



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

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Letter from 115 9/17/79

APRIL 13, 1979

RELEASED

GENERAL GOVERNMENT DIVISION

B-114874

The Honorable Daniel J. Flood
House of Representatives

Dear Mr. Flood:

RESTRICTED - Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Congressional Relations.

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Back

On January 19, 1979, you asked us to audit the Postal Service's plan to consolidate the mail processing operations of the Hazleton, Pennsylvania, Post Office and 37 other associate post offices ^{1/} at the Area Mail Processing Center, Wilkes-Barre, Pennsylvania. The proposed move, scheduled for April 30, 1979, includes consolidation of operations to process both outgoing and incoming mail. We reviewed the economic justification for the consolidation and its impact on mail service and affected Postal Service employees.

was reviewed

were also examined

At the time it publicly announced the planned move, the Postal Service estimated that the consolidation would save about \$163,100 annually. It revised this estimate to about \$188,000 after reassessing its transportation costs.

Although the actual cost savings cannot be determined until sometime after consolidation, we estimated that it would annually save the Service about \$253,000. In addition, it appears that the consolidation would have no adverse impact on mail service, that Wilkes-Barre has the capability of processing the consolidated mail volumes, and that all the affected employees have been treated fairly although most of them will be initially reassigned to another location.

Our estimated savings are based on the assumption that the full-time Hazleton personnel who would become surplus as a result of the consolidation would either be reassigned to authorized positions or leave the Service before being

1/An associate office is located within the boundary of a management sectional center area. A management sectional center is a postal facility whose manager has full management responsibility for all post offices within assigned ZIP code areas.

Letter Report

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reassigned. At the time of our review, only two affected employees could be placed in existing vacant positions. The savings are also based on the assumption that needed reductions in the work hours of part-time flexible employees at Hazleton and the other associate offices would be achieved.

Our audit was based on a review of Service records and reports; discussions with Service officials from the Eastern Regional Office, Hazleton Post Office, and Wilkes-Barre Management Sectional Center; and a discussion with employee union representatives at the Hazleton facility. We also discussed the planned move with Hazleton's Mayor, Chamber of Commerce, and two of Hazleton's major mailers.

We accepted, without verification, the data included in the Postal Service's records and reports. Verification would have required considerable time and would not have enabled us to issue our report, as you requested, before the scheduled implementation date. The results of our review are discussed in the following sections.

BACKGROUND

The Postal Service has tried to improve productivity and reduce labor costs which account for over 85 percent of its \$17.4 billion budget. A major effort in this direction has been the implementation of a nationwide program known as area mail processing. Under this program, mail processing at several associate offices is consolidated in a central facility.

The Service began the nationwide program in 1971, and has implemented about 395 area mail processing plans as of fiscal year 1978.

The planned consolidation at Wilkes-Barre is part of the area mail processing program. The Wilkes-Barre office is a management sectional center and an area mail processing center. The Postal Service plans to realize savings by processing the

consolidated mail volumes using Wilkes-Barre's multiposition letter-sorting machine, and its two culler- facer-canceller machines. 1/

After consolidation, the Postal Service plans to maintain the present level of customer and delivery services at Hazleton and the associate offices. A designated deposit receptacle will be provided at the local post office for customers desiring a local postmark. In addition, all mail deposited in street letter boxes or a post office receptacle designated for deposit of mail for local delivery only will be retained for processing at the local office.

HAZLETON/WILKES-BARRE CONSOLIDATION
WOULD REDUCE MAIL PROCESSING COSTS

After deducting additional transportation costs of \$403, the Postal Service estimated that the consolidation would annually save \$187,795. It also estimated that it would incur one-time costs of about \$21,143 to revise its transportation routes and schedules. In some instances, the Service made arithmetical errors, and used inadequately supported productivity rates which understated its estimate of annual savings. We estimate that the Service would annually save \$253,137, including \$2,929 in transportation costs, and would incur one-time transportation costs of \$16,613. The following summarizes our estimated annual savings by function.

	<u>Savings</u>
Direct mail processing operations	\$173,579
Support positions	76,629
Transportation	<u>2,929</u>
Total estimated annual savings	<u>\$253,137</u>

1/Culling is the removal of lettersize mail from nonlettersize mail. Facing is arranging mail addresses and stamps in a desired position.

Savings in direct costs to process mail

We estimate the Service could save \$173,579 annually in costs directly related to mail distribution. The savings would be achieved by processing, at Wilkes-Barre, the outgoing mail originating and processed at Hazleton and 37 other associate offices and the incoming mail processed at Hazleton that is destined for Hazleton and the associate offices. The savings are attainable because the mail processing operations at Wilkes-Barre are more mechanized than at Hazleton and the associate offices.

Hazleton and the associate offices cull, face, and cancel about 1,863 pieces of mail per work hour, compared to Wilkes-Barre's 3,995 pieces per work hour. Hazleton manually culls and faces mail but has a machine with a maximum capability of cancelling 20,000 pieces of lettersize mail per hour. The other associate offices manually cancel all mail. Wilkes-Barre has two machines that mechanically cull, face, and cancel mail. Each machine at Wilkes-Barre has a maximum capability of cancelling 30,000 pieces of lettersize mail per hour.

Hazleton and the associate offices sort about 933 pieces of outgoing mail per work hour compared to Wilkes-Barre's 1,190 pieces per work hour. Hazleton sorts about 770 pieces of incoming mail per work hour compared to Wilkes-Barre's 1,141 pieces per work hour.

Hazleton and the associate offices sort all mail-- lettersize and nonlettersize--manually. The maximum capability of Wilkes-Barre's letter-sorting machine is 43,200 pieces of lettersize mail per work hour. Nonlettersize mail is manually sorted. About 74 percent of the letters Wilkes-Barre processes are machine sorted. The machine increases productivity by reducing the number of times that mail has to be handled. Each time mail is handled, the machine can sort it into 277 separations, while manually it can only be sorted into 77 separations.

Cost Savings by eliminating support positions

The Postal Service plans to eliminate four positions at Hazleton that support mail distribution operations at an estimated annual savings of \$76,629. These positions are (1) the director of mail processing operations, (2) a mailhandler, (3) a fireman/laborer, and (4) a dispatcher/expeditor. The elimination of mail processing operations at the Hazleton office makes these positions unnecessary.

Transportation costs

At present, 13 transportation routes deliver mail to and/or pick mail up at Hazleton and the associate offices. These routes are operated under Postal Service contracts with commercial firms. To enable Wilkes-Barre to maintain the current level of mail service to Hazleton and the associate offices, the Service will have to adjust eight of those routes and add a new route at an estimated annual net savings of \$2,929. However, to indemnify contractors operating those routes where the contract prices will be reduced, the Service will incur, estimated one-time transportation costs of \$16,613.

Recurring costs

Two of the eight existing routes which will be adjusted involve no change in the frequency of trips, stops, or transportation costs because only a minor change in arrival or departure times will occur. The following routes involve estimated increases or decreases in recurring transportation costs.

<u>Revised routes</u>	<u>Annual</u>	
	<u>Increased costs</u>	<u>Decreased costs</u>
Hazleton/Summit Hill	\$13,778	
Hazleton/Lehigh	12,040	
Wilkes-Barre/Blakeslee	829	
Scranton/Reading		\$ 32,058
Scranton/Philadelphia		1,872
Hazleton/Philadelphia Bulk Mail Center		67,532
 <u>Added route</u>		
Wilkes-Barre/Hazleton	<u>71,886</u>	
 Total	 <u>\$98,533</u>	 <u>\$101,462</u>

The Hazleton/Summit Hill route, with stops at seven other offices, and the Hazleton/Lehigh route, with stops at four other offices, will be revised to originate and terminate at Wilkes-Barre rather than Hazleton. In addition, the latter route will eliminate a stop at Albrightsville. The Wilkes-Barre/Blakeslee route, with stops at three other offices, will add a stop at Albrightsville. The contract for the Scranton/Reading route includes two round trips daily, except Sunday, that originate and terminate in Wilkes-Barre. One of these trips is to Hazleton and Tamaqua, and the other trip is to Hazleton only. These two trips will be eliminated. The Scranton/Philadelphia route includes one trip with a stop at Hazleton. This stop will be eliminated.

The Hazleton/Philadelphia Bulk Mail Center route currently includes three round trips daily from Monday through Friday, one round trip on Saturday, and two round trips on Sunday. All the trips stop at least once at Pottsville. The revised route will provide two round trips daily from Monday through Sunday between Pottsville and the Philadelphia Bulk Mail Center with no stop in Hazleton. Wilkes-Barre presently has a route to the Bulk Mail Center.

The new Wilkes-Barre/Hazleton route will include three round trips daily, except Sunday. Two of these round trips will include stops in Wilkes-Barre and Hazleton only. One

round trip will also stop at Tamaqua. There will also be an additional two daily trips, except Saturday and Sunday, that will stop only in Wilkes-Barre and Hazleton.

Nonrecurring costs

Route contracts are generally awarded for 4 years. Three of the routes to be adjusted involve decreases in contract prices. Under the terms of the route contracts, the contractors are entitled to indemnification for a portion of the decreased prices depending on the portion of the contract period that remains after the price adjustment. The Service will incur estimated one-time costs of \$16,613 to adjust the three contracts.

QUALITY OF MAIL SERVICE WILL BE MAINTAINED

It appears that the quality of mail service to Hazleton and the other associate offices should remain at least the same. It appears that Wilkes-Barre has the capability to process the combined Wilkes-Barre/Hazleton mail volumes within its established processing schedules based on our analysis of its machinable mail capabilities. Wilkes-Barre met its established schedules for processing mail on all except 13 days during the year ending March 6, 1979. During the same period, Hazleton met its established schedules on all except 4 days.

The proposed revision of transportation schedules should insure that by 7:05 p.m. all of Hazleton and the other associate offices' outgoing mail will arrive at Wilkes-Barre for processing. It should also insure that Hazleton and the other associate offices receive their incoming mail at the same time or earlier than they currently receive it, except for the Weatherly, Andreas, Ashfield, and Parryville offices. The Weatherly office currently receives mail at 6:15 a.m. and 7:25 a.m., but will receive it only at 7:25 a.m. after consolidation. The other three offices will receive mail 30 minutes later than at present. A Postal Service official stated that this will still permit these offices to make same-day delivery of the mail they receive.

IMPACT OF CONSOLIDATION ON AFFECTED EMPLOYEES

The Postal Service plans to achieve its estimated savings by eliminating 19 full-time positions at Hazleton and reducing,

by the equivalent of 9 staff years, the work hours of part-time flexible employees at Hazleton and associate offices. The equivalent of 18 staff years of additional labor would be required at Wilkes-Barre.

At the time of our review only 2 of the 19 full-time Hazleton employees could be placed in existing vacant positions at that facility. Placement of the 17 other employees into specific positions had not been determined although the Service planned to assign them initially to the Wilkes-Barre office and offer each an opportunity to train and qualify as a letter-sorting machine operator. To the extent that the employees qualify as operators, the Wilkes-Barre office would reduce the work hours of part-time flexible letter-sorting machine operators.

We discussed the impact of the planned consolidation on affected full-time employees with employee union representatives at Hazleton. They told us that the affected employees have been treated fairly, although the employees not assigned to specific positions are concerned about their eventual locations and positions. Many of them do not want to become letter-sorting machine operators. Those who do not qualify as operators could be assigned to other positions at Wilkes-Barre or to other offices within a 100-mile radius of Hazleton. The affected employees would, however, have the right to return to Hazleton when vacancies occur in their craft.

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Although actual savings from the consolidation cannot be determined until after it takes place, we believe the Postal Service's decision to relocate mail processing from Hazleton and other associate offices to Wilkes-Barre will provide the Service the opportunity to save money, with no apparent reduction in the quality of mail service.

The Postal Service reviewed the report and generally agreed with the contents except that it believed that the estimated annual savings were somewhat optimistic. Its comments are included in enclosure I.

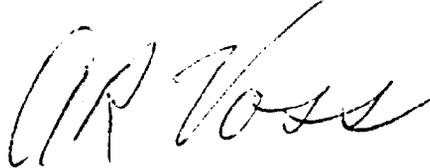
In discussions with Postal Service officials, they stated that in their opinion the Wilkes-Barre productivity rates used

B-114874

in our study for machine cancellation of mail and sorting incoming machinable mail were somewhat high. These rates were based on information and reports provided by the Wilkes-Barre office. The Postal Service officials did not, however, provide adequate documentation supporting lower rates, and we therefore do not believe that any change in our estimate of savings is warranted.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days after the date of the report. At that time we will send copies to interested parties and make copies available to others.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "AR Voss".

Allen R. Voss
Director

Enclosure