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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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B-114874

JUL 26 1973

The Honorable Pierre S. du Pont
House of Representatives

R Dear Mr. du Pont:

Pursuant to your February 2, 1973, request we reviewed postal operations in Delaware. On May 3, 1973, we briefed you on the results and gave you copies of the charts used in the briefing. This letter summarizes that briefing, including the following points that you asked us to consider.

- Would the quality of service be improved significantly by the appointment of a District Manager who would be exclusively responsible for the quality of mail service in Delaware?
- What has caused the erratic mail service during the past year and what are the prospects for the future?
- Why aren't the average users of mail service sampled to find out what their feelings are about the quality of service?
- What are the prospects for the continued use of overtime in Delaware as the means to facilitate the modernization of the Postal System? Has the Postal Service used realistic estimates of when the more modern distribution equipment will be available or are there indications that the most optimistic dates were selected and that hiring policies continue to be guided by them?

The problems affecting mail service in Delaware are not unique but are part of a nationwide pattern. The Postal Service conceded that the quality of mail service has generally deteriorated in recent months. In an effort to correct these problems, it has implemented changes which should lead to improved service.

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The President's Commission on Postal Organization--The Kappel Commission established in April 1967--concluded that the former Post Office Department had been operated as an ordinary Government agency when it was, in fact, a business--a big business. The Commission further concluded that "the challenges faced by this major business activity cannot be met through the present inappropriate and outmoded form of postal organization" and recommended establishing a postal corporation to operate on a self-supporting basis.

The Postal Service's mail-processing problems are the direct result of its efforts to become self-supporting. Becoming self-supporting is a formidable task because from 1926 through 1971 the former Post Office Department and the Postal Service had accumulated a deficit of \$20.4 billion. The Postmaster General in a March 28, 1972, speech projected that, by the end of 1984, unless significant improvements were made, there would be a further accumulated deficit of about \$38 billion.

The Postal Service's problems are principally due to an increase in labor costs with little related increase in productivity. About \$8.6 billion of the total estimated costs of 10.4 billion for fiscal year 1973 were for labor. From 1956 through 1967 the average postal salary increased almost 60 percent, but productivity remained virtually constant. (See enc. I.) Although postage rates have been significantly increased, the Service still requires an annual Federal subsidy of about \$1 billion to cover costs.

Because future salary increases are inevitable (assuming an increase of about 5.5 percent a year, the current average annual postal salary of about \$9,200 will almost double by 1984), the Service is striving to increase employee productivity through mechanization and thus minimize the postage rate increases it would otherwise require to become self-supporting.

The Service has taken economy measures that affect the overall quality of mail service, including reducing collection and delivery services and curtailing window service on Saturdays.

Also the Service reduced its work force which had an adverse impact on the quality of service. This reduction was accomplished through two early-retirement campaigns which resulted in the retirement of about 13,000 employees, many in supervisory positions, and through a hiring freeze instituted in March 1972. Between June 1 and December 31, 1972, an additional 17,000 employees retired either voluntarily or because of disability. Overall, the Service reduced its work force from about 741,000 at July 1970 to about 687,000 in December 1972.

The work force reduction affected certain facilities more than others, especially such new facilities as the sectional center facility (SCF) at Merrifield, Virginia, which could not be adequately staffed. Also the Service made changes in the mail-distribution system which increased the workload at certain facilities, many of which did not have enough employees to cope with the increased workload.

The Service tried to overcome this problem by instituting mandatory overtime, often requiring employees to work long hours 6 or 7 days a week. Besides diminishing efficiency, mandatory overtime aggravated an existing morale problem.

PROBLEMS AFFECTING MAIL SERVICE IN DELAWARE

Although mail volume in Delaware for the 9 months ended March 1973 was 6.5 percent greater than for the corresponding period in 1972, the number of employees decreased by about 5.3 percent. To compensate for these conditions, overtime was increased by about 89 percent. In addition, because of the early-retirement campaigns and the hiring freeze, many supervisory positions were either left vacant or filled with persons in an acting capacity.

²
1 The Area Mail Processing Program implemented on September 16, 1972, deactivated the Dover Post Office as an SCF and made the Wilmington Post Office the only SCF in Delaware which adversely affected mail service in that State. Under this program, outgoing mail from small post offices is consolidated at SCFs for mechanical processing. According to the Service, the program significantly reduces processing costs; however,

it results in some mail being moved long distances. For example, a letter originating in Seaford and destined for Georgetown--about 15 miles away--is routed from Seaford to Dover to the Wilmington SCF, back to Dover and finally to Georgetown--a total of 156 miles. Although this routing still allows overnight service, it increases the processing steps whereby something can go wrong to delay delivery.

The Service's Managed Mail Program also adversely affected mail service in Delaware. Under this program, incoming mail is consolidated at State distribution centers where it can be sorted mechanically.

The Wilmington SCF was also the State distribution center and thus was responsible for processing all mail coming into Delaware as well as all mail originating in Delaware. The large volume of mail that had to be processed at this one facility appears to have adversely affected the delivery of interstate mail.

The Service has also experienced problems with letter sorting machines. To help process the increasing volume of mail, the Wilmington SCF was to receive two of these machines. One machine became fully operational in October 1972; the contract to supply the second machine was terminated before delivery. The second machine has been reordered and is expected to be delivered in August and operational by October 1973.

The use of letter sorting machines has also adversely affected delivery because operator errors have resulted in much misdirected mail. Postal Service records indicate that the Wilmington SCF misdirected about 5 million pieces of mail, or about 6 percent of machine-processed mail for the 9 months ended March 1973. In our opinion, misdirected mail was the principal cause for delayed deliveries.

The Service has developed a device for checking the performance of letter sorting machine operators to identify those operators with high error rates that indicate a need for additional training. Because of a built-in error rate of at least 1 percent in the machines, it is questionable whether

the Service will succeed in reducing the error rate to that experienced in manual sorting--estimated by postal officials at 1 percent or less.

The problems discussed above caused delays in mail delivery and prevented the Service from meeting the delivery standards shown in enclosure II.

The Service uses its Origin-Destination Information System to determine the time between the date a piece of mail is postmarked and the date it is received at a delivery point.¹ The system does not, however, measure the time required for mail to be (1) collected, (2) prepared for postmarking, (3) sorted for delivery by clerks or carriers, and (4) delivered. In addition, the Service stopped counting Sundays and holidays in computing the average number of days to deliver local first-class mail, beginning with the first postal quarter of fiscal year 1972, and all first-class mail and airmail beginning with the second quarter. Eliminating Sundays and holidays understates the delivery time.

In Delaware, the Service has an overnight delivery standard for first-class mail deposited by 5 p.m. at a post office or in a collection box marked with a star. As the mail moves over greater distances, 2- and 3-day standards become applicable. According to its tests, the Service was generally successful in meeting its 95 percent overnight delivery standard for local and intra-SCF qualified stamped mail.² (See enc. III.)

For metered mail, especially inter-SCF mail, the Service was generally unsuccessful in meeting the overnight delivery

¹A delivery point is usually the last mail-processing point, such as a post office box section or a carrier station, before delivery to the user.

²Mail that has an a.m. or p.m. canceling mark across the face of the stamp. Canceling is done at the post office.

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standard. (See enc. IV.) Metered mail, however, is not canceled by the post office; the dates that appear on this mail are entered by the user with a Service-supplied meter. Therefore, if a user fails to change the date on the meter or predates the mail, delivery appears to take longer than it actually does.

Because the Service does not cancel metered mail, it does not consider this mail in determining whether the overnight delivery standard is being met. From February through April 1973, the Wilmington Post Office conducted informal surveys showing that 324 companies had mailed 11,597 letters that had been predated from 1 to 20 days.

The Service was also generally unsuccessful in meeting its standards of 2- and 3-day delivery of 95 percent of interstate mail.

From March 3 through March 30, 1973, only 81 and 86 percent of the mail to be delivered in 2 days and in 3 days, respectively, were delivered within the time frames. Of the 18 States and the District of Columbia designated to receive 2-day delivery, 16 States and the District of Columbia had sufficient mail volume to enable the Service to evaluate delivery results. The evaluation showed that in only the District of Columbia was the delivery standard met. (See enc. V.) Of the 29 States designated to receive 3-day delivery, 19 had sufficient mail volume to enable the Service to evaluate delivery results. The evaluation showed that the standard was met for 8 of the 19 States. (See enc. VI.)

For interstate mail to Delaware from selected cities, the Service was even less successful in meeting its 2- and 3-day delivery standards, although service did improve during the 4 weeks ended March 30, 1973, compared with the service during the 4 weeks ended March 2, 1973. (See encs. VII and VIII.)

COMMENTS ON SPECIFIC QUESTIONS

Concerning your question about the appointment of a district manager, we previously stated that one problem

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affecting mail service in Delaware was the failure to fill supervisory positions as they became vacant. Postal officials advised us that these positions were not filled because a pending reorganization of the Wilmington SCF would abolish some of them. The reorganization plan, approved on April 12, 1973, provides for an organizational structure that will correspond, on a functional basis, to that of a district office; the sectional center manager will perform the functions of a district manager. The reorganization should provide sufficient authority and responsibility locally to improve the quality of mail service.

You also asked about the causes of the erratic mail service during the past year and the prospects for the future. At a meeting during the week of February 5, 1972, Postal Service top management and its district managers from around the country finally acknowledged that the Service does have problems. This meeting apparently informed top management of the true situation in the field because most of the problems we found were also cited by the district managers.

The Service is taking several actions in Delaware on the problems discussed in this report which should improve the timeliness of mail delivery. For example:

- Local postal facilities have been authorized to hire more personnel.
- The Area Mail Processing Program has been terminated and the Dover SCF has been reactivated and will now process all the mail for its associate post offices.
- Changes have been made in mail-sort schemes (mail is now sorted for delivery to both the Wilmington and Dover SCFs) and transportation patterns under the Managed Mail Program which will reduce the amount of mail handled at the Wilmington SCF.
- Forms have been developed to advise users of misdated metered mail so that they can take corrective action.

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--Officials of the Eastern Region of the Service are closely monitoring the Delaware operations.

To survey mail users to determine their views on mail service, the Service has awarded two contracts for market surveys and analyses of user service requirements.

The first contract was awarded to Opinion Research Corporation, which conducted from June 14 through August 19, 1972, 10,222 personal interviews with a national sample of household users. Opinion Research noted that 85 percent of household users thought mail service was good to excellent. The Service is updating this survey to obtain household users' views on service since August 1972.

The second contract was awarded to Booz-Allen Public Administration Services, Inc., for a market survey and analysis of the service requirement of nonhousehold users. This contract is not complete because Booz-Allen is processing its final reports on nonhousehold user profiles and business development plans. We reviewed the one completed report, dated January 12, 1973, that addressed itself to rate classification concepts, such as volume discounts for presorted first-class mail, airmail, and business reply mail; surcharges for nonstandard-size letter mail; and bulk rate discounts for fourth-class parcel post. According to the report, 500 businesses were subjected to in-depth interviews; 2,696 businesses were subjected to structured interviews; and 43,951 businesses were mailed questionnaires, but only 5,212 responded. The Service advised us that no data was available on the attitudes of businessmen toward mail service. Booz-Allen was not concerned with the attitudes of businessmen toward the quality of mail service but with the types of services the businessmen might be interested in.

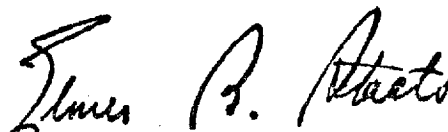
The Service is hiring more personnel in Delaware and the use of overtime in that State has declined. As previously stated, overtime was used basically to compensate for the reduction in personnel caused by the hiring freeze. Its use was not related to the purchase of modern distribution equipment.

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As requested, we have not discussed these matters with officials at Postal Service Headquarters. We do not plan to distribute this letter further unless you agree or publicly announce its contents.

Sincerely yours,

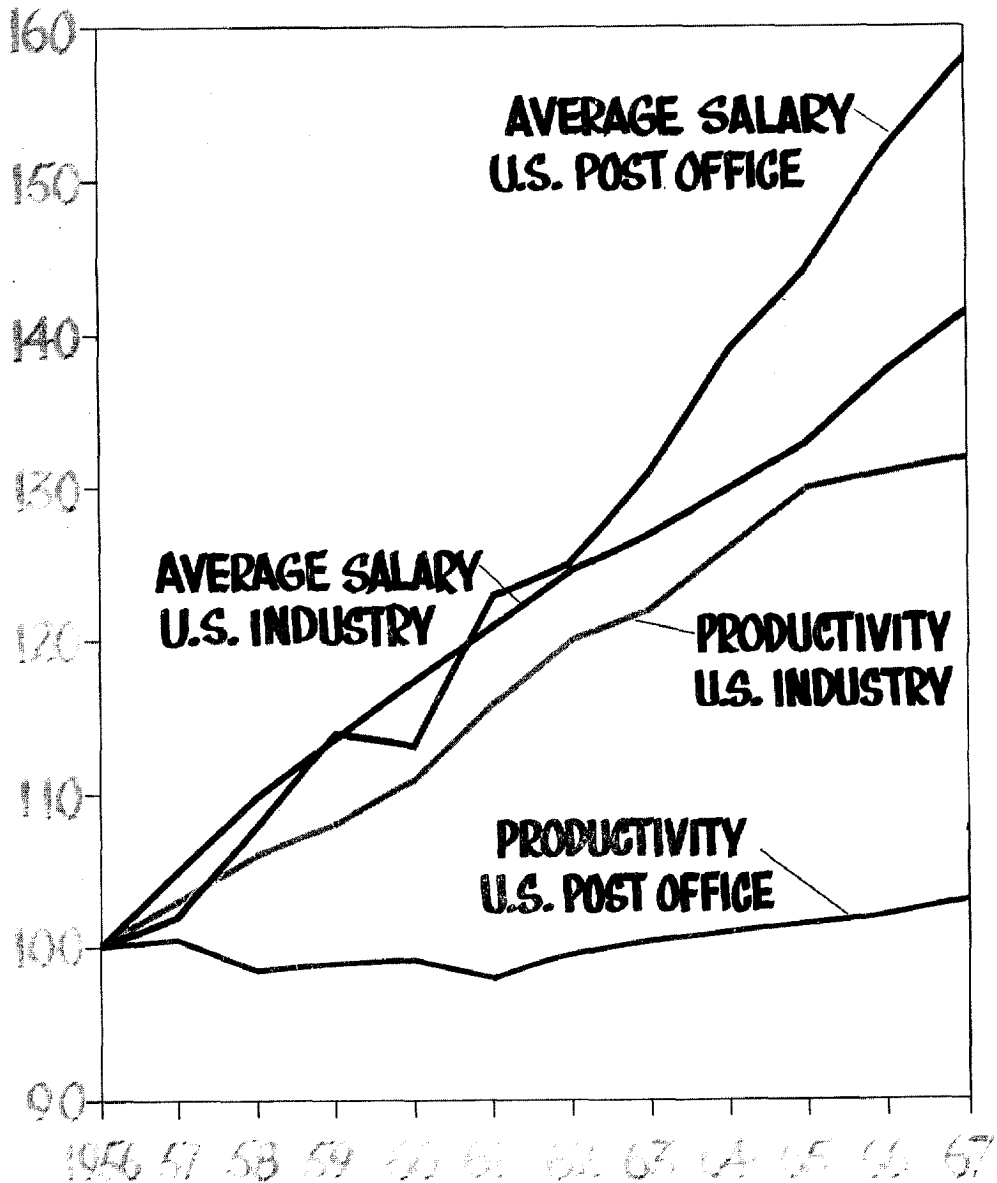
A handwritten signature in cursive script that reads "James B. Stacks". The signature is written in dark ink and is positioned above the typed name.

Comptroller General
of the United States

Enclosures - 8

PRODUCTIVITY & SALARY TRENDS (POST OFFICE AND U.S. INDUSTRY, 1956-1967)

PERCENT



BEST DOCUMENT AVAILABLE

SERVICE STANDARDS

BEFORE

AFTER

REORGANIZATION

FIRST CLASS

OVERNIGHT: INTRA-SCF & ADJOINING SCF & DESIGNATED
LOCALLY

SECOND DAY: 600 MILES

THIRD DAY: NATIONWIDE

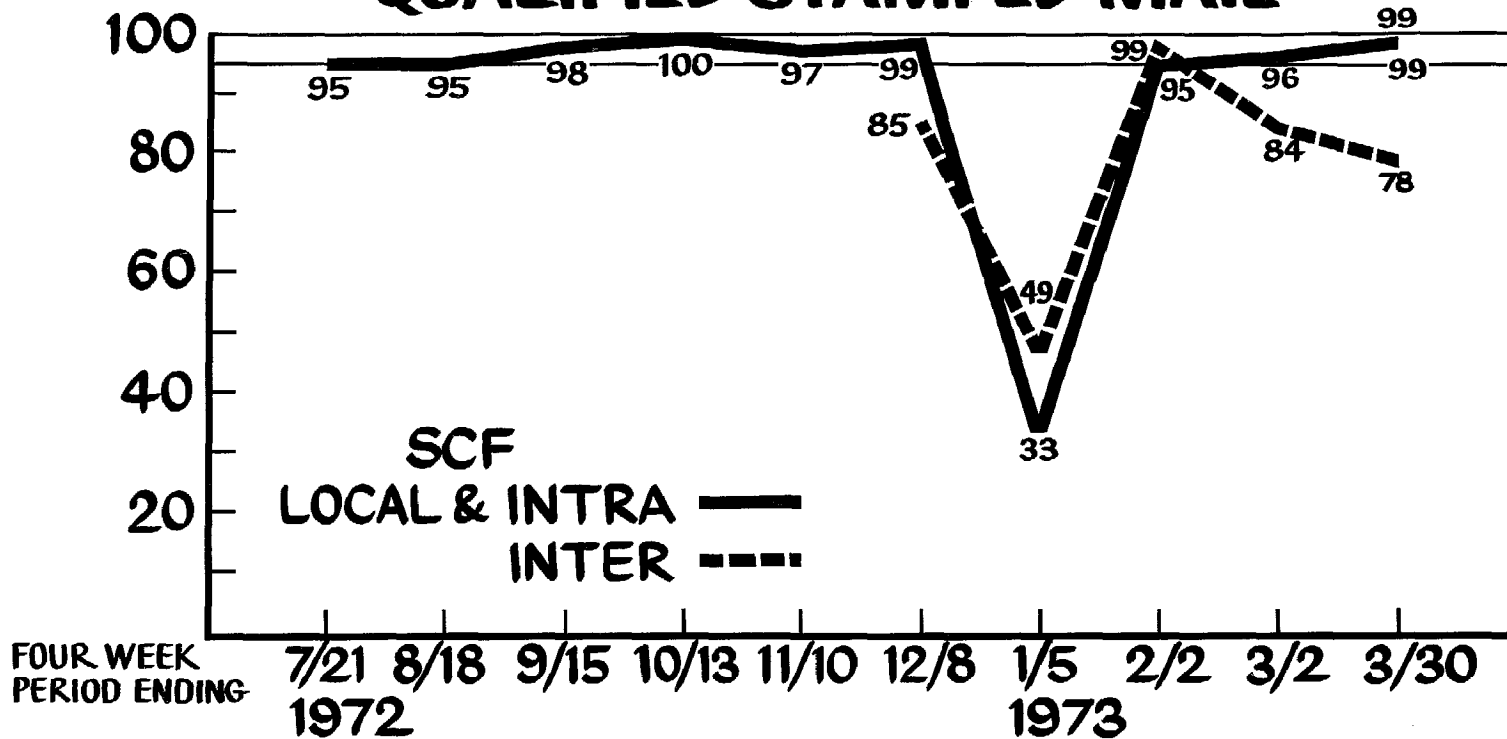
NONE

AIRMAIL

OVERNIGHT: 600 MI. PLUS DESIGNATED AREAS

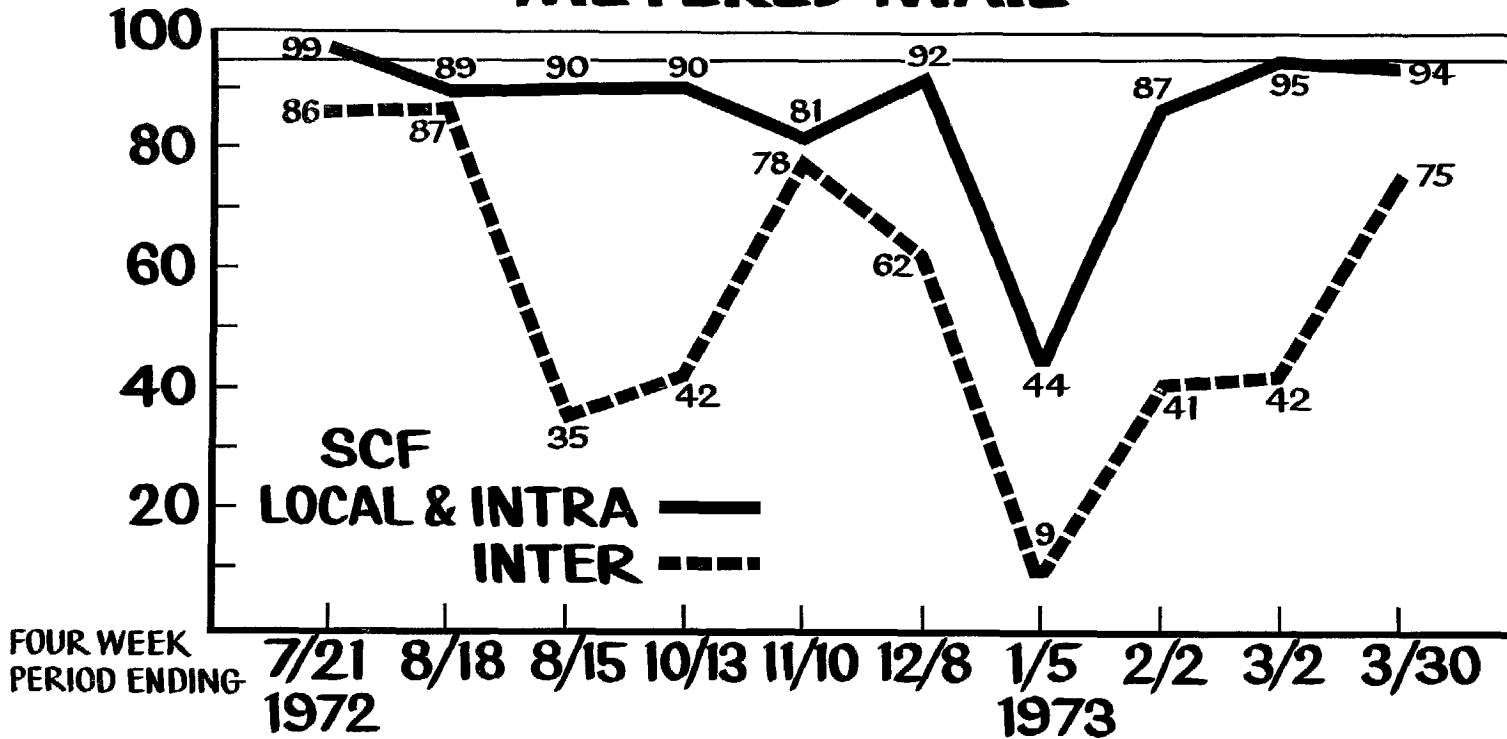
SECOND DAY: NATIONWIDE CONTIGUOUS STATES

PERCENTAGE OF MAIL DELIVERED OVERNIGHT ORIGIN - WILMINGTON, DELAWARE QUALIFIED STAMPED MAIL



STAMPED MAIL IS APPROXIMATELY 20%
OF LETTER MAIL VOLUME

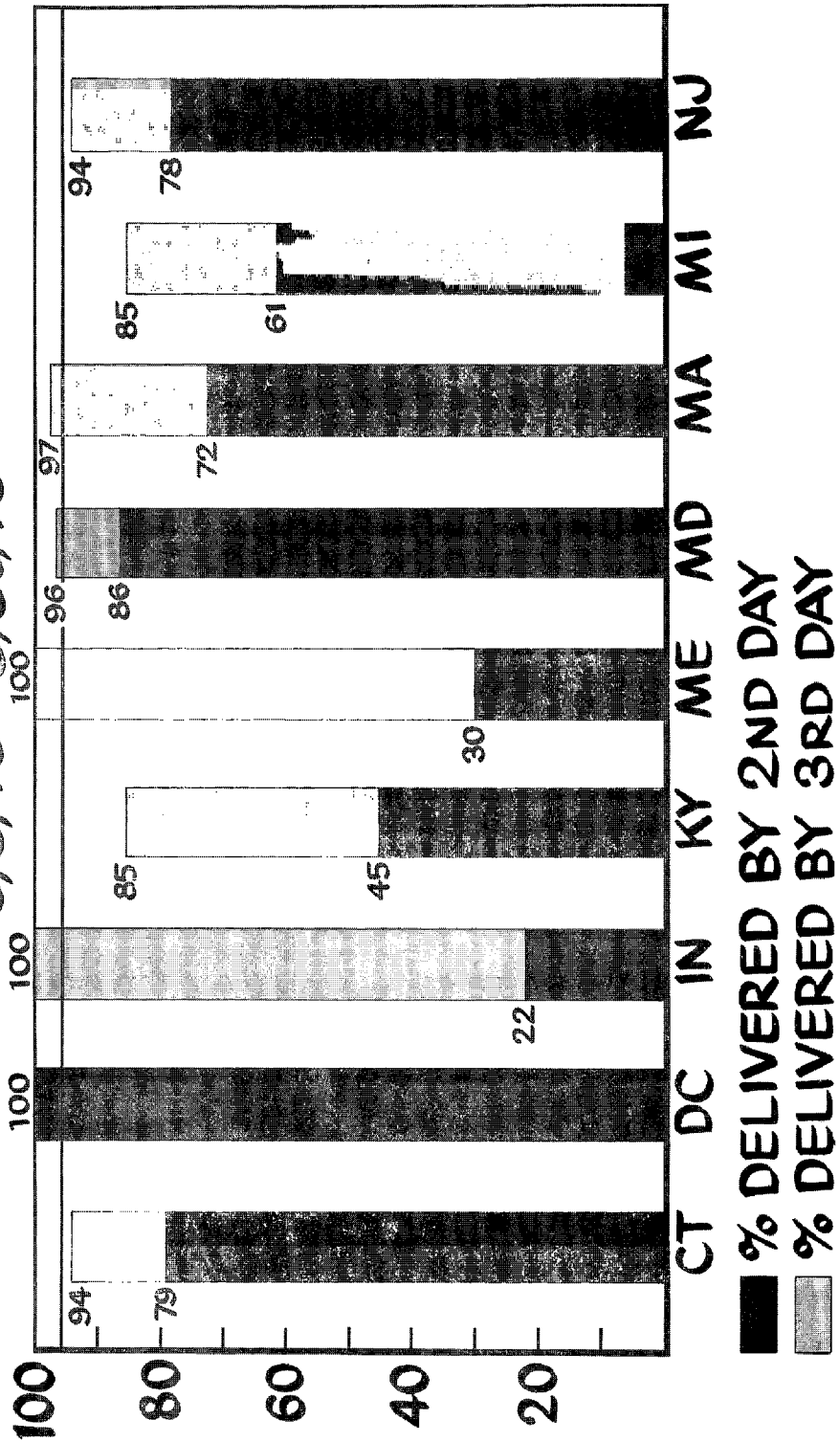
PERCENTAGE OF MAIL DELIVERED OVERNIGHT ORIGIN - WILMINGTON, DELAWARE METERED MAIL



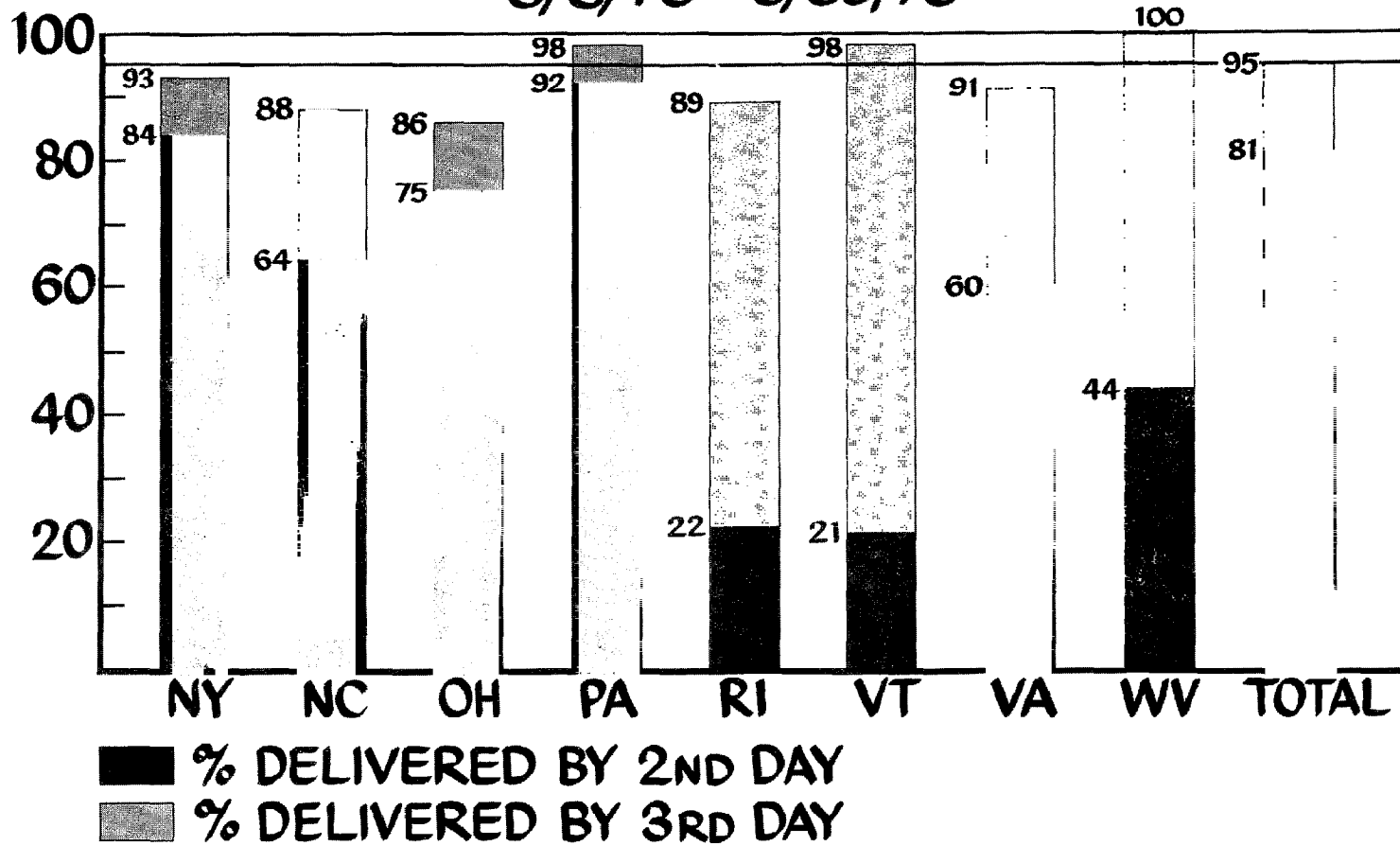
METERED MAIL IS APPROXIMATELY 80%
OF LETTER MAIL VOLUME

% MAIL DELIVERED FROM WILMINGTON TO 2-DAY STANDARD DESTINATION STATES

3/3/73 - 3/30/73



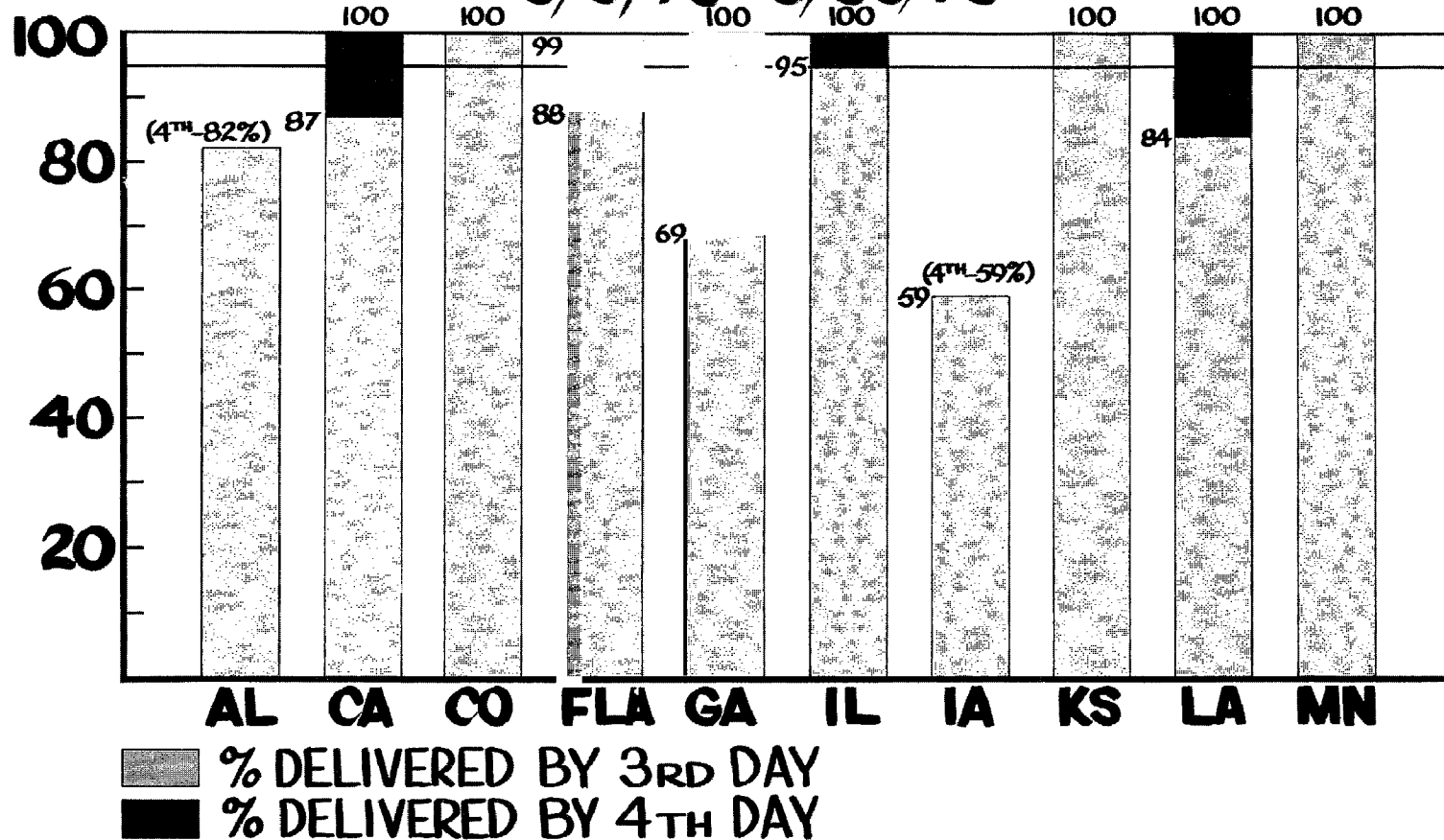
% MAIL DELIVERED FROM WILMINGTON TO 2-DAY STANDARD DESTINATION STATES 3/3/73 - 3/30/73



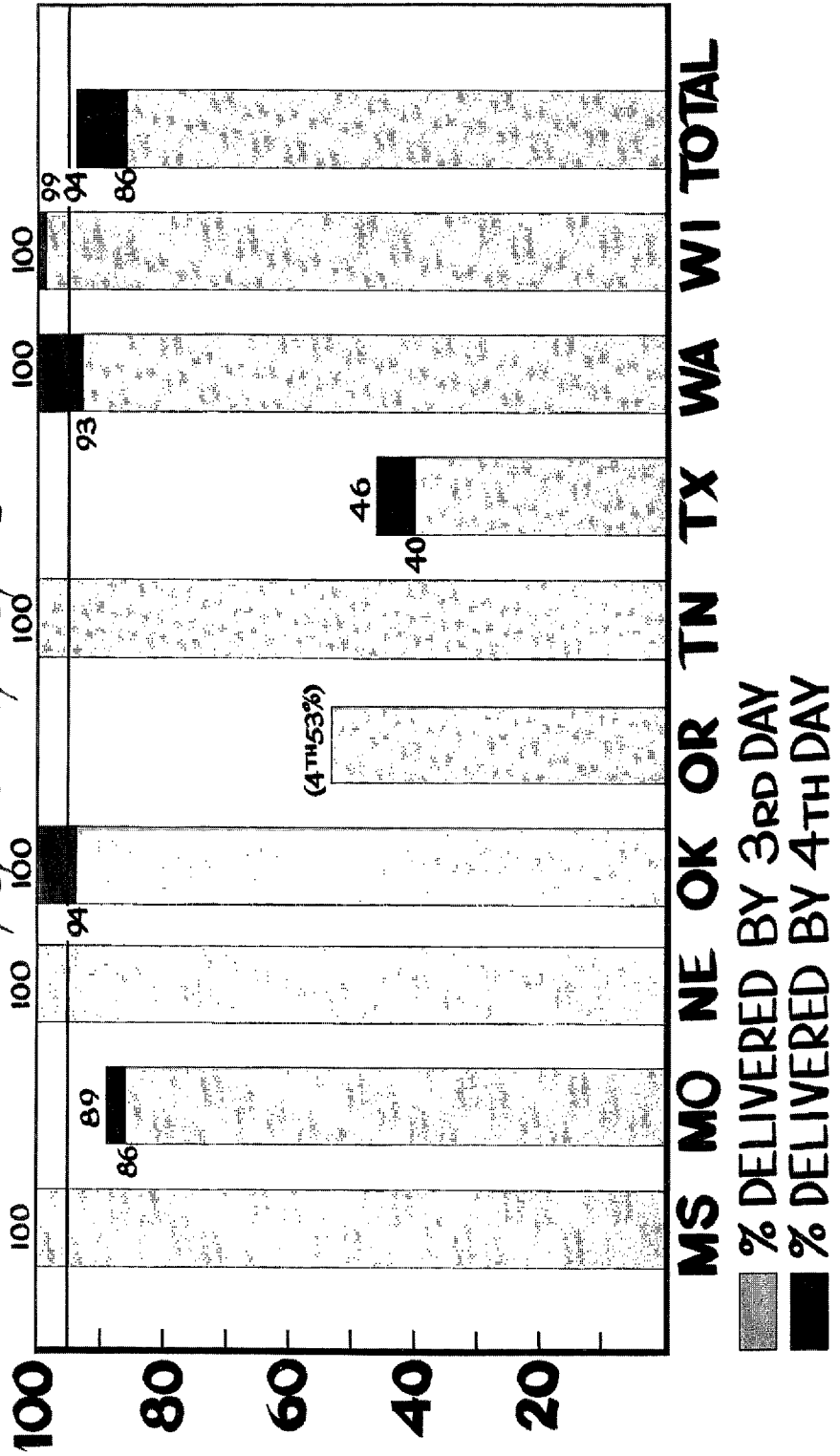
9

% MAIL DELIVERED FROM WILMINGTON TO 3-DAY STANDARD DESTINATION STATES

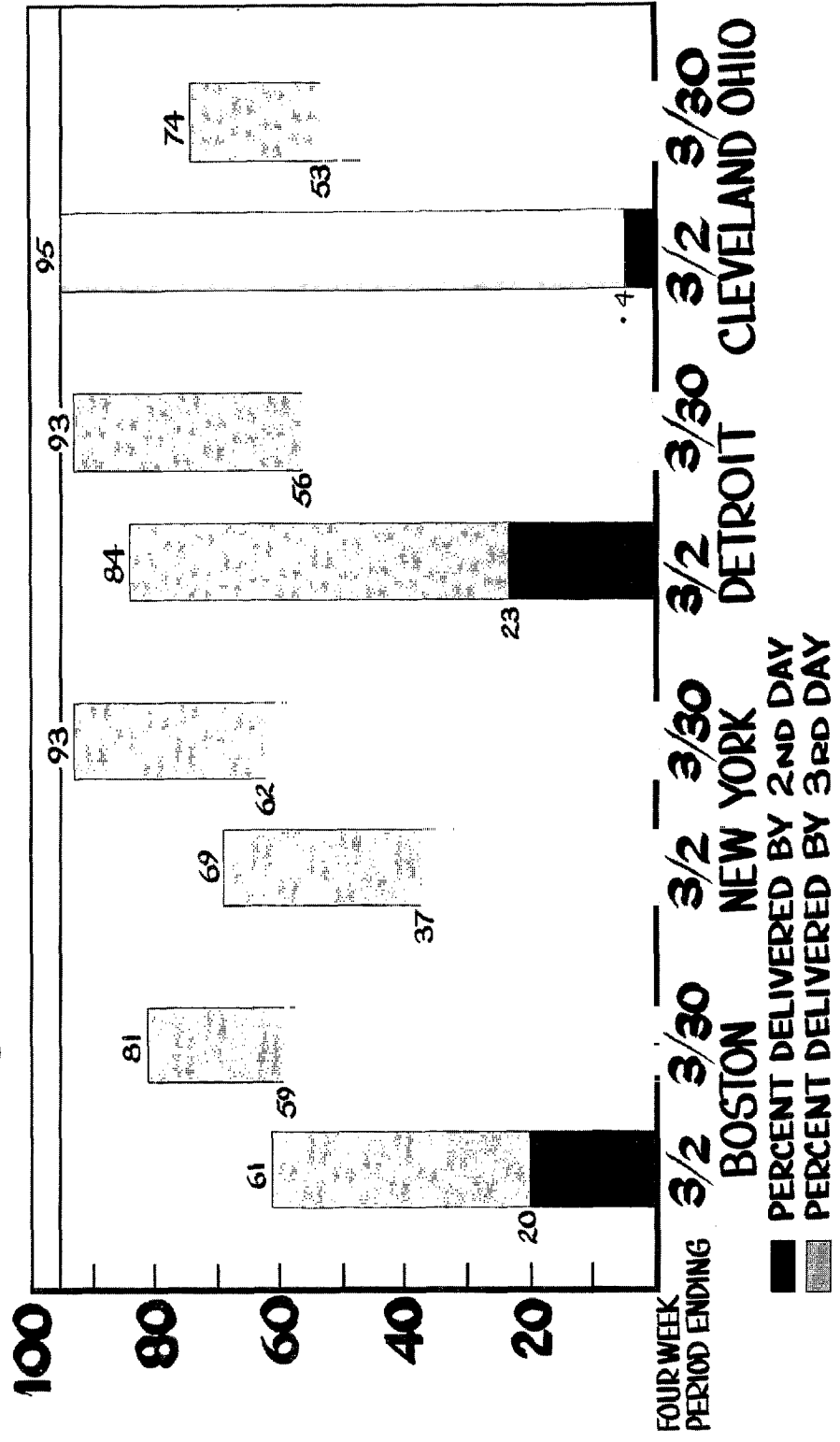
3/3/73 - 3/30/73



**% MAIL DELIVERED FROM WILMINGTON TO
3-DAY STANDARD DESTINATION STATES
3/3/73 - 3/30/73**



PERCENT OF MAIL DELIVERED TO DELAWARE FROM 2-DAY STANDARD ORIGINATING CITIES



PERCENT OF MAIL DELIVERED TO DELAWARE FROM THREE DAY STANDARD ORIGINATING CITIES

