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Post Office

NOV 5 1970

RELEASED



Dear Senator Allott:

In October 1970, we sent you a report on the results of our review, made at your request, of the Post Office Department's transportation activities. You had requested us to include in that review an examination into the discontinuance of the Evansville, Indiana-St. Louis, Missouri, highway post office because Mr. John J. Keil, a foreman on that highway post office, had expressed opposition to its discontinuance. We are reporting separately on the results of that examination because it involved a specific highway post office and because it was not closely related to the transportation review which dealt primarily with the Department's air taxi program. This report concludes our reporting to you on our reviews of the Department's transportation activities.

Mr. Keil expressed opposition to the Department's plan to discontinue the Evansville-St. Louis highway post office because he believed that the discontinuance (1) would not improve mail service but could cause delays in the delivery of mail and (2) would not result in a reduction in mail transportation and processing costs.

We believe that the discontinuance of the Evansville-St. Louis highway post office has not adversely affected mail service and will result in a cost saving of about \$44,300 the first year, \$50,000 the second year, and \$52,900 annually thereafter. These matters concerning mail service and costs are presented in greater detail in the enclosure to this letter.

Mr. Keil also expressed concern that the discontinuance of railway and highway post office units had caused congestion in large post offices and delays in mail deliveries. The director of the St. Louis Postal Region indicated that the discontinuance of such units had not caused congestion in post offices or delays in mail deliveries. In addition, our reviews over the years have shown that, when such units were discontinued, mail service had not been adversely affected and the alternative means of processing and transporting the mail had been less costly.

Our examination included a review of pertinent records and discussions with officials at Department headquarters in Washington, D.C., and at the Department's Regional Office and Air Mail Facility in St. Louis, Missouri, to ascertain the effect the discontinuance of the Evansville-St. Louis highway post office had on (1) the mail service to the communities served by the highway post office and (2) mail transportation and processing costs.

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We have not requested the Department to review or formally comment on the information in this report; however, the Department is being notified of the release date and general subject matter of the report.

We trust that the information furnished will be helpful.

Sincerely yours,

Atkisson
Assistant Comptroller General
of the United States

Enclosure

The Honorable Gordon Allott
United States Senate

GENERAL ACCOUNTING OFFICE
EXAMINATION INTO CERTAIN MATTERS
CONCERNING THE DISCONTINUANCE OF
EVANSVILLE-ST. LOUIS HIGHWAY POST OFFICE

In letters dated April 23 and August 27, 1969, to Senator Gordon Allott of Colorado, Mr. John J. Keil, a foreman on the Evansville, Indiana-St. Louis, Missouri, highway post office, expressed opposition to the Post Office Department's plan to discontinue the highway post office.

A highway post office is a bus or truck specially equipped for sorting mail en route between scheduled mail delivery stops.

Mr. Keil stated that (1) the discontinuance of the Evansville-St. Louis highway post office would not improve mail service but could result in delays in the delivery of some mail and (2) the accuracy of the Department's estimate of the annual savings (\$40,544) resulting from discontinuing this highway post office was questionable because (a) the cost of replacement transportation service would offset any savings resulting from the elimination of the cost of the highway post office and (b) there would be no savings in personnel costs as the personnel assigned to the highway post office would be reassigned to other postal units at the same rates of pay which they were receiving on the highway post office.

CHRONOLOGY OF EVENTS LEADING TO
DISCONTINUANCE OF EVANSVILLE-
ST. LOUIS HIGHWAY POST OFFICE

In November 1968, the Department's St. Louis Regional Office recommended to Department headquarters that the Evansville-St. Louis highway post office be discontinued and that, among other changes, three existing highway star (truck) routes be extended or rescheduled and four air taxi routes be established to transport the mail being carried on the highway post office. A review by the Department's St. Louis Regional Office of the service being provided by the highway post office showed that the en route sorting of mail was of limited value to the Department in carrying out its mail delivery responsibilities and that equal service could be provided by air taxi (part of a Department plan to expedite transportation of mail) and highway star routes. The regional office estimated that these proposed changes would result in an annual cost saving to the Department of \$40,544.

The St. Louis Regional Office's recommendation was approved by Department headquarters in February 1969, but the proposed changes were not implemented because the Department suspended its plan to further expand air taxi mail service in Illinois.

In August 1969, the Deputy Assistant Postmaster General for Logistics, Bureau of Operations, advised the director of the St. Louis Postal Region that service by the Evansville-St. Louis highway post office possibly could

be replaced by the existing highway star route service, with certain adjustments, without delays in mail deliveries. He also so advised the directors of the Chicago and Cincinnati Postal Regions, since the Evansville-St. Louis highway post office also served States within these regions. The three regional offices agreed that the highway post office could be replaced by highway star routes. Therefore, the highway post office was replaced by three existing highway star routes on September 28, 1969.

EFFECT OF HIGHWAY POST OFFICE
DISCONTINUANCE ON MAIL SERVICE

The Evansville-St. Louis highway post office provided en route sorting and mail pickup and delivery service between Evansville and St. Louis and several communities along the route in southern Illinois. The highway star route service which replaced the highway post office provides mail pickup and delivery service to the same communities but does not provide en route sorting of mail. We believe, however, that the replacement star route service along with mail sorting at stationary post offices provides service to postal patrons comparable to that provided when mail was transported by the highway post office. Although the star route trucks, in most cases, leave these communities later than did the highway post office, and thereby allow the pickup of more mail, we believe that these trucks arrive in time to provide comparable delivery service to the patrons.

Westbound mail delivery service

The highway post office was scheduled to leave Evansville at 3:50 p.m. and to arrive in St. Louis at 10:10 p.m., after making stops at five cities along the route--Crossville, Carmi, McLeansboro, Mt. Vernon, and Centralia, Illinois--to pickup and/or deliver mail. (The stop at Crossville was only for the pickup of mail.) Mail service is now provided by star route trucks 62010, 62873, and 62810.

Star route truck 62010 is scheduled to leave Evansville at 10:30 p.m. and to arrive in St. Louis at 5 a.m., after stopping to pickup and/or deliver mail at two of the five cities (Mt. Vernon and Centralia) formerly served by the highway post office. Star route truck 62873 is scheduled to leave Evansville at 6:10 p.m. and to arrive in East St. Louis, Illinois, which was not served by the highway post office, at 11:10 p.m., after stopping to pickup and/or deliver mail at two of the cities (Carmi and Centralia) formerly served by the highway post office. Transportation of mail destined for St. Louis on this truck is available from East St. Louis to St. Louis (1) on a star route bus scheduled to leave East St. Louis at 12:25 a.m. and to arrive in St. Louis at 12:30 a.m., (2) on a star route truck scheduled to leave East St. Louis at 12:45 a.m. and to arrive in St. Louis at 1 a.m., or (3) by Government vehicle service. This mail should reach St. Louis in time for delivery on the day of arrival.

Thus mail transported from Evansville on one star route truck would arrive in St. Louis about 3 hours later than mail transported on the highway post office, and mail transported on the other truck would arrive about 7 hours later than mail transported on the highway post office. We believe, however, that this mail should reach St. Louis in time for delivery on the day of arrival, since the mail should arrive within the time limit specified by the Department for delivery on the day of arrival in St. Louis.

Star route truck 62810 originates at Carmi, which was previously served by the highway post office. This truck is scheduled to leave Carmi at 5:30 p.m. and to arrive in East St. Louis at 10:05 p.m., after stops at two cities (McLeansboro and Centralia) formerly served by the highway post office. Transportation of mail on this truck destined for St. Louis is available between East St. Louis and St. Louis, as described on page 2.

Eastbound mail delivery service

The highway post office left St. Louis at 12:01 a.m. and arrived in Evansville at 5:40 a.m., after making stops at four cities along the route-- Centralia, Mt. Vernon, McLeansboro, and Carmi. Mail service is now provided by star route trucks 62010, 62873, and 62810.

Star route truck 62010 is scheduled to leave St. Louis at 8 p.m. and to arrive in Evansville at 3:30 a.m.--2 hours earlier than did the highway post office--after stopping en route to pickup and/or deliver mail at Centralia and Mt. Vernon, which were formerly served by the highway post office. Star route truck 62873, carrying mail transported from St. Louis to East St. Louis by Government vehicle, is scheduled to leave East St. Louis at 12:15 a.m.--14 minutes later than the highway post office left St. Louis--and to arrive in Evansville at 5:15 a.m.--25 minutes earlier than did the highway post office--after stopping en route to pickup and/or deliver mail at Centralia and Carmi. Thus the mail formerly transported from St. Louis by highway post office now arrives earlier in Evansville by star route trucks.

Star route truck 62810 carrying mail transported from St. Louis by Government vehicle is scheduled to leave East St. Louis at 2:05 a.m. and to arrive in Carmi at 6 a.m., after stopping to pickup and/or deliver mail at three of the other cities formerly served by the highway post office.

The only mail that formerly had been transported directly by the highway post office that is not now being transported directly by a star route truck is mail from McLeansboro to Evansville. This mail can be routed via the Centralia sectional center post office on westbound star route truck 62810, which is scheduled to leave McLeansboro at 6:05 p.m. and to arrive in Centralia at 7:25 p.m., and then can be dispatched to Evansville on eastbound star route truck 62010 or 62873.

We believe that the mail transported by highway star routes from Evansville to St. Louis and the other cities formerly provided with delivery service by the highway post office, or from these cities to St. Louis, arrives in time to be sorted and delivered within 1 day after departure, as was the case when mail was transported by the highway post office.

We believe also that mail transported by star route trucks from St. Louis to any of the cities formerly served by the highway post office, or from these cities to Evansville, arrives in time for delivery within 1 day after departure.

We were advised by a Department official that the mail being sorted en route on the highway post office consisted primarily of newspapers; first-class mail generally was transported between Evansville and St. Louis by a commercial airline. At the time of our review (March 1970), three scheduled westbound flights of this airline were being used to carry mail from Evansville to St. Louis, and two of its scheduled eastbound flights were being used to transport mail from St. Louis to Evansville.

In our opinion, the Department's discontinuance of the Evansville-St. Louis highway post office has not adversely affected mail delivery service to and from the communities which it formerly served.

EFFECT OF HIGHWAY POST OFFICE
DISCONTINUANCE ON COSTS

The Department prepared two cost analyses concerning the discontinuance of the Evansville-St. Louis highway post office--one (preliminary) in November 1968 supporting the St. Louis Regional Director's recommendation that the highway post office be discontinued and a second (final) in December 1969, after it was discontinued.

In the preliminary cost analysis, the Department estimated that mail transportation and processing costs would be reduced by \$40,544 annually if the highway post office were discontinued. In the final cost analysis, which was based on more recent data, the Department estimated that the costs would be reduced by \$69,385 annually. The increase of \$28,841 in the estimated savings was due primarily to (1) a reduction in the estimated additional costs of adjusting the existing star route service, (2) a reduction in the estimated costs of processing at stationary post offices the mail formerly processed en route on the highway post office, and (3) the elimination of the estimated costs of mail messenger and Government vehicle services to shuttle mail between post offices and airports. These latter services became unnecessary when the Department decided not to carry out its plan to establish air taxi mail service in Illinois.

GAO estimated annual saving

Using data obtained from the Department, we estimated that the discontinuance of the Evansville-St. Louis highway post office would result

in an annual cost saving of about \$52,900 by the third year after discontinuance. Following is an analysis of our estimated saving.

<u>Cost item</u>	<u>Annual cost</u>
Costs discontinued:	
Highway post office contract costs	\$ 39,952
Highway post office personnel costs	<u>69,132</u>
Total	<u>109,084</u>
Less replacement service costs incurred:	
Star route contract costs (additional costs only)	10,116
Mail-processing costs at stationary post offices	<u>46,075</u>
Total	<u>56,191</u>
Net annual cost saving	<u>\$ 52,893</u>

Our estimated annual cost saving of about \$52,900 was less than the Department's final estimate of \$69,385, primarily because the Department (1) computed the highway post office personnel costs by using national productive hourly pay rates instead of the actual salaries and related fringe benefits and travel costs of the employees assigned to the highway post office when it was discontinued, (2) underestimated the additional star route contract costs resulting from the discontinuance of the highway post office, and (3) underestimated the costs of processing at stationary post offices the volume of mail carried and processed on the highway post office.

The highway post office contract costs represent the annual amount paid to the contractor who furnished the highway post office vehicle and driver.

The highway post office personnel costs represent the salaries and related fringe benefits and travel expenses of the six postal employees that were assigned to the highway post office when it was discontinued. These employees sorted mail en route in the vehicle and picked up and delivered mail at the post offices which it served. Of the six employees, two retired soon after the highway post office was discontinued and the other four were reassigned to positions in stationary post offices. As noted on page 6, the cost of salary protection for a 2-year period for the four reassigned employees was not considered in our estimate of the cost saving resulting from the discontinuance of the highway post office because it was a nonrecurring cost.

The amount shown for star route contract costs represents the additional amount which we estimate that the Department will have to pay to the contractors operating the star route trucks for carrying the mail

formerly carried by the highway post office, because of certain changes in the existing highway star routes. For example, star route 62873 between Carmi and East St. Louis was extended to Evansville.

The mail-processing costs represent our estimate of the cost of processing at stationary post offices the mail formerly sorted on the highway post office. The costs include mainly salaries and related expenses of the personnel needed to process this mail at the stationary post offices. Our estimate of these costs was based on the actual mail volume carried on the highway post office prior to its discontinuance and on the use of national productive hourly pay rates for clerks and mailhandlers as of November 1969. These rates were established by the Department's Bureau of Finance and Administration for use throughout the Department to ensure consistency in estimating costs or savings for proposed changes in operating procedures.

Mr. Keil stated that the discontinuance of the Evansville-St. Louis highway post office would result in no saving in personnel costs, because the highway post office personnel would be reassigned to other postal units and would have salary protection for 2 years. As shown in the table on page 5, however, the highway post office personnel costs (about \$69,000 annually) were actually about \$23,000 greater than the estimated costs (about \$46,000 annually) of processing the same volume of mail at stationary post offices.

Nonrecurring costs not included
in estimated cost saving

In estimating the cost saving resulting from the discontinuance of the Evansville-St. Louis highway post office, we did not include certain nonrecurring costs incurred by the Department because of the discontinuance of the highway post office. The Department also excluded these nonrecurring costs from its preliminary and final cost analyses.

Since the Department terminated its contract for the highway post office before the scheduled expiration date of February 21, 1971, the Department had to pay the contractor two one-time indemnity payments totalling about \$5,700. These payments, which were required by section 6352 of title 39, United States Code, included (1) an amount not in excess of one-twelfth of the compensation the contractor would have earned in 1 year, if the contract had not been terminated, and (2) an allowance for the undepreciated value of any vehicle made surplus as a result of the contract termination.

Another nonrecurring cost was the cost of 2-year salary protection for the highway post office personnel who were reassigned to positions in stationary post offices. We were advised that four of the six employees on the Evansville-St. Louis highway post office had been reassigned to stationary post office positions one pay level below their pay levels on the highway post office. The other two employees--Mr. Keil and one of the substitute distribution clerks--retired soon after the highway post office was discontinued.