

REPORT TO
THE CONGRESS OF THE UNITED STATES

INADEQUATE CONSIDERATION
OF ECONOMIES POSSIBLE
THROUGH CONSOLIDATING OPERATIONS
AND REORGANIZING SERVICE AREAS

POST OFFICE DEPARTMENT



BY
THE COMPTROLLER GENERAL
OF THE UNITED STATES

DECEMBER 1964



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

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1964

To the Speaker of the House of Representatives
and the President pro tempore of the Senate

Our review of the establishment, discontinuance, and consolidation of certain postal installations by the Post Office Department disclosed that the Department had failed to adequately consider economies possible in these cases through consolidation of postal operations and reorganization of postal service areas when planning new or expanded postal facilities and when postmaster vacancies occurred.

Because of improved means of transportation, establishment and extension of delivery services, changes in mail processing concepts, and changes in the characteristics of the communities served, less costly means of operation can often be established by consolidating the operations of many of the independent post offices. Our review disclosed that in certain Post Office Department proposals for acquiring additional facilities to meet expanding space requirements consideration was not given to the potential reductions in operating costs, including manpower and rental costs, of more than \$1 million a year that could be achieved through consolidation of postal operations in the areas. Since our examinations encompassed only a few of the more than 44,600 postal installations, significant reductions appear to be possible in the overall annual operating costs of over \$4 billion.

In a letter dated May 21, 1964, the Postmaster General advised us that the Department's procedures for developing new facilities and modernizing existing facilities take into consideration the feasibility of reorganizing service areas and merging operations and indicated that the Department is consolidating mail handling activities through the establishment of numerous sectional centers across the nation. Our review disclosed that the Department had reorganized service areas and consolidated operations in some instances. However, the records made available to us by the Department pertaining to the locations commented on in this report did not show any evidence that consideration was given to reorganizing the particular service areas or consolidating operations therein. Further, under the sectional center concept the Department was achieving only a part of the cost reductions possible through reorganization of service areas. Accordingly, we are recommending that,

in connection with the planning for each new or expanded facility, the Postmaster General emphasize the need for a specific determination of the feasibility of reorganizing service areas and consolidating operations therein and that such changes be effected whenever more efficient and economical operations would result.

Our review also showed the need for more effective management action by the Department to determine whether post offices at which postmaster vacancies occur should be discontinued and the service provided by more efficient means. Our review in 4 of the 15 postal regions disclosed that the Department disapproved without adequate operational justifications regional recommendations to substitute less costly means of service for independent post offices. As a result, the Department failed to take advantage of potential savings of about \$112,000 a year in those four regions.

In his letter of May 21, 1964, the Postmaster General did not comment on the Department's disapproval of the specific cases discussed in our report, but stated generally that the Department was consolidating post offices to the fullest extent practicable. However, our review showed that in many cases appropriate action by the Department could have resulted in providing service by more efficient means. Since postmaster vacancies occur each year at many of the 9,800 fourth-class post offices, and since our test showed an average potential saving of \$1,400 a year through discontinuance or conversion of a fourth-class post office, it is apparent that significant savings could be realized if the Department took full advantage of the opportunities to provide service more efficiently. Also, we believe that even greater savings could be achieved through the discontinuance or conversion of larger post offices where adequate services could be provided more economically by another means. Accordingly, we are recommending that the Postmaster General require a specific determination of the need for an independent post office whenever a postmaster vacancy occurs and that post offices be discontinued or converted to branches or stations whenever adequate service could be provided more economically thereby.

B-114874

Copies of this report are being sent to the President of the United States and to the Postmaster General.

A handwritten signature in black ink, appearing to read "W. P. Campbell". The signature is written in a cursive style with a large, prominent initial "W".

Comptroller General
of the United States

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TO THE READER:

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REPORT ON
INADEQUATE CONSIDERATION
OF ECONOMIES POSSIBLE
THROUGH CONSOLIDATING OPERATIONS
AND REORGANIZING SERVICE AREAS
POST OFFICE DEPARTMENT

The General Accounting Office has made a review of selected aspects of the Post Office Department's programs for the establishment, discontinuance, and conversion of postal installations. The review was made pursuant to authority in the Budget and Accounting Act, 1921 (31 U.S.C. 53), and Public Law 86-682 (39 U.S.C. 2206). The scope of our review is described on page 24 of this report.

GENERAL COMMENTS

The Post Office Department provides postal and other services through about 34,000 post offices and about 10,600 branches and stations. Such services include sale of stamps and money orders; registry of mail; and collection, processing, and delivery of mail.

Post offices are grouped into four classes according to annual adjusted gross receipts--first-class offices, receipts of \$40,000 or more; second-class offices, receipts of \$8,000 to \$40,000; third-class offices, receipts of \$1,500 to \$8,000; and fourth-class offices, receipts of less than \$1,500. Stations and branches are units of post offices. Stations are operated within the corporate limits where the main post office is located, while branches are operated outside the corporate limits. Stations and branches operated by postal employees in quarters provided by the Federal Government are identified as classified units. Stations and branches operated under contract by persons who are not employees of the Federal Government are identified as contract units.

The number of post offices and stations and branches at the close of the last 4 fiscal years as reported by the Department are shown below.

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
First-class	4,042	4,157	4,235	4,437
Second-class	6,726	6,793	6,808	6,850
Third-class	13,071	13,079	13,072	12,965
Fourth-class	<u>11,116</u>	<u>10,768</u>	<u>10,383</u>	<u>9,788</u>
Total post offices	34,955	34,797	34,498	34,040
Stations and branches	<u>9,809</u>	<u>10,156</u>	<u>10,347</u>	<u>10,644</u>
Total installations	<u>44,764</u>	<u>44,953</u>	<u>44,845</u>	<u>44,684</u>

The Department's operating expenses related to postal installations for the fiscal year ended June 30, 1964, were:

Administration of postal installations	\$ 497,367,000
Mail handling and window service	1,734,593,000
Collection and delivery service	1,491,568,000
Facilities	176,118,000
Depreciation	55,895,000
Other expenses	<u>224,993,000</u>
Total	<u>\$4,180,534,000</u>

The Postmaster General may establish post offices as he deems expedient, discontinue post offices when the efficiency of the service requires, and consolidate post offices (39 U.S.C. 701(a)). The law limits the Postmaster General's authority to discontinue post offices, as a result of consolidation, to locations other than at county seats (39 U.S.C. 701 (b)). The Assistant Postmaster General, Bureau of Operations, has been delegated the authority to take action on the establishment, discontinuance, and consolidation of post offices. The Department has stated that under normal

conditions an independent post office is not discontinued or converted unless a vacancy exists in the postmaster's position and equal or improved service can be provided by other means at less cost.

In connection with its responsibilities to provide efficient postal service by the most economical means, the Department has several programs for consolidating postal operations, including the sectional center concept, coordinated area planning, and new concept post offices. Since 1958 the Post Office Department has used the sectional center concept, wherein the sectional center, usually the largest post office in the area, is designated to serve a group of satellite post offices. A sectional center serves as a focal point for mail entering and leaving the area and mail moving between points within the area. Satellite offices usually perform the primary distribution of originating mail, and the sectional center performs the secondary and residue distribution of all outgoing mail originating in the satellites and, when advantageous, may also perform distribution of incoming mail for satellite offices.

The Coordinated Area Planning Program recognizes sectional centers as the basic units in area planning, linking local post offices with national transportation patterns. The salient feature of this program is the further centralization of mail distribution activities at sectional center post offices. The Department's report on one of its pilot projects concluded that centralization improves service, allows more effective utilization of manpower, and results in savings in transportation costs.

During the fiscal year 1963 the Department developed a plan to establish new concept post offices. The new concept offices' mail

handling and financial accounting services are performed by a nearby large post office. Administratively the new concept post office has a postmaster and operates as an independent post office; operationally it performs like a branch. The Department states that this type of post office is less expensive than the fully independent post office and that it provides better mail service.

A list of the principal Post Office Department officials responsible for the activities discussed in this report is shown as the appendix to this report.

FINDINGS AND RECOMMENDATIONS

ECONOMIES OF CONSOLIDATED OPERATIONS NOT ADEQUATELY CONSIDERED BY THE DEPARTMENT IN PLANNING NEW OR EXPANDED FACILITIES

During our review in selected postal regions, we noted that in certain Post Office Department proposals for acquiring additional facilities to meet expanding space requirements consideration was not given to the potential reductions in operating costs, including manpower and rental costs, of more than \$1 million a year that could be achieved through consolidation of postal operations in the areas. Our review indicated that, if the Department consolidated operations of a number of post offices and converted certain post offices to stations or branches, it could in some cases eliminate the need for planned additions to buildings or the acquisition of additional space without impairing service to patrons. Since our examinations encompassed only a few of the more than 44,600 postal installations, significant reductions appear to be possible in the overall annual operating costs of over \$4 billion.

In earlier years the Department established many independent post offices to provide service to postal patrons when transportation between communities was limited and time consuming and there was little or no delivery service. Because of improved means of transportation, establishment and extension of delivery services, changes in mail processing concepts, and changes in the characteristics of the communities served, less costly means of operation can often be established by consolidating the operations of many of the independent post offices. Because of these changes in the communities and in postal concepts, the Department has significant responsibilities to adapt the means of providing postal service to the present and future conditions so as to provide adequate and

efficient postal service by the most economical means. Department studies show, and our studies substantiate, that mail processing and related operations can often be consolidated at certain centralized facilities without disturbing the level of service being furnished to the patrons and that such consolidation would result in substantial savings in postal operating costs. The reorganization could be achieved by transferring the mail sorting and distribution and related administrative functions of the independent post offices to a central facility and, if needed, by converting the small independent post offices to branch-type operations to furnish window and delivery services.

In 1958 the Post Office Department started a program of modernizing the postal plant because of a stated need to replace or completely modernize 12,000 to 15,000 postal facilities. The Department's records show that at June 30, 1963, it occupied about 113 million square feet of interior space in 28,282 facilities. In fiscal years 1958 through 1963 the Department awarded about 7,000 contracts for the lease of new and remodeled facilities providing about 32 million square feet of space at an estimated cost of about \$510 million. Most of the newly constructed facilities were small- or medium-size buildings (up to 12,000 square feet of interior space).

In the Post Office Department's proposed lease construction program for the 5-year period, fiscal year 1963 through fiscal year 1967, the Department intends to occupy about 7,100 newly constructed buildings providing about 36.7 million square feet of interior and platform space, at an annual rental rate of \$66.3 million. The newly constructed buildings will provide the Department with about 1,600 additional buildings and replace about 5,500 existing buildings.

The modernization and construction programs afford the Department excellent opportunities to review and evaluate the postal service of not only the offices scheduled for improvement, but also those in the immediate vicinity. During our review in three postal regions, we noted that certain proposals to acquire new facilities were made without considering the feasibility of consolidating operations of the post offices in the area so as to effect economies in operations.

San Francisco Postal Region

In the San Francisco Region, our review of four major geographical areas, served by the Inglewood, Sacramento, San Diego, and San Rafael, California, sectional centers, indicated that consolidation of mail processing operations and administrative functions of certain of the post offices within each area was practicable and could result in substantial reductions in operating costs without impairing service to patrons. If the small independent post offices' mail processing operations and administrative functions were transferred to the sectional center in each area and the post offices were converted to branch-type operations, we estimate that manpower costs in the four areas would be reduced by about \$990,000 a year.

<u>Sectional center</u>	<u>Potential cost reduction</u>		
	<u>Supervision</u>	<u>Mail handling and administration</u>	<u>Total</u>
Inglewood	\$111,000	\$435,000	\$546,000
San Diego	150,000	100,000	250,000
Sacramento	53,000	48,000	101,000
San Rafael	<u>28,000</u>	<u>65,000</u>	<u>93,000</u>
Total	<u>\$342,000</u>	<u>\$648,000</u>	<u>\$990,000</u>

The cost reductions expressed in manpower equivalents represent a net reduction of 41 supervisors and 125 clerks. Our savings estimates were confined to manpower; we made no attempt to identify or assign dollar values to other operating benefits or cost reductions that could result from consolidations.

At the time of our review, a new facility, to meet 10- to 30-year postal needs, was in some stage of development for each of the four sectional centers involved, but we found no evidence that consideration was given to the possibility of reorganizing service areas to more logical boundaries so as to consolidate postal activities for more economical operations. For example, the capability planning for the new facility for the Sacramento Post Office considered only the workload of the Sacramento Post Office and sectional center and an adjacent post office, Del Paso Heights, which was recently made a station of the Sacramento Post Office. It appears to us that the new facility should include the capability of absorbing at least seven other satellite post offices.

In 1958, the Department established a sectional center which serves the Sacramento Post Office and 127 independent satellite post offices. Under the sectional center concept, Sacramento performs, in addition to its own work, partial mail distribution for the satellites. The Sacramento Post Office also serves as the vehicle maintenance facility for other post offices in the area. To evaluate the practicability of consolidating additional satellite post offices with the Sacramento Post Office to effect economies in operations, we selected for review those satellite offices whose service areas adjoin the Sacramento service area and are principally residential areas having a growth potential. The satellite offices selected were West Sacramento, Broderick, McClellan Air

Force Base, North Highlands, Carmichael, Rancho Cordova, and Mather Air Force Base.

The Sacramento Post Office completely dominates, in size and activity, the postal functions in the area. It has a delivery area of about 135 square miles with a population of about 420,000. The seven satellites have a total delivery area of about 115 square miles with a population of about 130,000.

The telephone company furnishes telephone service to Sacramento and its suburbs at the local Sacramento rate. Sacramento and its surrounding communities have a unified street numbering system. Some 62 principal shopping centers, with additional ones proposed, are contained within the metropolitan area of Sacramento and many of the areas are more readily identified by their shopping center names than by their community area names. Existing and proposed freeways in Sacramento and environs tend to consolidate the communities into a single metropolitan area. The General Manager of the Sacramento City-County Chamber of Commerce maintains that Sacramento and its surrounding communities constitute a single economic unit.

The Sacramento Post Office provides postal service through its main post office, a carrier unit, five classified stations, nine classified branches, and six contract stations. The seven satellites included in our study operate at one location each, except Broderick which has one branch. For calendar year 1962 the receipts of the Sacramento Post Office and the seven satellites were about \$9.7 million and \$2.6 million, respectively.

Although the existing organization may provide adequate service, the Sacramento area is in reality a common service area and our study shows that equal service could be provided at less cost

by consolidating the operations of the seven satellite post offices with the Sacramento Post Office. The mail processing operations could be performed at the central mail processing facility at Sacramento and the satellite post offices could be converted, where needed, to stations or branches to provide for window service and delivery service for the patrons in the area.

Our review indicated that such a consolidation could reduce costs by about \$252,000 a year at the satellite offices and that incremental costs at the sectional center would amount to \$151,000. The computed annual saving of about \$101,000 consists of an annual reduction of about \$53,000 in supervisory costs and an annual reduction of about \$48,000 in clerical, administrative, and other personnel costs. The reductions expressed in manpower equivalents represent 6 supervisors and 9 clerks.

The reductions in costs would result from both the elimination of certain supervisory and clerical positions and the reclassification of other supervisory positions. Our estimates of the reductions in cost were computed by a comparison of the actual staffing of the seven Sacramento satellite post offices with an estimate of the staffing if consolidation were effected. The estimated staffing after consolidation, generally, was based on the rate of productivity achieved by the Sacramento Post Office as related to the volume of mail which would be transferred from the seven satellite post offices, the window-service requirements for the seven stations or branches converted from the satellite post offices, and discussion with postal officials. Also, we checked the estimated staffing patterns with staffing patterns at reasonably comparable existing postal installations.

Regional officials and the Sacramento Post Office officials generally agreed to the reasonableness of the estimated staffing patterns.

Chicago Postal Region

At the Chicago Region, our review in the Chicago metropolitan area indicated that consolidation of certain independent post offices would eliminate the need for (1) construction of a \$266,000 planned addition to a Federal building at the Forest Park, Illinois, Post Office and (2) planned lease of additional space which would increase rental costs by about \$49,000 a year at the Bellwood and Glen Ellyn, Illinois, Post Offices. Our review indicated also that such consolidations could result in savings of about \$11,500 a year in other operating costs without impairing service to patrons.

For example, Maywood and Bellwood, Illinois, are adjoining communities with independent post offices located less than 3 miles apart. The Maywood and Bellwood Post Offices serve populations of about 54,000 and 20,700, respectively. At the Maywood Post Office, an addition to the Federal building was completed in fiscal year 1963 at a cost of about \$400,000. A regional official stated that the expanded building provides adequate space for the Maywood Post Office's operations for the next 20 years. The Chicago Region determined that the Bellwood Post Office needed more space and recommended to the Department in October 1962 that the building occupied, at an annual rental of \$5,710, be vacated and that a larger building be obtained at an estimated annual rental of \$24,000. Our review indicated, however, that the consolidation of the Maywood and Bellwood Post Offices would eliminate the need for the additional space at Bellwood, thus saving an estimated \$18,000 a year in rental costs, and would result in estimated annual savings of

about \$1,000 in other operating costs. To effect these economies, the mail processing operations of the two post offices could be consolidated at the Maywood Post Office and the Bellwood Post Office could be converted to a branch office of the Maywood Post Office. The branch office could provide window and carrier service, the patrons could receive the same services that are now provided by the independent post office, and the identity of the community could be maintained by naming the branch office Bellwood.

Post office and regional officials estimated that, if the mail processing operations of the Bellwood Post Office were transferred to Maywood, the space now available at Maywood would be adequate for the next 10 years and the space now occupied by the Bellwood Post Office would be adequate for a branch office for the next 10 years. The Bellwood branch office would be similar to branches in two other communities which are now served by the Maywood Post Office--Broadview with a population of about 8,600 and Westchester with a population of about 18,100. These two communities are adjacent to, and situated to, the south of both Maywood and Bellwood.

While generally agreeing that a consolidation of post offices may be practicable and that such consolidations may operate at a savings, the Chicago Regional Director informed us that, pending a change in the Department's policy, no action could be taken to implement such consolidations. He informed us also that, under the Department's policy, consolidation of individual post offices is not possible where they operate as independent post offices in separate communities. We believe that community boundaries should not be a deterrent to realigning service boundaries to provide for more economical operations. In fact, we noted during our review that in many cases communities are served through a branch office of a post office located in another community.

Boston Postal Region

In the Boston Region, our review of the proposals for acquiring additional facilities to meet expanding space requirements at two locations also disclosed that no consideration was being given to the reduction in costs that could be achieved through consolidating mail handling in the areas. If consolidations were made, we estimate that reductions of about \$60,000 a year in costs for supervisory personnel at these two locations would be possible. For example, the town of Greenwich in southwestern Connecticut is primarily a residential area of 48 square miles. The 1960 census shows that it had a population of about 54,000. Within the town's boundaries are several communities known by individual names. However, there is only one central town government, one fire department, and one school system serving the entire town. In addition to the first-class Greenwich Post Office, three of the communities within the town also have first-class post offices--Old Greenwich, Cos Cob, and Riverside.

The Greenwich Post Office handled about 70 percent of the combined volume of mail during fiscal year 1962. The Greenwich Post Office's operations are conducted at the main downtown office and at two stations--Glenville and West Putnam Avenue. Because there is no room for expansion at the Greenwich main office, the Boston Region was considering three proposals to meet the expanding space requirements of the Greenwich Post Office. A new or improved facility was also being considered to meet the need for additional space at the Old Greenwich Post Office. In the files made available to us, there was no evidence that any consideration was being given to the possibility of consolidating the operations of the Greenwich or Old Greenwich Post Offices with other post offices to

effect economies. Our review indicated that consolidation of the operations of the four post offices in the town of Greenwich could reduce the supervisory personnel costs by about \$45,000 a year. If needed, three of the post offices could be converted to branch-type operations to provide window and delivery services.

In his letter dated May 21, 1964, commenting on our finding, the Postmaster General stated that the Department's procedures for developing new facilities, or modernizing existing ones, take into consideration the feasibility of reorganizing service areas and merging operations. However, the records made available to us by the Department pertaining to the locations which we reviewed and commented on in this report do not show any evidence that consideration was given to reorganizing these particular service areas or consolidating operations therein. In his letter the Postmaster General stated that during the past year the Department established 566 sectional centers and activated 60 percent of them. He stated that in doing so the Department had accomplished in 1 year actions to consolidate mail handling activities that would normally take up to 5 years and indicated that this represented the most comprehensive planning and action that could have been taken. We compared the Department's list of the 566 sectional centers with the Department's list of sectional centers as of July 1, 1962, however, and found that sectional centers had already been established at 80 percent of the locations prior to July 1, 1962. Moreover, we believe that under the sectional center concept the Department is realizing only a part of the cost reductions possible through reorganization of service areas and consolidation of operations. Because a sectional center provides for only partial processing of mail to and from satellite offices, it is necessary to also provide space and manpower at the satellite office to perform a part of the

processing. In addition, under the sectional center concept the administrative functions of each office are staffed separately. Further, the sectional center program does not provide the Department with a means of alleviating space needs in cases such as the Maywood-Bellwood, Illinois, and Greenwich, Connecticut, examples cited in this report.

Recommendation

Because of the significant cost reductions which are possible through consolidation of operations, we believe that the Department should examine into the feasibility of reorganizing service areas and consolidating operations whenever there is an opportunity to do so. The magnitude of the Department's 5-year lease construction planning program to acquire additional facilities affords an excellent opportunity to examine into the indicated economies of consolidating operations. Therefore, we recommend that, in connection with the planning for each new or expanded facility, the Postmaster General emphasize the need for a specific determination of the feasibility of reorganizing service areas and consolidating operations therein and that such changes be effected whenever more efficient and economical operations would result.

INADEQUATE CONSIDERATION OF PROVIDING
POSTAL SERVICES BY LESS COSTLY MEANS
WHENEVER POSTMASTER VACANCIES OCCUR

Our review in 4 of the 15 postal regions disclosed that the Department disapproved without adequate operational justifications regional recommendations to substitute less costly means of service for independent post offices at locations where postmaster vacancies occurred. As a result, the Department failed to take advantage of potential savings of about \$112,000 a year in those four regions. We noted additional cases where the need for an independent post office was questionable but the region did not request the Department's permission to make a feasibility study of the need. Under the Department's policy that generally a post office will not be discontinued unless a postmaster vacancy exists, future opportunities for effecting economies by changing the means of providing postal services in these postal areas may not occur again for a considerable period of time.

Because of improved roads, and changing natures of communities and postal service, it is frequently possible to discontinue post offices and provide postal service by more economical means such as service through stations, branches, or rural delivery routes. The Department's policy is to examine the service, cost, and local needs at a small post office when a postmaster vacancy occurs and to close or continue the office depending on the specific circumstances.

Our test showed that the average reduction in operating costs which is possible through the discontinuance or conversion of a fourth-class post office is about \$1,400 a year. Since there were about 9,800 fourth-class post offices at July 1, 1964, we estimate that potential savings in this area could be very significant.

We recognize that in certain cases it may not be operationally practicable to discontinue or convert a fourth-class post office; however, our review indicated that in many cases equal service could be provided to patrons more economically by another means. Also, we believe that even greater savings could be achieved through the discontinuance or conversion of larger post offices where adequate service could be provided more economically by another means.

The Department's procedures generally provide that, upon receipt of a request or recommendation for establishing a classified station or branch in lieu of a post office, the region shall ask Department headquarters for permission to have a feasibility study made. If the Department grants permission, the region requests the Inspection Service to make the feasibility study and report thereon. The region evaluates the study and report and transmits the data along with the regional recommendation to Department headquarters. After reviewing this data, along with a political adviser's comments about the proposed action, the Department either approves or disapproves the proposed action.

In the four regions visited, we reviewed 74 cases in which postal reports recommended discontinuing or examining into the feasibility of discontinuing a post office at which there was a postmaster vacancy. Information in these reports indicated that postal services could be provided by less costly means and that the estimated savings would be about \$183,000 a year. The available Department records showed that the Department had approved 23 of the recommendations and substituted less costly means of service for the post offices at an estimated savings of about \$41,000 a year, had disapproved 39 of the recommendations, and had not taken final action on 12 of the recommendations.

Our review of the available data on the 39 disapproved recommendations disclosed that the disapprovals were without adequate operational justification and that the Department had not taken advantage of potential savings of about \$112,000 a year. For example, several times from May 1957 to August 1960, postal inspectors recommended that a fourth-class post office be discontinued, but the Department held the matter in abeyance pending the retirement of the postmaster. The postmaster retired in November 1961 and the postal regional director recommended that the post office be discontinued and a rural station be established to provide the patrons with postal service at an estimated savings of about \$1,200 a year. The post office is an independent fourth-class post office located within a town which has a first-class post office. The fourth-class post office had gross receipts of about \$420 for calendar year 1961 and declining patronage with only 17 call boxes. Receipts for calendar year 1962 were \$181. A rural delivery route emanating from the first-class post office served most of the patrons of the fourth-class post office. The Department advised the regional office, in March 1962, that "It is advisable to retain the present status of this office at this time," but gave no reason for the decision, even though prior departmental correspondence stated that the Department favored consolidation, no objections had been received, and a \$1,200 annual saving was expected. In August 1962, the Department appointed a postmaster to fill the vacancy at the fourth-class post office.

In another case, in December 1960, a postal region recommended to the Department that a fourth-class post office be converted to a rural station at an estimated savings of about \$900 a year. In the service area of this post office there were 112 postal patrons, of whom 80 were served by star or rural routes. The post office

had gross receipts of about \$450 for calendar year 1960 and operating costs of about \$2,100 a year. An inspection report stated that a bid of \$1,200 a year had been received from the acting postmaster to operate the rural station. Although the rural station would provide equal service at a reduction in costs of \$900 a year, the Department did not convert the post office to the rural station but appointed the acting postmaster as a permanent postmaster on July 7, 1961. In reply to our request for information regarding the Department's decision to continue this post office, we were informed that too many families were involved. Since a rural station provides patrons with the same service as a small post office, and since there are numerous other rural stations providing service to an equal number or more of patrons, we believe that the Department's stated reason for not taking advantage of an opportunity to reduce operating costs by about 40 percent was inadequate.

At the Boston Region, we noted numerous cases where postmaster vacancies existed but the region did not request the Department's permission to make a feasibility study to determine whether less costly means of providing postal service could be substituted. For the 214 postmaster vacancies in the Boston Region at March 1, 1963, we noted that the region requested the Department's permission to conduct feasibility studies for 66 cases but not for the other 148 cases. Of the 148 cases, 52 were at first-class post offices, 29 at second-class post offices, 59 at third-class post offices, and 8 at fourth-class post offices. Our review of the available data on the 148 cases indicated that a feasibility study was desirable in 79 cases. Of the 79 cases, 53 of the post offices were located in cities or towns which had one or more other independent post offices that appeared to have been able to serve the community

adequately. Also, we noted that the Boston Region had submitted some cases for consolidation which were similar to the cases they had not submitted. For example, there were three third-class post offices located in a town with a population of about 2,500--post office "A" with calendar year 1962 receipts of \$2,300, post office "B" with calendar year 1962 receipts of \$5,000, and post office "C" with calendar year 1962 receipts of \$2,200. Postmaster vacancies occurred at post offices "A" and "B" in August 1960 and August 1959, respectively. The Boston Region did not request the Department's permission to conduct a feasibility study, and postmasters were appointed for post offices "B" and "A" in May and July 1963, respectively. In contrast to its failure to request a study in the above case, we noted that the Boston Region had submitted a request to conduct a feasibility study on another location which was very similar to post offices "A" and "B". At this location there were seven independent post offices within the boundaries of the town. One of the post offices, a third-class post office with increasing postal receipts which indicated that it would have been advanced to a second-class post office, had a vacancy in the postmastership. As a result of the Department's feasibility study, the third-class post office was discontinued as an independent post office and was set up as a classified station of a nearby first-class post office.

After we discussed this matter with regional officials, the Regional Director requested the Department's permission to perform a feasibility study in 11 of the cases including post offices "A" and "B". Regional officials advised us that they would review the remaining cases which we called to their attention.

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Because one post office in a unified postal district can generally operate more efficiently and economically than many

independent post offices in providing postal service, we believe that the matters noted above strongly indicate a need for more effective action by the Department in its program of evaluating the need for independent post offices when a postmaster vacancy occurs and discontinuing the post office when the service can be provided by more economical means. In this connection we noted that in hearings in February 1964 on the Treasury, Post Office Department, and Executive Office Appropriations for 1965 before a subcommittee of the Committee on Appropriations, House of Representatives, the Assistant Postmaster General, Bureau of Operations, stated that when a contract unit is substituted for a fourth-class post office the patrons frequently get better mail service at less cost to the taxpayers.

In his letter to us dated May 21, 1964, the Postmaster General did not comment on the specific cases discussed in this section of the report but stated that the Department was consolidating post offices to the fullest extent practicable as evidenced by the fact that, from a peak of 76,945 post offices in 1901, the total at June 30, 1963, had been reduced to 34,498.

While recognizing the progress that the Department has made over the past 60 years, we believe that there is a continuing need to take advantage of current opportunities to reduce operating cost without adversely affecting service. We believe that the more important consideration at the present is that, as previously discussed, the Department denied without adequate operational justification numerous regional recommendations to substitute less costly means of service for independent post offices and that the regional offices had not, in many instances, determined whether less costly means of providing postal service could be substituted at locations where postmaster vacancies existed.

The Postmaster General stated further that the Department must be responsive to representations, made by members of the Congress in behalf of their constituents, relating to a proposed closing of a post office and has an obligation to pursue the discontinuance of post offices in accordance with the expressions of congressional policy. When we requested the Postmaster General to furnish us with a statement of the congressional policy referred to, we were advised that the policy followed by the Department relative to discontinuing fourth-class post offices was initiated at the request of a subcommittee of the House of Representatives' Post Office and Civil Service Committee and that the policy is as follows:

"*** we will not discontinue a fourth-class office unless equal or better service can be provided by rural or star route or rural station and one or more of the following conditions prevail:

- (1) There is a vacancy in the position of postmaster.
- (2) There is no suitable applicant for the postmaster's position available.
- (3) There is substantial community support for rural or star route delivery or for a rural station, or there is at least no significant opposition.
- (4) The community has been abandoned by the patrons."

In this connection, it should be noted that, without exception, the post offices discussed in this section represent locations where equal or better service could be provided more economically by another means and where there was a vacancy in the position of postmaster. Accordingly, consistent with its stated policy, the Department should have discontinued post offices at these locations.

Recommendation

Because of the economies possible through the discontinuance or conversion of post offices, we recommend that the Postmaster General require a specific determination of the need for an independent post office whenever a postmaster vacancy occurs and that post offices be discontinued or converted to branches or stations whenever adequate service could be provided more economically thereby.

SCOPE OF REVIEW

Our review included an examination into the practices followed by the Post Office Department in the establishment, discontinuance, and conversion of postal installations and the practicability of consolidating the operations of post offices. We examined records, reports, and other data made available to us and interviewed Department officials.

Our review was performed at the Post Office Department headquarters, Washington, D.C.; at four regional offices located in Boston, Chicago, San Francisco, and St. Louis; and at selected installations within these regions.

APPENDIX

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PRINCIPAL POST OFFICE DEPARTMENT OFFICIALS
RESPONSIBLE FOR THE ACTIVITIES
DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
POSTMASTER GENERAL:		
John A. Gronouski	Sept. 1963	Present
J. Edward Day	Jan. 1961	Aug. 1963
Arthur E. Summerfield	Jan. 1953	Jan. 1961
DEPUTY POSTMASTER GENERAL:		
Frederick C. Belen	Feb. 1964	Present
Sidney W. Bishop	July 1963	Feb. 1964
H. W. Brawley	Jan. 1961	July 1962
John M. McKibbin	Oct. 1959	Jan. 1961
Edson O. Sessions	Sept. 1957	Oct. 1959
ASSISTANT POSTMASTER GENERAL, BUREAU OF OPERATIONS:		
William M. McMillan	Feb. 1964	Present
Frederick C. Belen	Mar. 1961	Feb. 1964
Bert B. Barnes	Nov. 1959	Mar. 1961
John M. McKibbin	Feb. 1957	Oct. 1959
REGIONAL DIRECTOR, BOSTON REGIONAL OFFICE:		
Donald P. Steele	Apr. 1961	Present
C. Owen Tedrow (acting)	Feb. 1961	Mar. 1961
John B. Demott	June 1955	Feb. 1961
REGIONAL DIRECTOR, CHICAGO REGIONAL OFFICE:		
Donald L. Swanson	July 1961	Present
Ralph G. Donegan (acting)	July 1961	July 1961
Robert L. Rosenthal (acting)	June 1961	July 1961
Arnold C. Peterson (acting)	Feb. 1960	June 1961
Robert R. Justus	Apr. 1954	Feb. 1960
REGIONAL DIRECTOR, SAN FRANCISCO REGIONAL OFFICE:		
Raymond Holmquist	Apr. 1961	Present
Ralph Wheeler	Jan. 1961	Mar. 1961
C. Scoggins	Feb. 1956	Jan. 1961

PRINCIPAL POST OFFICE DEPARTMENT OFFICIALS

RESPONSIBLE FOR THE ACTIVITIES

DISCUSSED IN THIS REPORT (continued)

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
REGIONAL DIRECTOR, ST. LOUIS REGIONAL OFFICE:		
John F. Dee	May 1961	Present
John F. Applegate (acting)	Apr. 1961	May 1961
James B. Tunny	Sept. 1954	Mar. 1961