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

LOGISTICS AND COMMUNICATIONS  
DIVISION

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Dear Mr. Postmaster General:

We are closing out our study of the transportation activities of the Post Office Department (POD). We completed a survey of Post Office transportation activities prior to enactment of the postal reorganization bill. This survey showed that POD's transportation system had been responsive to the needs of the postal service. We did, however, find areas where we believe improvements would have increased the efficiency of the system and would have resulted in substantial savings. Corrective action on many of the areas would have previously required congressional approval, but can now be taken by the Postal Service under authority granted by the Postal Reorganization Act.

Details of our observations were included in a draft report furnished to the Postal Service in July 1971.

The Service agreed with many of our observations and promised to take action to improve or correct the problems identified. A brief summary of the more significant areas where corrective action was promised follows.

SAVINGS BY USING STAR ROUTE  
SERVICE MORE EXTENSIVELY

Our analysis of postal transportation activities in sparsely populated areas throughout the United States showed that substantial savings could have been achieved by replacing Government rural delivery service with contract star route service. By comparison, the cost of box delivery star routes during our survey ranged from 40 percent to 60 percent less than the cost of Government rural delivery service.

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For example, in the Atlanta Postal Region, the average mileage cost for box delivery star route service was about 24 cents, as opposed to about 58 cents for Government rural delivery service. Based on these costs, we estimated that savings of as much as \$24 million annually could have been realized in this area by using the lower cost star route service.

Another example involved the Seattle Region. We estimated that savings of about \$5 million could have been realized in that region by using star route service instead of rural delivery service.

At the time of our survey POD was restricted by law from converting rural routes to star route service or from consolidating rural routes. But, under the Postal Reorganization Act, the Postmaster General now has the authority to select the mode of transportation which will provide the most prompt and economical delivery of mail.

The Postal Service, in commenting on a draft of a proposed report, agreed with our observations and advised us that it plans to make an overall review of the rural delivery operation to determine the adjustments needed to update this operation. The Service indicated that adjustments would be subject to any labor agreement constraints.

#### SAVINGS BY GREATER USE OF CONTRACT VEHICLE SERVICE FOR TRANSFERRING MAIL TO AND FROM AIRPORTS

At the time of our survey, pertinent provisions of law (39 U.S.C. 6402(a) (5)) prohibited the use of contract service for transferring mail between airports and post offices when (1) there was Government-owned motor vehicle service available and (2) when the distance between the post office and the airport was not more than 35 miles. Because of these restrictions, POD had been unable to realize the economies available through greater use of contract service, and it had not made recent cost comparisons to show whether economies in transportation costs could be achieved.

Under the Postal Reorganization Act, the Postmaster General was given authority to use contract service when it is more economical than Government service. In view of the potential savings involved, we suggested that the Postal Service make cost comparisons at each location and select the most economical method of transporting mail to and from airports.

In response to our proposal, the Postal Service informed us that it plans to take advantage of the economies possible when contract service is less expensive than postal vehicle service. But, the service pointed out that there may be serious labor relations problems in contracting out work traditionally performed by postal employees.

SAVINGS BY OBTAINING MORE FAVOR-  
ABLE RATES FROM AIR CARRIERS

We made a limited analysis of the actual cost of shipping air mail and first-class mail which moved together on specific flights and compared it with the estimated cost of transporting the combined weight of such mail at general commodity rates. Our comparison included only mail shipments from the San Francisco Air Mail Facility to Honolulu, Chicago, and New York, and was based on the mail rates and general commodity rates in effect April 2, 1970. We found that savings of over \$900,000 annually could have been achieved on shipments between these points if the general commodity rates had been applicable to mail.

POD had made two studies comparing mail rates with general commodity rates. The studies showed that the general commodity rates were higher than first-class mail rates, but lower than air mail rates.

Information available at the time of our survey indicated that there was no difference in the cost of handling air mail and first-class mail, that legal priority, aircraft space availability, and unused capacity had very little effect, and that distinguishing factors between the two types of mail traffic were nonexistent for all practical purposes.

We found that neither the legal priority of air mail nor the aircraft space availability for first-class mail had an effect on the transportation of either class of mail. On the basis of information developed in our survey, we believe that air carriers have realized substantial additional revenues because postal rates produced a higher income than would have been realized if the mail had been shipped at general commodity rates.

The Postal Service, in commenting on our draft report, stated that any savings obtained through high volume mail shipments at general commodity freight rates could be offset by higher minimum charges on low-weight shipments. But, on the basis of our survey, we believed that because of the high volume of mail available the savings would more than offset any minimum charges.

In any event, the Postal Service stated that it would consider merging first-class and air mail in preparing the mail classification recommendation to the Postal Rate Commission as provided by the Postal Reorganization Act.

POTENTIAL SAVINGS BY PRESORTING  
FIRST-CLASS MAIL

Presorting is defined in pertinent postal regulations as sequencing mail according to distribution patterns in order to bypass one or more intermediate handlings. According to the regulations, the degree of presorting can vary from a simple sectional center breakdown to sequencing by carrier routes.

We found in our survey that, with a few exceptions, large-volume, first-class mailers had not followed the practice of voluntarily presorting their mail.

We surveyed the activities of selected mailers in the Wichita Postal Region who had paid postage in excess of \$50,000 a year. Under POD procedures in effect during our review, mail presorted and sacked for a five digit ZIP Code office did not require any sorting at the receiving office or en route and required only one sort at the delivery office to break it down by carrier route for delivery.

On the basis of an estimate, furnished us by Wichita Postal officials, of the average handling saved from receipt to delivery by presorting mail to various degrees and the average number of pieces of mail which can be sorted by a clerk, we estimated that about 172,000 man-hours costing approximately \$779,000 could have been saved annually in the Wichita Postal Region if large mailers of first-class matter had presorted their mail. In addition to these savings, presorting of first-class mail would have resulted in substantial collateral benefits in transportation and space, including faster mail service; fewer handlings and rehandlings at origin, intermediate, and destination points; reduction in work load and congestion; and reduction of overall mail processing and transportation costs.

In the Atlanta Postal Region, we surveyed 27 firms which generated in excess of one million pieces of first-class mail annually. We estimated that savings in mail handling costs of about \$438,000 annually could have been realized if these 27 large-volume mailers had presorted their mail; however, the extent of real savings would have been contingent on the concessions given to mailers as an inducement to presort their mail.

The Postal Service, in commenting on our findings, stated that our estimate of savings was not entirely valid because (1) we assumed that each mailer had the geographic density to sort to the 5 digits of the ZIP Code and (2) in order to provide a beneficial presort, national mailers would have to spend a great deal more than \$50,000 a year for postage. We believe, however, that our estimate is valid in that we computed our savings on the basis of presorting only the first 3 digits and most of the mailers we reviewed spent substantially more than \$50,000 a year for postage.

Nevertheless, the Postal Service agreed to consider our proposal regarding incentives for presorting first-class mail in preparing recommendations on mail classification to be presented to the Postal Rate Commission as provided for under the Postal Reorganization Act.

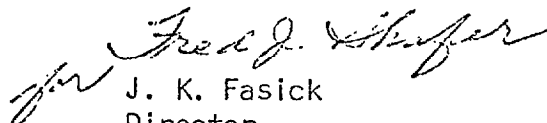
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At present, we plan no further reporting on the results of our work. By this letter we are confirming our observations on these matters, and we plan to follow up on the actions taken by the Postal Service at an appropriate future time.

There were other observations included in our July 1971 draft report which the Postal Service did not agree required any corrective action. We will consider these for possible detailed reviews in our plans for future work in the Postal Service. We will of course notify you before initiating further work in these areas.

We appreciate the cooperation we received from the Postal Service during our survey.

Sincerely yours,

  
J. K. Fasick  
Director

The Honorable  
The Postmaster General

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