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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

GENERAL GOVERNMENT  
DIVISION

APR 18 1972

Dear Mr. Hayden:

The General Accounting Office has completed a survey of vehicle utilization in the former Chicago Postal Region. Our survey was conducted during the period March through August 1971. We reviewed records and held discussions with officials in the Chicago Regional Office, the Chicago Post Office, the vehicle maintenance facility serving the Chicago Post Office, the post office in Arlington Heights, Illinois, and the Lincoln Park substation in Chicago, Illinois.

Our survey showed that, based on available published cost data, the Postal Service could realize annual savings of about \$350,000 in implementing its program to motorize carrier routes in the Chicago Region through the use of either contracts with letter carriers to use their private cars, or leases for vehicles from commercial firms, or a combination of both rather than procuring new light delivery trucks.

In addition, the Service could realize annual savings of about \$700,000 by using trucks smaller than the 1-ton, 2-ton, and 5-ton vehicles presently used to collect mail from boxes and postal stations in the Chicago Region.

In July 1971 the Postal Service's Internal Audit reported similar findings at postal installations located in the Southern Postal Region.

Our comments on these findings follow.

USE OF CONTRACT VEHICLES IN LIEU OF GOVERNMENT-  
OWNED VEHICLES TO PROVIDE CARRIER DELIVERY SERVICE

In the early 1960's, the Post Office Department began a program of motorizing carrier routes to more efficiently deliver mail.

As of April 1971 the program used approximately 30,940 light (1/4 ton) delivery vehicles nationwide which accounted for approximately 37 percent of the 83,983 Government-owned postal vehicles. The Postal Service believes an additional 62,880 light delivery vehicles will be required during the period 1972-1975.

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The three methods used by the Service to motorize carrier routes consist of (1) contracts with postal employees (mail carriers) for the use of their private cars, (2) leases for vehicles from commercial firms, and (3) purchases of its own fleet of vehicles.

Officials of the former Chicago Region told us that the various alternatives of procuring vehicles were not always evaluated prior to mechanizing carrier routes with Government-owned light delivery vehicles but the officials did not advance any reasons why evaluations were not performed.

Officials of the Central Postal Region and the Chicago Post Office agreed that the former Chicago Region did not seriously consider the use of other alternatives in lieu of Government-owned vehicles to mechanize carrier routes. These officials said that the former Chicago Region procurement officials were convinced that the use of Government-owned vehicles was the most acceptable alternative and showed this preference when instructing the post offices to send in their vehicle requirements for motorizing mail routes.

We examined vehicle cost records at 27 selected post offices in Illinois and Michigan. There were 354 carrier contracts in effect at the end of fiscal year 1971, of which 330 were at or under \$3 per day and 24 ranged from \$3.01 to \$3.60. There were 167 vehicles leased from private firms in use at the locations during the latter part of fiscal year 1971, of which 163 had daily rates of \$3 or less, and four ranged from \$3.21 to \$3.50. There were 1,705 Government-owned light delivery vehicles, or about 55 percent of the total of such vehicles assigned for use in the Chicago Region at the close of fiscal year 1971. Costs for Government-owned vehicles included parts, supplies, direct labor, operating supplies (gas and oil), overhead, and depreciation on vehicles and vehicle maintenance facilities and equipment. The daily cost of the Government-owned vehicles ranged from \$2.20 to \$5.12.

Based on the records of daily costs to operate and maintain Government-owned vehicles in the 27 selected locations within the Region, we found that costs could be reduced about \$350,000 in 18 locations with 1,215 of the 1,705 Government-owned vehicles by obtaining vehicles through contracts at a price of \$3 per day. For example, at Lansing, Michigan, 89 Government-owned vehicles had a total daily operating cost of about \$300. A \$3 daily contract price for the 89 vehicles would result in a daily savings of \$33 or about \$10,000 per year based on a 6-day work week.

According to the records at the remaining nine locations, the cost of 490 Government-owned vehicles was about \$66,000 a year less than it would have been to obtain vehicles through contracts. However, we could not ascertain from the records or discussions with postal personnel how the nine locations could operate Government-owned vehicles at costs lower than \$3 per day.

Chicago Post Office officials said they intend to motorize 1,200 foot routes by contracting with carriers for vehicles at \$3 per day. In view of the magnitude of the program to motorize the carrier delivery function nationwide, we would appreciate receiving the Postal Service's current plans on the method to be used to motorize foot routes to implement the program, and what safeguards will be used to obtain the most economical motorization available.

#### UNDERUTILIZATION OF POSTAL VEHICLES

Mail volume records for 19 trucks (2- and 5-ton) which transport mail between the Chicago Post Office and its stations showed that the largest daily volume carried by 10 of the trucks could have been carried by 1-ton trucks.

Our observations of dispatches of selected interstation runs from the Chicago Post Office generally confirmed that vehicles were leaving with loads substantially below their capacity.

Chicago Post Office officials acknowledged that the vehicles were being underutilized and were of the opinion that 75 percent of the 5-ton and about one-half of the 2-ton vehicles could be replaced with 1-ton vehicles without adversely affecting service.

Although cost reports showed data on costs of operating and maintaining different sized vehicles, the data did not show a comparable per mile or hourly rate by size of vehicle considering the extent of their use. To provide a reasonable basis for comparing the costs of operating and maintaining different sized vehicles, we increased the utilization rate of the small vehicles to equal the utilization rate of large vehicles.

Our computation showed that there was about a 25 percent difference in the operating and maintenance cost of the 1-ton and 2-ton vehicles and about a 45 percent difference between the 1-ton and the 5-ton vehicles. Therefore, a savings of about \$228,000 annually could have been achieved in the Chicago Post Office if 1-ton vehicles had been used in lieu of the 2- and 5-ton vehicles to perform interstation service at the Chicago Post Office. For the Chicago Region the annual savings would

have been about \$335,000. In computing these savings, we provided for replacement of 50 percent of the 2-ton and 75 percent of the 5-ton vehicles as suggested by postal officials.

The volume records for 77 selected parcel post and collection routes originating from the Chicago Post Office disclosed that on 70 percent of the routes 1-ton vehicles were carrying loads which utilized 51 percent or less of the vehicle capacity. At the Lincoln Park substation in Chicago for the period of July 1-20, 1971, less than 10 percent of the vehicle capacity was being utilized on collection runs originating from the substation.

Chicago Post Office officials agreed that the 1-ton vehicles used for parcel post and collection service were generally not utilized to full capacity. The officials told us that 1/2-ton vehicles could, in about 75 percent of the instances, be used to perform the services. Chicago Regional officials were also of the opinion that 1/2-ton vehicles could be used to replace most of the 1-ton vehicles throughout the Chicago Region.

We estimated that the cost of operating and maintaining a 1-ton vehicle was about 15 percent higher than that of the 1/2-ton vehicle. We estimated that a savings of about \$205,000 annually could have been achieved in the Chicago Post Office if 1/2-ton vehicles had been used in lieu of the 1-ton vehicles to perform parcel post and collection services. For the Chicago Region, the savings would have been about \$375,000. In computing these savings, we provided for replacement of 75 percent of the 1-ton vehicles on the basis of comments by postal officials.

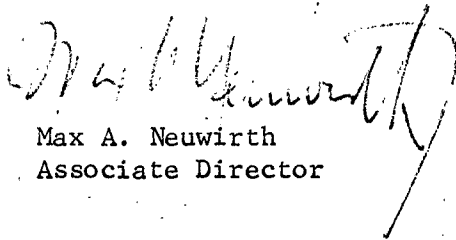
Chicago Regional officials told us that data relating to volume carried on trucks for interstation, parcel post, and collection service, which was developed from its annual vehicle utilization surveys, was with few exceptions not evaluated because of a lack of time and personnel.

Officials of the Central Region and the Chicago Post Office said there was little incentive to evaluate the annual utilization survey because much of the data was obtained by vehicle service supervisors whose salaries were based, in part, on the number and size of vehicles and number of personnel under their control. Accordingly, the basic procurement philosophy of the Chicago Region was replacement of vehicles with like vehicles on a 1 for 1 basis.

We believe that smaller capacity vehicles than those being used in the Central Region would be more economical. The exact replacement ratio should of course be determined by regional officials.

We would appreciate your views and actions to be taken on the matters discussed in this letter.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Max A. Neuwirth", written in a cursive style. The signature is positioned above the typed name and title.

Max A. Neuwirth  
Associate Director

The Honorable Merrill A. Hayden  
Deputy Postmaster General  
United States Postal Service