

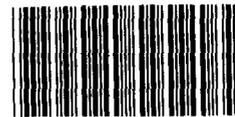


United States
General Accounting Office
Washington, D.C. 20548

General Government Division

92-0422

April 24, 1992



146446

The Honorable Ted Stevens
United States Senate

Dear Senator Stevens:

This is in response to your request for a status report on our review of the sponsorship of the 1992 Olympics by the United States Postal Service. Because our work is still in process and complete data are not yet in, the amounts cited in this preliminary letter are subject to change.

The Postal Service's current financial projection attributable to Olympic sponsorship is \$169 million in revenues and \$109 million in costs. We have so far focused our attention on the two sources of revenue that are projected to account for over 70 percent of total sponsorship revenue -- stamp retention (\$67 million) and expedited mail revenue (\$54 million).

Stamp retention refers to Olympic-related stamps that are purchased but not used by the public. Retention quantities are estimated quarterly through nationwide household surveys done by a market research firm under contract to the Postal Service. So far stamp retention revenues have amounted to \$37.5 million from seven different Olympic commemorative stamps and other stamps that included the Olympic rings in their design. Retention revenue from three remaining Olympic issues will be known later this year.

One question we have is whether most of this revenue should be attributed to Olympic sponsorship. We note that four of the stamp issues having retention revenues of \$27 million would have been issued without Olympic sponsorship. According to stamp marketing specialists in the Postal Service, the retention rates on these stamps probably would have been about same if they had not included the Olympic rings in their design. These include:

- new Express Mail, International Express Mail, and Priority Mail stamps which were issued because the rates changed, and

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-- the 29¢ American flag stamp with Olympic rings. The flag stamp is a popular design and it is regularly reissued with a new motif (with Mt Rushmore, or over the Capitol dome, for example).

In addition, the Postal Service has issued at least one Olympic commemorative stamp for each of the past winter and summer Olympic games without being a full-fledged sponsor. Accordingly, it may be appropriate to offset some of the retention revenue credited towards the Olympic sponsorship because it would have occurred anyway.

The \$54 million in expedited mail revenue represents a projection by the Postal Service of the amount of additional net revenue that would occur due to increased volumes of Express and Priority Mail. Increased volume was expected to occur as a result of advertising of these services during the Olympics. Net revenue is revenue over and above the cost to the Service of delivering Express and Priority Mail.

The \$54 million estimate was prepared in 1990 and has not been updated. Although advertising is generally believed to increase sales, no one we have spoken with knows of a methodology that would indicate how actual sales were affected by advertising or by other factors. Other factors that could have influenced expedited mail volume are the quality and timeliness of these services and competitors' pricing. Several officials also mentioned that the economic recession undoubtedly caused many mailers to switch from premium overnight delivery services to the less expensive 2-day Priority Mail service.

The \$54 million projection was broken down into \$4 million for the fourth quarter of fiscal year 1991, and \$50 million for 1992. Lacking a methodology for associating advertising with increased expedited mail revenue, the Postal Service Controller decided to simply credit the Olympic sponsorship program with the amount that net revenue for the quarter exceeded that of the same quarter the year before, not to exceed \$4 million. Since net revenue for the quarter was up by nearly \$32 million over 1990, the Controller credited the Olympic program with \$4 million in revenue. The Controller has not decided how he will determine the 1992 credit. Through the first week in February expedited net revenue was ahead of 1991 by about \$80 million.

Although expedited mail volume is well ahead of previous periods, it appears unlikely that it will ever be known to what extent this was due to the Postal Service's sponsorship of the Olympics.

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Although we have concentrated mainly on the revenues associated with the Olympic sponsorship, our limited look at recorded costs raises concern about the narrow definition the Service is using to record the time of personnel associated in its Olympic sponsorship efforts. The accounting system will show the costs of the core staff dedicated full-time to the program. It will not, however, show any costs for other staff who are supporting this effort, such as in procurement, marketing, and finance. This includes a large number of field personnel who participated in various promotional activities. It may be that, like expedited mail revenue, personnel costs attributable to the Olympic sponsorship will never be known.

If you have any questions concerning this letter please contact me at 275-8676.

Sincerely yours,



L. Nye Stevens
Director, Government Business
Operations Issues

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