

REPORT BY THE
Comptroller General
OF THE UNITED STATES

**Transfer Of Mail Processing Functions From
Toms River, New Jersey, To Trenton**

GAO took a second look at the Postal Service's decision to transfer mail processing functions performed at the Toms River processing center to a new facility in Trenton. The consolidation did not produce personnel savings during the first 2 years of operation. However, it should prove economically advantageous in the long run if the Postal Service can

- maintain or improve the current productivity rate and
- prevent future substantial increases in equipment maintenance costs.

RELEASED
RESTRICTED
Access to this report is limited. Contact the General Accounting Office for details of copying procedures.
By the Director of Congressional Relations



511665 / 113104

GGD-80-74
AUGUST 14, 1980

For sale by:

Superintendent of Documents
U.S. Government Printing Office
Washington, D.C. 20402

Telephone (202) 783-3238

Members of Congress; heads of Federal, State,
and local government agencies; members of the press;
and libraries can obtain GAO documents from:

U.S. General Accounting Office
Document Handling and Information
Services Facility
P.O. Box 6015
Gaithersburg, Md. 20760

Telephone (202) 275-6241



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-199629

The Honorable Edwin B. Forsythe
House of Representatives

The Honorable William J. Hughes
House of Representatives

In response to May and November 1979 requests from you, we have taken another look at the Postal Service's decision to transfer mail processing functions performed at the Toms River, New Jersey, mail processing center to a new facility in Trenton.

In January 1977, we reported to you and Congressman Forsythe that the consolidation of Toms River mail processing functions with operations at a new facility in Trenton should save money while maintaining the same quality of mail service to Ocean County, New Jersey. We stated that, although it was not possible to determine actual savings until after the consolidation, it appeared that annual personnel and transportation savings would total \$346,800.

In view of (1) our qualification that savings could not be specifically identified until after the consolidation and (2) the continued controversy surrounding the consolidation, your letters asked, among other things, if savings have been realized and if the Postal Service has been able to maintain a high quality of mail service to Ocean County. Our answers to your specific questions are in enclosure I.

The consolidation produced transportation savings which should become more significant in future years. (See p. 6 of enc. I.) A precise determination of the impact of the consolidation on actual personnel costs was not possible. However, our comparisons of actual direct mail processing hours before and after the consolidation indicate that the consolidation did not produce personnel savings during the first 2 years. Despite this situation, it should prove economically advantageous in the long run if the Service can maintain or improve the current productivity rate and prevent future substantial increases in equipment maintenance costs. (See p. 4 of enc. I.)

AGC 0052
D LG 05076
D LG 0507R

Although the number of complaints from the Toms River area about mail delivery substantially increased during the year following the consolidation, we found that the mail service provided by Trenton generally surpasses the service provided by Toms River. Postal Service statistics for Trenton show that first-class mail committed to be delivered overnight meets or exceeds the Service's goal of 95 percent on time delivery. Mail committed to be delivered in 2 and 3 days is also meeting the Service's goal of on time delivery. The Postal Service took steps to assure that the timing of mail delivery to and from the Toms River area remained essentially unchanged. (See p. 9 of enc. I.)

You specifically asked for our opinion on whether it would be advantageous to reverse the consolidation decision and return Toms River to its previous status as a mail processing center. Such factors as the Service's significant investment in the Trenton facility, the quality of mail service being provided, and the good prospects for making the consolidation economically advantageous suggest that Toms River should not be returned to its previous status. (See p. 17 of enc. I.)

In retrospect, it was probably not reasonable to assume that a consolidation such as Trenton/Toms River would produce immediate savings. The consolidation combined, within a short time period, two separate and distinctly different operations into a large facility with a more than adequate mail processing capability. Under such circumstances, it perhaps should not be surprising that operating inefficiencies caused by startup problems would occur for some time.

The Postal Service reviewed this report and did not question the validity of our conclusions. (See enc. II.) No further distribution of this report will be made until 10 days from the date of this letter unless you publicly release its contents earlier.



Comptroller General
of the United States

C o n t e n t s

ENCLOSURE

Page

I	RESPONSES TO QUESTIONS ON TRANSFER OF MAIL PROCESSING FUNCTIONS FROM TOMS RIVER TO TRENTON	1
	Background	1
	GAO's review of decision to construct new building	3
	GAO's review of decision to transfer Toms River mail processing functions	3
	Does the prediction of savings from the consolidation still seem reasonable?	4
	Personnel costs	4
	Transportation costs	6
	Will savings be realized?	8
	Has the Postal Service been able to maintain a high quality of mail service to Ocean County?	9
	Delivery standards	9
	High quality of delivery service being maintained	10
	Has the Postal Service been able to keep pace with the steady rise in population in Ocean County?	14
	Ocean County has experienced a steady rise in population	14
	Moderate increases in mail volume for the Trenton/Toms River service areas	15
	Trenton's facility is more than adequate to handle future operating requirements	15
	Can consolidation be justified from an energy standpoint?	16

Page

	Would it seem advantageous to reverse the consolidation decision and return Toms River to its previous status as a mail processing center?	17
II	JUNE 18, 1980, LETTER FROM THE POSTMASTER GENERAL	21

ABBREVIATIONS

ODIS	Origin-Destination Information System
------	---------------------------------------

RESPONSES TO QUESTIONS ON
TRANSFER OF MAIL PROCESSING FUNCTIONS
FROM TOMS RIVER TO TRENTON

BACKGROUND

The Postal Service in 1971 undertook a nationwide program known as area mail processing to reduce labor costs, which amount to about 85 percent of its budget. Under this program, a central mechanized facility processes and dispatches mail coming from or going to post offices in a given service area. These central mail processing facilities are called "management sectional centers" and are expected to produce substantial reductions in direct labor costs.

The Service decided in July 1974 to construct a new building a few miles from Trenton, New Jersey, to handle all mail processing for central New Jersey. The 1974 plans for the new building provided for transferring to Trenton certain mail processing functions then being performed at Toms River. An improved mail processing capability was needed in Trenton for the following reasons:

- Existing facilities, with 54,475 square feet of workspace, were being used to capacity.
- Mail processing operations were split between two buildings (a main building and an annex), with some mail processing being done in basement locker rooms. This situation caused management problems in controlling mail processing operations and resulted in additional operating costs and a deterioration of service.
- The annex was not air-conditioned, and heating was insufficient.
- Space for offices, toilets, locker rooms, and lunch rooms was insufficient.
- The vehicle maintenance facility had only three bays to service over 300 postal vehicles. Nine bays were needed.

With the alternatives of either improving the existing facilities or constructing a new facility to house all mail processing operations, the Service chose the latter after considering the following alternatives.

Alternative A--Existing facilities would be retained, and an additional small mail processing annex with parking spaces would be leased. The existing facilities would be renovated and mail processing operations divided among the three facilities. In addition, mail processing activities at the Toms River facility would be continued.

Alternative B--A facility would be constructed on a new site to house all mail processing and related administrative functions. The annex would be renovated and continued to be leased and used as a downtown lockbox lobby and carrier station. The main building would be abandoned, and mail processing operations would be continued at Toms River.

Alternative C--This alternative was the same as alternative B except that the new facility would be increased in size to include mail handling operations performed at Toms River.

After determining and comparing the costs and benefits of each alternative, the Service chose alternative C as the most economical way to meet mail processing needs. Including land, the total construction cost of the management sectional center and a vehicle maintenance facility was about \$12,300,000.

The decision to construct new facilities was based on the need for improved mail processing capability in the Trenton area. The proximity of the Toms River operations allowed the Service to implement, at one central location, area mail processing for central New Jersey. Trenton's mail processing activities were moved to the new building in October 1977. April 15, 1978, was the effective date of the transfer of mail processing functions from Toms River to Trenton, bringing area mail processing to central New Jersey--comprised of the three zip code areas 085, 086, and 087.

Before the consolidation with Toms River, the new Trenton management sectional center located in Mercer County handled incoming and outgoing mail for Mercer County and small parts of Burlington, Hunterdon, Middlesex, Monmouth, Ocean, and Somerset Counties. Prior to April 15, 1978, the Toms River post office in Ocean County functioned as a management sectional center for 21 nearby associate offices in the 087 zip code area.

GAO's review of decision
to construct new building

In response to a January 1975 request from Congressman Frank Thompson Jr., we examined the Postal Service's need and economic justification for a new facility. We confirmed the need for a new mail processing facility to serve the Trenton area and agreed that the Service chose the proper alternative from those considered. (Report of the Comptroller General of the United States entitled "Postal Service Acquisition of Land in Hamilton Township, New Jersey" (GGD-76-44, Feb. 12, 1976.)

Our analysis showed that alternative C (i.e., same as alternative B except that the new facility would be increased in size to include Toms River mail processing functions) offered an estimated cost reduction of about \$5.9 million over alternative A and about \$756,000 over alternative B through 1987.

It should be noted that alternative B, which did not provide for the transfer of Toms River mail processing functions, offered a cost reduction of about \$5.1 million over alternative A. Thus, the new building could have been justified without the transfer of Toms River operations.

GAO's review of decision to transfer
Toms River mail processing functions

Pursuant to an August 1976 request from Congressmen Forsythe and Hughes, we studied the economic justification for the proposed transfer of the Toms River mail processing functions to the sectional center facility in Trenton.

Our report, dated January 14, 1977, (GGD-77-19), concluded that, although it was not possible to determine actual savings until after consolidation, it appeared that annual personnel and transportation savings would exceed the Service's original estimate as shown in the following table.

	<u>Annual Savings</u>	
	<u>Postal Service 1974 estimated savings</u>	<u>GAO 1976 estimated savings</u>
Personnel	\$ 70,400	\$256,200
Transportation	72,800	108,000
Rent	<u>17,400</u>	<u>(17,400)</u>
Total	<u>\$160,600</u>	<u>\$346,800</u>

Our estimate of personnel savings was based on information furnished by the Service which indicated that, as a result of reduced mail processing responsibilities, 85 full-time positions could be eliminated at Toms River. The Service believed the mail processing functions to be transferred from Toms River could be handled in the Trenton facility with 70 additional employees.

Thus, on the basis of salaries in effect in November 1976, we concluded that a reduction of 15 positions could result in annual personnel savings of \$256,200. Our estimate of personnel savings exceeded the Service's because, at the time of our work, Toms River did not have the type of mechanized operation used by the Service in preparing its 1974 estimate. We increased the Service's estimate of transportation costs because it appeared that more routes than originally considered could be eliminated.

DOES THE PREDICTION OF SAVINGS FROM
THE CONSOLIDATION STILL SEEM REASONABLE?

From our review of the first 2 years of consolidated operations, we believe that the Trenton/Toms River consolidation will prove to be economically advantageous if the Service can

--maintain or improve the current productivity rate and

--reduce or prevent future substantial increases in equipment maintenance costs.

Personnel costs

In 1976, we estimated that the transfer of Toms River mail processing functions to Trenton would produce an annual personnel savings of \$256,200.

To determine the impact of the consolidation on actual personnel costs during the first year of consolidated operations, we compared mail processing work-hour data for a 3-month "before" and "after" consolidation period. The "before" period (three accounting periods starting December 31, 1977, and ending March 24, 1978) was selected as representative of normal operations, because it started about 2 months after the Trenton facility was opened in October 1977, and it did not include the Christmas mailing season or the transfer of Toms River mail processing functions to Trenton on April 15, 1978. For the "after" period, we used a comparable period starting December 30, 1978, and ending March 23, 1979. For both periods, we used work hours classified by the Service as mail processing time.

Comparison of these two periods indicate that the consolidation did not produce personnel savings during the first year of consolidated operations. We found that:

- Direct mail processing hours increased by about 13,200 hours, without adjustment for a volume increase. Adjustment of the work hour data for increased volume shows an increase in direct mail processing hours of about 7,800. (See sch. I.)
- The mail processing productivity rate decreased from 507 pieces per direct work hour to 497 pieces. (See sch. I.)

We found, however, that the downward trend in productivity and the related increase in direct mail processing hours were reversed during the second year of consolidated operations. The productivity rate for a comparable 3-month period during the second year of the consolidation exceeded the rate achieved during the "before" period, and adjustment of work-hour data for volume increases showed an increase in work hours of only 1,300. Without an adjustment for increased volume, direct mail processing hours increased by about 14,700. (See sch. I.)

It should be noted that the above analyses are based on short time frames--about 3 months--and the representativeness of the data can be questioned. In fact, because the productivity data for Toms River for the 3 months preceding the consolidation was not representative of normal operations, we adjusted work-hour data to make it more representative. (See footnote b on sch. I.)

To test the validity of our conclusions that the consolidation did not produce personnel savings during the first 2 years but should ultimately prove to be economically advantageous, we compared work-hour data and the related productivity rate for the year before the consolidation with each of the 2 following years. (See sch. II.) This comparison measures performance during a "before" consolidation period (March 26, 1977 to March 24, 1978) against performance in each of the two following comparable periods. As discussed on page 2, Trenton operations were moved to the new facility in October 1977, and the transfer of Toms River mail processing activities was made on April 15, 1978. Thus, our 1-year "before" period includes data on Toms River operations for 12 months prior to the consolidation and Trenton operating data for 6 months before and after the move to the new facility.

For the year following the consolidation, direct mail processing hours increased by about 42,800, without adjustment for the volume increase. The slight increase in the productivity rate from 502 to 505 pieces per hour was not sufficient to prevent this large increase in direct mail processing hours caused by a substantial increase in volume. After adjustment for the increase in volume, the increase in direct mail processing hours was about 6,500 hours. (See sch. II.)

Work-hour data and the related productivity rate for the second year of consolidated operations shows a result similar to the one produced by our comparisons of data for the 3-month periods. Productivity increased substantially, and direct mail processing hours declined. It should be noted, however, that the substantial reduction in clerk and mailhandler hours was offset by about 50 percent because of an increase in the number of work hours required to maintain the mail processing equipment.

Adjusting for increased volume since the consolidation reduced the mail processing hours required by about 10,000 hours below the number of hours used before the consolidation. (See sch. II.)

Transportation costs

The consolidation has reduced annual transportation costs by at least \$21,000. More importantly, the total number of miles required to transport the mail has been significantly reduced without compromising the level of service provided to the Ocean County area. Before the consolidation, we estimated annual transportation savings of \$108,000.

The Postal Service reduced the number of miles required to transport mail from Toms River and the 087 zip code service area by revising or eliminating a total of six highway contract routes after the consolidation. Although two new highway contract routes were subsequently awarded, and two motor vehicle routes were established by Trenton, the

total number of miles required to transport the mail was reduced by about 52,000 miles annually as shown in the following chart

	Annual mileage		
	<u>Before consolidation</u>	<u>After consolidation</u>	<u>Net reduction</u>
Highway contract routes	379,441	287,571	91,870
Motor vehicle service routes	<u>4,591</u>	<u>44,710</u>	<u>(40,119)</u>
Totals	<u>384,032</u>	<u>332,281</u>	<u>51,751</u>

The Postal Service utilizes 7 highway contract routes and 3 motor vehicle routes to deliver and/or collect mail from Toms River and the 21 other associate offices which comprise the 087 zip code service area. The highway contract routes are operated under Postal Service contracts with commercial firms. Motor vehicle service routes are operated by the Postal Service utilizing Service trucks and drivers to supplement highway contract routes in dispatching mail.

The Postal Service realized immediate transportation savings of at least \$21,000 annually from the consolidation as shown in the following chart.

	<u>Recurring annual savings</u>		
	<u>Savings</u>	<u>Added costs</u>	<u>Net Savings</u>
<u>Eliminated routes</u>			
Toms River/Newark	\$52,794		
Toms River/Trenton	18,586		
Toms River/Philadelphia	26,317		
<u>Revised routes</u>			
Toms River/Allenwood	677		
Toms River/Lakehurst	3,580		
Toms River/Philadelphia Bulk Mail Center	9,450		
<u>New routes</u>			
Trenton/Toms River		\$45,457	
Trenton/Sea Girt		18,940	
Trenton/Toms River (note 1)		11,416	
Trenton/Jackson (note 1)		<u>14,150</u>	
Totals	<u>\$111,404</u>	<u>\$89,963</u>	<u>\$21,441</u>

Since transportation costs are highly vulnerable to escalating gasoline and diesel fuel prices, it is safe to assume that the current transportation costs would be much higher if the net mileage had not been reduced as a direct result of the consolidation.

Will savings be realized?

Our conclusion that the Trenton/Toms River consolidation will prove to be economically advantageous is based on assumptions that the Postal Service can continue to improve or maintain the current productivity rate and reduce or prevent substantial increases in equipment maintenance costs. With an expected continued increase in mail volume and with the

1/Motor vehicle service routes operated by the Postal Service.

mail processing capability at the Trenton facility (See p. 15) the productivity rate should also increase. However, during the first 6 months of fiscal year 1980, work hours required to maintain the mail processing equipment had increased by 20 percent over the average for the previous year. If substantial personnel savings are to be realized from the consolidation, reductions in clerk and mail handler hours resulting from improved productivity must exceed any increase in the number of hours required to maintain the mail processing equipment.

HAS THE POSTAL SERVICE BEEN ABLE
TO MAINTAIN A HIGH QUALITY OF
MAIL SERVICE TO OCEAN COUNTY?

Generally, the mail service provided by Trenton surpasses the service formerly provided by the Toms River Mail Processing Center. Postal Service statistics for Trenton show that first-class mail committed to be delivered overnight meets or exceeds the Service's goal of 95 percent on time delivery. Mail committed to be delivered in 2 and 3 days is meeting the Service's goal of on time delivery. On the other hand, Toms River patrons have expressed more concern about late delivery of mail and we obtained mixed views from Toms River area businessmen about the mail service.

Our limited test of mail service showed that all first-class stamped letters mailed in Trenton, Toms River, or at other area post offices before the posted collection times were delivered the next day to addresses in the Trenton and Toms River zip code areas.

Delivery standards

The Postal Service has established the following standards for delivery of first-class mail:

- 1 day (overnight) within designated areas (generally within sectional center areas and between adjoining sectional centers).
- 2 days for mail within a distance of 600 miles.
- 3 days for all other areas.

These standards apply to all first-class mail having the proper zip code and mailed before the last pick-up time--generally 5 p.m. The Service's goal is to deliver 95 percent of first-class mail within these standards.

The Service's Origin-Destination Information System (ODIS) collects and analyzes statistics to show whether the Service is achieving its goals. This system measures delivery time from the date mail is postmarked to the date it reaches the last delivery unit before being placed in the addressee's mailbox. Delays, which would not be recognized by the system, can occur before postmarking and in delivery.

Before the consolidation, Toms River was committed to overnight delivery to seven areas. Trenton was committed to overnight delivery to 10 areas. Thus, the consolidation escalated the promise of overnight delivery for mail originating in the Toms River area from 7 to 10 delivery areas. In December 1978, Trenton's overnight commitment areas increased to 11.

High quality of delivery
service being maintained

Postal Service data on Trenton's delivery performance after the consolidation showed that it generally exceeded the Service's 95 percent on time delivery goal and compared very favorably with national averages. We did not verify the accuracy of the data.

The following table compares delivery performance for Toms River, Trenton, and the Nation during comparable periods before and after the consolidation.

	Percent of mail delivered ontime					
	Overnight		2-Day		3-Day	
	Origin (note 1)	Destination (note 2)	Origin (note 1)	Destination (note 2)	Origin (note 1)	Destination (note 2)
<u>Before consoli- dation</u>						
Toms River	99	96	93	97	87	93
Trenton	96	95	96	93	97	95
Nation	96	96	93	93	93	93
<u>After consoli- dation</u>						
Trenton	97	98	95	95	93	98
Nation	96	96	88	88	89	89

Three significant factors should be noted in comparing the ODIS scores reflected in the table above.

--Trenton's postconsolidation on time delivery scores reflect improvement over ODIS scores previously achieved by Toms River in four performance categories.

--Trenton's postconsolidation scores exceed the national averages in all six performance categories.

--Toms River's preconsolidation overnight score of 99 exceeds Trenton's score of 97 for origin mail. Trenton's postconsolidation score of 97 for origin mail was, however, based on delivery to 11 commitment areas while Toms River's score was for 7 commitment areas.

1/ Mail collected for processing within a sectional center facility which has not been previously processed or sorted. Also called originating or outgoing mail.

2/ Mail available for processing within a sectional center facility which has already been partially processed and sorted within another sectional center. Also referred to as second-handling or incoming mail.

Complaints regarding mail
service in Toms River

Postal patrons in the Toms River area have been very critical about the mail service. As the following table shows, the number of customer complaints on file at Toms River rose significantly following the consolidation of the mail processing operations at Trenton. Most of the complaints concern late deliveries or non receipt of mail.

Patron Complaints Regarding Delivery Services

Type of mail affected	Timeframes		
	March 1977 through March 1978	April through June 1978	July 1978 through August 1979
Letters	18	91	63
Parcel post	4	11	6
Newspapers/ magazines	<u>12</u>	<u>11</u>	<u>6</u>
Total	<u>34</u>	<u>113</u>	<u>75</u>

Public reaction immediately after the consolidation was very vocal. Many people complained that their mail service had become unacceptable.

Our discussions with businessmen from the Toms River area produced a variety of views. In summary:

- An official of the Greater Toms River Chamber of Commerce firmly believed the community needs a mail processing center in Ocean County, where he says the significant population growth is expected to continue. He believes that the Toms River post office should be restored as a mail processing center to insure proper services for Ocean County.
- Representatives of a Toms River publishing company said that poor mail service is causing their firm financial losses. This publisher mails a daily trade paper that quotes market prices for poultry and dairy commodities. They contend that many customers are threatening to cancel their subscriptions due to late deliveries, and that late deliveries have increased since the mail processing

operations were shifted to Trenton. While Postal officials at Toms River and Trenton have been very cooperative, the publisher's delivery problems had not been resolved as of December 1979.

--An official of a large bank in the Toms River/Ocean County area said that the bank has not had any problems with mail delivery since the consolidation. Yet, he finds the reasons for the consolidation rather difficult to understand.

Steps taken at Trenton to
maintain good mail service

Trenton's operating plan, transportation scheduling, and mail processing capabilities play an important role in sustaining the quality of mail service.

Trenton's operating plan requires that all mail originating in the 085, 086, and 087 zip code areas be available at Trenton by 10:30 p.m. for processing to the "world". All mail destined for Toms River and the associate offices is processed at Trenton by 4:45 a.m. The highway contract and motor vehicle service transportation schedules showed that trucks dispatch mail to Toms River and the 087 service area at 2:30 a.m., 3:30 a.m., and 5:15 a.m., assuring that Toms River and the associate offices get their incoming mail at about the same time as before the consolidation.

We found that revisions have been made to transportation schedules to improve services to the 087 zip code area. For example, afternoon collections for some associate offices have been postponed, which allows more mail to accumulate for pick-up at the associate offices. The following two transportation scheduling revisions illustrate improvements in local mail service.

--Mail to the Bayville office was dropped off at 2:25 p.m. and collected at 3:40 p.m. on Saturdays prior to the consolidation. Bayville's mail is now dropped off at 4:15 p.m. and collected at 5:30 p.m. on Saturdays.

--Mail from the Ocean Gate office was dropped off and collected at 2:15 p.m. on Saturdays prior to the consolidation. Ocean Gate's mail is now dropped off and collected at 4:05 p.m. on Saturdays.

In the one exception to improved service, the cutoff time for depositing mail at the Toms River Post Office was moved from 8:00 p.m. to 6:30 p.m., in order to meet transportation schedules and mail processing operating plans at Trenton.

HAS THE POSTAL SERVICE BEEN ABLE TO
KEEP PACE WITH THE STEADY RISE IN
POPULATION IN OCEAN COUNTY?

The Trenton facility has been able to handle any increase in mail volume which may have resulted from population growth in Ocean County. Futhermore, the Trenton facility has the capability to easily handle future mail volume increases.

Ocean County has experienced
a steady rise in population

An October 1979 report by the Bureau of Census shows that the population of Ocean County grew by 59 percent between 1970 and 1978, while Mercer County experienced a population increase of only 4.3 percent.

<u>County</u>	<u>1970</u>	<u>1978</u>	<u>Population estimates</u>	
			<u>Number</u>	<u>Increase</u> <u>Percent</u>
Ocean	208,470	331,500	123,030	59.0
Mercer	304,116	317,200	13,084	4.3

Bureau of the Census population reports give migration as the primary reason for the expanding population in Ocean County.

Moderate increases in mail
volume for the Trenton/Toms
River service areas

Mail volume generated within the Trenton/Toms River service areas has increased moderately during the 3-year period ending in fiscal year 1979. The combined mail volume handled by the Trenton and Toms River facilities increased by 4 percent from fiscal year 1977 to fiscal year 1979. The following table reflects this growth pattern.

<u>Facility</u>	<u>Mail volume</u>			<u>Difference from 1977 to 1979</u>	
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>Volume</u>	<u>Percent</u>
Trenton	347,716,100	392,051,100	452,354,300	104,638,200	30.1
Toms River	<u>127,238,200</u>	<u>90,749,663</u>	<u>41,801,416</u>	<u>(85,436,784)</u>	<u>(67.1)</u>
Totals	<u>474,954,300</u>	<u>482,800,763</u>	<u>494,155,716</u>	<u>19,201,416</u>	4.0

The 30-percent increase in mail volume handled by the Trenton facility reflects the transfer of Toms River mail processing operations in April 1978. Although most of the 4-percent increase probably came from the Toms River area, it should be noted that the Trenton area still produces most of the mail handled by the sectional center facility.

Trenton's facility is more than
adequate to handle future operating
requirements

As discussed on page 10, the Trenton facility has been able to provide excellent mail service since the consolidation. Furthermore, the Trenton facility is more than adequate for future needs on the basis of current operating requirements.

Our observations at the Trenton facility confirmed a conclusion of a May 1980 Postal Service report that the Trenton facility can adequately meet future needs on the basis of the current operating concept. The report pointed

out that currently some unused space would be expected in view of the 10-year space requirements included in the facility and described the current utilization of space as follows:

Workroom--About 90 percent of the area planned for use at the time of move-in is occupied. Area will be adequate to meet 10-year space needs based on current operating concepts.

Platform--Combined platform areas are 60 percent utilized on the basis of move-in requirements. A maximum of 25 of 64 spaces would be used at any one time.

Lobby--Estimated utilization is 70 percent.

Office--About 95 percent utilized on the basis of area planned for use at time of move-in. Area is adequate for 10-year needs.

Parking--Space exceeds the needs of the facility if the present modes of transportation are maintained.

Considering Trenton's excellent service record, and recognizing that the facility can expand its mail processing capabilities without difficulty, it is reasonable to assume that Trenton will be able to handle increased mail volume resulting from Ocean County's expanding population.

CAN CONSOLIDATION BE JUSTIFIED
FROM AN ENERGY STANDPOINT?

As discussed on page 6, the consolidation has produced energy savings by reducing the number of miles required to transport the mail. Such savings by themselves, however, could not be used to justify the consolidation.

The total number of miles required to transport the mail was decreased by about 52,000 miles. Since the costs of highway contract routes are adjusted for increases in gasoline and diesel fuel prices, the overall savings in transportation costs will become more and more significant.

WOULD IT SEEM ADVANTAGEOUS TO
REVERSE THE CONSOLIDATION
DECISION AND RETURN TOMS RIVER
TO ITS PREVIOUS STATUS AS A
MAIL PROCESSING CENTER?

Significant economic benefits from the Trenton/Toms River consolidation have not yet materialized. However, improved productivity is reducing direct personnel costs, and the transportation savings realized during the first year will become more significant in future years. From our review of the first 2 years of consolidated operations, we believe that the Trenton/Toms River consolidation will prove to be economically advantageous if the Service can maintain or improve the current productivity rate and prevent future substantial increases in equipment maintenance costs.

The volume of mail handled by the Trenton facility will most likely continue to increase and, with Trenton's mail processing capability, the productivity rate should also increase or at least stay at the current level which exceeds the rate being achieved at the time of the consolidation. Any increase in the combined Trenton/Toms River productivity rate beyond the "before" consolidation rate should produce savings in personnel costs. However, if any significant personnel savings are to be realized, the Service must also reduce or prevent future substantial increases in equipment maintenance costs.

We continue to believe that area mail processing is a sound concept in that it allows mail processed at several post offices within an area to be consolidated in a central processing facility. With a highly mechanized facility at a central location, the Postal Service should be able to increase worker productivity, reduce personnel costs, and make more efficient use of transportation while improving or maintaining the quality of mail service.

In retrospect, it was probably not reasonable to assume that a consolidation such as Trenton/Toms River would produce immediate savings. The consolidation combined, within a short time period, two separate and distinctly different operations into a large facility with more than adequate mail processing capability. Under such circumstances, it is not surprising that operating inefficiencies caused by start up problems would occur for some time.

It should also be noted that the return of area mail processing to Toms River would not significantly reduce the cost of maintaining the management sectional center in Trenton and would most likely require a sizable investment to provide an adequate facility to handle area mail processing in Toms River. All of the above factors, coupled with the Postal Service's substantial investment in the Trenton facility suggest that it would not be advantageous to return Toms River to its previous status as an area mail processing center.

MAIL PROCESSING HOURS USED BY TRENTON
AND TOMS RIVER BEFORE AND AFTER THE CONSOLIDATION (note a)

	Direct Hours Only				
	Before period (note b)	After period		Difference after	
		1-year (note c)	2-years (note d)	1-year	2-years
<u>Mail processing hours</u>					
Supervision	17,211	18,366	17,849	1,155	638
Clerk and mailhandler	218,799	228,467	227,388	9,668	8,589
Mail processing equipment maintenance	<u>5,082</u>	<u>7,428</u>	<u>10,554</u>	<u>2,346</u>	<u>5,472</u>
Sub-total	241,092	254,261	255,791	13,169	14,699
Less: adjustment for volume increase	--	<u>5,416</u>	<u>13,420</u>	<u>5,416</u>	<u>13,420</u>
Totals	<u>241,092</u>	<u>248,845</u>	<u>242,371</u>	<u>7,753</u>	<u>1,279</u>
<u>Mail Volume</u>	110,927,901	113,619,721	117,879,595	2,691,820	6,951,694
Productivity rate (based upon clerk mailhandler hours)	507	497	518		

a/ The Trenton/Toms River consolidation took place during accounting period 7, Fiscal Year 1978.

b/ Actual mail processing hours for Trenton during accounting periods 4,5, and 6, Fiscal Year 1978. (December 31, 1977 to March 24, 1978). Estimated mail processing hours for Toms River during accounting periods 4,5, and 6, Fiscal Year 1978 based upon the average number of work hours actually experienced for the 13 accounting periods ending on March 24, 1978. (clerks and mailhandlers only--other hours are actual)

c/ Accounting periods 4,5, and 6, Fiscal Year 1979 (December 30, 1978 to March 23, 1979).

d/ Accounting periods 4,5, and 6, Fiscal Year 1980 (December 29, 1979 to March 21, 1980).

MAIL PROCESSING HOURS USED BY TRENTON
AND TOMS RIVER BEFORE AND AFTER THE CONSOLIDATION (note a)

	<u>Direct Hours Only</u>				
	<u>1-year before (note b)</u>	<u>After period</u>		<u>Difference after</u>	
		<u>1-year (note c)</u>	<u>2-years (note d)</u>	<u>1-year</u>	<u>2-years</u>
<u>Mail proces-</u> <u>sing hours</u>					
Supervision	70,931	77,769	77,130	6,838	6,199
Clerk and mailhandler	945,373	975,433	950,578	30,060	5,205
Mail processing equipment main- tenance	<u>24,928</u>	<u>30,875</u>	<u>44,318</u>	<u>5,947</u>	<u>19,390</u>
Sub-total	1,041,232	1,084,077	1,072,026	42,845	30,794
Less: adjust- ment for volume increase	--	<u>36,335</u>	<u>40,773</u>	<u>36,335</u>	<u>40,773</u>
Total	<u>1,041,232</u>	<u>1,047,742</u>	<u>1,031,253</u>	<u>6,510</u>	<u>(9,979)</u>
<u>Mail volume</u>	474,350,458	492,699,620	495,593,071	18,349,162	21,242,613
Productivity rate (based upon clerk and mail- handler hours)	502	505	521		

a/ The Trenton/Toms River consolidation took place during accounting period 7, Fiscal Year 1978.

b/ Accounting period 7, Fiscal Year 1977 through accounting period 6, Fiscal Year 1978 (March 26, 1977 to March 24, 1978).

c/ Accounting period 7, Fiscal Year 1978 through accounting period 6, Fiscal Year 1979 (March 25, 1978 to March 23, 1979).

d/ Accounting period 7, Fiscal Year 1979 through accounting period 6, Fiscal Year 1980 (March 24, 1979 to March 21, 1980).



THE POSTMASTER GENERAL
Washington, DC 20260

June 18, 1980

Dear Mr. Anderson:

This refers to your draft report "Transfer of Mail Processing Functions from Toms River, New Jersey to Trenton".

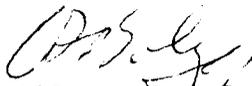
For reasons which the report cites, it is difficult to do a before and after study based on the first year of consolidated operations. The base period for the conversion is short, its representativeness is challengable, and there are the inevitable start-up problems of breaking in any new facility. However, we certainly agree with your overall finding that the Trenton/Toms River consolidation will prove economically advantageous if the Service continues to improve productivity as it has been. We will see to it that it does.

We also agree that mail service has been improved overall, that the facility has been able to handle volume increases resulting from population growth and has the capability to handle still further increases, and that the consolidation is also justified from an energy conservation standpoint. We will continue to work with those few customers who have service complaints and will try to resolve their problems.

We emphatically agree that it would not be advantageous to return Toms River to its previous status.

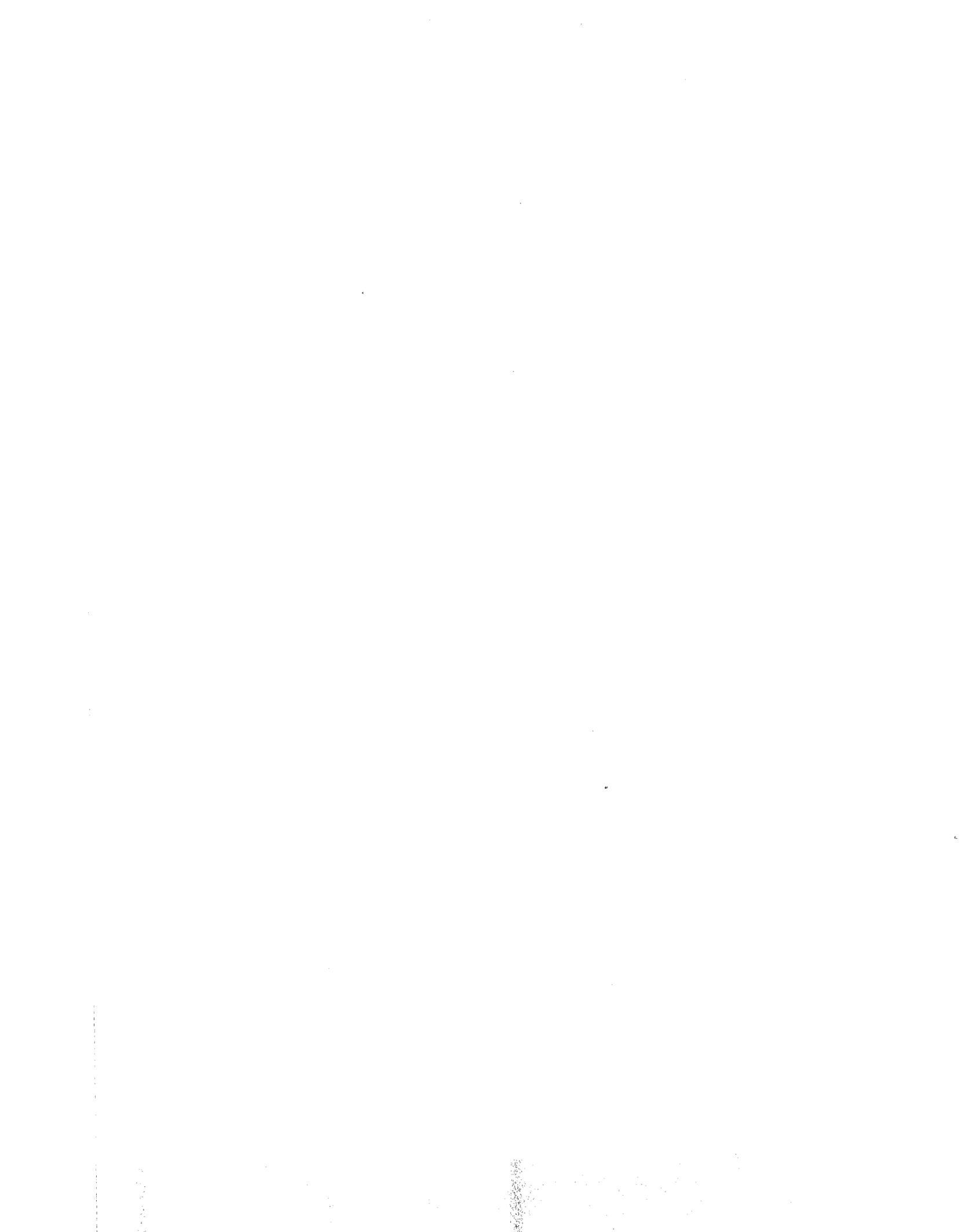
Thank you for the opportunity to offer our comments.

Sincerely,


William F. Bolger

Mr. William J. Anderson
Director, General
Government Division
U.S. General Accounting Office
Washington, D.C. 20548

(244930)



10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

10/10/10

AN EQUAL OPPORTUNITY EMPLOYER

**UNITED STATES
GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548**

**OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, \$300**

**POSTAGE AND FEES PAID
U. S. GENERAL ACCOUNTING OFFICE**



THIRD CLASS