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Dear Mr. Chairman:

Your letter of June 19, 1972, requested that we study the proposed purchase of a new headquarters building for the U.S. Postal Service and the selection of sites for bulk mail facilities in Memphis, Tennessee, and Philadelphia, Pennsylvania. Our report on the Postal Service's decision to purchase a new headquarters building was issued to you on January 5, 1973, B-114874. This report deals with the selection of the bulk mail facility sites in Memphis and Philadelphia.

We (1) reviewed a Postal Service consultant's study identifying potential bulk mail facility site location areas, (2) evaluated U.S. Army Corps of Engineers' studies relating to possible sites, and (3) discussed the studies and site locations with Postal Service and Corps officials.

The Postal Service's site selection for the Memphis facility was reasonable and adequately supported, and the other sites considered did not appear to offer any overall advantage to the one selected.

The Postal Service changed its Philadelphia site selection because of concerns raised about the availability of public transportation, the proximity of adequate public housing, and the impact of the resulting additional road traffic. The new location is accessible by public transportation and is near public housing.

BACKGROUND

On March 11, 1971, the Postal Service announced that it was planning to establish the National Bulk Mail System (NBMS) consisting of 21 bulk mail facilities, including the Memphis and Philadelphia facilities, and 12 auxiliary service facilities. According to a Postal Service estimate, the NBMS will cost about \$1 billion and, by using modern bulk mail machine-sorting techniques and by consolidating such mail for long-distance transportation, will result in reducing operating costs by about \$300 million a year when it is fully implemented in 1975.

Under agreements with the Department of the Army, the Postal Service's construction and facilities program is being

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conducted by the Corps. Various agreements with the Corps provide that it will perform certain real estate services, including site selection and acquisition, relating to the bulk mail facilities.

The Postal Service engaged a consultant to study mail flows and transportation costs to determine the most economical locations within 16 of the 21 cities for which bulk mail facilities were planned--the Postal Service had already selected sites in the five other cities. The consultant's study identified several potential site location areas in each of the 16 cities and ranked the areas according to the estimated annual transportation costs that would be incurred.

After the Postal Service decides to acquire a site, it requests the Corps to locate and analyze available sites within the areas identified by the consultant. From these areas, the Corps selects various available sites for detailed analysis. The Corps then prepares a Real Estate Planning Report on its analysis which usually recommends three sites and specifies the most desirable one. This report is submitted to the Postal Service Site Selection Committee for consideration.

This Committee usually visits each of the recommended sites and discusses them with Corps officials. After considering such items as acquisition and transportation costs, availability of public transportation, housing for employees, and access to major highway systems, the Committee selects the site it considers the most advantageous. The Postal Service then requests the Corps to make additional studies--such as a subsurface investigation, an appraisal, and a title search--for the selected site. If the Postal Service determines that the site is suitable for construction of a facility, it instructs the Corps to initiate acquisition proceedings.

SITE SELECTION FOR MEMPHIS FACILITY

On May 28, 1971, the Postal Service requested the Corps to locate and analyze potential sites for a facility within 10 areas that had been recommended by the consultant in the vicinity of Memphis. Subsequently, the Postal Service directed the Corps to restrict its selection of sites for analysis to three or four of the most economical areas--transportationwise--depending on the number of potential sites located in each area.

The Corps' Real Estate Planning Report dated July 22, 1971, showed that the Corps had analyzed nine sites and had recommended four for further consideration, the most desirable being a 57-acre site between U.S. Highway 51 and Cane Creek. The report estimated that the 57-acre site would cost \$1,284,500, including \$435,000 for site preparation, \$20,000 for sewer connections, and \$5,000 for potential costs to obtain a change in the zoning requirements. The estimated costs for the other three sites were from \$377,500 to \$525,500 higher than for the 57-acre site.

One of the other five sites analyzed was a 58-acre site adjacent to a service road for Interstate 55 in West Memphis, Crittenden County, Arkansas. According to Corps officials, this site was analyzed because of congressional interest in having the facility located in Crittenden County.

The Corps' report stated that the Crittenden County site was bisected by an electric transmission cable, that the adjacent Interstate 55 had a daily traffic flow of over 30,000 vehicles, and that piggyback rail service was not available in West Memphis. Trucks using piggyback rail service, the report said, would be required to cross the Mississippi River to Memphis over a four-lane bridge now carrying more than 30,000 vehicles a day.

The report estimated that this site would cost \$800,000 exclusive of the cost of relocating the electric transmission line. It also noted that, because of the site location, the access trucking costs would be relatively high--about \$145,000 a year more than for the recommended site.

The Corps' report stated that this site was not recommended for selection because of (1) the higher annual trucking costs, (2) the access difficulties caused by the extensive vehicular traffic, and (3) the lack of piggyback rail service.

In October 1971 the Postal Service analyzed the total estimated costs--acquisition cost (including site preparation), residual value, and cumulative bulk mail transportation costs over a 20-year period--for each of the four sites recommended by the Corps. This analysis showed that the cost for the site adjacent to U.S. Highway 51 was lower than for the other three sites. Subsequently, the Postal Service Site Selection Committee visited the Memphis area and, after evaluating the sites and reviewing the Corps' report, concluded that the site adjacent to Highway 51 should be acquired. On November 4, 1971,

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the Postal Service instructed the Corps to commence negotiations with the owner for the acquisition of the site as soon as possible.

On December 29, 1971, the Corps submitted a supplemental Real Estate Planning Report concerning the equal employment opportunities available at the selected site. According to this report, the site was within the urban area of Memphis, public bus service to the site was available, bus transportation costs would not exceed those presently paid by Postal Service employees in traveling to the main post office in downtown Memphis, and federally assisted public housing was located within 10 miles of the site. In addition, a Postal Service official stated that the majority of the people who would work in the facility would be those currently employed in various post offices in the Memphis area and that locating the facility outside the Memphis metropolitan area would result in additional commuting expenses and a hardship for Postal Service employees.

On February 23, 1972, the Corps accepted the owner's offer to sell the site for \$713,250 subject to the condition that the owner obtain a zoning change for the property. The zoning change was subsequently obtained.

The National Environmental Policy Act of 1969 (Public Law 91-190) requires all Federal agencies to prepare detailed environmental impact statements on major actions significantly affecting the quality of the human environment.

We noted, however, that during recent House subcommittee hearings testimony was presented which questioned whether the planned bulk mail facility in Memphis would adversely affect the environment. Because the Corps was responsible for the Postal Service's construction and facilities program, it prepared an environmental assessment report which was issued on September 1, 1972. This report stated that a hearing was held before the local zoning board and was followed by three readings before the Memphis City Council. These readings were open to the general public, and, according to the Corps officials, no opposition was expressed regarding environmental or other issues relating to the selected site. The report concluded that construction and operation of the Memphis bulk mail facility would not significantly affect the environment. Therefore, an environmental impact statement was not required.

SITE SELECTION FOR PHILADELPHIA FACILITY

On June 2, 1971, the Postal Service requested the Corps to locate and analyze potential sites for a facility within 10 areas that had been recommended by the consultant in the vicinity of Philadelphia. These 10 areas had been selected on the basis of their proximity to major truck routes and had been ranked according to their relative 1985 estimated bulk mail transportation economics.

Subsequently, the Postal Service directed the Corps to restrict its selection of sites for analysis to three or four of the most economical areas, depending on the number of potential sites located in each area. The Postal Service stated that, if it was impossible to find any sites in a particular area, consideration should be given to the next most economical area indicated by transportation economics.

The Corps, in a Real Estate Planning Report dated August 5, 1971, recommended as its first choice a 55-acre site at Pinetown Road and Highland Avenue, Fort Washington, and recommended two alternative sites, one at the northwest corner of Welsh Road and Dreshertown Road, Willow Grove, and the other at Germantown Pike and the Norristown Pennsylvania Turnpike exchange, Plymouth Meeting. Subsequently, the Postal Service instructed the Corps to evaluate and comment on the available labor supply and the access to public transportation for compliance with Equal Employment Opportunity requirements. The Postal Service informed the Corps that this information should be limited to the sites recommended by the Corps in its Real Estate Planning Report.

In December 1971 the Corps issued a supplemental Real Estate Planning Report in which it changed its site recommendations. The Corps eliminated the second alternative site at Germantown Pike from consideration because of possible State use and downgraded its first choice at Pinetown Road and Highland Avenue to an alternative site because of strong views by local officials against the use of this site for a bulk mail facility. These changes resulted in the site located at the northwest corner of Welsh Road and Dreshertown Road remaining as the first alternative, and the designation of a new site at the southeast corner of that intersection as the first choice.

On December 28, 1971, the Postal Service Site Selection Committee met in Philadelphia to discuss the site recommendation with Corps officials. After evaluating the sites and

recommendations, the Committee agreed unanimously that the recommended first-choice site at the southeast corner of Welsh Road and Dreshertown Road would satisfy the needs of the Postal Service. The Committee stated that the selection of the site was contingent upon the availability of all required utilities and a subsurface report revealing the existence of satisfactory construction conditions.

You expressed concern to the Postal Service about the selection of this site for the construction of a bulk mail facility because of the nonavailability of public transportation and lack of adequate public housing. Also, in February and March 1972, local officials started expressing concern about the impact that additional traffic would have on the community. They stated that additional traffic would place a burden on the roads and increase the traffic tieup at various intersections and that a facility at this site might have an adverse effect on the development of an adjoining tract of land which was to be used for the construction of a large office building. At a meeting between these local officials and Postal Service officials, seven additional sites were brought to the Postal Service's attention.

In a letter dated May 1, 1972, the Postal Service informed the Corps that these additional seven sites merited investigation and requested the Corps to supplement its Real Estate Planning Report.

In a letter dated June 12, 1972, the Corps stated that one of these additional sites located at the intersection of Byberry Road and the Reading Railroad, was a feasible alternative to the selected site at Welsh Road and Dreshertown Road. This new site was considered to be better located for bulk mail transportation assuming equal importance was given to access to downtown Philadelphia and to the Pennsylvania Turnpike. The Corps stated also that the estimated cost for the new site was about \$1.5 million, or only about \$100,000 more than for the previously selected site.

On June 30, 1972, the Postal Service directed the Corps to cease all ongoing real estate and design activities with regard to the previously selected site at Welsh and Dreshertown Roads and to begin immediately making subsurface investigations and appraisals, gathering title evidence, and securing a right of entry to the new site.