



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

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The Honorable William L. Hungate  
Chairman, Subcommittee on Environmental  
Problems Affecting Small Business  
House of Representatives

Dear Mr. Chairman:

Your October 16, 1974, Committee report requested that we investigate (1) the profitability of the Postal Service's postique operations, (2) the profitability of the Postal Service's sales of printed return address envelopes, and (3) the Postal Service's centralized automotive parts distribution system.

In accordance with agreements reached with your office at our December 5, 1974, briefing, our October 10, 1974, report entitled "Observations on Sales of Postal Related Products and Photocopy Services (B-114874)" adequately addresses the first area of the Committee request and no further work is necessary. The second area of the request, covered in this report, was modified by your office in that we are to provide facts about the program without reaching conclusions or making recommendations. The third will be reported on separately.

BACKGROUND

The Post Office started selling stamped envelopes in 1853, and in 1865 it began offering the printing of return addresses on the stamped envelopes.

At present, one contractor supplies plain and printed (return address) stamped envelopes for the Postal Service. The total number of envelopes sold by the Service--about 1.3 billion--constitutes about 2.5 percent of the total first-class mail processed, while printed envelope sales--about 400 million--represent about 0.78 percent of this mail.

The Service does not actively promote the sale of printed stamped envelopes. On the other hand, it has no plans to discontinue this service. The number of envelopes sold by the Service in 1974 was about 660 million less than in 1964. Enclosure I shows the quantity of envelopes sold during fiscal years 1964-74.

PROFITABILITY OF SALES

Service officials believe that they are making a profit on the sale of printed stamped return address envelopes. The Service gave us the following information regarding these envelopes.

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Size: 4-1/8 inches X 9-1/2 inches

Quantity: 500 envelopes

Selling price (excluding \$50 postage) \$6.45

Costs:

Materials and printing	\$2.40	
Processing and handling	.90	
Shipping	.12	
Delivery to customer	<u>1.00</u>	<u>4.42</u>

Profit \$2.03

Note: Other than selling price and materials and printing, we could not verify this information because the Service's accounting system does not accumulate the necessary data.

We compared the price charged by the Postal Service for 500 printed envelopes (4-1/8 inches X 9-1/2 inches) to prices charged by private firms in six geographic areas for the same product and found in all cases that the firms charged more than the Postal Service. (See enc. II.)

Service officials said they are accumulating and analyzing revenue and cost data to determine the profitability of envelope sales. They told us that the price of envelopes will probably be increased to avoid any possible unfair price competition with the private sector.

According to Service officials, certain other benefits were to be derived from selling these envelopes other than profit, such as (1) customer convenience, (2) reduction of stamp transaction time, and (3) reduction in the time required to process a letter because of better return addresses and uniform envelopes.

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As your office requested, we did not obtain formal agency comments; however, we discussed the report with Service officials and they generally agreed with its contents. We do not plan to distribute this letter further unless you agree or publicly announce its contents.

Sincerely yours,

  
Comptroller General  
Acting of the United States

Enclosures - 2

QUANTITY OF ENVELOPES SOLD

<u>FY</u>	<u>Plain envelopes</u>	<u>Printed envelopes</u>	<u>Total sales</u>
<sup>a</sup> 1974	854,727,500	412,245,000	1,266,972,500
1973	703,414,500	469,546,500	1,172,961,000
1972	835,768,500	484,904,000	1,320,672,500
<sup>a</sup> 1971	1,035,195,500	481,870,500	1,517,066,000
1970	835,779,500	532,318,500	1,368,098,000
1969	825,209,500	548,911,500	1,374,121,000
<sup>a</sup> 1968	1,258,543,500	594,883,000	1,853,426,500
1967	891,426,500	621,569,500	1,512,996,000
1966	971,306,500	656,482,000	1,627,788,500
1965	983,021,000	667,162,000	1,650,183,000
1964	1,210,189,000	718,792,500	1,928,981,500

a/ Postage rates increased in January 1968, May 1971, and March 1974. Service officials stated that the quantity of envelopes sold increased during these years because customers built their stock of envelopes with the new postage rates.

**COMPARISON OF THE PRICE**  
**OF 500 PRINTED ENVELOPES**

**SIZE 10 (4-1/8 INCHES X 9-1/2 INCHES) (note a)**

	<u>Price</u>
Postal Service (uniform price)	b \$ 6.45
Private firms (note c):	
Chicago	11.00 13.50 32.50
Dallas	12.95 14.95
Detroit	14.00 23.21
Philadelphia	25.00 35.00
San Francisco	16.95 18.00
Washington	25.20 25.90 30.50

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a/ We randomly selected 2 or 3 private firms in each of the 6 areas and obtained the price of a box of 500 size 10 envelopes. All prices exclude sales tax.

b/ Excludes \$50 postage.

c/ Postal Service officials pointed out that various printing styles and print sizes are available from the private sector; the Service offers only one style and print size.