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The Postal Service's national bulk mail system became fully operational during 1976. The system consists of 21 bulk mail centers located throughout the country. Each center is a distribution point where mail originating or coming into an area is sorted and then transported to either another center, a sectional facility, or a large post office.

Findings/Conclusions: The Service's parcel post rates have not been competitive, and delivery performance continues to be untimely and inconsistent. As a result, major mailers generally prefer the Service's principal competitor for supplying delivery services. These factors have contributed to a general decline in parcel post volume. Problems during the startup period, primarily parcel damages and sorting errors, threatened the survival of the system. Parcel damage is no longer a serious problem, but consistent damage statistics are needed. The nonmachinable mail volume is large, and nonmachinable parcels are often delayed. Reprocessed mail has been reduced, but it is still a problem. Transportation limitations continue, especially reliance on railroads which increases shipping times. The bulk mail system is approaching the point where it may be more economical to adopt alternative means to move bulk mail. These alternatives need to be evaluated. (RRS)

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REPORT BY THE

RELEASED 6/13/78

# Comptroller General

## OF THE UNITED STATES

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### Grim Outlook For The United States Postal Service's National Bulk Mail System

The mechanized bulk mail system has been unable to achieve its objectives. The Postal Service's parcel post volume and its share of the parcel market continue to decline. Rates generally have been noncompetitive and deliveries too often are untimely and inconsistent. The prospect for much improvement is not good.

The cost savings expected from this \$1 billion system have not materialized, and, over time, the system may prove more costly than alternative means of moving bulk mail. The Service should continue to evaluate available alternatives.



GGD-78-E9  
MAY 16, 1978



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

B-114874

The Honorable Charles H. Wilson  
Chairman, Subcommittee on Postal  
Personnel and Modernization  
Committee on Post Office and  
Civil Service  
House of Representatives

Dear Mr. Chairman:

In 1975 you asked us to review the status of the National Bulk Mail System. After visiting five centers, we briefed your Subcommittee staff on the problems identified and subsequently summarized in our report of December 10, 1976, "Problems of the New National Bulk Mail System."

By letter of September 9, 1976, you requested we undertake this review to determine if the centers' initial startup problems were solved and if the system's goals were being realized. Shortly after your request the Service's principal competitor for fourth-class parcels was affected by a strike and the Service's workload increased tremendously. As agreed with your office, our review was postponed 6 months to allow the Service's system to return to normal operations.

This report describes the continuing operational problems at bulk mail centers in the Postal Service's National Bulk Mail System, identifies more serious problems--noncompetitive parcel post rates and untimely and inconsistent deliveries--which have prevented the system's success, and raises questions as to whether the Service can attract sufficient parcel post volume and whether the system can provide good enough mail service to be continued in the future.

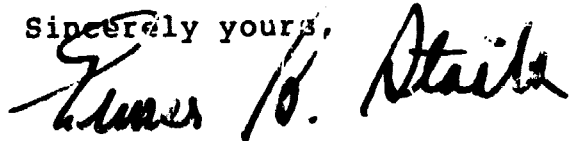
Chapter 2 of the report discusses the Postal Service's parcel post rates which were proposed to the Postal Rate Commission in July 1977. As you are aware, on May 12, 1978, the Postal Rate Commission released its recommended rates for all classes of mail including parcel post. The parcel post rates recommended by the Commission call for an average increase of about 35 percent, compared to the 25.8 percent

increase proposed by the Postal Service. The recommended rates also eliminate the rate decreases proposed by the Service, some of which were as much as 55.1 percent. In our view, the recommended rates will not materially improve the Service's competitive position, and, as a result, they do not substantially affect the conclusions contained in this report.

The Postmaster General stated that efforts to make the National Bulk Mail System work better are succeeding. In line with our suggestions, the Service has been evaluating alternatives such as closing some or all of the centers, but has not found any such alternatives to be warranted at this time.

As arranged with your office, unless you announce its contents earlier, we plan to distribute this report to coincide with the release of its contents during the Postal Service budget hearings. Should the hearings be postponed, however, we will send copies to interested parties and make others available upon request 30 days from the date of the report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James H. Attala". The signature is written in a cursive style with a large initial "J" and "A".

Comptroller General  
of the United States

COMPTROLLER GENERAL'S  
REPORT TO THE SUBCOMMITTEE  
ON POSTAL PERSONNEL AND  
MODERNIZATION  
COMMITTEE ON POST OFFICE AND  
CIVIL SERVICE  
HOUSE OF REPRESENTATIVES

GRIM OUTLOOK FOR THE UNITED  
STATES POSTAL SERVICE'S  
NATIONAL BULK MAIL SYSTEM

D I G E S T

The National Bulk Mail System--21 highly mechanized mail centers located throughout the country--has not achieved its goals of reducing costs and improving service. The prospect of it ever doing so is unpromising. Parcel post rates have been noncompetitive and delivery service is untimely and inconsistent. As a result, the Service continues to lose parcel business and the bulk mail system lacks sufficient volume to run as efficiently as planned.

The interrelationships between the system's operating cost, parcel post rates, and the effect rates have on parcel post volume present Postal Service management with a difficult dilemma to solve. Because the bulk mail system is highly mechanized, declining parcel post volume results in higher processing costs for each parcel. These higher unit costs ultimately result in higher parcel post rates. Similarly, service improvements increase costs and these too must be recovered through higher rates. But the Service's parcel post rates have been noncompetitive and account for much of the decline in parcel post business. As further losses in parcel post volume are likely, the outlook for the system is grim.

NONCOMPETITIVE RATES LEAD  
TO LOWER VOLUME

Cost is the primary concern of major mailers in deciding how to ship parcels, and the Service's principal competitor generally offers lower rates. The Service has had a rate advantage where it has little volume--within the local delivery zone and on parcels weighing 20 pounds or more. This latter advantage is ironic because many of the heavy parcels must be processed manually and the benefits of the mechanized bulk mail system cannot be realized.

Parcel post rate increases averaging 25.8 percent have been proposed by the Postal Service to the Postal Rate Commission. Generally, rates for parcels weighing less than 10 pounds would be increased substantially and rates for parcels weighing from 13 to 30 pounds and from 39 to 50 pounds would decrease.

Service officials agree that parcel volumes will continue to decline, the rate of decline depending on future rates, the quality of the system's delivery service and actions of the Service's principal competitor.

From 1961 through 1976 the Service's annual parcel post volume fell from about 800 million parcels to about 338 million. A recent Service projection based solely on historical trends indicates parcel volume may steadily drop to 137 million in 1985.

LOWER VOLUME MEANS  
LOWER COST SAVINGS

Initially the Service estimated that the bulk mail system would save about \$300 million annually based on the volume of bulk mail handled in 1969. As volume declined the cost savings estimate has been reduced to

- \$209 million in March 1975,
- \$149 million in July 1975, and
- \$138 million in October 1975.

Recently the Service estimated annual savings to be \$40 million, a return of less than 4 percent annually on the \$1 billion invested in the system. If parcel volume further declines as projected, the system may prove to be more costly to operate than alternative means to move bulk mail.

ACTIONS BEING TAKEN  
TO INCREASE VOLUME

Unused parcel processing capacity at the seven centers GAO reviewed ranged from 48 to 66 percent; and unused sack processing capacity ranged from 36 to 62 percent. To use more of the system's

capacity, the Service has expanded the types of mail (other than first-class) handled by the system and is conducting tests designed to make the system more competitive.

Beginning in September 1977, the processing of most small parcels (weighing less than 1 pound) and rolls (such as posters and maps) was transferred to the bulk mail system. In addition, some bulk mail centers are testing the feasibility of sorting circulars and flats (oversize second- and third-class letter mail). While these actions may signal the end of a system dedicated solely to bulk mail, they have the obvious advantage of spreading the system's operating costs over a larger mail volume.

Two 1-year test programs designed to reduce mailers' shipping costs are also underway. Both eliminate individual weight and zone calculations for participating customers. The ultimate impact of these programs on the Service's share of the parcel market is unknown.

#### SERVICE IMPROVEMENTS NOT ACHIEVED

Parcel post delivery is slower today than before the bulk mail system was built. Delivery standards set for the system have not been and probably will not be met. Also, parcel deliveries are inconsistent. The Service's market research has shown that this latter characteristic--consistency--is more important to mailers than speed.

All seven centers GAO reviewed were unable to provide consistent delivery service. This is illustrated by the delivery of parcels from Chicago to Detroit during a 2-1/2 month period. The delivery standards provide for 3-day delivery between these cities. Twenty-eight percent of the parcels took 2 to 3 days to be delivered, 45 percent took 4 to 6 days, 18 percent took 7 to 10 days and 9 percent took 11 or more days.

A number of factors contribute to the system's delivery problems including

--high volumes of mail that cannot be handled by machines, mail sent to the wrong destination, and mail that has to be handled more than once because of wrong or missing zip codes, damage, and sorting errors,

--van loading and unloading problems resulting in delays both in the processing of mail and in its shipment to other centers, and

--reliance on the railroads which increases shipping time between centers.

NEED TO CONSIDER  
ALTERNATIVES

The problems confronting the bulk mail system are formidable. For the system to continue as is the Service must capture a bigger share of the parcel post market and/or increase the amount of non-bulk mail handled. However, the need to increase parcel post rates and the likelihood of further losses of parcel business do not provide confidence that the Service will be able to offset the rate and service advantages of its principal competitor.

The Service should continue its efforts to make the system work. It must also recognize that the bulk mail system is approaching the point where it would not be cost effective to continue its operation.

Closing all or part of the system will be a difficult decision. Management should continue to evaluate alternatives to the system in order to reach the right decision should it fail to make the system responsive to customer needs.



## AGENCY COMMENTS

The Postmaster General agreed that the system has not achieved its cost reduction goals because it is handling substantially less parcel post than anticipated. In addition to increasing the volumes of other kinds of mail worked at bulk mail centers, the Service plans to develop and evaluate possible new rate structures, service options, and marketing strategies designed to attract volume.

The Postmaster General stated that efforts to make the National Bulk Mail System work better are succeeding. In line with GAO's suggestion, the Service is evaluating alternatives, such as closing some of the centers. It has not found any such alternatives to be warranted at the present time.

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## CHAPTER 1

### INTRODUCTION

The U.S. Postal Service has a statutory monopoly on first-class letter mail, but competition has grown over the years for items categorized as second-, third-, and fourth-class mail. The most successful competition has been for fourth-class parcel post mail.

From 1961 to 1970 the Service's annual parcel business dropped from 800 million to 570 million parcels in a growing market. This increased competition prompted the Service to invest \$1 billion to establish a National Bulk Mail System in an attempt to maintain its share of the parcel post market. The Postmaster General described the system as ambitious, innovative, and risky.

In addition to parcel post, the system processes other parcels and sacks of circulars, advertisements, magazines, and other nonletter mail. Bulk mail handled by the system accounts for about one-third of all Postal Service mail volume.

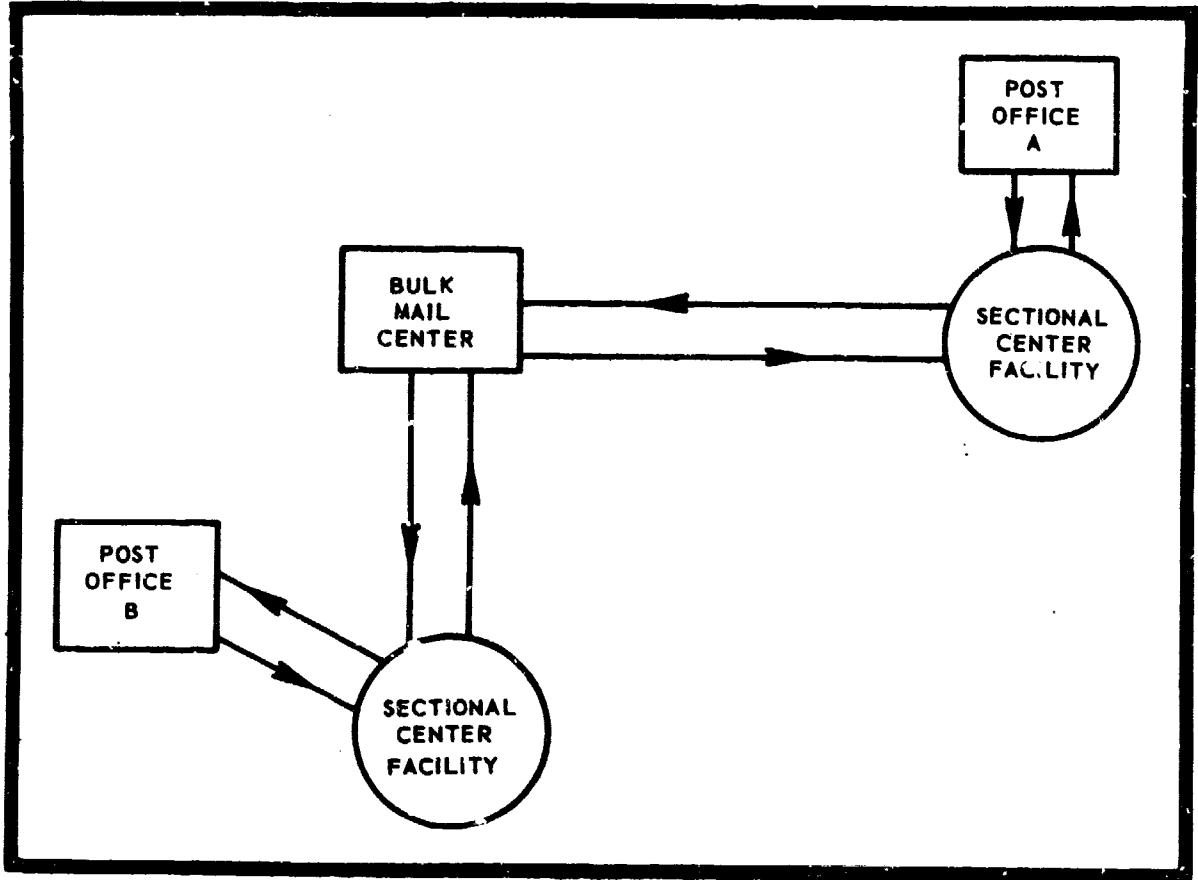
#### NATIONAL BULK MAIL SYSTEM FULLY OPERATIONAL

The system was approved on March 11, 1971, and became fully operational during 1976. The heart of the system consists of 21 bulk mail centers located throughout the country. (See app. II.) Essentially, each center is a distribution point where bulk mail originating or coming into an area is sorted and then transported to either another center or to a sectional center facility <sup>1</sup>/ or to a large post office (this last if the mail is destined for a location within the center's service area).

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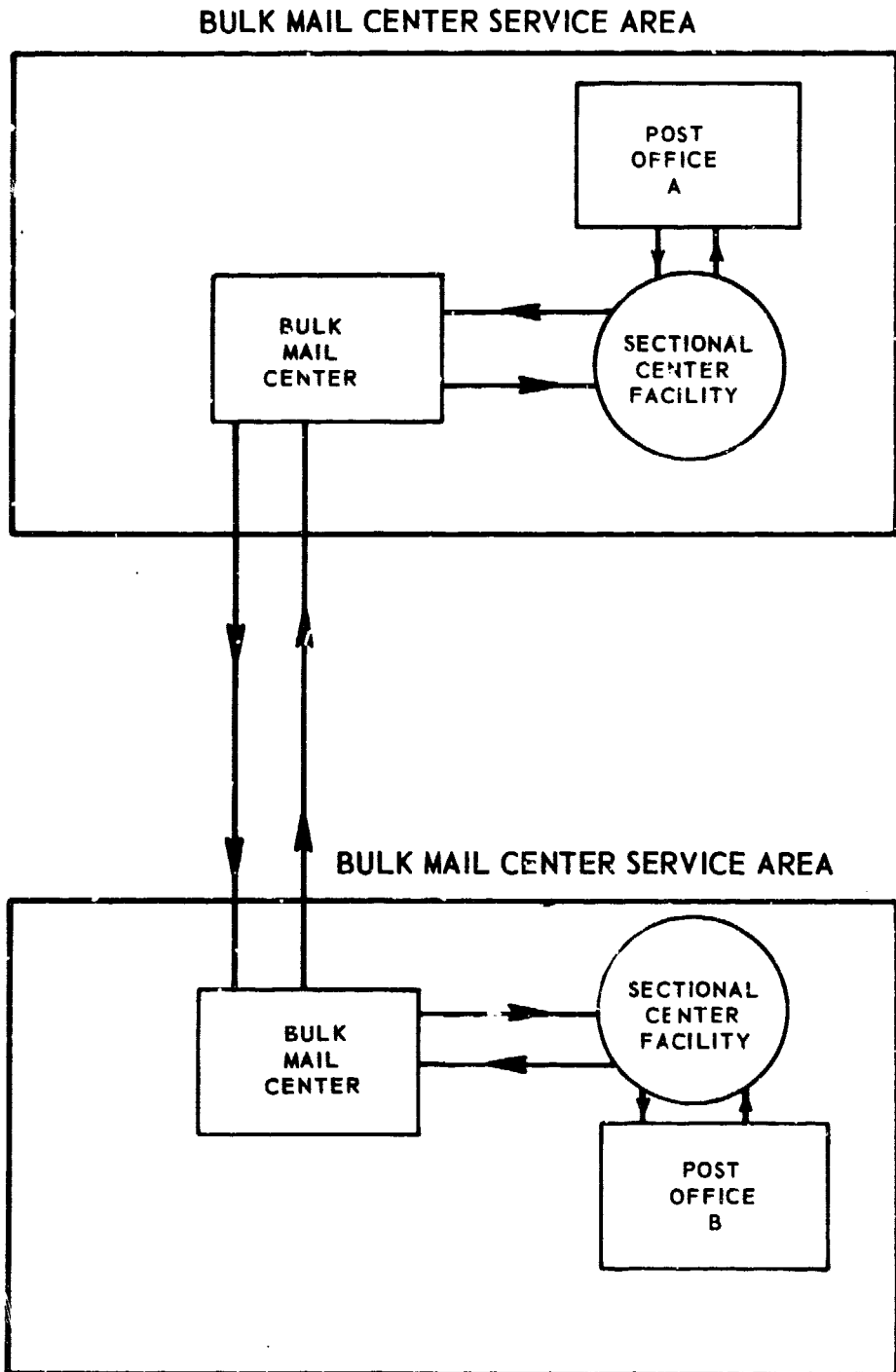
<sup>1</sup>/A central facility for distributing all classes of mail to and from assigned local post offices.

The following diagram illustrates the general flow of mail within a bulk mail center service area.



As shown, bulk mail is transported from individual post offices to a sectional center facility and then to a bulk mail center. At the center, the mail is sorted and transported to the appropriate post offices via a sectional center facility.

The following diagram illustrates the general movement of mail between bulk mail center service areas.



As shown, mail flows from individual post offices to a bulk mail center via the appropriate sectional center facility. At the bulk mail center, mail is sorted and transported to the bulk mail center within whose service area the recipient post office is located. It is then sent to the appropriate sectional center facility for distribution to the recipient post office.

#### STARTUP PROBLEMS IDENTIFIED

Our December 10, 1976, report, "Problems of the New National Bulk Mail System" (GGD-76-100), discussed the operational status of five bulk mail centers from June 1975 through October 1975. We found these centers experiencing high rates of packages sent to the wrong destinations, problems in meeting delivery standards, high rates of parcel damage, and higher nonmachinable volumes and lower processing capacity than originally estimated. We stated in the report that lower productivity, unused capacity, and larger volumes of nonmachinable mail would affect the cost savings to be realized from the system, and we questioned whether the system could improve service. We also commented on safety problems and resulting accidents and injuries.

In response to our report, the Postmaster General stated that the problems described reflected the startup difficulty of a new system of great magnitude and complexity. The Postmaster General stated that:

"\* \* \* the Service is striving to correct the problems it has encountered in the implementation of the NBMS, and it is premature to try at this time to assess the ultimate success of our efforts or to evaluate the NBMS's ultimate ability to reduce costs and improve service."

It was with this background in mind that we reviewed the success of the Service's actions to correct the startup problems, the quality of bulk mail service that the system now provides, and what can be expected in the future.

In conducting the review we

--studied system policies, procedures, reports, studies, and contracts;

--gathered operational data and observed operations at seven bulk mail centers--Chicago, Cincinnati, Dallas, Detroit, Memphis, San Francisco, and Washington;

- analyzed Service data and interviewed officials at sectional center facilities and post offices serving the bulk mail centers;
- discussed system status and problems with Service district, regional, and headquarters officials; and
- obtained perceptions on bulk mail service from officials of companies which use extensively either the system or the Service's major competitor for parcel delivery.



## CHAPTER 2

### NONCOMPETITIVE RATES AND POOR DELIVERY PERFORMANCE

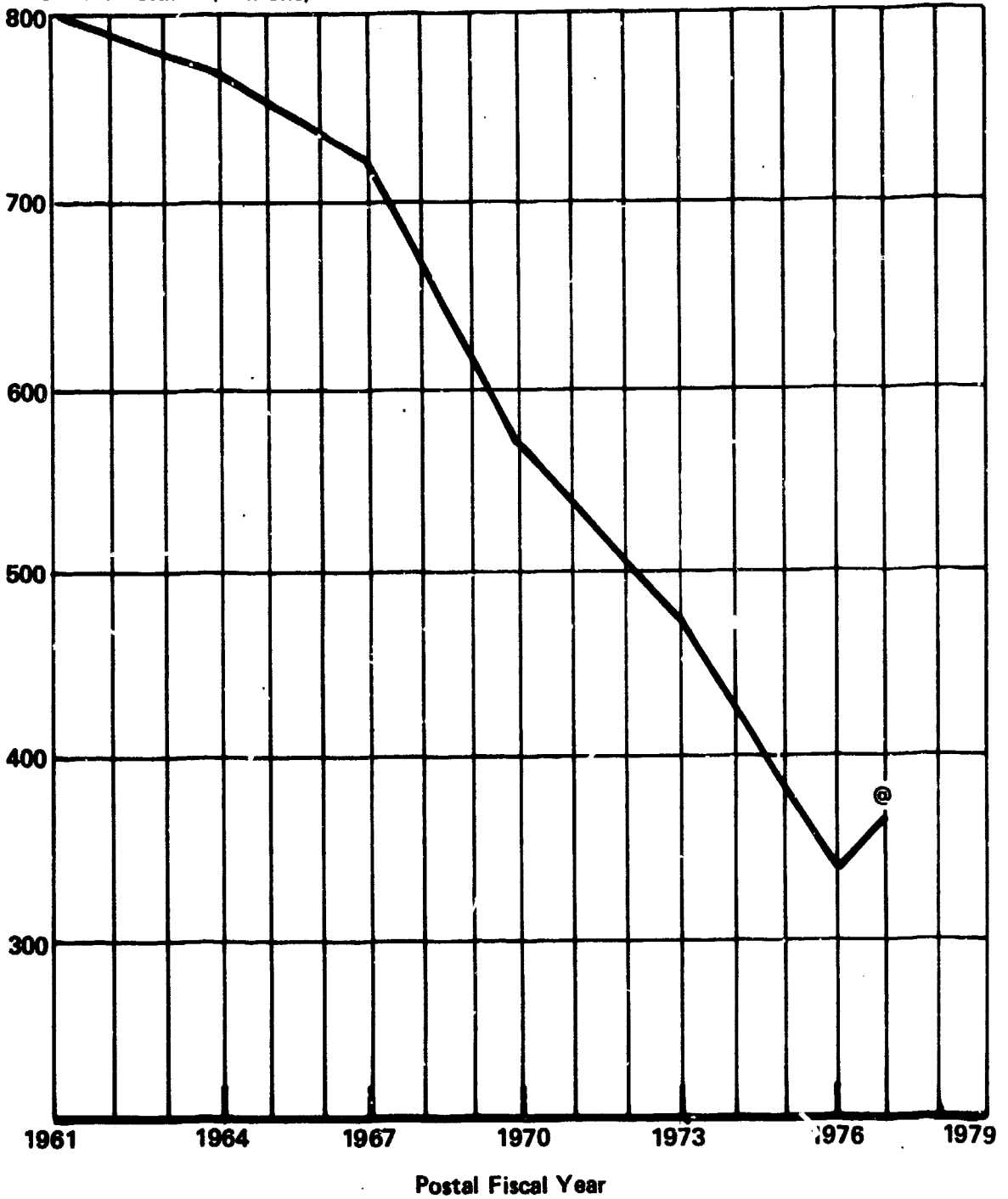
#### HAVE PREVENTED THE BULK MAIL SYSTEM'S SUCCESS

The Service's parcel post rates have not been competitive, and delivery performance continues to be untimely and inconsistent. As a result, major mailers generally prefer the Service's principal competitor for supplying delivery services. These factors have contributed to a continuing decline in parcel post volume. From 1961 through 1976 the Service's annual parcel post volume fell from 800 million to 338 million pieces. Service projections indicate the volume may fall to 137 million in 1985.

#### PARCEL POST VOLUME CONTINUES TO DECLINE

The Service's parcel post volume continues to decline each year. In fiscal year 1976, the volume declined by 62 million pieces from the previous year, reaching its new low of 338 million pieces. This decrease is consistent with a downward trend that began in 1952. The graph below shows the decreasing parcel post volume between 1961 and 1976; this is a 58-percent decrease.

Parcel Post Volume (millions)



<sup>a</sup> Parcel post volume for the period June 19, 1976, to June 17, 1977, includes parcel volume delivered as a direct result of strikes affecting the Service's major competitor. The Service estimated this volume to be about 55 million parcels.

Although the annual rate of volume loss has averaged over 7 percent the past 15 years, the rate of actual loss in parcel post pieces has been greater in recent years. For example, in the 9-year period of 1967 to 1976, volume declined by 387 million parcels, or 84 percent of the total volume loss since 1961. More recently, between 1975 and 1976 the volume decline was 15.5 percent.

Most of the Service's lost parcel post business has gone to its major competitor. Between 1961 and 1976 the Service's principal competitor increased volume 887 percent, or from 99 million pieces to 977 million pieces.

The parcel market must be analyzed to better understand why the Service's parcel post volumes are declining while their competitor's volumes are increasing. The parcel market is segmented into three major categories based on originator-recipient characteristics: (1) business to business, (2) business to household, and (3) household to household. The business-to-business segment consists primarily of shipments among manufacturers, wholesalers, and retailers while the business-to-household segment comprises mail order firms, catalog houses, and local retail stores.

The Service estimated in 1976 that business-to-household shipments delivered by it and its major competitor constituted 46 percent of the market; business-to-business, 44 percent; and household-to-household, 10 percent. While the Service has the majority of the household-to-household market, its major competitor has most of the business-to-business and business-to-household markets. The following chart shows the competitive breakdown in millions of pieces of the three parcel categories.

	Business to business		Business to household		Household to household	
	<u>Pieces</u>	<u>Percent</u>	<u>Pieces</u>	<u>Percent</u>	<u>Pieces</u>	<u>Percent</u>
Postal Service	15	2	190	29	123	87
Principal competitor	557	90	384	59	19	13
Other	<u>44</u>	<u>7</u>	<u>81</u>	<u>12</u>	<u>-</u>	<u>-</u>
Total	<u>616</u>	<u>99</u>	<u>655</u>	<u>100</u>	<u>142</u>	<u>100</u>

a/ Does not equal 100 percent due to rounding.

According to the Service, the household-to-household category has been relatively undesirable to its competitor because of the delivery network necessary to service this market segment. As a result, the Service has retained most of this business even though its parcel post rates have been noncompetitive.

The other market segments, business to business and business to household, are more price sensitive than the household-to-household segment and have contributed most significantly to past parcel post volume declines. A Service official recently testified before the Postal Rate Commission that the Service's competitor's rate advantage is so large that it can take nearly all the nonhousehold parcel post business that it has the authority and desire to take.

#### PARCEL POST RATES HAVE BEEN NONCOMPETITIVE

Current parcel post rates have not been competitive with the rates of the Service's principal competitor. This is the primary reason for the continuing volume decline.

Appendix III presents a comparison of the Service's parcel post rates with those charged by its principal competitor. With few exceptions, the Service's competitive rate advantage was in the heavier weights (20 pounds and greater) and within the local delivery zone. This is ironic because only about 11 percent of the Service's volume is in these categories and many heavy parcels must be processed manually, negating the advantages of a mechanized system.

#### Mailers' primary concern is cost

In order to obtain mailers' perceptions and opinions of parcel post, we contacted 44 businesses that shipped relatively large volumes of parcels in the seven bulk mail center areas visited. For most firms, cost was the primary concern in determining how to ship parcels. Generally, mailers told us they used the Service's principal competitor because the competitor's rates were usually lower. Consider, for example, the case of a company which mails 1 million parcels a year, each weighing 6 pounds and destined up to 600 miles, or 4 delivery zones. The rate for the Service's principal competitor is \$1.40 per parcel; the Service's rate is \$1.46. Using the Service's principal competitor, this firm could save \$60,000 annually.

After a recent strike affecting its principal competitor, the Service interviewed the 760 largest mailers who resorted to it due to the strike to determine how much business it

might retain. Only 15 mailers indicated they would consider continuing to use the Service, and within 2-1/2 weeks after the strike, all 760 mailers had gone back to the Service's principal competitor. The current Postmaster General told a meeting of regional managers that the mailers said, "Your service is good, but you charge too much. We can't afford you."

#### PARCEL POST RATE INCREASES PROPOSED

In July 1977 the Service filed a request with the Postal Rate Commission for a decision on proposed changes in postage fees and rates for services, including an average 25.8-percent increase in parcel post rates. Appendix IV shows the percent increase/decrease proposed in the current parcel post rate cells between 2 and 50 pounds. Generally, the proposal would substantially increase rates for parcels weighing less than 10 pounds in all zones and decrease rates for parcels weighing 13 to 30 pounds and 39 to 50 pounds through zones 5 and 6, respectively.

According to Service officials, individual rate cells within the parcel post rate chart were designed solely to comply with the Postal Reorganization Act (39 U.S.C. 3622(b)) and subsequent court decisions. The act provides that revenues from each mail category must be sufficient to cover all costs attributable to that category plus make a reasonable contribution to the Service's institutional costs--those costs not attributable to any one class of mail.

Service officials estimated that the proposed parcel post rates will produce revenues of \$554.5 million during a test year of March 25, 1978, to March 24, 1979. This revenue would cover estimated costs attributable to parcel post of \$540.1 million and make a \$14.4 million contribution to institutional costs.

The Service's principal competitor has historically had a rate advantage, although the proposed rates would give the Service an advantage in more rate cells than under the current parcel post rates. The Service's advantage would be in those cells with low parcel post volume now, and it is uncertain whether its rate advantage will alter the situation.

As Appendix V shows, the proposed rate schedule would provide a rate advantage over the Service's principal competitor for parcels weighing between 12 and 30 pounds and destined into the local zone through zone 5. Businesses

shipping in this category consist mainly of manufacturers and wholesalers. According to a Service official, these businesses are not as price elastic as the retailer parcel business and are most concerned with special features provided by the Service's competitor, but not the Service. Only 10 percent of the Service's 1976 volume was in this range.

The proposed rate structure would have the greatest and most adverse impact on the majority of the Service's existing volume, including its major customers--retailers and mail order houses. Rates for parcels weighing less than 10 pounds and destined from one to eight zones would be substantially greater than the rates of the Service's principal competitor. In fiscal year 1976 approximately 84 percent of the Service's volume was in this weight and zone range.

#### Future parcel post volume declines likely

While the exact impact of the proposed parcel post rates on the Service's volume cannot be determined, volume declines are likely. According to a Service official, retailers and mail order houses primarily ship parcels weighing less than 7 pounds and averaging between 3 and 5 pounds into the local and first three zones. This official stated that because this business is highly elastic with regard to cost/rate considerations, the Service can expect to lose 75-100 million parcels per year.

The Service recently projected, based solely upon historical trends, 1977-85 parcel post volume as follows.

<u>Year</u>	<u>Volume in millions</u>
1977	298.2
1978	241.1
1979	225.1
1980	209.1
1981	193.5
1982	178.4
1983	164.0
1984	150.1
1985	136.9

While there is general agreement among Service officials that parcel post volumes will continue to decline, the actual rate of decline will depend on factors such as future parcel post rates and delivery services and actions by the Service's principal competitor.

DELIVERY SERVICE REMAINS  
UNTIMELY AND INCONSISTENT

The bulk mail system has not been successful in improving parcel post delivery service; it continues to be untimely and inconsistent. Parcel post has rarely met the Service's delivery standards, and it is slower now than before the bulk mail system was built.

Faster delivery time not attained

The Service's objective of providing faster delivery service has not been realized. The following chart illustrates that parcels take longer to be delivered than they did prior to implementation of the National Bulk Mail System in 1976.

Average Days To Deliver Parcel Post (note a)

<u>Postal quarter ended</u>	<u>Calendar year</u>				
	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
January	5.13	4.65	5.10	5.03	6.51
March	4.64	4.49	4.30	5.14	5.11
June	4.05	4.36	4.00	5.01	4.58
October	4.21	4.79	4.28	5.17	4.56

a/From postal quarter beginning October 1972 through October 1977

Since the fall of 1976, the Service has begun to take action to improve parcel post delivery performance. Substantial reductions in delivery time were realized in postal quarters ended June and October 1977. Because the summer months have historically been a low volume period and delivery performances have fluctuated, it is difficult to predict whether the improvements will continue.

We contacted representatives of business firms to obtain opinions as to whether the Postal Service or its principal competitor provided faster service. For the most part, they told us that the Service's principal competitor provided faster delivery service.

## Delivery goals not reached

The Service's delivery standards for parcels are based primarily on distance, and range from 2-day delivery for parcels originating and destinating within a bulk mail center's service area to 7-day delivery for parcels traveling coast to coast. The standards apply only to parcels which have the proper address and ZIP code. The Service's goal is to deliver 95 percent of the parcels within these standards.

The following table shows parcel post delivery performance during the accounting period July 16 to August 12, 1977. As can be seen, in no case was the 95-percent ontime delivery goal achieved, and in many cases less than half the mail was delivered within the standard.



Parcel Post Delivery Performance  
(July 16, 1977, through August 12, 1977)

<u>Originating center's service area</u>	<u>Destinating center's service area</u>	<u>System's service standard for 95% delivery</u> (days)	<u>Percentage of mail delivered in service standard time</u>	<u>Time taken to deliver 95% of mail</u> (days)
Chicago	Chicago	2	57	7
	Cincinnati	3	22	7
	Detroit	3	27	6
	Dallas	4	28	13
	Memphis	4	37	15
	Washington	4	32	15
	San Francisco	6	43	12
Cincinnati	Cincinnati	2	60	4
	Chicago	3	52	6
	Dallas	4	61	7
	Detroit	3	59	5
	Memphis	4	59	8
	Washington	4	59	10
	San Francisco	6	28	11
Dallas	Dallas	2	78	4
	Detroit	5	76	9
	Memphis	5	87	5
	San Francisco	6	88	10
	Washington	5	65	7
	Chicago	4	47	6
	Cincinnati	4	57	6
Detroit	Detroit	2	72	7
	Memphis	4	46	7
	San Francisco	6	16	11
	Washington	4	41	8
	Chicago	3	27	7
	Cincinnati	3	51	6
	Dallas	5	90	6
Memphis	Memphis	2	81	4
	San Francisco	6	38	14
	Washington	5	83	6
	Chicago	4	16	7
	Cincinnati	4	45	12
	Dallas	4	62	7
	Detroit	4	5	8
San Francisco	San Francisco	2	69	5
	Washington	7	34	11
	Chicago	6	19	10
	Cincinnati	6	47	15
	Dallas	6	87	8
	Detroit	6	25	14
	Memphis	6	79	13
Washington	Washington	2	71	4
	Chicago	4	13	15
	Cincinnati	4	29	9
	Dallas	5	45	8
	Detroit	4	88	7
	Memphis	5	27	10
	San Francisco	7	17	11

Not all delays are measured by the Service's information system. Delays can occur prior to postmarking or after the parcel reaches the last postal unit prior to delivery. In addition, some mailers incorrectly postmark parcels by failing to mail the parcels on the postmarked day. The Service does not know the volume of mail in either category but believes the information system can be used to evaluate the bulk mail system's performance.

Because the Service cannot meet certain delivery commitments as originally established, increases in maximum delivery standards from 7 to 9 days and reductions in certain delivery commitments have been proposed. Although revising the delivery standards and commitments will provide postal patrons with a better idea of how long it will take parcels to be delivered, it will obviously not improve service and, consequently, will probably not affect the Postal Service's competitive position.

#### Delivery performance inconsistent

Postal market research has indicated that the users of parcel service have a need for highly predictable service time and that consistency of delivery is more important to mailers than absolute speed.

The inconsistency of the Service's parcel delivery is illustrated by the number of days it took to deliver parcels from the Chicago service area to the Detroit service area. For the period March 26, 1977, to June 17, 1977, 28 percent of the parcels took between 2 and 3 days to deliver, 45 percent took between 4 and 6 days, 18 percent took between 7 and 10 days, and 9 percent took 11 or more days. Appendix VI illustrates the inconsistency of the Service's parcel delivery between each of the centers reviewed.

We asked business firm representatives whether the Postal Service or its principal competitor provided more consistent service. For the most part, they told us that the Service's principal competitor provided more consistent delivery service.

#### CONCLUSIONS

The bulk mail system has been unable to meet its major objectives. The Service's share of the parcel post market continues to decline and service has not improved. As long as the Service's rates remain noncompetitive it is unlikely to halt the loss of parcel post business. However, it is doubly handicapped when its rates are noncompetitive and its service is inconsistent and untimely.

### CHAPTER 3

#### OPERATIONAL PROBLEMS STILL PLAGUE

##### BULK MAIL CENTERS

Problems during the system's startup period--most notably, parcel damage and sorting errors--threatened the survival of the system. Effective management action has reduced the magnitude of the system's problems to more manageable proportions. The bulk mail system still has numerous operational problems, however, which account for much of the system's untimely delivery record.

##### PARCEL DAMAGE NO LONGER A SERIOUS PROBLEM

Effective management action at the centers has led to continuing improvement in parcel damage statistics. While statistics on parcel content damage are not maintained, the centers record separate statistics on minor and major parcel damage and on loose-in-the-mail volume. Minor damage includes parcels with loose tape or string which can be repaired when discovered and immediately returned to the mailstream. Major damage requires parcels to be removed from the mailstream and sent to a separate station in the center with the necessary equipment and supplies to rewrap the parcel. Loose-in-the-mail volume is defined as the separation of parcel contents from the wrapper and the name of the addressee.

The following tables show the declining rates of minor and major damage at most centers. Although there is no goal for minor damage, the Service's current goal for major damage is .2 percent of the pieces processed.

<u>Center</u>	<u>Minor damage percentages for 4-week period ended</u>					
	<u>8/13/76</u>	<u>10/8/76</u>	<u>12/31/76</u>	<u>2/25/77</u>	<u>4/22/77</u>	<u>6/17/77</u>
Chicago	1.31	1.13	1.22	1.35	1.03	0.89
Cincinnati	0.09	0.13	0.16	0.14	0.12	0.10
Dallas	0.60	0.65	0.78	0.49	0.26	0.39
Detroit	0.25	0.39	0.48	0.48	0.31	0.26
Memphis	0.70	0.59	0.79	0.98	0.73	0.63
San Francisco	1.08	0.59	0.55	0.61	0.55	0.42
Washington	0.96	0.97	1.46	1.65	1.42	1.40

Center	Major damage percentages for 4-week period ended					
	8/13/76	10/8/76	12/31/76	2/25/77	4/22/77	6/17/77
Chicago	0.29	0.22	0.34	0.24	0.37	0.31
Cincinnati	0.26	0.38	0.47	0.42	0.36	0.30
Dallas	0.23	0.15	0.16	0.16	0.07	0.11
Detroit	0.49	0.37	0.36	0.48	0.39	0.26
Memphis	0.35	0.36	0.52	0.36	0.28	0.34
San Francisco	0.16	0.52	0.72	0.57	0.18	0.27
Washington	0.56	0.59	0.37	0.24	0.12	0.12

Similar to the declining trend for major and minor damage, loose-in-the-mail rates have also declined. For the accounting period ended June 17, 1977, loose-in-the-mail rates ranged from .02 percent in the Memphis center to .07 percent in the San Francisco center.

Modifications to center processing equipment have mitigated the parcel damage problem. These equipment modifications have slowed parcel speed on chutes and conveyors and reduced the distance parcels must drop. In addition, stations were installed at various equipment locations where employees cull out damaged parcels to prevent minor damage from becoming major damage as parcels proceed through the system.

Besides modifying center processing equipment, other Service actions have contributed to reducing the amount of damage. Specifically, the Service (1) manually processes heavy parcels that could inflict damage on other parcels, (2) contacts major mailers to ensure proper parcel packaging, and (3) has taken action to emphasize to other Postal Service facilities the need to comply with parcel acceptance regulations.

#### Consistent damage statistics needed

To be assured that efforts to improve damage are continuing, the Service must receive consistent data from the centers. Procedures require centers to distinguish between those parcels which leave the mailstream (major damage) and those which do not (minor damage). In some instances, centers were not reporting damage data in accordance with the Service's prescribed procedures. Specifically, some centers classified damage as minor even though parcels left the mailstream. Consequently, major damage statistics are understated, and the data will not be comparable to data from those centers reporting as required.

All centers should conform with prescribed procedures in recording damage statistics so that accurate data is reported and meaningful comparisons between centers can be made.

## NONMACHINABLE MAIL VOLUME IS LARGE

The centers continue to manually process large volumes of nonmachinable mail. Due to size, shape, or weight, nonmachinable mail cannot be processed by existing bulk mail equipment. Nonmachinable mail is often delayed.

We reported in December 1976 that the volume of nonmachinable mail was greater than the Service anticipated, and, as a consequence, the manual sorting operation was larger and more costly than expected. At that time the Service believed that operating experience and equipment improvements would lead to a decline in the volume of nonmachinable mail. However, the volume of nonmachinable mail has increased.

Nonmachinable mail can be separated into two categories--nonmachinable outside parcels and small parcels and rolls. Nonmachinable outside parcels usually weigh over 25 pounds, have irregular shapes (such as trees and tires), or have been previously damaged. Small parcels and rolls generally consist of parcels that weigh less than one pound or that have irregular shapes such as rolled magazines.

Operational experience at the centers has shown that nonmachinable outside volumes have increased considerably beyond those anticipated in the system's planning phase. Typically, nonmachinable outside volume forecasts were around 1,000 parcels per day for each center. Actual volume is in the 10's and 20's of thousands, with peaks in the 40 thousands.

While nonmachinable outside parcels have always been manually sorted at the centers, small parcels and rolls were routed to most centers for mechanical sorting beginning September 1, 1977. One of the primary reasons for bringing small parcels and rolls to the centers was to increase the volume of mail processed there, thereby taking advantage of the centers' unused capacity. Modifications to processing equipment were necessary to enable the centers to mechanically sort small parcels and rolls.

Although Service headquarters officials estimate 60 to 90 percent of small parcels and rolls can eventually be machine processed, some center officials believe that this estimate is overly optimistic.

The following table shows for selected periods the manually sorted parcel rate at the centers we visited.

Center	Percent of nonmachinable parcels for 4-week period ended					
	<u>1/30/76</u>	<u>4/23/76</u>	<u>8/13/76</u>	<u>12/31/76</u>	<u>4/22/77</u>	<u>6/17/77</u>
Chicago	a/	16.4	13.1	8.1	11.2	11.3
Cincinnati	9.7	11.7	12.9	10.3	9.1	9.3
Dallas	b/	14.2	9.5	9.0	21.4	13.5
Detroit	11.2	16.7	b/ 24.9	21.5	31.5	24.8
Memphis	b/	12.3	24.3	20.0	14.6	20.0
San Francisco	10.9	15.6	20.1	9.9	b/ 15.1	13.9
Washington	7.6	b/ 16.3	15.5	10.4	24.3	23.1

a/No statistics available.

b/Small parcels and rolls were introduced into the center for processing during the period.

According to a June 1977 Service study, the increased volume of nonmachinable outsides resulted from several factors. First, many sectional center facilities are not holding out nonmachinable outsides as originally intended. Second, an increasing number of large mailers are bringing their parcels, including nonmachinables, directly to the centers. Third, some heavy parcels previously machined but which damaged other parcels in the process are now defined as nonmachinable and manually sorted. Fourth, the Service's current parcel rates encourage mailers to ship nonmachinable parcels with the Service.

The sorting of nonmachinable mail is a labor-intensive operation with lower productivity and, as a consequence, is of higher cost per piece than the more mechanized operations. While no precise cost has been determined, postal officials estimate the sorting cost for nonmachinable mail as five times greater than the cost for machinable mail. As a result of the large volume of manually sorted mail, the Service is continuing to study the development of a more permanent and flexible nonmachinable outside handling system.

#### Nonmachinable parcels often delayed

Nonmachinable parcels are often not processed in a timely fashion. At one center, about 40 percent of the nonmachinable parcels we sampled during a 1-week period probably would not meet the delivery standards. Audits conducted by Postal Service headquarters in March and April 1977 at two other centers showed that processing of nonmachinable mail was slow. These audits showed that a considerable amount of mail had been at the centers awaiting processing for more than one day. A center official told us that processing nonmachinables is often backlogged because they receive lower priority when staff is needed elsewhere.

REPROCESSED MAIL HAS BEEN  
REDUCED, BUT IS STILL A PROBLEM

During the startup period the centers were plagued with excessive volumes of mail that had to be reprocessed, resulting in increased handlings, processing costs, and time. The Service has taken action to reduce this volume of mail, but further efforts are needed.

Reprocessed mail includes

--mail sent to the wrong center, sectional center facility, or post office and

--mail re-sorted before leaving the center.

Mail sent to the wrong destination

An example of misdirected mail is a parcel addressed to San Francisco being sorted at the Washington center and an induction operator punching the wrong sorting keys, sending the parcel to the Dallas center.

Generally, rates for misdirected mail are within the Service's current goal of 3 percent. This goal was recently changed from 1 percent because headquarters officials felt it was more realistic. The following chart shows the misdirected parcel rates for selected accounting periods between January 1976 and 1977.

Center	Percent misdirected parcels for 4-week period ended					
	1/30/76	4/23/76	8/13/76	12/31/76	4/22/77	6/17/77
Chicago	4.2	1.8	3.4	1.7	1.5	2.0
Cincinnati	a/	5.4	3.6	1.7	2.4	2.1
Dallas	1.6	0.6	0.6	0.7	1.4	1.5
Detroit	8.7	5.1	9.2	0.8	0.8	1.6
Memphis	1.3	1.3	1.5	a/	1.7	1.1
San Francisco	5.4	3.6	2.4	7.6	3.0	3.4
Washington	2.2	3.2	3.4	a/	1.0	1.0

a/No sampling conducted.

Service officials attributed the decreasing misdirected mail rates in some centers to more experienced and better trained keyers and quality awareness programs. To identify keying problems, some centers are conducting tests to verify keyer and keyboard accuracy. If keyers consistently perform poorly, they are required to be retrained.

Misdirected mail usually results in delivery delays and increased processing costs since the mail must be reprocessed and transported to the correct location. The Service has no estimate of the cost to reprocess misdirected mail.

While the centers have statistics on the percent of mail misdirected, their reliability is unknown because some centers do not follow Service headquarters procedures for sampling mail to calculate misdirected rates. As a result, there is a lack of consistency between centers in the mail sample size and frequency. The following examples describe sampling inconsistencies.

--During the same accounting period, the Memphis center keyed over 3 million pieces and sampled only 420 pieces while the Dallas center keyed over 5 million pieces and sampled over 28,000 pieces.

--One center conducts samples every 2 hours every day of operation while other centers did not conduct a single sample in a 4-week period.

It is essential that the Service strive to decrease the amount of misdirected mail that must be reprocessed. To closely monitor the amount of misdirected mail, the Service must ensure that centers report misdirected mail rates based upon samples conducted in accordance with the Service's procedures.

In an attempt to decrease the amount of misdirected mail, headquarters procedures require mailhandlers to verify, as they load vans, that all sacks and selected parcels are destined to the correct center. We observed, however, that this procedure was not being practiced. We believe that the enforcement of this procedure would eliminate many potentially misdirected sacks and parcels.

#### Mail re-sorted before leaving centers

The volume of mail re-sorted before it leaves the centers has decreased but is still a significant problem. Over 7 percent of machinable packages have to be rehandled



at the centers. While we did not attempt to determine the cost to re-sort mail at each center, our calculations for one accounting period showed that at the Dallas center the direct costs were over three times greater for a re-sorted parcel.

Re-sorted mail consists mainly of missent and non-ZIP code mail. Unlike misdirected mail, missent mail does not leave a center; rather, it is mail which must be re-sorted because of overloaded mail conveyors, operator keying errors, equipment malfunctions, or use of invalid ZIP codes by mailers.

Service officials believe that the missent rates have significantly improved for the same reasons misdirected rates have declined--more experienced keyers, better trained keyers, and quality awareness programs. Because of this, headquarters officials recently decreased the missent goal from 5 to 3 percent. The following table illustrates the missent rates for selected accounting periods between January 1976 and June 1977.

Center	Percent of parcels missent for 4-week period ended					
	<u>1/30/76</u>	<u>4/23/76</u>	<u>8/13/76</u>	<u>12/31/76</u>	<u>4/22/77</u>	<u>6/17/77</u>
Chicago (note a)	b/	5.4	6.6	5.8	4.6	5.0
Cincinnati	7.2	6.6	4.9	5.8	3.5	3.0
Dallas	6.6	5.2	3.9	5.0	3.7	3.3
Detroit	7.6	6.4	4.9	5.2	3.2	2.5
Memphis	5.8	6.5	6.3	4.5	3.7	2.8
San Francisco (note a)	7.2	5.8	6.0	5.4	4.5	4.3
Washington	8.6	5.5	4.7	6.2	6.4	6.0

a/Includes non-ZIP code mail.

b/No statistics available.

Other mail that must be re-sorted before leaving a center is mail without a ZIP code. Between January 1976 and June 1977 non-ZIP code mail averaged between 1.8 and 2.4 percent of the total volume processed.

#### VAN CONTROL PROBLEMS

Van control problems contribute to poor service. Controlling the movement of vans (for loading, unloading,

dispatch, and storage) plays an important part in achieving service goals. Failure in meeting unloading and/or dispatching schedules can adversely affect delivery performance.

A review of transportation records at the centers showed that unloading and dispatching schedules were not always being met. For example, the Washington center failed to:

--Unload about 8 percent of incoming highway vans within the Service's standard during a 1-month period.

--Dispatch about 13 percent of outgoing highway vans within 24 hours after loading began during a 6-month period.

A Postal Inspection Service audit reported in May 1977 that ineffective staffing of the dock areas caused service delays. We often found staffing shortages at both the inbound and outbound docks at some centers.

#### TRANSPORTATION LIMITATIONS

As originally envisioned, a new surface transportation network dedicated solely to bulk mail was to have been developed. This network never materialized. The system in use has problems which adversely affect deliveries.

#### Reliance on railroads affects delivery

Vans moving by railroad take longer to reach their destination and often sit at the centers longer to ensure full loads. Most vans are required to be dispatched within 24 hours after loading has started. However, the Service has authorized some vans which travel by rail to remain on the dock up to 48 hours. Although this requirement was established to better use the van's capacity, the first parcels loaded may sit close to 48 hours prior to dispatch.

Transportation time for rail vans is generally slower than highway vans because of the slower speed and because of additional time required to shuttle vans to and from the rail yard and for deramping of vans at the rail yard. For example, the travel time between the Chicago and Des Moines centers by rail is currently 22 hours, which is 13.5 hours longer than that required by highway. The Service's delivery standard for this mail is 3 days, but, according to an April 1977 Service study, the use of rail transportation requires 4 days from acceptance to delivery while the use of highway transportation requires 3 days.

Transshipped mail takes  
longer to be delivered

Transshipping low volume mail destined for certain centers contributed to poor delivery performance because transshipped mail takes longer to reach its destination than mail shipped directly. Basically, transshipment allows mail destined for two or more centers to be transported in the same van to an intermediate center. Mail continuing to a destination beyond the intermediate center incurs additional delivery time due to the fact that it is reprocessed at the intermediate center and is being transported over greater distances than if it were shipped directly. For instance, during the period March 26 to July 17, 1977, parcels transshipped by highway between the San Francisco center and other centers averaged 37 percent ontime delivery, while directly shipped parcels averaged 71 percent ontime delivery. Rail transshipments averaged 22 percent ontime delivery while direct shipments averaged 29 percent ontime delivery.

According to the Service, one of the principal advantages in implementing the bulk mail system was more efficient use of transportation by moving bulk mail in greater volumes over fewer routings. As a result of declining parcel volumes, however, the Service believes that more mail will be transshipped in order to make more efficient use of transportation. Transshipments usually do not meet the Service's delivery standards and take longer than other parcels. Consequently, it is unlikely that delivery performance will improve to the point where delivery goals can be consistently met.

SAFETY HAZARDS MINIMIZED,  
BUT ACCIDENT AND INJURY  
RATES ARE HIGH

Since the implementation of the National Bulk Mail System, modifications to equipment at the centers were made to correct original design and construction deficiencies. These modifications reduced the number of unsafe conditions and hazardous working areas at the centers. Nevertheless, accident and injury rates remain high.

Center employees have more accidents and injuries than employees working at other postal facilities. The following table compares the rates for accidents and injuries for center employees with all other Service employees.

Comparative Accident and Injury Rates  
(October 9, 1976, through June 17, 1977)

	<u>Service-wide rate</u> <u>(excluding National Bulk Mail System)</u>	<u>National Bulk Mail</u> <u>System rate</u>
Accidents (per 100 employees)	8.8	22.7
Injuries (per 100 employees)	6.5	19.4
Lost-workday injuries (per 200,000 worker hours)	7.2	17.8

The following table compares the employee accident and injury rates at the centers visited.

Bulk Mail Center  
Accident and Injury Record  
(October 9, 1976, through June 17, 1977)

<u>Center</u>	<u>Number of</u> <u>accidents</u>	<u>Number of</u> <u>lost-workday</u> <u>injuries</u>	<u>Lost-workday</u> <u>injuries</u> <u>(note a)</u> <u>(per 200,000</u> <u>worker hours)</u>
Chicago	307	126	14.2
Cincinnati	288	136	23.3
Dallas	191	81	15.4
Detroit	193	45	10.0
Memphis	82	63	15.2
San Francisco	210	120	23.9
Washington	209	159	32.8

a/The Service-wide rate for lost-workday injuries per 200,000 worker hours is 7.5 for the same period.

Safety officials believe that the higher accident and injury rates for center employees are attributable to the type of work performed. These employees have a greater opportunity to sustain an injury because the majority of their work involves the handling of heavy parcels and the use of complicated machinery.

The handling and lifting of parcels and being struck by an object were the major causes of injuries at the centers. During the period from January 1, 1977, to May 20, 1977, there were 939 employee injuries recorded by the seven centers visited. The handling or lifting of parcels contributed to 397, or 42.3 percent, of the employee injuries; being struck by an object accounted for 234, or 24.9 percent, of the injuries; and the remaining 308, or 32.8 percent, included all other injuries occurring at the centers visited.

## CONCLUSIONS

The bulk mail system still has numerous operational problems. Eliminating them all is an unrealistic goal, but management must continue to strive to minimize the problems if it is to improve the quality of bulk mail service. In this connection, bulk mail centers need to adhere to established procedures to ensure the reporting of accurate information and to prevent operating problems from getting out of hand.

## AGENCY COMMENTS

The Postal Service stated that operational problems at the centers are being overcome. Specifically, the Service mentioned that the National Bulk Mail System's rates for missent mail, major damage and accidents/injuries have been reduced. According to the Service, accident/injury rates have dropped 25 percent over the past year and 11 centers now have lower lost workday rates than the Service as a whole. (See app. VII)

## CHAPTER 4

### WHAT NEEDS TO BE DONE?

The Service's inability to maintain its share of the parcel market since implementation of the bulk mail system and the likelihood of future parcel post volume declines makes the outlook for the system grim. The Service recognizes that it must increase the amount of mail processed through the system and it is working toward that end. However, the rate and service advantages enjoyed by the Service's principal competitor do not provide confidence that the Service will be able to achieve a dramatic turnaround.

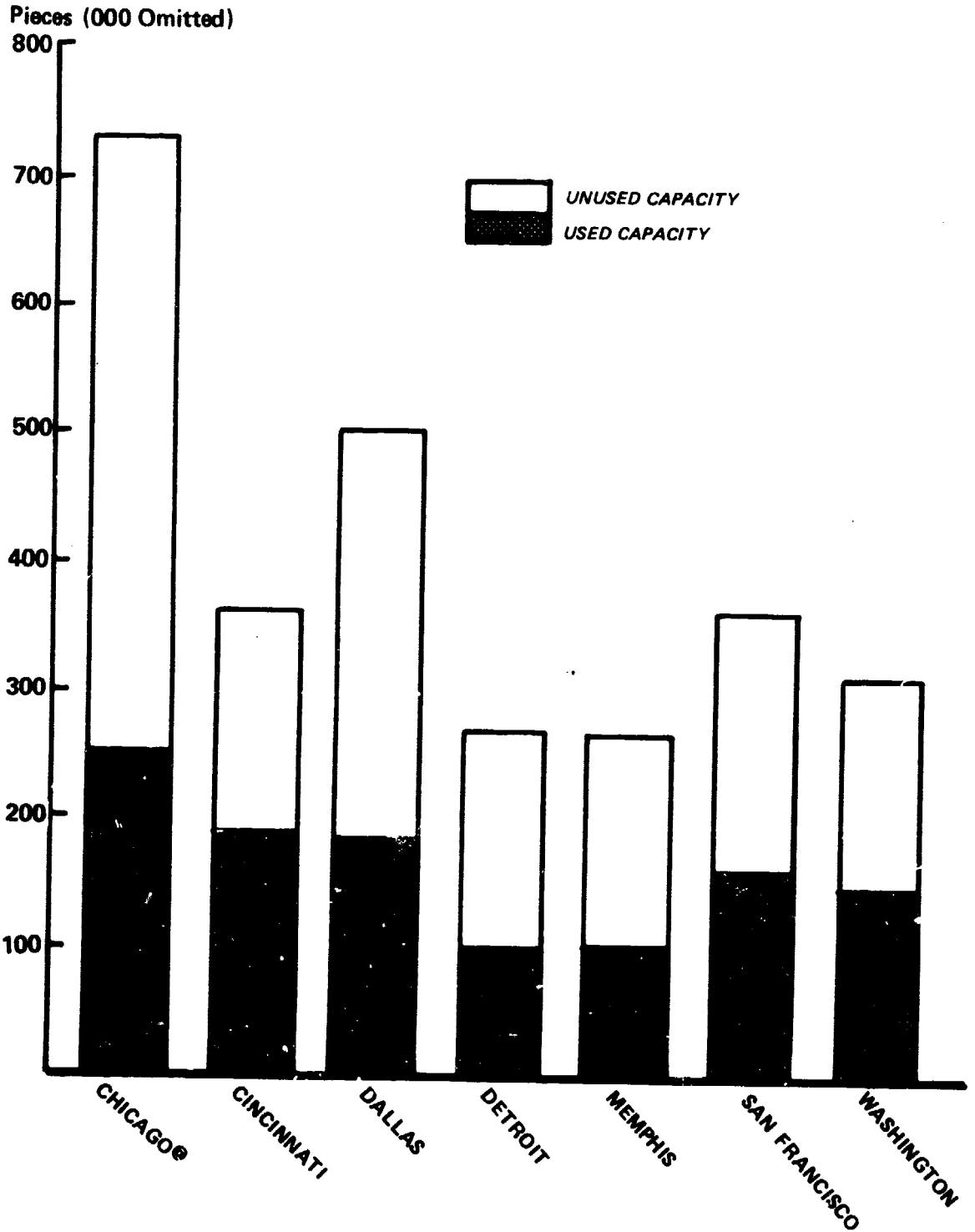
The bulk mail system is approaching the point where it may be more economical to adopt alternative means to move bulk mail. The alternatives need to be evaluated.

### SIGNIFICANT UNUSED CAPACITY

All seven centers we reviewed were operating at a level considerably less than their normal capacity. Unused parcel capacity at the centers ranged from 48.1 percent to 66.0 percent. Unused sack capacity ranged from 36.5 percent to 62.4 percent.

Simply stated, "normal capacity" is the centers' theoretical capability to process parcels or sacks in a 16-hour workday and is computed on the premise that parcels and sacks will be available for processing. When parcels and sacks are not available for processing, unused capacity results. The following charts show the amount of unused parcel and sack capacity at the centers visited.

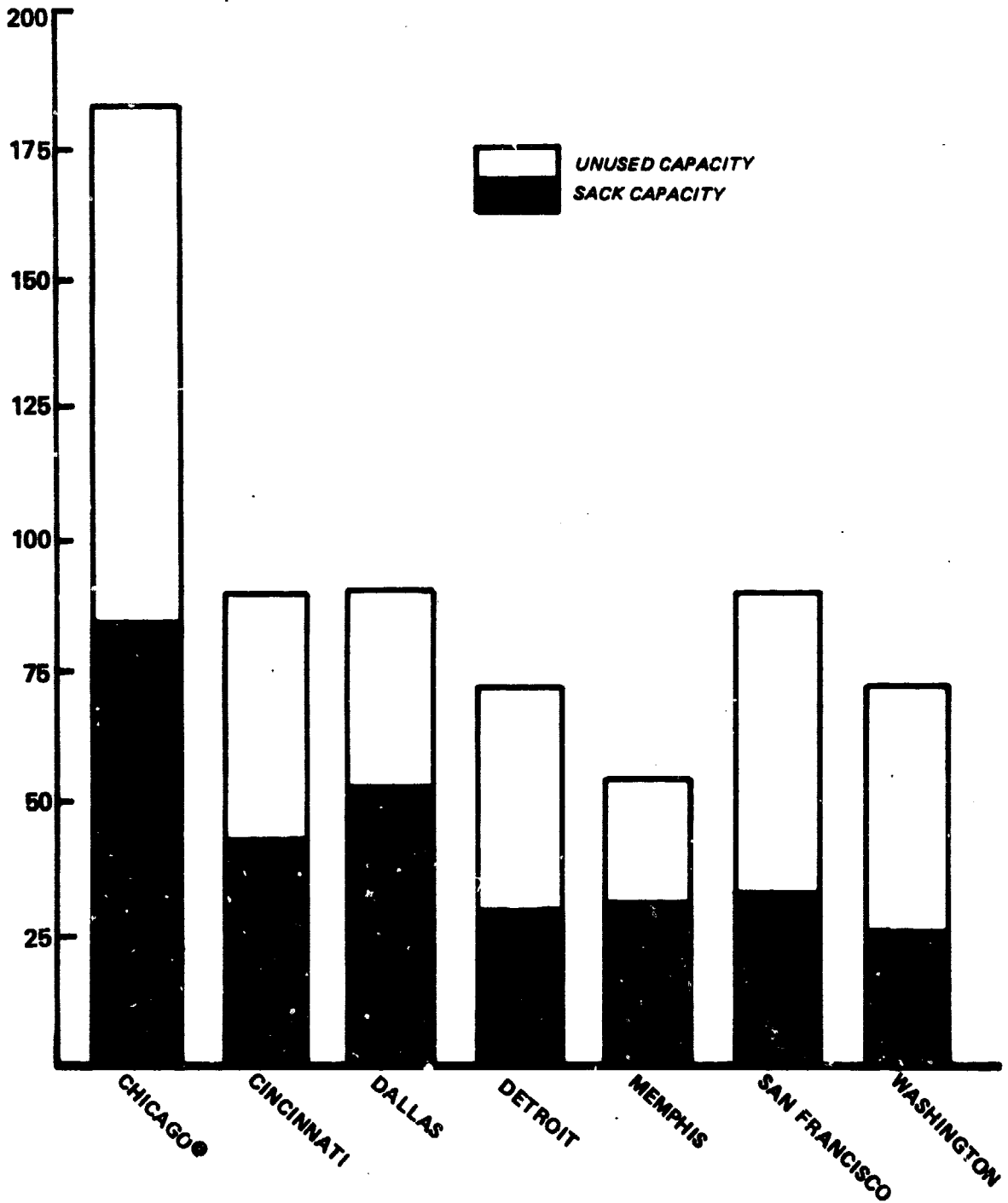
# DAILY BULK MAIL CENTER PARCEL CAPACITY VS. EXPECTED WORKLOAD



Ⓢ Due to problems in sorting equipment design, the Chicago center cannot achieve full capacity even under optimum conditions.

# DAILY BULK MAIL CENTER SACK CAPACITY VS. EXPECTED WORKLOAD

Pieces (000 Omitted)



\*Due to problems in sorting equipment design, the Chicago center cannot achieve full capacity even under optimum conditions.



Although the Christmas season is normally the busiest time of the year, the centers processed even more parcels than expected during the fall and winter of 1976 due to the 3-month strike affecting the Service's principal competitor. Even during this period considerable unused capacity existed.

#### COST SAVINGS EVAPORATING

The expected benefits of the system were initially detailed in two consultant studies--one before the Service decided to construct the system and one after.

A 1970 study by a consulting firm before the system's approval showed that a nationwide bulk mail system would save about \$300 million annually. These savings were based on a comparison of estimated costs that would have been incurred in 1969 had a system been in effect with actual costs incurred in 1969. A June 1972 consultant's study (after the system's approval) concluded that the system would save approximately \$500 million annually by 1984. The estimated annual savings to be realized from the system were lowered to \$209 million on March 4, 1975, to \$149 million on July 1, 1975, and to \$138 million on October 7, 1975.

The Service recently estimated annual savings to be \$40 million, a return of less than 4 percent annually on the \$1 billion invested in the system. If parcel volume declines as projected, the system may prove to be more costly to operate than alternative means to move bulk mail.

#### SERVICE'S ACTIONS TO INCREASE VOLUME

In order to use more center processing capacity, the Service has expanded the product lines and functions performed at the centers and is conducting test programs designed to make the Service more competitive in the parcel market.

As of September 1, 1977, most small parcels (weighing less than 16 ounces) and rolls (such as posters and maps) were processed through the system. In addition, tests are being conducted at some centers to determine the feasibility of sorting circulars and flats. The Service has not decided if this processing will be done at all centers.

The Service is also conducting two 1-year test programs in selected cities designed to make the Service more competitive in the parcel market by reducing mailers' shipping costs.

Both programs--Local Parcel Service and Simplified Postage Calculation--allow participating customers to eliminate individual parcel weight and zone calculations. Generally, rates are calculated based on the average parcel weight by zone.

After these test programs are completed, the Service will determine the feasibility of implementing them full scale. Obviously, the potential impact of these programs in improving the Service's share of the parcel market is unknown.

### Attracting new business is difficult

The Service's customer service representatives are supposed to contact potential customers to increase parcel post business. However, little of their effort is spent in this endeavor. Some representatives as well as other Service officials told us that customer service representatives are at a great disadvantage in trying to obtain new bulk mail business or even to convince existing customers to continue to use parcel post when businesses can receive better all-round service at lower rates using the Service's principal competitor.

In addition to its rate advantage, the Service's competitor offers various business-oriented auxiliary services to users which the Service does not. These services include

- parcel pickup (charges fee),
- minimum insurance (no additional fee),
- automatic proof of delivery and tracing, and
- return of incorrectly ordered or shipped packages at sender's expense.

The Service is deficient in the auxiliary service features it provides. It generally does not provide pickup service, proof of delivery service, merchandise return service, or no-fee insurance. Although the Service has studied the feasibility of establishing some of these services, only one is currently being considered. According to a Service official, a proposal for a return of merchandise service is being prepared and will be submitted to the Postal Rate Commission in the near future.

Another advantage enjoyed by the Service's principal competitor is the parcel shipper's favorable perception of providing faster, more consistent delivery service.

As previously mentioned, firm representatives we contacted generally believed this to be so.

The Service holds one major advantage over its principal competitor: It provides maximum access to the postal delivery network. The Service accepts parcels for delivery at over 40,000 post offices, while its principal competitor has only 1,000 outlets. The accessibility of parcel post for the household customers has enabled the Service to capture 87 percent of the household-to-household market segment in 1976.

## CONCLUSIONS

It is easy to indicate the problems of the bulk mail system and that the system is not the success the Postal Service had hoped. It is infinitely more difficult to devise easy solutions to the dilemma facing Postal Service management. We do not envy their task or the hard decisions that loom on the horizon.

The Service's principal competitor enjoys favorable shipper opinions that would be difficult to overcome even if the Service matches the competitor's rates and delivery service. The prospect of the Service being able to do so, however, is remote. The unused capacity in the system puts an upward pressure on rates as would major efforts to correct the operational problems the centers have. The Service's rates have been noncompetitive and are apt to continue to be so in the future with obvious consequence for existing parcel post volume. The cost savings the Service hoped to achieve have dwindled, and it is safe to say that the system would not have been built had the Service known what was going to happen.

The obvious question is what to do now. We believe the Service should continue to try to make the system work both by increasing parcel post business and by taking advantage of unused capacity to move other mail where this can be done economically.

We believe also that the Service needs to accept the fact that its efforts may fail. The Service will always have parcel post and bulk mail business, however, and it has an obligation to move the mail as economically as possible. Thus, the Service should identify and evaluate the costs and benefits of alternative means to move bulk mail so that it will be in a position to justify the decision either to abandon part or all of the bulk mail system or to maintain the system for lack of better

alternatives. In the last analysis, it may be decided that the bulk mail system will lose money but is better than the alternatives.

#### AGENCY COMMENTS

In commenting on our report, the Postal Service acknowledged that the National Bulk Mail System is handling substantially less parcel post than originally projected, however, the Service is working to improve the situation.

The Postal Service has established a task force to assemble detailed data on the elements of cost involved in accepting, processing, transporting and delivering various weight increments of parcel post over various distances and between various types of postal installations. This data will be used with a computer-based mathematical model to develop and evaluate possible new rate structures, service options and marketing strategies. The model will calculate the probable costs and benefits of such an approach. In this way the Service hopes to develop rate and service options that will make parcel post most responsive to diverse customer needs and thereby attract volume.

As we point out in our report, the Postal Service has been increasing the volumes of other kinds of mail being worked at bulk mail centers. According to the Service, the processing of small parcels (less than 1 pound) has been transferred to all bulk mail centers except New York and has accounted for a 19.7 percent increase in parcel handlings.

Besides increasing volume, the Service stated it is also improving the timeliness and reliability of service. For cost and energy conservation reasons, the Service must continue to use some rail transportation, which is slower, and it is adjusting service schedules accordingly to make service performance more reliable. The Service is also restructuring operating plans within the centers to insure that parcels are processed in time to make scheduled transportation.

The Service stated that its efforts to make the National Bulk Mail System work better are succeeding. However, in line with our suggestion, the Service has been evaluating alternatives, such as closing some of the centers. The Service stated that such alternatives were not warranted at the present time. (See app. VII.)

## NINETY-FOURTH CONGRESS

CHARLES H. WILSON, CALIF., CHAIRMAN  
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## U.S. House of Representatives

### SUBCOMMITTEE ON POSTAL FACILITIES, MAIL, AND LABOR MANAGEMENT

#### OF THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE

122 CANNON HOUSE OFFICE BUILDING

Washington, D.C. 20515

September 9, 1976

The Honorable Elmer B. Staats  
 Comptroller General  
 U. S. General Accounting Office  
 441 G Street, N. W.  
 Washington, D.C. 20548

Dear Mr. Staats:

The Subcommittee on Postal Facilities, Mail, and Labor Management recently completed its hearings on the Postal Service's Bulk Mail System. The testimony given, including that of the General Accounting Office, clearly outlined the extensive problems the Postal Service experienced in getting the System into operation. It is our understanding that as a result of our hearings, the Postal Service has had a major effort underway to correct the mechanical and other problems that have surfaced.

The Subcommittee needs an up-to-date evaluation of the quality of bulk mail service that the public has been receiving as well as an appraisal of what the public can expect to receive from the system in the future. If the Bulk Mail System cannot provide the quality of service needed at reasonable prices, then this Subcommittee will need to explore alternatives that will.

In this regard the Subcommittee would appreciate it if the General Accounting Office would specifically study (1) the success of Postal Service's actions to correct the problems encountered in the start-up of the Bulk Mail System, (2) the quality of bulk mail service being provided to the public now and what can be expected in the future, and (3) the alternatives available to the Service and the Congress should the Bulk Mail System

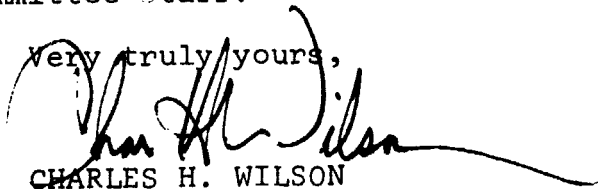
The Honorable Elmer B. Staats

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prove to be incapable of providing quality mail service.

If you should have any questions please contact  
Mr. George Gould of the Subcommittee staff.

Very truly yours,



CHARLES H. WILSON  
Chairman

CHW:ggp



COMPARISON OF COMPETITOR'S RATES WITH SERVICE'S CURRENT PARCEL POST RATES (Note a)

Weight (pounds)	Local		Zone 1,2		Zone 3		Zone 4		Zone 5		Zone 6		Zone 7		Zone 8	
	Note b	USPS	Note b	USPS	Note b	USPS	Note b	USPS	Note b	USPS	Note b	USPS	Note b	USPS	Note b	USPS
1	0.77	0.77	0.77	-	0.79	-	0.82	-	0.85	-	0.89	-	0.94	-	0.99	-
2	0.84	0.77	0.84	0.90	0.86	0.93	0.94	1.04	0.99	1.15	1.08	1.28	1.17	1.40	1.27	1.48
3	0.91	0.82	0.91	0.97	0.97	1.02	1.05	1.15	1.14	1.29	1.27	1.46	1.40	1.62	1.55	1.74
4	0.98	0.88	0.96	1.04	1.05	1.10	1.17	1.25	1.28	1.42	1.45	1.63	1.63	1.84	1.84	2.00
5	1.06	0.91	1.05	1.11	1.14	1.19	1.28	1.36	1.43	1.56	1.64	1.81	1.86	2.06	2.12	2.26
6	1.12	0.96	1.12	1.18	1.23	1.27	1.40	1.46	1.57	1.69	1.83	1.96	2.09	2.28	2.40	2.52
7	1.19	1.00	1.19	1.25	1.31	1.36	1.52	1.57	1.72	1.83	2.01	2.16	2.32	2.50	2.69	2.78
8	1.26	1.04	1.26	1.32	1.40	1.44	1.63	1.67	1.86	1.96	2.20	2.33	2.55	2.72	2.97	3.04
9	1.33	1.09	1.33	1.39	1.43	1.53	1.75	1.78	2.01	2.10	2.39	2.51	2.78	2.94	3.25	3.30
10	1.40	1.13	1.40	1.46	1.57	1.61	1.86	1.88	2.15	2.23	2.57	2.68	3.01	3.16	3.53	3.56
11	1.47	1.18	1.47	1.53	1.66	1.70	1.98	1.99	2.30	2.37	2.76	2.86	3.25	3.38	3.82	3.82
12	1.54	1.22	1.54	1.60	1.75	1.78	2.10	2.09	2.44	2.50	2.95	3.03	3.48	3.60	4.10	4.08
13	1.61	1.27	1.61	1.67	1.84	1.87	2.21	2.20	2.59	2.64	3.14	3.21	3.71	3.82	4.38	4.34
14	1.68	1.31	1.68	1.74	1.92	1.95	2.33	2.30	2.73	2.77	3.32	3.38	3.94	4.04	4.67	4.60
15	1.75	1.36	1.75	1.81	2.01	2.04	2.44	2.41	2.88	2.91	3.51	3.56	4.17	4.26	4.95	4.86
16	1.82	1.40	1.82	1.88	2.10	2.12	2.56	2.51	3.02	3.04	3.70	3.73	4.40	4.48	5.23	5.12
17	1.89	1.45	1.89	1.95	2.18	2.21	2.68	2.62	3.17	3.18	3.88	3.91	4.63	4.70	5.52	5.38
18	1.96	1.49	1.96	2.02	2.27	2.29	2.79	2.72	3.31	3.31	4.07	4.08	4.86	4.92	5.80	5.64
19	2.03	1.54	2.03	2.09	2.36	2.38	2.91	2.83	3.46	3.45	4.26	4.26	5.09	5.14	6.08	5.90
20	2.10	1.58	2.10	2.16	2.44	2.46	3.02	2.93	3.60	3.58	4.44	4.43	5.32	5.36	6.36	6.16
21	2.17	1.63	2.17	2.23	2.53	2.55	3.14	3.04	3.75	3.72	4.63	4.61	5.56	5.58	6.65	6.42
22	2.24	1.67	2.24	2.30	2.62	2.63	3.26	3.14	3.89	3.85	4.82	4.78	5.79	5.80	6.93	6.68
23	2.31	1.72	2.31	2.37	2.71	2.72	3.37	3.25	4.04	3.99	5.01	4.96	6.02	6.02	7.21	6.94
24	2.38	1.76	2.38	2.44	2.79	2.80	3.49	3.35	4.18	4.12	5.19	5.13	6.25	6.24	7.50	7.20
25	2.45	1.81	2.45	2.51	2.88	2.89	3.60	3.46	4.33	4.26	5.38	5.21	6.48	6.46	7.78	7.46

a/Boxes indicate Postal Service rates which are equal to or less than those of competitor.

b/Service's principal competitor. Competitor's rates a.e those in effect prior to May 1, 1978.



COMPARISON OF COMPETITOR'S RATES WITH SERVICE'S CURRENT PARCEL POST RATES (Note a)

Weight (pounds)	Local		Zone 1, 2		Zone 3		Zone 4		Zone 5		Zone 6		Zone 7		Zone 8	
	Note b	USPS	Note b	USPS	Note b	USPS	Note b	USPS	Note b	USPS	Note b	USPS	Note b	USPS	Note b	USPS
26	2.52	1.85	2.52	2.58	2.97	2.97	3.72	3.56	4.47	4.39	5.57	5.48	6.71	6.68	8.06	7.72
27	2.59	1.90	2.59	2.65	3.05	3.06	3.84	3.67	4.62	4.53	5.75	5.66	6.94	6.90	8.35	7.98
28	2.66	1.94	2.66	2.72	3.14	3.14	3.95	3.77	4.76	4.66	5.94	5.83	7.17	7.12	8.63	8.24
29	2.73	1.99	2.73	2.78	3.23	3.23	4.07	3.88	4.91	4.80	6.13	6.01	7.40	7.34	8.91	8.50
30	2.80	2.03	2.80	2.86	3.31	3.31	4.18	3.98	5.05	4.93	6.31	6.18	7.63	7.56	9.19	8.76
31	2.87	2.08	2.87	2.93	3.40	3.40	4.30	4.09	5.20	5.07	6.50	6.36	7.87	7.78	9.48	9.02
32	2.94	2.12	2.94	3.00	3.49	3.48	4.42	4.19	5.34	5.20	6.69	6.53	8.10	8.00	9.76	9.28
33	3.01	2.17	3.01	3.07	3.58	3.57	4.53	4.30	5.49	5.34	6.88	6.71	8.33	8.22	10.04	9.54
34	3.08	2.21	3.08	3.14	3.66	3.65	4.65	4.40	5.63	5.47	7.06	6.87	8.56	8.44	10.33	9.80
35	3.15	2.26	3.15	3.21	3.75	3.74	4.76	4.51	5.78	5.61	7.25	7.05	8.79	8.66	10.61	10.06
36	3.22	2.30	3.22	3.28	3.84	3.82	4.88	4.61	5.92	5.74	7.44	7.23	9.02	8.88	10.89	10.32
37	3.29	2.35	3.29	3.35	3.92	3.91	5.00	4.72	6.07	5.88	7.62	7.41	9.25	9.10	11.18	10.58
38	3.36	2.39	3.36	3.42	4.01	3.99	5.11	4.82	6.21	6.01	7.81	7.58	9.48	9.32	11.46	10.84
39	3.43	2.44	3.43	3.49	4.10	4.08	5.23	4.93	6.36	6.15	8.00	7.76	9.71	9.54	11.74	11.10
40	3.50	2.48	3.50	3.56	4.18	4.16	5.34	5.03	6.50	6.28	8.18	7.93	9.94	9.76	12.02	11.36
41	3.57	2.53	3.57	3.63	4.27	4.25	5.46	5.14	6.66	6.42	8.37	8.11	10.18	9.98	12.31	11.62
42	3.64	2.57	3.64	3.70	4.36	4.33	5.58	5.24	6.79	6.55	8.56	8.28	10.41	10.20	12.59	11.88
43	3.71	2.62	3.71	3.77	4.45	4.42	5.69	5.35	6.94	6.69	8.75	8.46	10.64	10.42	12.87	12.14
44	3.78	2.66	3.78	3.84	4.53	4.50	5.81	5.45	7.08	6.82	8.93	8.63	10.87	10.64	13.15	12.40
45	3.85	2.71	3.85	3.91	4.62	4.59	5.92	5.56	7.23	6.96	9.12	8.81	11.10	10.86	13.44	12.66
46	3.92	2.76	3.92	3.98	4.71	4.67	6.04	5.66	7.37	7.09	9.31	8.98	11.33	11.08	13.72	12.92
47	3.99	2.80	3.99	4.05	4.79	4.76	6.16	5.77	7.52	7.23	9.49	9.16	11.56	11.30	14.01	13.18
48	4.06	2.84	4.06	4.12	4.88	4.84	6.27	5.87	7.66	7.36	9.68	9.33	11.79	11.52	14.29	13.44
49	4.13	2.89	4.13	4.19	4.97	4.93	6.39	5.98	7.81	7.50	9.87	9.51	12.02	11.74	14.57	13.70
50	4.20	2.93	4.20	4.26	5.05	5.01	6.50	6.08	7.95	7.63	10.05	9.68	12.25	11.96	14.85	13.96

a/Boxes indicate Postal Service rates which are equal to or less than those of competitor.

b/Service's principal competitor. Competitor's rates are those in effect prior to May 1, 1978.

PROPOSED PERCENT INCREASE/(DECREASE) IN CURRENT PARCEL POST RATES

<u>Weight (pounds)</u>	<u>Local</u>	<u>Zones 1&amp;2</u>	<u>Zone 3</u>	<u>Zone 4</u>	<u>Zone 5</u>	<u>Zone 6</u>	<u>Zone 7</u>	<u>Zone 8</u>
2	46	53	54	45	43	37	33	43
3	33	54	52	42	35	30	28	40
4	27	45	44	35	30	26	23	38
5	20	37	35	28	24	21	20	37
6	16	30	29	23	20	18	18	35
7	10	24	23	18	16	15	15	35
8	06	18	18	15	13	13	14	34
9	01	13	13	11	10	11	12	33
10	(03)	08	09	08	08	09	10	33
11	(06)	05	06	05	06	08	09	32
12	(09)	01	03	03	04	07	08	32
13	(13)	(03)	(01)	00	02	05	08	32
14	(15)	(06)	(03)	(01)	01	04	07	31
15	(18)	(09)	(06)	(04)	(01)	03	06	36
16	(20)	(12)	(08)	(05)	(02)	02	05	31
17	(23)	(14)	(10)	(07)	(03)	02	05	30
18	(25)	(16)	(12)	(08)	(04)	01	04	30
19	(27)	(19)	(14)	(10)	(05)	00	04	30
20	(29)	(21)	(16)	(11)	(06)	00	03	30
21	(31)	(22)	(17)	(12)	(07)	(01)	03	30
22	(32)	(24)	(19)	(13)	(07)	(01)	02	29
23	(34)	(26)	(20)	(14)	(08)	(02)	02	29
24	(36)	(27)	(21)	(15)	(09)	(02)	02	29
25	(38)	(29)	(23)	(16)	(10)	(03)	01	29
26	(38)	(31)	(24)	(17)	(10)	(03)	01	29
27	(40)	(32)	(25)	(18)	(11)	(04)	01	29
28	(41)	(33)	(26)	(18)	(11)	(04)	01	29
29	(43)	(34)	(27)	(19)	(12)	(04)	00	29
30	(44)	(36)	(28)	(20)	(12)	(05)	01	29
31	(19)	13	12	14	14	16	17	42
32	(20)	10	11	11	12	13	14	38
33	(22)	07	08	09	09	11	11	35
34	(24)	05	06	07	07	08	09	32
35	(25)	03	03	04	05	06	07	30
36	(27)	01	01	02	03	04	04	27
37	(28)	(01)	(01)	00	01	02	02	24
38	(29)	(03)	(03)	(02)	(01)	00	00	22
39	(31)	(05)	(05)	(04)	(03)	(02)	(02)	20
40	(32)	(07)	(06)	(05)	(05)	(04)	(03)	18
41	(33)	(08)	(08)	(07)	(07)	(05)	(05)	16
42	(34)	(10)	(10)	(09)	(08)	(07)	(07)	14
43	(35)	(12)	(12)	(10)	(10)	(09)	(08)	12
44	(36)	(13)	(13)	(12)	(11)	(10)	(10)	10
45	(37)	(15)	(15)	(14)	(13)	(12)	(11)	08
46	(38)	(16)	(16)	(14)	(14)	(13)	(13)	06
47	(39)	(17)	(17)	(16)	(15)	(14)	(14)	05
48	(40)	(19)	(19)	(17)	(17)	(16)	(15)	03
49	41	(20)	(20)	(19)	(18)	(17)	(17)	02
50	(42)	(21)	(21)	(20)	(19)	(18)	(18)	00

COMPARISON OF COMPETITOR'S RATES WITH SERVICE'S PROPOSED PARCEL POST RATES (Note a)

Weight (pounds)	Local		Zone 1,2		Zone 3		Zone 4		Zone 5		Zone 6		Zone 7		Zone 8	
	Note b	USPS	Note b	USPS	Note b	USPS	Note b	USPS	Note b	USPS	Note b	USPS	Note b	USPS	Note b	USPS
1	0.82	-	0.82	-	0.84	-	0.87	-	0.90	-	0.94	-	0.99	-	1.04	-
2	0.89	1.09	0.89	1.38	0.93	1.43	0.99	1.57	1.05	1.65	1.14	1.75	1.23	1.86	1.34	2.11
3	0.97	1.09	0.97	1.49	1.02	1.55	1.11	1.63	1.20	1.74	1.34	1.90	1.47	2.07	1.64	2.44
4	1.04	1.09	1.04	1.51	1.11	1.58	1.23	1.69	1.35	1.84	1.53	2.05	1.72	2.27	1.94	2.76
5	1.11	1.09	1.11	1.52	1.20	1.61	1.35	1.74	1.50	1.93	1.73	2.19	1.96	2.47	2.23	3.09
6	1.19	1.10	1.19	1.53	1.30	1.64	1.47	1.80	1.66	2.03	1.93	2.34	2.20	2.68	2.53	3.42
7	1.26	1.10	1.26	1.55	1.39	1.67	1.59	1.86	1.81	2.13	2.12	2.49	2.45	2.88	2.83	3.74
8	1.34	1.10	1.34	1.56	1.48	1.70	1.71	1.92	1.96	2.22	2.32	2.64	2.69	3.09	3.13	4.07
9	1.41	1.10	1.41	1.57	1.57	1.73	1.83	1.98	2.11	2.32	2.52	2.79	2.93	3.29	3.43	4.40
10	1.48	1.10	1.48	1.58	1.66	1.76	1.95	2.03	2.26	2.41	2.71	2.93	3.17	3.49	3.72	4.72
11	1.56	1.11	1.56	1.60	1.76	1.80	2.08	2.09	2.42	2.51	2.91	3.08	3.42	3.70	4.02	5.05
12	1.63	1.11	1.63	1.61	1.85	1.83	2.20	2.15	2.57	2.61	3.11	3.23	3.66	3.90	4.32	5.38
13	1.71	1.11	1.71	1.62	1.94	1.86	2.32	2.21	2.72	2.70	3.31	3.38	3.90	4.11	4.62	5.71
14	1.78	1.11	1.78	1.64	2.03	1.89	2.44	2.27	2.87	2.80	3.50	3.53	4.15	4.31	4.92	6.03
15	1.85	1.11	1.85	1.65	2.12	1.92	2.56	2.32	3.02	2.89	3.70	3.67	4.39	4.51	5.21	6.36
16	1.93	1.12	1.93	1.66	2.22	1.95	2.68	2.38	3.18	2.99	3.90	3.82	4.63	4.72	5.51	6.69
17	2.00	1.12	2.00	1.68	2.31	1.98	2.80	2.44	3.33	3.09	4.09	3.97	4.88	4.92	5.81	7.01
18	2.08	1.12	2.08	1.69	2.40	2.01	2.92	2.50	3.48	3.18	4.29	4.12	5.12	5.13	6.11	7.34
19	2.15	1.12	2.15	1.70	2.49	2.04	3.04	2.56	3.63	3.28	4.49	4.27	5.36	5.33	6.41	7.67
20	2.22	1.12	2.22	1.71	2.58	2.07	3.16	2.61	3.78	3.37	4.68	4.41	5.60	5.53	6.70	7.99
21	2.30	1.13	2.30	1.73	2.68	2.11	3.29	2.67	3.94	3.47	4.86	4.56	5.85	5.74	7.00	8.32
22	2.37	1.13	2.37	1.74	2.77	2.14	3.41	2.73	4.09	3.57	5.08	4.71	6.09	5.94	7.30	8.65
23	2.45	1.13	2.45	1.75	2.86	2.17	3.53	2.79	4.24	3.66	5.28	4.86	6.33	6.15	7.60	8.98
24	2.52	1.13	2.52	1.77	2.95	2.20	3.65	2.85	4.39	3.76	5.47	5.01	6.58	6.35	7.90	9.30
25	2.59	1.13	2.59	1.78	3.04	2.23	3.77	2.90	4.54	3.85	5.67	5.15	6.82	6.55	8.19	9.63

a/Boxes indicate Postal Service rates which are equal to or less than those of competitor.

b/Service's principal competitor. Competitor's rates are those effective May 1, 1978.

COMPARISON OF COMPETITOR'S RATES WITH SERVICE'S PROPOSED PARCEL POST RATES (Note a)

Weight (pounds)	Local		Zone 1,2		Zone 3		Zone 4		Zone 5		Zone 6		Zone 7		Zone 8	
	Note b	USPS	Note b	USPS	Note b	USPS	Note b	USPS	Note b	USPS	Note b	USPS	Note b	USPS	Note b	USPS
26	2.67	1.14	2.67	1.79	3.14	2.26	3.89	2.96	4.70	3.95	5.87	5.30	7.06	6.76	8.49	9.96
27	2.74	1.14	2.74	1.81	3.23	2.29	4.01	3.02	4.85	4.05	6.06	5.45	7.31	6.96	8.79	10.28
28	2.82	1.14	2.82	1.82	3.32	2.32	4.13	3.08	5.00	4.14	6.26	5.60	7.55	7.17	9.09	10.61
29	2.89	1.14	2.89	1.83	3.41	2.35	4.25	3.14	5.15	4.24	6.46	5.75	7.79	7.37	9.39	10.94
30	2.96	1.14	2.96	1.84	3.50	2.36	4.37	3.19	5.30	4.33	6.65	5.89	8.03	7.57	9.68	11.26
31	3.04	1.69	3.04	3.30	3.60	3.84	4.50	4.66	5.46	5.80	6.85	7.37	8.28	9.07	9.98	12.78
32	3.11	1.69	3.11	3.30	3.69	3.85	4.62	4.67	5.61	5.82	7.05	7.40	8.52	9.11	10.26	12.84
33	3.19	1.69	3.19	3.30	3.78	3.85	4.74	4.68	5.76	5.84	7.25	7.43	8.76	9.15	10.58	12.91
34	3.26	1.69	3.26	3.31	3.87	3.86	4.86	4.69	5.91	5.86	7.44	7.46	9.01	9.19	10.88	12.97
35	3.33	1.69	3.33	3.31	3.96	3.86	4.98	4.70	6.06	5.88	7.64	7.49	9.25	9.23	11.17	13.04
36	3.41	1.69	3.41	3.31	4.06	3.87	5.10	4.72	6.22	5.90	7.84	7.52	9.49	9.27	11.47	13.10
37	3.48	1.69	3.48	3.32	4.15	3.88	5.22	4.73	6.37	5.92	8.03	7.55	9.74	9.31	11.77	13.17
38	3.56	1.69	3.56	3.32	4.24	3.88	5.34	4.74	6.52	5.94	8.23	7.58	9.98	9.35	12.07	13.23
39	3.63	1.69	3.63	3.32	4.33	3.89	5.46	4.75	6.67	5.96	8.43	7.61	10.22	9.39	12.37	13.30
40	3.70	1.69	3.70	3.32	4.42	3.89	5.58	4.76	6.82	5.97	8.62	7.64	10.46	9.43	12.66	13.36
41	3.78	1.70	3.78	3.33	4.52	3.90	5.71	4.78	6.98	5.99	8.82	7.67	10.71	9.48	12.96	13.43
42	3.85	1.70	3.85	3.33	4.61	3.91	5.83	4.79	7.13	6.01	9.02	7.70	10.95	9.52	13.26	13.49
43	3.93	1.70	3.93	3.33	4.70	3.91	5.95	4.80	7.28	6.03	9.22	7.73	11.19	9.56	13.56	13.55
44	4.00	1.70	4.00	3.34	4.79	3.92	6.07	4.81	7.43	6.05	9.41	7.76	11.44	9.60	13.86	13.62
45	4.07	1.70	4.07	3.34	4.88	3.92	6.19	4.82	7.58	6.07	9.61	7.79	11.68	9.64	14.15	13.69
46	4.15	1.70	4.15	3.34	4.98	3.93	6.31	4.84	7.74	6.09	9.81	7.82	11.92	9.68	14.45	13.75
47	4.22	1.70	4.22	3.35	5.07	3.94	6.43	4.85	7.89	6.11	10.00	7.85	12.17	9.72	14.75	13.82
48	4.30	1.70	4.30	3.35	5.16	3.94	6.55	4.86	8.04	6.13	10.20	7.88	12.41	9.76	15.05	13.88
49	4.37	1.70	4.37	3.35	5.25	3.95	6.67	4.87	8.19	6.15	10.40	7.91	12.65	9.80	15.35	13.95
50	4.44	1.70	4.44	3.35	5.34	3.95	6.79	4.88	8.34	6.16	10.59	7.94	12.89	9.84	15.64	14.01

a/Boxes indicate Postal Service rates which are equal to or less than those of competitor.

b/Service's principal competitor. Competitor's rates are those effective May 1, 1978.

PARCEL POST DELIVERY PERFORMANCE

MARCH 26, 1977, THROUGH JUNE 17, 1977

Percent of mail delivered within

Originating center's service area	Destinating center's service area	Percent of mail delivered within																
		1 Day	2 Days	3 Days	4 Days	5 Days	6 Days	7 Days	8 Days	9 Days	10 Days	11 Days	12 Days	13 Days	14 Days	15 Days	15+ Days	
Chicago	Chicago	28	55	75	84	89	92	95	96	98	98	99	99	99	99	99	100	100
	Cincinnati	1	13	39	66	80	87	92	95	96	98	98	98	98	99	99	99	100
	Dallas	1	5	17	38	55	69	79	81	89	92	92	94	95	95	95	95	100
	Detroit	-	8	28	48	64	73	79	87	89	91	93	93	95	97	97	98	100
	Memphis	1	9	18	42	67	86	89	93	97	99	99	99	100	100	100	100	100
	San Francisco	2	5	5	6	13	39	58	69	76	80	82	83	92	93	93	93	100
	Washington	-	1	19	28	46	77	85	87	93	97	98	98	98	99	99	99	100
Cincinnati	Cincinnati	36	66	86	91	93	94	95	97	98	99	100	100	100	100	100	100	100
	Dallas	1	5	23	59	78	85	90	92	94	96	100	100	100	100	100	100	100
	Detroit	8	22	39	56	69	82	85	86	93	94	95	95	99	99	99	100	100
	Memphis	9	20	41	54	72	84	93	95	96	96	97	97	97	100	100	100	100
	San Francisco	-	4	4	4	14	28	52	70	81	85	97	97	99	97	97	97	100
	Washington	4	23	35	69	89	91	96	99	99	99	99	99	99	99	99	100	100
	Chicago	2	12	49	71	79	87	91	95	97	98	98	98	98	99	99	100	100
Dallas	Dallas	34	78	91	96	97	98	99	99	99	99	100	100	100	100	100	100	100
	Detroit	1	6	11	58	73	88	95	98	98	100	100	100	100	100	100	100	100
	Memphis	4	30	64	80	89	92	95	98	99	100	100	100	100	100	100	100	100
	San Francisco	-	4	5	20	60	88	93	99	99	99	99	99	99	99	99	100	100
	Washington	-	23	24	28	42	61	79	87	89	93	93	93	93	100	100	100	100
	Chicago	1	3	14	30	54	70	79	83	87	87	87	88	88	88	88	100	100
	Cincinnati	-	-	24	61	74	84	85	86	98	99	99	99	100	100	100	100	100
Detroit	Detroit	37	68	81	89	92	96	97	99	99	99	100	100	100	100	100	100	100
	Memphis	1	10	22	42	71	81	86	91	93	100	100	100	100	100	100	100	100
	San Francisco	-	-	-	38	38	51	58	76	83	87	91	93	95	95	99	99	100
	Washington	-	11	31	49	67	80	91	99	100	100	100	100	100	100	100	100	100
	Chicago	2	16	39	60	73	80	84	89	92	96	98	98	99	99	100	100	100
	Cincinnati	7	34	62	81	92	95	96	98	99	99	99	100	100	100	100	100	100
	Dallas	1	10	25	52	67	86	88	97	97	98	98	99	99	99	99	99	100

PARCEL POST DELIVERY PERFORMANCE

MARCH 26, 1977, THROUGH JUNE 17, 1977

		Percent of mail delivered within															
Originating center's service area	Destinating center's service area	1 Day	2 Days	3 Days	4 Days	5 Days	6 Days	7 Days	8 Days	9 Days	10 Days	11 Days	12 Days	13 Days	14 Days	15 Days	15+ Days
Memphis	Memphis	43	75	88	57	96	97	98	99	99	99	99	100	100	100	100	100
	San Francisco	-	12	12	13	39	75	88	93	93	96	98	99	100	100	100	100
	Washington	-	10	30	60	68	74	86	88	89	89	99	99	100	100	100	100
	Chicago	1	2	21	43	59	80	84	93	97	98	99	99	99	100	100	100
	Cincinnati	2	13	33	56	78	92	94	95	97	97	97	99	100	100	100	100
	Dallas	6	15	53	78	87	92	96	98	98	99	99	100	100	100	100	100
	Detroit	-	9	30	37	64	83	88	90	94	94	94	95	95	95	97	100
San Francisco	San Francisco	27	74	87	91	93	95	96	97	97	98	98	99	99	99	99	100
	Washington	-	12	12	12	12	12	13	54	84	89	90	93	93	100	100	100
	Chicago	-	2	3	5	12	29	47	79	89	95	95	98	98	98	98	100
	Cincinnati	1	5	10	10	12	35	53	73	90	93	94	95	96	100	100	100
	Dallas	-	8	14	29	53	86	89	95	97	97	100	100	100	100	100	100
	Detroit	-	-	1	5	6	6	22	52	71	79	82	88	89	93	93	100
	Memphis	1	10	21	37	68	76	77	83	95	98	100	100	100	100	100	100
Washington	Washington	38	77	86	94	95	97	98	99	99	99	99	100	100	100	100	100
	Chicago	-	14	21	33	48	62	78	85	89	93	94	94	94	97	97	100
	Cincinnati	2	10	33	60	74	85	90	93	97	97	97	98	99	100	100	100
	Dallas	4	8	8	11	13	22	31	75	88	91	96	99	99	99	99	100
	Detroit	-	12	30	42	54	81	88	94	96	96	96	96	97	97	99	100
	Memphis	1	3	10	17	27	39	53	82	93	95	97	99	99	99	99	100
	San Francisco	-	9	14	14	19	19	23	46	82	89	92	94	95	95	95	100



**THE POSTMASTER GENERAL**  
Washington, DC 20260

May 9, 1978

Mr. Victor L. Lowe  
Director, General Government  
Division  
U. S. General Accounting Office  
Washington, D. C. 20548

Dear Mr. Lowe:

Thank you for the opportunity to comment on your proposed report regarding the outlook for the National Bulk Mail System.

The report finds that the system has not achieved its cost reduction and service improvement goals and the prospect of its doing so is unpromising. The report recommends that the Service continue its efforts to make the system work and to evaluate alternatives should the Service's efforts fail.

As the report points out, the system has not achieved its earlier cost reduction goals because it is handling substantially less parcel post than originally projected. However, the Service is working to improve this situation.

A task force is now assembling detailed data on the elements of cost involved in accepting, processing, transporting and delivering various weight increments of parcel post over various distances and between various types of postal installations. These data will be used with a computer-based mathematical model to develop and evaluate possible new rate structures, service options and marketing strategies. For example, we might want to consider a lower rate for mailers who bring their parcel post directly to a bulk mail center and thereby save the Service certain handling and transportation costs. The model will calculate the probable costs and benefits of such an approach. In this way we hope to develop rate and service options that will make parcel post most responsive to diverse customer needs and thereby attract volume.

We have also been increasing the volumes of other kinds of mail being worked at bulk mail centers, thereby improving the centers' productivity and cost/benefits. For example, within the last several months, the processing of small parcels (less than one pound) has been transferred to all bulk mail centers, other than New York. In the most recent accounting period, this transfer increased the primary machine parcel handlings by 19.7% over the prior year.

It should also be noted that the report's discussion of the centers' unused capacity is based upon theoretical capacity. The capacity figures cited are similar to ones which the Service developed before the centers were built and during initial operations. Since then, we have developed more realistic capacity figures which were adjusted to take into consideration plant design and actual operation, as well as human factors. These more practical capacity figures are considerably below the ones cited in the report.

Besides increasing volume, we are also improving the timeliness and reliability of our service, as is shown in the last three quarterly figures which the report cites. For cost and energy conservation reasons, we must continue to use some rail transportation, which is slower, and are adjusting our service schedules accordingly, but this will also make our service performance more reliable. We are also restructuring operating plans within the centers to insure that parcels are processed in time to make scheduled transportation and we have developed better reporting systems to monitor the accomplishment of our plans. Recent communications from our customers note improvements in our service.

Operational problems at the centers are also being overcome. In the last twelve months, we have reduced missent mail at our primary sorters by 32%, and new techniques to detect operator and machine errors will cut the missent rate even further. Major damage has been cut to one piece per thousand, a 52% reduction, and better packaging regulations may cut this even more. Average accident/injury rates have dropped 25% this past year and eleven centers now have lower lost workday injury rates than the Service as a whole. A computerized van control system is under development.



We believe our efforts to make the National Bulk Mail System work better are succeeding, but in line with your recommendation, we have been evaluating alternatives, such as closing some of the centers. We do not find any such alternatives to be warranted at the present time.

Sincerely,



William F. Bolger

(960046)