

DOCUMENT RESUME

00429 - [A0751012]

[Consolidation of the Toms River Mail Processing Center with the Sectional Center Facility in Hamilton Township, New Jersey]. GGD-77-19; B-114874. January 14, 1977. Released February 1, 1977. 9 pp. + enclosures (2 pp.).

Report to Rep. Edwin B. Forsythe; Rep. William J. Hughes; by Victor L. Lowe, Director, General Government Div.

Issue Area: Facilities and Material Management: Building, Buying, or Leasing Federal Facilities and Equipment (706); Personnel Management and Compensation (300).

Contact: General Government Div.

Budget Function: General Government: Other General Government (806).

Organization Concerned: Postal Service.

Congressional Relevance: Rep. Edwin B. Forsythe; Rep. William J. Hughes.

The impact of the proposed transfer of the Toms River Mail Processing Center to the new sectional facility under construction in Hamilton Township, New Jersey, was studied. The decision analysis estimated that the consolidation would provide operational savings of \$1,586,000 over a 10 year period. Findings/Conclusions: It appears that personnel and transportation savings will exceed the original estimate. Eighty-five full-time positions can be eliminated at Toms River, while 70 persons will be needed at Hamilton Township. This reduction of 15 positions will result in annual personnel savings of \$256,200. Transportation savings will exceed \$100,000, since more routes than originally considered can be eliminated. There are no specific plans for use of the vacated space, but some of the excess equipment will be relocated to other offices. The consolidation will have a favorable impact on the quality of mail service by increasing the number of overnight delivery areas and improving worldwide service. It is difficult to accurately assess the impact of the consolidation on employees. (RRS)

WASHINGTON, D.C. 20548

RELEASED

JAN 14 1977

2/17



GENERAL GOVERNMENT
DIVISION

B-114874

The Honorable Edwin B. Forsythe
House of Representatives

Dear Mr. Forsythe:

On August 23, 1976, you and Congressman William Hughes jointly requested that we study the economic justification and impact on the quality of mail service in Ocean County of the proposed transfer of the Toms River Mail Processing Center to the new sectional center facility presently under construction in Hamilton Township, New Jersey.

The Postal Service plans to consolidate some of Toms River's mail processing functions in the Hamilton Township Office. Toms River will be retained as an associate office responsible for sorting local mail, providing customer services and delivery operations, and operating as a transfer point for other associate offices. We believe that the consolidation will achieve economies principally by requiring fewer personnel and truck routes to move the mail. However, the incomplete state of the Service's staffing and transportation plans preclude an exact determination of the savings that will be realized.

The effect of the consolidation on the quality of mail service in Ocean County will be generally favorable. Improvements that can be expected include

- increasing the number of overnight delivery areas, and
- improving world-wide service through (1) speedier and more detailed sorting and (2) more frequent dispatches of mail.

On the other hand, the cut-off time for depositing mail at the Toms River Post Office will be changed from 8:30 p.m. to 6 p.m., which could adversely affect about three hundred pieces of mail a day.

GGD-77-19

00429

Our findings are discussed in detail in the following sections. Our evaluations are based on reviews of Service records and discussions with union representatives and Service officials from the Headquarters, Eastern Region and South Jersey District.

WHY THE CONSOLIDATION IS PLANNED

Improved mail-processing capabilities have been needed in the Trenton, NJ area for several years. To satisfy these needs the Service considered the alternatives of improving the existing facilities or constructing a new facility, and chose the latter. In evaluating the advantages of constructing a new facility the Service considered the possibilities for implementing area mail processing.

The Service began implementing area mail processing on a nationwide basis in 1971. Under this concept all mail originating at post offices within an area is consolidated at a sectional center facility ¹/ for processing and for dispatch to its destination. By centralizing mail processing within an area, the Service is able to mechanize operations and reduce personnel costs, increase worker productivity, and make more efficient use of transportation.

In July 1974, as a result of its evaluations, the Service approved plans to construct a sectional center facility in Hamilton Township to process mail for the Trenton and Ocean County areas. The Toms River office had been processing mail for northern Ocean County on a temporary basis since 1972 when the processing center at Lakewood proved inadequate to handle the workload. With complete implementation of area mail processing in central New Jersey, there will be only one central processing point in the area, and Toms River will return to its previous status as an associate office.

CONSOLIDATION IS ECONOMICALLY ADVANTAGEOUS

The decision analysis prepared by the Service in 1974 estimated the consolidation would provide operational savings of \$1,586,000 over a 10-year period. Although it is not possible to determine actual savings until after consolidation, it appears that personnel and transportation savings will exceed the Service's original estimate. However, the Service

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should not have included a rental saving in its analysis and should have included a cost for relocating employees. The net effect of all the adjustments is an increase in the Service's estimated annual savings.

Personnel savings could be higher than originally estimated

The Service's analysis was prepared on the assumption that the Toms River office would be a mechanized operation by the time consolidation took place. Accordingly, the consolidation was viewed as a move from a mechanized operation using a multi-position letter sorting machine to another mechanized operation resulting in estimated personnel savings of \$70,400 per year.

Toms River, however, never received a multi-position letter sorter because fewer machines than anticipated were purchased. These were installed at offices that could obtain the highest return on investment. Consequently, under the present circumstances the move should be considered a shift from a limited to a highly mechanized operation.

The actual personnel savings to be gained from the consolidation can best be determined by comparing the number of employees not needed at Toms River as a result of the reduced mail processing responsibilities to the number of employees needed at Hamilton Township to handle the new processing responsibilities. The Service estimates that 85 full-time positions could be eliminated at Toms River while 70 could be needed at Hamilton Township. Based on salaries effective in November 1976, a reduction of 15 positions could result in annual personnel savings of \$250,200.

The Toms River Postmaster told us that some additional part-time employees may be needed at Toms River to ensure same day delivery of the local mail. The need for these employees would depend upon when Toms River receives its mail from Hamilton Township. The postmaster also told us some additional full- or part-time employees may be needed to "dock transfer" mail (move from one truck to another) being transported between Hamilton Township and Toms River's associate offices. The number of employees required would depend upon (1) the volume of mail, (2) the time of day transfers would take place, and (3) the number of offices that would receive direct transportation from Hamilton Township. Thus, personnel savings cannot be specifically identified until after the consolidation.

Transportation savings greater than anticipated

In its 1974 analysis, the Service estimated that \$72,800 could be saved annually after the consolidation by eliminating truck routes from Toms River. While the actual savings from realigning existing truck routes will not be known until shortly before the consolidation, it appears that the savings will exceed \$100,000 since more routes than originally considered can be eliminated.

Toms River presently has routes going to the Newark airport, the South Jersey State Distribution Center 1/ and the Atlantic City Sectional Center Facility. Since Trenton also has routes going to these locations, the Toms River routes can be eliminated after the consolidation. The routes that can be eliminated are shown in Enclosure I. The Service's current contract cost for these routes is \$108,000.

Service officials feel other potential transportation savings could result from eliminating routes between the Toms River office and its associate offices. While many of these offices would continue to receive and send their mail through Toms River, some routes would not be necessary because mail could be sent directly to selected associate offices by including them on existing Trenton routes. For example, the existing route between Toms River and Lakewood could be combined with the route between Trenton and Toms River since Lakewood is along this route. (See Enclosure II.) Changes in routes to the associate offices would have to be evaluated after the consolidation.

Service officials told us it is possible that an additional truck trip will be required between Hamilton Township and Toms River to ensure one day delivery for Toms River's local mail. The need for this additional trip would depend on when Hamilton Township could finish processing the mail and transport it to Toms River. If the mail cannot be transported to Toms River early enough to enable sorting it to carrier routes for delivery that day, an additional trip may be required so Toms River can maintain an even work flow and accomplish same day delivery. Again, the need for this additional trip will not be known until after the consolidation takes place.

1/A post office designated to receive and distribute mail destined for specific ZIP code areas.

Rent and utility costs
should be included

In its 1974 decision analysis, the Service included an annual savings of \$17,400 for vacated space at Toms River which it expected to sublease. Since this space is part of the workroom area, we do not feel it is suitable for subleasing and consequently this savings is not valid. Service officials agree with us. The Service has no specific plans for how the vacated space will be used immediately following the consolidation. Therefore, we believe rent and associated support costs, such as heating, air conditioning, and lighting, should be subtracted from the savings generated from the consolidation. While the rent costs are easy to determine, the support costs are not. However, we do not believe the support costs for empty workroom space would be significant in comparison with the projected savings.

Employee relocation expenses
should be included

The Service did not include a cost for relocating employees who may be involuntarily transferred to Hamilton Township. Although it is not known how many people will relocate their residence we feel it is appropriate to include an estimate of this cost in the analysis.

Eastern Region officials agree there should have been a relocation cost in the analysis and have developed a relocation cost of \$1,975 per employee. This cost is based on a recent incident involving short distance relocation and includes the following.

Residence selling expenses	\$ 500
Closing costs on purchases of new residences	400
Movement of household goods	800
Mileage and overnight lodging	75
Miscellaneous	<u>200</u>
Total	<u>\$1,975</u> -----

Although this is considerably lower than the average Service-wide relocation cost, officials consider it a reasonable

estimate because younger employees will probably have to relocate. On the average, these younger employees normally have smaller families and probably would not be selling or purchasing homes. Additionally, since the move is less than 40 miles the Service will not have to pay for house hunting trips or temporary quarters.

Assuming that all 39 employees affected by the reduction in work at Toms River (see section on impact on employees) transfer to Hamilton Township and relocate their residence, the Service would have to increase the cost of consolidation by \$77,025. The number who relocate their residence probably will be considerably less than 39, but the exact number will not be known until after consolidation.

Unused equipment in Toms River
will be used elsewhere

The consolidation will result in some equipment becoming excess in the Toms River office. The Service currently plans to relocate some of the excess equipment to other offices that need it and may move other excess equipment after the consolidation. Relocating the excess equipment could eliminate the need to purchase new equipment for other post offices. Service officials told us the equipment would be moved by Service employees, thus, the moving expense would be minimal.

Adjustments result in
increased annual savings

Although there are some changes which decrease the economic benefits of the consolidation, the savings are still greater than originally estimated. The following schedule summarizes the net effect of adjustments to the Service's 1974 estimated savings.

	<u>Revised Estimated Annual Savings</u>		
	1974 estimated <u>savings</u>	1976 estimated <u>savings</u>	Increase <u>(decrease)</u>
Personnel	\$ 70,400	\$256,200	\$185,800
Transportation	72,800	108,000	35,200
Rent	17,400	(17,400)	(34,800)
Total	<u>\$160,600</u>	<u>\$346,800</u>	<u>\$186,200</u>

As we have discussed, the transportation savings are likely to be greater than \$108,000. However, annual costs stemming from an additional truck trip between Hamilton Township and Toms River, if needed, would have to be deducted from these savings. Personnel savings could be less than \$256,200 and employee relocation expenses, if incurred, would have to be deducted from the first year's savings.

GENERALLY FAVORABLE IMPACT ON
THE QUALITY OF MAIL SERVICE

It is not possible at this time to completely assess the impact the consolidation will have on the quality of mail service because mail processing and transportation plans have not been finalized. It does appear that the impact on mail service will be generally favorable. Service for northern Ocean County should improve from increased overnight delivery areas and improved service to world-wide destinations. On the other hand, the cut-off time for depositing mail at the Toms River Post Office will be moved from 8:30 p.m. to around 6 p.m. which could adversely affect about three hundred pieces of mail.

The Toms River office presently gives overnight delivery to seven areas for mail originating in Ocean County. Trenton provides overnight delivery to these plus three additional areas for mail it processes. Thus, when mail originating in northern Ocean County is processed at Hamilton Township, it too will receive overnight delivery to 10 areas.

Service for northern Ocean County mail to world-wide destinations should also improve by processing it at Hamilton Township because:

- Use of multi-position letter sorters at Hamilton Township will increase sorting speed and provide more detailed sorts. Toms River can presently do up to 99 separations with one processing, whereas Hamilton Township will be able to do 277 with one processing.
- Combining Toms River's mail with Trenton's mail will increase the volume and permit more frequent dispatches than now permitted at Toms River.
- Toms River closes operations between 9:30 p.m. and 12 p.m., whereas, Hamilton Township will have round the clock sorting operations. This could also enhance the frequency of dispatching mail.

The mail for which service may not be as good as before consolidation involves that deposited at the Toms River Post Office after the last planned dispatch to Hamilton Township. Toms River presently processes outgoing mail deposited at the post office by 8:30 p.m. This practice actually provides patrons with special service. After the consolidation, the Service plans to dispatch mail to Hamilton Township around 6 p.m. for processing. A Postal Service survey has shown that about three hundred pieces of mail will be adversely affected by the 8:30 p.m. to 6 p.m. change. Processing mail deposited by 6 p.m., however, will still be better than the nation-wide standard which is based on deposit by 5 p.m.

IMPACT ON PERSONNEL

At the present time it is difficult to accurately say how many employees will be affected by the consolidation because (1) casual (temporary) employees will be released first, (2) employees will be lost through attrition, and (3) some employees will possibly transfer to other postal facilities in the area.

The Postmaster at Toms River estimates that he will need 172 employees after consolidation if the mail is received from Hamilton Township early in the day (between 1 a.m. and 4 a.m.) as shown on the following table.

	<u>Assuming early receipt of mail</u>
Positions currently at Toms River, October 1976	257
Positions required at Toms River after consolidation	<u>172</u>
Total positions affected	<u>85</u>
Less:	
Casual employees to be released	(24)
Employees lost through attrition	(22)
Net positions affected	<u><u>39</u></u> --

If mail is received after 4 a.m., the Toms River Postmaster estimates 10 additional part-time employees could be needed to sort the mail to carrier routes in time for delivery that day.

Thus, it is estimated that between 29 and 39 employees will have to change work locations. Some will have to transfer to Hamilton Township, while others could possibly transfer to offices near Toms River. It is not known how many of these employees will relocate their residences if they transfer to Hamilton Township. Postal officials feel the number to relocate will be small because some employees live between Hamilton Township and Toms River, so there may be little or no difference in commuting distance.

Employees who have to transfer to Hamilton Township will be entitled to apply for positions at Toms River or other nearby facilities as positions come available. Those who choose to transfer and remain at Hamilton Township should have greater opportunity for advancement in a larger facility.

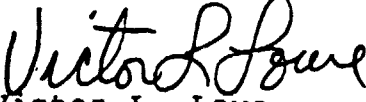
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Although specific economic benefits of the consolidation cannot be determined until after it takes place, we believe the Postal Service's decision to relocate mail processing functions from Toms River to Hamilton Township will provide the Service the opportunity to save money with little, degradation in mail service.

The Postal Service has reviewed this report and stated that it factually portrays the case.

This report is also being sent to Congressman Hughes.

Sincerely yours,

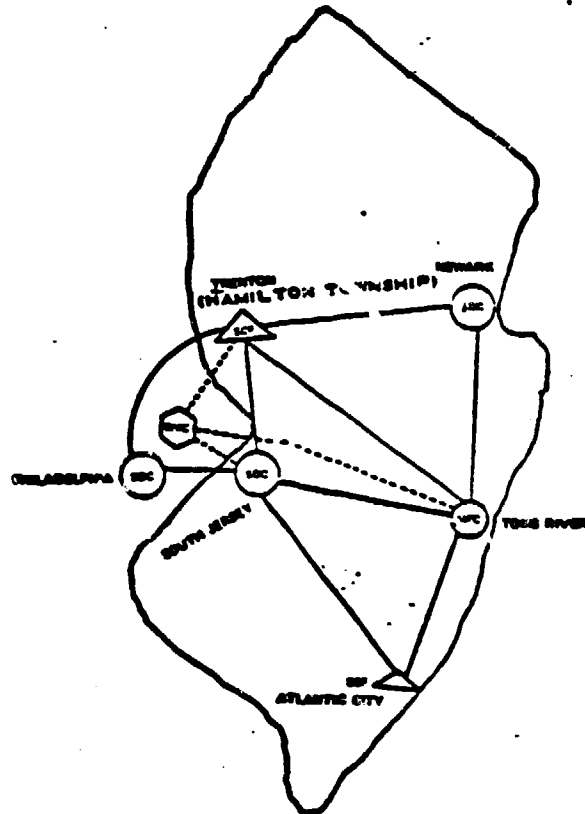

Victor L. Lowe
Director

Enclosures

ENCLOSURE I

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**INTER OFFICE TRANSPORTATION
OF MAIL BEFORE CONSOLIDATION**

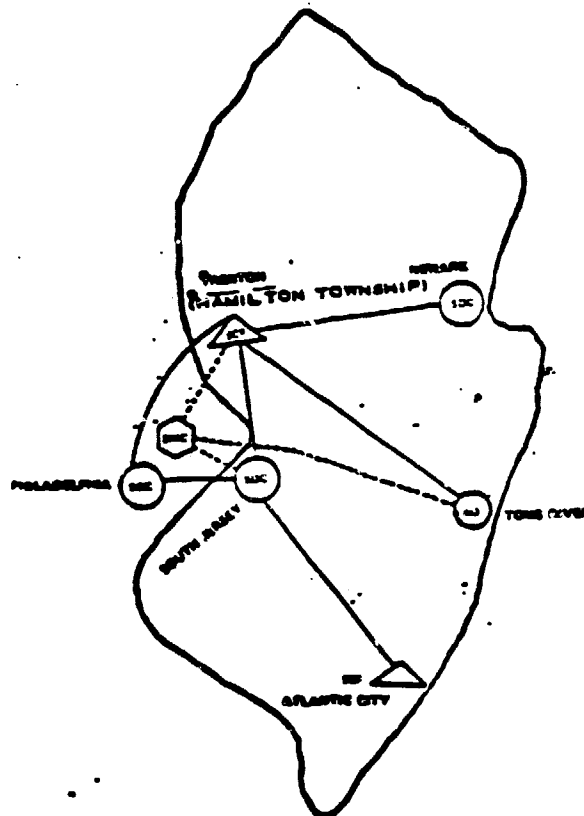


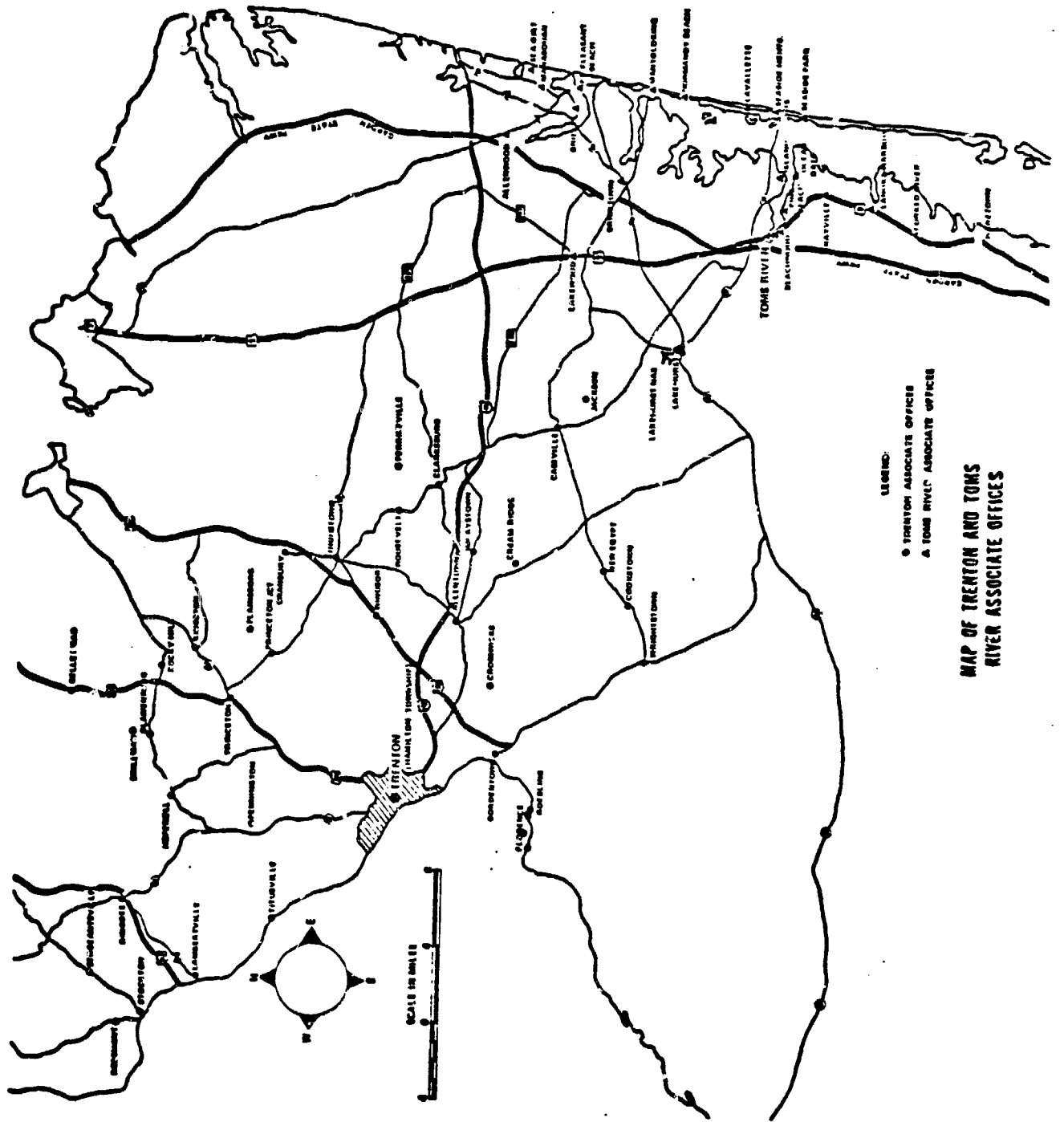
**INTER OFFICE TRANSPORTATION
OF MAIL AFTER CONSOLIDATION**

LEGEND

- AO** • Associate Office
- SCF** • Sectional Center Facility
- SDC** • State Distribution Center
- BMC** • Bulk Mail Center
- MPC** • Mail Processing Center

- Non time value mail
- Time value mail





LEGEND:
 ○ TRENTON ASSOCIATE OFFICES
 □ TOMS RIVER ASSOCIATE OFFICES

MAP OF TRENTON AND TOMS RIVER ASSOCIATE OFFICES

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2001-2-1012



REPORT ... prepared outside the General
Accounting Office ... specific approval
by ... a record of which
UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

RELEASED

JAN 14 1977

2/1/77

GENERAL GOVERNMENT
DIVISION

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This report is also being sent to Congressman Forsythe.

Sincerely yours,



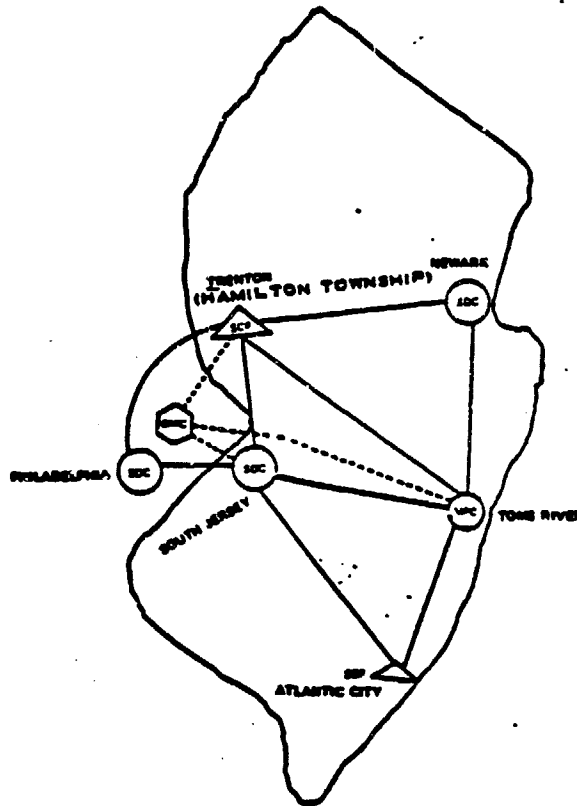
Victor L. Lowe
Director

Enclosures

ENCLOSURE 1

ENCLOSURE 1

**INTER OFFICE TRANSPORTATION
OF MAIL BEFORE CONSOLIDATION**



**INTER OFFICE TRANSPORTATION
OF MAIL AFTER CONSOLIDATION**

LEGEND

- AO** • Associate Office
- SCF** • Sectional Center Facility
- SDC** • State Distribution Center
- BMC** • Bulk Mail Center
- MPC** • Mail Processing Center

- Non time value mail
- Time value mail

