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GENERAL GOVERNMENT  
 DIVISION

RELEASED

JUN 9 1975

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The Honorable Alan Cranston  
 United States Senate

Dear Senator Cranston:

Your February 18, 1975, letter requested that we review the U.S. Postal Service's practice of providing centralized mail receptacles free of charge to housing developers.

We examined (1) the legality of this practice, (2) the number and cost of receptacles provided to developers, (3) the cost effectiveness of this program, and (4) the procurement of these receptacles.

A report on the legality of this practice will be issued in the near future. This letter provides you with information on the other areas of interest.

BACKGROUND

The Postal Service began experimenting with the concept of centralized mail delivery as early as 1966, and in 1967 began providing mail receptacles free of charge to community developers.

The Service currently encourages developers to incorporate centralized delivery concepts in their plans. However, because of the savings associated with centralized and curbside delivery as opposed to door-to-door delivery (see p. 3), the Service is considering requiring all new communities to adopt centralized or curbside delivery.

The Service has developed specific design requirements and guidelines for fabricating centralized mail receptacles. Three basic centralized delivery concepts currently promoted by the Service are:

1. Neighborhood delivery and collection boxes--pedestal-mounted units containing 14 to 18 lock boxes for mail delivery and collection receptacles for outgoing mail, (See enc. I.)

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2. Delivery centers--freestanding, shelter-type units containing lock boxes and some collection receptacles with the capability of adding parcel post compartments. (See enc. II.)
3. Postal centers--freestanding, enclosed units containing lock boxes, a collection receptacle, and a stamp-vending machine with the capability of adding parcel post compartments. (See enc. III.)

Community developers are not required to install centralized receptacles. If a developer agrees to install them at no cost to the Service, it must purchase approved receptacles commercially. When attempts to persuade a developer to purchase and install centralized delivery receptacles fail, the Service sometimes offers to provide a part, or all, of the receptacles free of charge. According to Service officials, such an offer is made only when a cost effectiveness analysis performed by the Service shows the offer to be economically justified. The developer must provide all building materials and installation.

The Service retains ownership of all receptacles it provides. It maintains and replaces all damaged neighborhood delivery and collection boxes. However, it is responsible for maintaining and replacing delivery centers and postal centers only when upon completion of a development no community management organization is formed, which is usually the case with single-family home developments.

#### NUMBER AND COST OF RECEPTACLES

We were unable--within a reasonable period--to ascertain the number or total cost of delivery centers and postal centers provided to developers because the Service does not accumulate this information at either the regional or headquarters level. Service officials said the 78 district offices are authorized to purchase the equipment and that these offices maintain the accounting records.

The neighborhood delivery and collection boxes, however, are procured by Postal Service headquarters. As of March 11, 1975, the Service had awarded production contracts for about 16,000 neighborhood delivery and collection boxes at a total cost of about \$5.2 million.

SERVICE'S COST ANALYSIS

According to the Service, the average annual cost of door-to-door delivery is \$49, curbside delivery is \$39, and centralized receptacle delivery is \$24. Because of these differences in delivery costs the Service is encouraging the expansion of the centralized delivery program.

Before a decision is made to provide centralized receptacles, local post offices must compare the cost of providing the receptacles with the estimated savings from centralized delivery in lieu of door-to-door delivery. The Service does not have a standard cost analysis method for this purpose; however, each postal region has developed guidelines for estimating savings.

Our review of cost analyses for projects considered by the Service during the period November 1972 to August 1974 in the Washington, D.C., area showed that the Service could recover the cost of providing centralized receptacles in 1 to 2 years. These analyses included the cost of the centralized delivery boxes as well as the cost of providing mail delivery to the boxes. The analyses did not include administrative overhead expenses, maintenance costs, and box design costs because the Service's accounting system does not accumulate costs by type of service or activity. Obviously, including such costs would extend the cost recovery period.

RECEPTACLE PROCUREMENT

The Service has awarded six production contracts to three companies for fabricating and supplying about 16,000 neighborhood delivery and collection boxes at a total cost of about \$5.2 million. The first contract, for 500 boxes, was awarded in August 1972 on a sole-source basis to the firm that designed the boxes and built the prototype. Service officials justified this contract as urgently needed to realize potential savings at new developments then being constructed and to overcome delays in implementing the program. The first procurement was designed to provide for selective site testing of the concept.

The second contractor--selected through competitive bids--defaulted on the contract in May 1973 after delivering only a small number of boxes. To replace that contractor, the Service requested proposals from two companies considered capable

of fabricating the needed quantity of boxes within the required delivery schedule. On the basis of the proposals received, the Service awarded a contract to each company. The Service limited the request for proposals to two firms, Service officials told us, because the default increased the urgency for the boxes.

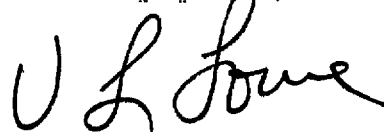
The Service subsequently requested proposals for additional boxes from the same two firms. Neither company could provide all the boxes within the required delivery schedule. To meet this schedule, the Service awarded a contract to each firm to obtain the boxes within the shortest period. Service officials justified limiting the competition to these firms because of the need for the boxes by certain dates and because of the firms' proven capability to supply them. These officials noted also that the Service was redesigning the boxes in anticipation of making a much larger procurement at a later date. Therefore, contracting with current manufacturers assured continued production capability of tested and approved equipment while the redesign was underway. This redesign effort was completed in July 1974.

On February 26, 1975, the Service issued a request for proposals (RFP) for a seventh contract for 5,000 of the newly designed units. In response to the RFP the Service received 11 proposals from 7 companies. The Service is evaluating these proposals, and the contract will be awarded on a competitive basis.

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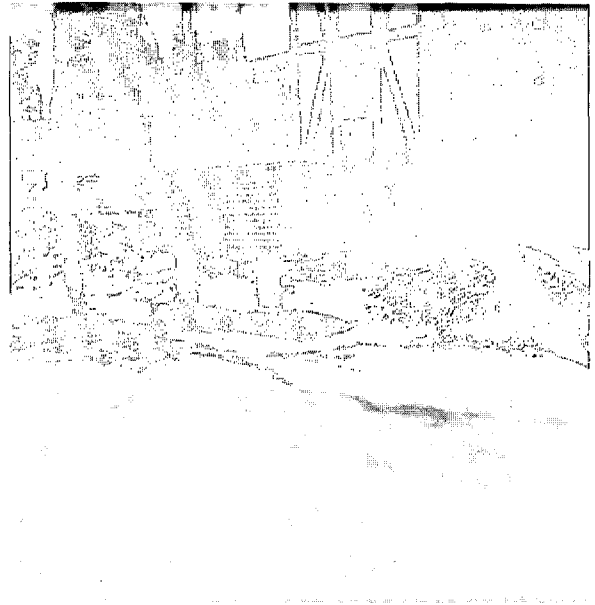
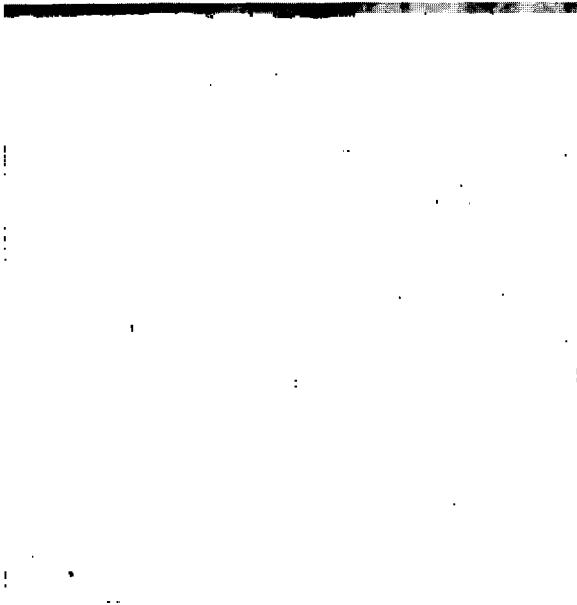
As your office requested, we did not obtain formal agency comments; however, we discussed the report with Service officials and they generally agreed with its contents. We do not plan to distribute this letter further unless you agree or publicly announce its contents.

Sincerely yours,



Victor L. Lowe  
Director

Neighborhood Delivery and Collection Box



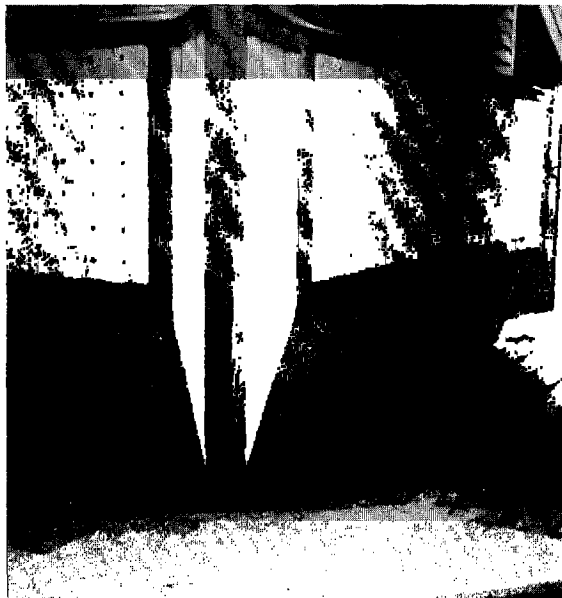
Standard neighborhood box unit (cluster box) with a capacity of 18 lock boxes. In these cases, the boxes were grouped in pairs to reduce the delivery points.

Delivery Centers



Delivery center with 432 possible deliveries using front-loading horizontal boxes.

Postal Center



Postal Center built by developer to blend with the architectural design of the development. Includes lock boxes, a collection receptacle, and parcel post storage lockers.