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

CIVIL DIVISION

FEB 6 1970

Dear Mr. Klassen

The General Accounting Office has made a preliminary survey of the payment of premium compensation such as Sunday premium pay and night differential pay to postal employees for processing nonpriority second-, third-, and fourth-class mail. During fiscal year 1969, Sunday premium pay of about \$18 million and night differential pay of about \$91 million were paid to postal employees. Our survey was conducted primarily in the Seattle, Washington, Postal Region, and at Department headquarters in Washington, D.C.

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The purpose of this letter is to summarize our observations made in the Seattle Postal Region. We plan to further develop some of the matters noted in this survey during our current examination of the utilization of resources in mechanized sectional center post offices currently being conducted in the Detroit, Michigan, Post Office.

We are suspending further survey work in the Seattle Postal Region because the Postmaster General has stated that the Department is considering the advisability of proposing that airmail and first-class mail service be reorganized into two new categories of mail service--priority and nonpriority mail--and we believe that such an action, together with certain changes in the mail collection and processing operations, could significantly reduce the payment of premium compensation for processing nonpriority mail.

Our survey at the Seattle Postal Region indicated that the payment of premium compensation rates to process second-, third-, and fourth-class mail is attributable to the Department's requirement that all first-class mail be processed within a short time after receipt. Section 333 321 of the Postal Manual requires that generally, all outgoing first-class mail must be processed through the primary and the secondary distribution within 90 minutes after having been received by the post office. Section 333 322 of the Postal Manual requires that all incoming first-class mail be processed for immediate delivery. The number of pieces of first-class mail processed during fiscal year 1968 amounted to about 43 billion pieces--about 54 percent of the total mail volume.

The quantity of first-class mail processed varies greatly during a 24-hour period, with most first-class mail being processed during two

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peak periods. Generally, most outgoing or originating first-class mail is processed during the late afternoon and early evening hours, and most incoming first-class mail is processed in the early morning hours. The peak periods occur between the hours of 6 p m and 6 a.m

In order not to delay the dispatch or the delivery of first-class mail, most post offices are generally equipped and staffed to process the heavy concentration of first-class mail during the peak periods. However, because the volume of first-class mail during the peak periods is handled in a comparatively short time, the employees working an 8-hour tour of duty are also assigned to process second-, third-, and fourth-class mail. As a result, postal employees are frequently paid night differential premium pay to process nonpriority mail

Similarly, because of the need to prepare first-class mail for delivery on Monday, Sunday premium compensation is often paid to process nonpriority second-, third-, and fourth-class mail because the volume of first-class mail is not sufficient to fully utilize a full complement of postal employees for an 8-hour tour of duty.

We believe that the Department's requirements for processing first-class mail also contribute to underutilization of other postal resources including costly mechanized mail processing equipment. We observed, for example, that some pieces of mechanized mail processing equipment were utilized only a few hours each day and were idle the remainder of the time. The Department has a large investment in mail processing equipment-- about \$223 million was spent during fiscal years 1966 through 1969 for mail processing equipment such as parcel sorting systems and letter sorting machines.

Our survey also indicated that all first-class mail is not urgent or priority mail requiring expeditious handling and overnight delivery. A study by a private firm under contract with the President's Commission on Postal Organization reported that postal patrons indicated that over half of the first-class mail they sent was not urgent. Another study conducted in 1967 by a private firm for the Department showed that 76 percent of the persons interviewed stated that they were completely satisfied with mail service in general and only 14 percent of the persons interviewed indicated that faster delivery of first-class mail was needed.

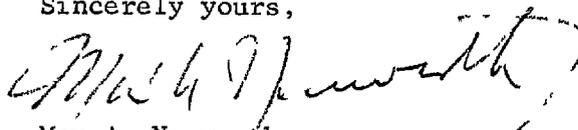
Postmaster General Blount testified in March 1969 before a congressional committee that because of inefficiencies attributable to high-volume periods and the handling of all first-class mail as priority mail, the Department was considering the creation of separate classes for priority and nonpriority mail

We believe that such a distinction in classes of mail together with certain changes in the collection and processing operations could assist the Department to minimize the peaks in its mail processing workload thereby making more efficient and effective utilization of its equipment, facilities and manpower, including a reduction in the payment of premium compensation for processing nonpriority mail.

We will appreciate being advised of any actions taken by the Department to reduce peak processing periods and to minimize the processing of nonpriority mail by employees receiving premium compensation

We appreciate the cooperation extended our representatives during the conduct of this survey in the Seattle Postal Regional Office.

Sincerely yours,



Max A. Neuwirth
Associate Director

The Honorable E. T. Klassen
Deputy Postmaster General

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