DEFENSE BUSINESS BOARD

Report to the Secretary of Defense

Military Mail

Report FY11-04

- **Recommendations to improve the Department of Defense's military mail system.**

April 2011

Military Mail

TASK

The Secretary of Defense remains committed to reducing overhead and improving business operations within the Department of Defense (DoD). It is critical that the Department identify and pursue every opportunity to economize and increase its operational efficiency and effectiveness. This will help the Department sustain its force structure levels and continue the critical modernization of its military capabilities given the current and projected fiscal climate. A copy of the official Terms of Reference (TOR) may be found at **Appendix A**.

As part of this effort to streamline efficiencies and reduce overhead, the Defense Business Board (DBB) created a task group to study the Department's military mail system and provide recommendations to improve its long-term operational efficiency and create cost savings. If implemented, these recommendations would, in turn, improve the efficiency of the Department's business operations.

The Task Group consisted of Task Group Chair, Ambassador Barbara Barrett, and Task Group Secretariat Representative, Kelly Van Niman.

PROCESS

The Task Group reviewed the 2005 DBB Final Report on Military Postal Service. Additionally, it conducted interviews and elicited comments from both the private sector and DoD leadership.

The Task Group presented its findings and recommendations to the full Board on April 21, 2011. See **Appendix B** for a copy of the final presentation that was approved by the Board.

FINDINGS

The Task Group observed that military mail is not a core function of DoD. It is resource intensive and expensive. The system would be more efficient if it were outsourced. The Department could then achieve significant cost savings.

The 2005 DBB Final Report on Military Postal Service stated that there is an opportunity to move 2,232 military personnel from postal service to other key functions. The Government Accountability Office (GAO) cites the program's inadequacies in training military mail personnel. Furthermore, mail is not considered part of the DoD's supply chain.

Since the 2005 study, the current Task Group found that there have been multiple key improvements in the military mail system. In a 2007 memorandum, the Office of the Secretary of Defense (OSD) endorsed outsourcing for military mail operations. To date, 1,166 of 3,306 military postal billets returned to the warfighting force. Military postal functions are a collateral duty in the Military Services, except in the Marine Corps.

In September 2008, Congress deregulated the elements of transportation. Beginning in 2009, non-U.S. carriers could submit bids to the United States Postal Service (USPS) to transport mail to and from the United States. In the program's first year, the Department saved $34 million. The U.S. Postal Service expanded to a global contract with the Department in order to integrate door-to-door service. As a result, the automated military postal system (AMPS) was implemented, which streamlined operations and focused on metrics. However, the program remains labor-intensive.

Furthermore, the USPS-DoD Performance Measurement Workgroup was established to review and analyze the mail transportation performance data. The group was also tasked to standardize military mail transit time and improve the processing and distribution network. Additionally, since 2005, there has been increased mail in-transit visibility, which is an effective measurement to provide data for the transportation network's performance. The Department has also partnered with USPS to begin standardizing military addresses within the Continental U.S. (CONUS) and outside CONUS (OCONUS). This ongoing program will standardize

addresses to allow the Department to take advantage of USPS automations, including the online national change of address system and Postal Automated Redirect System (PARS). Also, official mail facilities have been consolidated. Pre-deployment, theater-specific postal training has been instituted and remains an ongoing program.

The Task Group also identified the visible costs associated with these changes in the military postal system. Furthermore, the Task Group observed that USPS software cannot scan military addresses because there is not an automated scanning system in place. The U.S. Postal Service manually sorts international mail in Newark and San Francisco. Mail is then manually sorted again after arriving at the OCONUS gateway to the unit level, which is the Army Post Office (APO) or Fleet Post Office (FPO) address. Furthermore, one-third or more of military mail is undeliverable. Mail is not recognized as undeliverable until after it arrives at its OCONUS destination whereupon it is returned to CONUS and readdressed.

A software update in this system would enable USPS and the Military Postal Service Agency (MPSA) to implement PARS to stop or redirect this mail. Currently, MPSA metrics are base-lined against past performance instead of being based on industry's best practices. Coincidently, the U.S. Transportation Command (TRANSCOM) is not the Distribution Process Owner (DPO) for military mail. Furthermore, military mail is still not considered to be part of the military supply chain.

RECOMMENDATIONS

Based on the findings above, the Defense Business Board offers the following four recommendations to improve the operational efficiency of the Department's military mail system.

1. The Department should consider implementing a complete, end-to-end private sector solution to unify the processes, technology, training, procedures, innovation and funding for military mail.

    a. Seek an end-to-end rather than a piecemeal solution for the processing and delivery of military mail.

    b. Seek a model that capitalizes on economies of scale and organizational efficiencies.

2. The Department should work with USPS to change and improve its software to enable scanning, sorting, and nesting of military mail at international gateways down to the APO/FPO unit. MPSA needs access to PARS or to a comparable system to stop or redirect this mail at the international gateway.

3. The Department should streamline and optimize the military mail supply chain and logistics supply chain.

    a. Presently both of these supply chains are used for shipping spare parts and other mission-related items.

    b. If DoD leaders instructed that mail be considered an element of the DoD supply chain, defense assets and contracts for shipping personal and mission-related items would be optimized for increased savings.

4. The USPS-DoD Performance Measurement Workgroup needs to focus on surpassing commercial best practices, not merely its past performance. The Department could realize savings by improving its transit times as well as by reducing intermediate stops and multiple handoffs while also improving the mail's arrival condition and reducing Undeliverable As Addressed (UAA) mail.

CONCLUSION

      The Board recognizes the imperative of identifying and pursuing every opportunity to economize and increase the efficiency of the Department's business operations especially during the current and projected fiscal climate. The Board is hopeful that these recommendations will help to improve the operation and effectiveness of the military postal service. If the Department implements the preceding recommendations, it can achieve significant budget savings and make process or organizational changes that will yield long-term operational efficiencies. As a result, the

Department will be better able to sustain its current force structure levels and continue the critical modernization of its military capabilities.

Respectfully submitted,

Ambassador Barbara Barrett
Task Group Chair

Defense Business Board

THIS PAGE LEFT INTENTIONALLY BLANK

Defense Business Board

APPENDIX A

TERMS OF REFERENCE

Defense Business Board

THIS PAGE LEFT INTENTIONALLY BLANK

MAY 1 7 2010

MEMORANDUM FOR THE CHAIRMAN, DEFENSE BUSINESS BOARD (DBB)

SUBJECT: DBB Terms of Reference – "Reducing Overhead and Improving Business Operations"

I remain concerned over the ability of the Department of Defense to sustain current force structure levels and to continue critical modernization of military capabilities given the current and projected fiscal climate. For these reasons, it is imperative that the Department identify and pursue every opportunity to economize and increase the efficiency of its business operations.

As the Department's independent advisory board for economic and business affairs, I request you form a task group to provide recommendations on options to materially reduce overhead and increase the efficiency of the Department's business operations. This effort should identify both short- and long-term opportunities to achieve budget savings as well as make process or organizational changes that will yield long-term operational efficiencies.

The offices of Under Secretary of Defense (Comptroller), Cost Assessment and Program Evaluation, and Director of Administration and Management will serve as your principal support resource and will provide assistance as necessary. Other Department of Defense elements will provide assistance if determined to be necessary.

This effort should be completed by September 1, 2010, with an interim briefing to me by July 1, 2010.

Defense Business Board

THIS PAGE LEFT INTENTIONALLY BLANK

Defense Business Board

APPENDIX B

FINDINGS AND RECOMMENDATIONS

PROVIDED TO THE FULL BOARD ON APRIL 21, 2011

Defense Business Board

THIS PAGE LEFT INTENTIONALLY BLANK

DEFENSE BUSINESS BOARD

Military Mail

April 21, 2011

Task Group Overview

Terms of Reference

As the Department's independent advisory board for economic and business affairs, provide recommendations on options to materially reduce overhead and increase the efficiency of the Department's business operations. This effort should identify both short- and long-term opportunities to achieve budget savings as well as make process or organizational changes that will yield long-term operational efficiencies.

Deliverables

Recommendations to improve the Department's military mail system. These recommendations must increase the efficiency of the Department's business operations and operational efficiency as well as create cost savings.

Task Group Members

Ambassador Barbara Barrett (Chairwoman)

Secretariat Representative

Mrs. Kelly Van Niman

Military Mail - Findings

- Key Improvements since 2005

  - OSD Endorsed Outsourcing – 2007 Memo

    - To date, 1,166 (38%) out of 3,306 military postal billets returned to warfighting force

    - Except for USMC, military postal functions are collateral duty

  - Congress deregulated elements of transportation – Sept 2008

    - Non-US carriers may submit bids to USPS to transport mail to/from US

    - Since implementation in July 2009 : DoD First Year Cost Avoidance = $34M

    - USPS expanding to a global contract in order to integrate door-to-door service

  - Automated Military Postal System (AMPS) Implemented

    - Streamlines operations – metrics focused

    - Still very manual/labor-intensive

DEFENSE BUSINESS BOARD

Military Mail - Findings

- Additional Key Improvements since 2005

  - USPS-DoD Performance Measurement Workgroup established

    - Review and analyze mail transportation performance data

    - Standardize military mail transit times

    - Improve processing and distribution network

  - Mail In-Transit visibility achieved

    - Provide data for transportation network performance measurement

  - DoD partnering with USPS to standardize military addresses within CONUS & OCONUS – ongoing

    - The goal is to standardize addresses to allow DoD to take advantage of USPS automations, including online national change of address system and Postal Automated Redirect System

  - Official mail facilities consolidated

  - Pre-deployment, theater-specific postal training instituted – ongoing

Military Mail - Findings

Visible Costs (Identified to Date)

- Total Second Destination Transportation (SDT) – Cost to/from US to/from overseas port of debarkation/embarkation

	Volume (Lbs)	Cost
FY08 Total	259,083,392	$549,150,591*
FY09 Total	234,105,530	$562,183,468*

*Costs adjusted down for fuel adjustments, reimbursements)

(Note: 70%+ of these costs are for CENTCOM Theater contracted transportation to 10 air stops – $151M in 2006 and $391M in 2009)

- Intra and Inter Theater Mail Transportation Break-out – Cost between first point of entry and other points in country as well as between in country points of destination. *Included in total SDT Costs.*

	Volume (Lbs)	Cost
FY08 Total	58,572,805	$48,854,059
FY09 Total	48,757,106	$42,391,520

- Additionally, long-term contracts continue to be let including a $9.3M firm-fixed-price contract to provide U.S. mail transportation services from Bagram AFB to Shank, Fenty, and Kabul. This contract term is Sep 2010 – Sep 2015.

DEFENSE BUSINESS BOARD

Military Mail - Findings

- USPS's software cannot scan military addresses – no automated scanning
  - USPS manually sorts international mail in Newark and San Francisco
  - Mail is manually resorted again upon arrival at OCONUS gateway to unit level (APO/FPO address)
  - Contract for postal operations in Afghanistan – was issued as a $14M fixed-fee-price from September 2010 – September 2015

- One-third or more of military mail is undeliverable
  - Mail is not recognized as undeliverable until it arrives at the destination address, where it is returned to CONUS and readdressed
  - Software update would enable USPS/MPSA to implement Postal Automated Redirection Systems (PARS) to stop or redirect mail

- MPSA metrics are base-lined against past performance – not industry best practices

- TRANSCOM is not the Distribution Process Owner for military mail

- Military mail is still not considered part of the military supply chain

DEFENSE BUSINESS BOARD

Military Mail - Recommendations

- The Board recommends that the Department look to a complete end-to-end private sector solution to unify the processes, technology, training, procedures, innovation and funding for military mail

  – Seek an end-to-end (not piecemeal) solution for the processing and delivery of military mail

  – Seek a model that capitalizes on economies of scale and organizational efficiencies

- DoD needs USPS to implement software change to enable scanning and sorting/nesting of military mail at the international gateways down to the APO/FPO unit

  – MPSA needs access to PARS or a comparable system to stop/redirect mail at the international gateway

DEFENSE BUSINESS BOARD

Military Mail - Recommendations

- Military mail supply chain and the DoD logistics supply chain are not optimized – both used for shipping spare parts and other mission-related items

  - If DoD leaders directed that mail be considered an element of the DoD supply chain, defense assets/contracts for shipping personal and mission-related items would be optimized for savings

- USPS-DoD Performance Measurement Workgroup needs to focus on surpassing commercial best practices, not just past performance

  - DoD could realize savings by improving transit times, reducing intermediate stops and multiple handoffs, while improving arrival condition and reducing Undeliverable As Addressed mail

DEFENSE BUSINESS BOARD