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GENERAL GOVERNMENT DIVISION

RELEASED

SEPTEMBER 12, 1979

B-114874

The Honorable Robert C. Byrd  
United States Senate

Dear Senator Byrd:

Subject: [Proposed Transfer of Mail Processing Functions from St. Albans to Charleston, West Virginia] (GGD-79-95)

DLG-02720  
DLG-02721  
H.C. [Signature]

As you requested on April 18, 1979, we reviewed the U.S. Postal Service's proposed transfer of the incoming mail processing function from St. Albans to Charleston, West Virginia. We evaluated the economic justification for the transfer and its impact on mail service.

Although the exact benefits cannot be determined until sometime after the consolidation is completed, the Service could conservatively expect to save about \$29,800 a year by processing all of St. Albans' incoming mail at Charleston. First year savings (\$29,800) would be offset by one-time training costs of about \$1,000 and potential employee relocation expenses estimated to average about \$2,900 for any of the four eligible employees who choose to move their residence closer to Charleston.

The Service expects to achieve even greater savings by reducing direct labor costs as a result of the consolidation. We believe the proposed consolidation will provide an opportunity to reduce labor costs. Because reliable data was unavailable at this time, we did not quantify these potential labor savings and did not include them in the \$29,800.

It appears that the consolidation will have little or no impact on St. Albans' mail services. Charleston's multi-position letter sorting machines have adequate capacity to process Charleston's and St. Albans' mail; transportation schedules provide for pickup and return of St. Albans' mail for delivery the next day; and the St. Albans Post Office will continue to provide window service and a local postmark for those desiring it.



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Letter Report

The consolidation will almost certainly have some adverse economic impact on the St. Albans community due to the loss of six positions at the St. Albans Post Office. However, we have no basis for quantifying this impact. Our findings are discussed in detail below. We based our evaluations on a review of Service records and discussions with Service officials from the Eastern Region, the Charleston Area Mail Processing Center, and the St. Albans Associate Post Office.

#### AREA MAIL PROCESSING PROGRAM

The proposed St. Albans to Charleston consolidation is part of the Service's Area Mail Processing Program, which the Service has been implementing on a nationwide basis since 1971. Under this concept all mail originating at post offices within an area is consolidated at a sectional center facility <sup>1/</sup> for processing and dispatch to its destination. Since its inception, the concept has been informally broadened to include the centralized distribution of incoming mail for post offices in the area. By centralizing mail processing within an area, the Service is able to mechanize operations, increase worker productivity, reduce personnel costs, and make more efficient use of transportation.

In a 1972 consolidation, St. Albans' outgoing mail processing functions were transferred to Charleston. The St. Albans office continued to provide customer services, mail delivery, and a local postmark for mail deposited in a special box at the office. In addition, the St. Albans office continued to process its incoming mail.

In February 1979, the Service authorized transfer of the St. Albans incoming mail sorting function to Charleston. The Service plans to realize savings by sorting the incoming mail on Charleston's two multiposition letter sorting machines. This mail currently passes through Charleston on its way to St. Albans, where it is sorted manually. Under the proposal, the St. Albans office will continue to provide customer services, mail delivery, and a local postmark when desired.

1/Generally a mechanized facility for processing incoming and outgoing mail for a number of local post offices in a designated service area.

ST. ALBANS/CHARLESTON CONSOLIDATION  
WILL REDUCE MAIL PROCESSING COSTS

In February 1979, the Service estimated it could save \$43,700 annually by fully processing St. Albans' mail in Charleston. This estimate was based on projected labor and transportation savings.

We estimate the Service will save about \$29,800 annually in supervisory and transportation costs. The consolidation should also result in reduced direct labor costs (mail clerk hours). We did not quantify these savings, however, because reliable data was unavailable. In addition, we identified potential one-time costs the service should recognize in its consolidation proposal. To the extent these costs are incurred, they will offset first year savings.

Processing mail in Charleston  
will reduce labor costs

The proposed consolidation will eliminate one supervisory position in St. Albans. The supervisor will be assigned to a vacant position in Charleston. We estimate this will save the Service about \$26,700 annually.

The Service also expects to realize savings by reducing direct labor costs. Processing much of the St. Albans mail on the multiposition letter sorting machines in Charleston should require fewer mail clerk hours than the manual sort now performed in St. Albans. In addition, the St. Albans mail volume to be sorted on the machines should enable Charleston to operate the machine process longer and handle other letters now processed manually in Charleston. This additional volume arrives in Charleston during the late hours of the incoming mail sort operation. The letter sorting machines are often shut down at that time for lack of sufficient mail volumes. Service officials believe the St. Albans mail will provide sufficient volume to keep the machines running until the additional mail arrives. Machine processing rather than manually sorting this additional mail would result in additional direct labor savings.

Service officials plan to achieve the direct labor savings by eliminating five mail clerk positions in St. Albans, transferring St. Albans mail clerks to vacant positions in

Charleston, and adjusting Charleston's use of part-time employees to reflect the clerk hours saved by machine sorting the St. Albans mail and some additional Charleston mail.

The proposed consolidation will provide the Service an opportunity to reduce direct labor costs as described above. We did not quantify these potential savings, however, because reliable data was unavailable.

Consolidation will result in transportation savings

The Service estimated the consolidation would save \$3,100 annually in transportation costs. This would be achieved by eliminating one round trip contract truck route originating in Charleston. This route is currently required to get the incoming mail to St. Albans so that the clerks can sort it to carrier routes before the carriers arrive in the morning. If the sort were performed in Charleston, the route would not be necessary because the mail, already sorted to carrier routes, could be carried on another existing truck route and still arrive in St. Albans before the carriers report for duty.

The Service's estimated transportation savings are valid. The estimate considered penalties or charges for contract alterations.

Potential one-time costs only partially recognized

The Service could incur one-time training costs as a result of the consolidation. Window or customer service duties would be assumed by senior clerks in St. Albans, with junior clerks, who now service the windows, being transferred to Charleston. Two of the replacement window clerks will require training. We estimate this training could cost as much as \$1,000.

A potential one-time cost not recognized in the Service's consolidation plan is employee moving expenses. Five St. Albans employees will be transferred to Charleston. Four of these employees would be eligible for relocation or moving expenses if they choose to move their residence closer to Charleston. Eastern Regional officials agree the relocation expenses should be considered. On the basis of their recent experience with short distance relocations, they estimate an average relocation cost of about \$2,900 per employee. Because of the proximity of Charleston to St. Albans (13 miles)

however, it is uncertain how many of the transferred employees would move. Service officials think no more than two employees would move, keeping this cost to a minimum. However, the Service should recognize its potential liability for moving expenses in its proposal.

QUALITY OF MAIL SERVICE  
WILL BE MAINTAINED

There are no planned changes in service to the St. Albans area. Current box collection and delivery schedules would be maintained. Window service will be maintained, and a local postmark will continue to be provided for those desiring it.

On the basis of our review of the service's proposed transportation changes and Charleston's mail processing schedule, we think the mail service at St. Albans should remain the same. Charleston has adequate machine capacity to sort St. Albans' incoming mail, and the mail sorted by Charleston will arrive in St. Albans in time to meet current delivery schedules. Outgoing mail affected by the transportation change will continue to arrive in Charleston in time for processing there.

ECONOMIC IMPACT ON ST. ALBANS  
COMMUNITY IS NOT QUANTIFIABLE

Five mail clerk positions and one supervisory position will be eliminated in St. Albans. This will almost certainly have some adverse economic impact on the St. Albans community. For example, local businessmen may lose some sales. Because we do not know how many, if any, of the transferred employees will move or what changes will occur in the spending habits of any of the employees involved, it is not feasible to quantify the potential economic impact on the St. Albans community. However, it is necessary to recognize this potential when considering proposed consolidations.

IMPROVED SAVINGS  
ESTIMATES ARE NEEDED

In February 1979, the Service estimated the consolidation would save \$43,700 annually. Although we believe the proposed consolidation will result in savings, we had problems with the Service's estimate. The Service, in its proposal, used questionable productivity rates and outdated mail volume statistics, failed to properly evaluate direct labor savings, and failed to consider certain potential one-time costs.

In a previous GAO report (GGD-79-20, Dec. 22, 1978) addressed to the Postmaster General, we identified similar problems. We recommended that:

"The Service should revise its guidelines for planning and implementing area mail processing to (1) clearly specify the factors that should be included in an area mail processing plan and (2) establish a standard methodology for calculating the costs or savings associated with area mail processing \* \* \*."

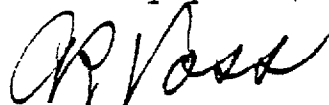
In June 1979 the Service issued a handbook for developing Area Mail Processing proposals. While we have not evaluated this handbook as a part of our review, we recognize that the Service expects it to help alleviate the problems noted above in future consolidation proposals.

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Although specific economic benefits of the consolidation cannot be determined until after it takes place, we believe the Postal Service's decision to relocate St. Albans' incoming mail processing function to Charleston will provide the Service an opportunity to save money with no apparent impact on mail service.

As discussed with your office, we did not obtain formal agency comments. We have, however, discussed our findings with Postal Service officials and incorporated their comments where appropriate. A copy of this report is being sent to Senator Jennings Randolph. No further distribution will be made until seven days after the date of this report, unless you release its contents earlier.

Sincerely yours,



Allen R. Voss  
Director