

DOCUMENT RESUME

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[Transfer of Mail Processing Functions from Ogden to Salt Lake City, Utah]. GGD-78-81; B-114874. June 23, 1978. Released June 30, 1978. 8 pp.

Report to Rep. Gunn McKay; by Victor L. Lowe, Director, General Government Div.

Contact: General Government Div.

Budget Function: Commerce and Transportation: Postal Service (402).

Organization Concerned: Postal Service.

Congressional Relevance: Rep. Gunn McKay.

The Ogden to Salt Lake City, Utah, mail processing consolidation was planned to realize savings by processing Ogden's outgoing mail on Salt Lake City's multiposition letter sorting machines. It was estimated that the Postal Service could save \$91,900 in the first year and \$160,700 thereafter by this consolidation. It could save an additional \$7,500 annually by performing certain manual operations at the Salt Lake City office because that office has higher productivity rates and lower average pay rates than the Ogden office for these operations. The consolidation will have little or no impact on mail service to Ogden. Salt Lake City's multiposition letter sorting machines have adequate capacity to process Ogden's mail, and transportation schedules can be revised to provide for pickup and return of Ogden's mail to insure that it is available for delivery the next day. (Author/HTW)

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

RELEASED
6/30/78

GENERAL GOVERNMENT
DIVISION

B-114874

JUNE 23, 1978

The Honorable Gunn McKay
House of Representatives

Dear Mr. McKay:

As you requested on February 23, 1978, we reviewed the economic justification for and the impact on mail service of the U.S. Postal Service's proposed transfer of outgoing mail processing functions from Ogden to Salt Lake City, Utah.

Although the exact amount of benefits of the consolidation cannot be determined until sometime after it is completed, we estimate that the Service could save \$91,900 in the first year and \$160,700 thereafter by mechanically processing Ogden's outgoing mail in Salt Lake City. The Service could also save an additional \$7,500 annually by performing certain manual operations in Salt Lake City because the Salt Lake City office has higher productivity rates and lower average pay rates than the Ogden office for those operations.

Further, it appears that the consolidation will have little or no impact on mail service to Ogden. Salt Lake City's multi-position letter sorting machines have adequate capacity to process Ogden's mail, and transportation schedules can be revised to provide for pickup and return of Ogden's mail to insure it is available for delivery the next day.

Our findings are discussed in detail in the following sections. Our evaluations are based on our review of Service records and discussions with Service officials from the Western Region and the Salt Lake City and Ogden sectional center facilities.

BACKGROUND

The Ogden to Salt Lake City 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 1/ for processing and dispatch to its destination. 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.

The Ogden to Salt Lake City consolidation was planned to realize savings by processing Ogden's outgoing mail on Salt Lake City's multi-position letter sorting machines. Ogden's mail is presently sorted manually and on six single-position letter sorting machines which operate at a slower speed than multi-position machines and sort to fewer locations. Thus, mail processed in Ogden must be sorted more times than mail processed in Salt Lake City. Under the plan, most of the mail originating in Ogden and northern Utah will be processed in Salt Lake City. Mail for northern Utah will also be sorted in Salt Lake City, except mail from Pocatello and Twin Falls, Idaho, to Ogden will be sent directly to the Ogden Post Office. The Ogden office will continue to provide customer services, mail delivery and process its incoming mail on the six single-position machines. Mail deposited in special boxes at Ogden branches and stations will be postmarked and processed in Ogden. As of June 6, 1978, the Service had not established a firm date for the consolidation.

The Service's Western Region prefers to have mail volume sufficient to utilize two multi-position machines at a facility before it authorizes their procurement. Service officials stated that the technical staff needed to maintain multi-position machines would be underutilized if only one machine were used, and, therefore, the operation would be less economical. These officials stated that the use of only one multi-position machine provides no backup in the event of a machine breakdown and could result in major delays in mail delivery.

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

Ogden's machinable mail volume would have to average a minimum of 512,000 pieces of mail per day to justify two multi-position letter sorting machines. However, Ogden presently machine processes a daily average of only 168,300 pieces of mail: 83,700 pieces originating in Ogden and 36 other northern Utah cities and 84,600 pieces sent to Ogden and the 36 cities from Pocatello and Twin Falls, Idaho. Service officials stated that Salt Lake City presently has the capacity to machine process an average of 833,000 pieces of mail per day and that it is currently processing an estimated average of 639,000 pieces of mail per day. Thus, Salt Lake City could machine process an additional 194,000 pieces per day, more than currently is processed in Ogden.

OGDEN/SALT LAKE CITY CONSOLIDATION
WILL REDUCE MAIL PROCESSING COSTS

In September 1977, the Service estimated the consolidation would save \$78,900 in mail processing costs during the first year and \$111,400 annually thereafter. However, in addition to making several mathematical errors, the Service used outdated productivity rates, mail volume counts, and pay rates which understated the benefits it calculated.

We estimate the Service could save \$160,700 annually, after deducting additional transportation costs of \$6,900, by processing Ogden's mail at the highly mechanized and more productive Salt Lake City Sectional Center Facility.

First-year savings could be \$91,900 after deducting one-time costs of about \$68,800 for employee relocation and training, and a machine relocation. Our estimate includes \$86,300 of savings directly attributable to processing Ogden's mail on multi-position sorting machines, and \$81,300 of savings from eliminating four support positions in Ogden that should not be needed in Salt Lake City.

The Service could also save \$7,500 annually by performing certain of Ogden's manual processing operations in Salt Lake City because Salt Lake City workers have a higher productivity rate and a lower average hourly pay rate for these operations.

Although the estimated savings will be realized through reductions in manpower, the Western Region had not finalized plans for achieving the savings. Region officials had determined that Ogden's staffing would be reduced by 29 positions. Employees filling 15 of the 29 positions in Ogden can be absorbed into other Ogden operations. Placement of the remaining 14 employees had not been determined;

however, these employees could be absorbed into operations in Salt Lake City and surrounding areas. Service officials had not determined the exact increase in staffing required at Salt Lake City. They estimated, however, that the increase will not exceed 21 positions.

Machine processing mail in Salt Lake City will generate savings

We estimate the Service could save \$86,300 annually by machine processing Ogden's mail in Salt Lake City because:

- Salt Lake City's multi-position machines provide greater worker productivity per hour than Ogden's single-position machines;
- Salt Lake City's multi-position machines allow mail to be sorted to more locations each time it is handled than Ogden's single-position machines, thus reducing the number of additional handlings needed to sort mail to its final destination;
- Salt Lake City can machine process some mail which Ogden presently cannot process on its single-position letter sorting machines; and
- Salt Lake City's machine operators have a lower average hourly pay rate than Ogden's.

Multi-position operators in Salt Lake City process approximately 200 more pieces of mail an hour than single-position operators in Ogden because of the difference in the speed of the machines. This higher productivity rate in Salt Lake City could generate annual savings of about \$21,500.

Mail processed on a multi-position machine can be sorted to 277 locations each time it is handled, while mail processed on a single-position machine can only be sorted to 100 locations. Thus, mail processed on single-position machines requires additional handlings. Approximately 37 percent of Ogden's machinable mail--30,800 pieces on weekdays and 7,300 pieces on weekends and holidays--could be sorted to as many as 177 additional final destinations. We estimate that eliminating extra handlings could save about \$63,100 annually. Since 93 percent of the reduced handling savings will accrue to the Ogden, Salt Lake City, and Provo post offices they are, in our opinion, reasonable. However, reduced handling savings to the many other offices may be

quite small, for example, less than one hour a day, in which case the offices may not be able to adjust work schedules to realize the savings.

Ogden handles a daily average of 83,700 pieces of mail on weekdays and 19,700 pieces on weekends and holidays which could be machine processed. Ogden presently cannot machine process a daily average of 400 and 2,700 pieces, respectively. Machine processing this mail in Salt Lake City could result in an annual savings of about \$1,700.

Support positions
can be eliminated

Four positions in the Ogden office required to process outgoing mail will be eliminated as a result of the consolidation. Two positions, a supervisor and a mail handler, will be eliminated because they will no longer be needed in Ogden or in Salt Lake City. An electronic technician for the Mark II cancelling machine will be eliminated in Ogden when the machine is relocated to Salt Lake City. Salt Lake City has a sufficient number of electronic technicians to maintain the machine. The fourth position, a Mark II cancelling machine operator, will not be needed in Ogden once the machine is relocated to Salt Lake City. Service officials estimated that only three hours a day will be needed in Salt Lake City to cancel Ogden's mail, and this extra work can be absorbed by the existing workforce without adding a position.

Consolidation will result in
additional transportation costs

To enable Ogden to maintain its current level of mail service, the Service will have to adjust transportation schedules for four existing routes and add two new routes at a net increased annual cost of about \$6,900.

The mileage on the existing Ogden to Logan and Ogden to Salt Lake City routes will be reduced because fewer trips will be needed. The mileage on the existing Ogden to Portage and Ogden to Lewiston routes will be increased because both routes will be extended to Salt Lake City. The extension will facilitate the processing of Ogden's mail in Salt Lake City for turnaround service to Ogden and improve service to areas outside of Utah. Two additional routes from Logan to Wellsville and from Ogden to Salt Lake City will be needed to insure overnight delivery of mail processed by Salt Lake City.

In its original analysis, the Service estimated additional transportation costs of \$20,673 based on their "best guess" estimate. In March 1978, the Service recognized its original estimate was not realistic and, therefore, revised its approach and arrived at a new estimate of \$6,300. Both estimates were inaccurate due to mathematical and judgmental errors. The Service agreed with our additional cost estimate of about \$6,900.

Additional first-year costs

The Service could incur costs totaling \$68,800 during the first year of the consolidation that could offset savings for that year. These costs include employee relocations, a Mark II cancelling machine relocation, and multi-position machine operator training.

As noted previously, the staff level in Ogden may be reduced by 29 positions. Although the number of employees that may be relocated is not known at this time, if the consolidation had taken place on April 1, 1978, it would have required relocating 14 employees. Fifteen employees would have been absorbed into other Ogden operations by filling vacant positions presently occupied by casual (temporary) employees and by reducing hours worked by part-time employees.

In its original analysis, the Service estimated a relocation expense of \$2,000 per employee. At our request, the Western Region updated this estimate to reflect current costs and arrived at an estimated relocation expense of \$3,700 for single employees and \$4,400 for married employees assuming the employees sell their present homes and purchase new homes. Using these figures and assumptions, we estimate the relocation costs for 14 married employees could be as much as \$61,700. Regional postal officials believe these estimates might be high because the younger employees will probably be the ones to relocate and these employees may have smaller families and probably would not be selling or purchasing homes. The number of employees that will relocate their residence probably will be less than 14, but the exact number will not be known until after the consolidation.

As part of the consolidation, Ogden's Mark II cancelling machine will be moved to Salt Lake City. This move will be accomplished by using postal employees and regularly scheduled mail trucks. Although Postal officials believe the move can be made at no cost, they allocated \$1,000 to cover incidental expenses.

After the consolidation, one-half (11 people) of a multi-position letter sorting machine crew will be needed to process Ogden's mail in Salt Lake City. Each of the 11 operators will need approximately 50 hours of training. We revised the Service's original estimate to reflect current workhour rates and estimated this first-year cost to be about \$6,100.

Additional savings may be achieved through higher productivity for manual operations

Productivity in the manual outgoing mail processing units that cancel stamped mail and sort nonmachinable mail and flats (large size letters) was higher in Salt Lake City than in the same units in Ogden. Based on past consolidations in Utah, the Service estimated, that after the consolidation takes place, 90 percent of Ogden's manual processing will be done in Salt Lake City. If the higher productivity rates in Salt Lake City continue, we estimate that performing the manual operations there could result in a reduction of 488 hours annually for a savings of about \$5,200. Also, because average hourly pay rates for manual clerks are lower in Salt Lake City, we estimate that the Service could save an additional \$2,300, for a total annual savings of \$7,500.

QUALITY OF MAIL SERVICE WILL BE MAINTAINED

Based on our review of the Service's proposed transportation and mail processing studies, it appears that the quality of Ogden's mail service should at least remain the same. Ogden postal officials plan to maintain current box collection and delivery schedules. The proposed revision of transportation schedules between Ogden and Salt Lake City will insure, that by 7:50 p.m., virtually all of Ogden's mail will be delivered to Salt Lake City for processing. The transportation schedule between Ogden's main post office and its stations will be revised to include a stop at the main post office which will enable most of Ogden's mail to be delivered to Salt Lake City by 5 p.m. Virtually all of Ogden's mail will be returned by 2:50 a.m. for delivery that day. Mail not arriving in Salt Lake City by 7:50 p.m. and returned to Ogden by 2:50 a.m. can be transported on other scheduled trips and still receive overnight delivery.

Ogden Chamber of Commerce officials stated that they have received numerous complaints about Salt Lake City's mail service. We contacted several businessmen in Ogden and Salt Lake City to obtain their views on the mail service they received from Salt Lake City. None of those contacted could document poor mail service from Salt Lake City although

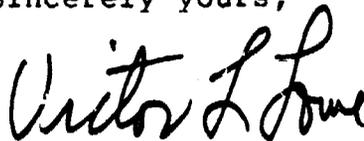
each businessman could recall instances of delayed delivery of mail. Our review of Service studies showed that mail delivered to overnight areas from the Salt Lake City Post Office was, on the average, better than overnight service from the Ogden Post Office, with the exception of 2 months during the 16-month period ending January 1978. Thus, the service for Ogden's outgoing mail could actually improve.

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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 Ogden to Salt Lake City will provide the Service the opportunity to save money with no apparent impact on mail service.

As requested by your office, we did not obtain formal agency comments. However, the Postal Service has reviewed this report and stated that it factually portrays the case. No further distribution will be made until 7 days after the date of this report unless you publicly release its contents earlier.

Sincerely yours,

A handwritten signature in black ink that reads "Victor L. Lowe". The signature is written in a cursive, slightly slanted style.

Victor L. Lowe
Director