of developing a streamlined authentication process that maintains the integrity of the system while enabling the customer to activate a gopost account without requiring a trip to the Post Office. In addition, the Postal Service is in the process of developing a process where the electronic parcel locker can enable the customer to pick up a package that the Postal Service was unable to deliver to the customer on the first delivery attempt. Today the customer receives a PS Form 3849, Delivery Notice/Reminder/Receipt, that the package is being held at the Post Office. Under the new process, and for those Post Offices with gopost units in their delivery zones, the customer can request that the package be placed in the unit for a self-service pick up. Customers using this process will also be invited to become fully registered gopost users. Both of these processes will enhance utilization.

Target Implementation Date: September 2013

Responsible Manager: Nan McKenzie, Manager, Retail Services

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2. Add revenue and cost reduction features to the pilot to maximize return-on-investment opportunities.

Response: Agree. The Postal Service agrees with this recommendation and is actively exploring a number of features and enhancements that will enable payment of postage and other revenue opportunities.

Target Implementation Date:

Responsible Manager: Nan McKenzie, Manager, Retail Services

Recommendation No. 3

3. Implement parcel locker best practices and strategies from international entities in the pilot where applicable.

Response: Agree. The Postal Service agrees that international entities' experience with electronic parcel lockers provide valuable insights and we routinely monitor information about that experience. Where applicable we have incorporated the best practices into the development of the lockers and will continue to incorporate those practices into future development.

Target Implementation Date:

Responsible Manager: Nan McKenzie, Manager, Retail Services

This report contains information which management believes contains proprietary or other business information that may be exempt from disclosure under the Freedom of Information Act (FOIA). Attached is the report detailing the exact information that should be redacted. Please see attachment.



Kelly M. Sgmon
VP, Channel Access

cc: Sally Haring, Manager, Corporate Audit and Response Management
Edward F. Phelan, Jr., VP, Delivery and Post Office Operations
Megan J. Brennan, Chief Operating Officer and Executive VP
Michael J. Amato, VP, Engineering Systems
Ellis A. Burgoyne, Chief Information Officer and Executive VP
Nagisa Manabe, Chief Marketing/Sales Officer and Executive VP