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Although Postal Service policy requires local vehicle managers to consider leasing for meeting vehicle needs, many managers are not doing so. Findings/Conclusions: The Postal Service owns about 117,000 vehicles, which it supplements by leasing over 32,000 vehicles. About 97% of these vehicles are used for collecting, transporting, and delivering mail. Vehicles range in size from 1/4-ton jeeps to tractor-trailers. To meet its needs, the Service generally purchases postal vehicles rather than leasing them. Future requests will be primarily for replacement vehicles. Existing Postal Service policies require fleet managers to consider leasing vehicles and to make an economic analysis when replacement and/or new service vehicles are needed. However, these policies are not consistently followed. About 70% of the fleet managers contacted by GAO did not consider leasing at all and only 25% of those managers who said they considered leasing made economic analyses. Although the Service's cost data on leased and owned vehicles are adequate, there are differences in report formats which make valid cost comparisons difficult. In some cases leasing appears to be more economical and in other cases purchase appears to be cost beneficial. Both leasing and purchasing should be considered locally if the Service is to insure that the most economical choice is made. (Author/SC)

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REPORT OF THE COMPTROLLER GENERAL OF THE UNITED STATES

Local Vehicle Leasing Options Have Not Been Adequately Considered

United States Postal Service

Although Postal Service policy requires local vehicle managers to consider leasing for meeting vehicle needs, many managers are not doing so. The Service issued instructions on March 17, 1977, to make certain that leasing was considered. The instructions require lease-versus-purchase analyses to support budget requests for new or replacement vehicles.

GAO found that adequate cost data for both owned and leased vehicles was available; however, differences in the data format made lease-versus-purchase comparisons difficult. The Service is developing a new vehicle accounting system for owned vehicles which will accumulate costs by individual vehicle; this system would enable local managers to make more valid comparisons.



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

B-114874

The Honorable Charles H. Wilson
Chairman, Subcommittee on Postal
Personnel and Modernization
Committee on Post Office and
Civil Service
House of Representatives

Dear Mr. Chairman:

This report is in response to your April 15, 1976,
request that we review the cost benefits of the United States
Postal Service program of purchasing postal vehicles versus
leasing them from private companies.

As requested, written agency comments have not been
obtained. However, we discussed the results of our review
with Postal Service officials and considered their comments
in preparing this report.

Sincerely yours

A handwritten signature in black ink, appearing to read "James B. Stuckey".

Comptroller General
of the United States

REPORT OF THE
COMPTROLLER GENERAL
OF THE UNITED STATES

LOCAL VEHICLE LEASING
OPTIONS HAVE NOT BEEN
ADEQUATELY CONSIDERED
United States Postal Service

D I G E S T

The United States Postal Service owns about 117,000 vehicles, making it one of the largest fleets in the United States. In addition, the Service supplements its fleet by leasing over 32,000 vehicles from both employees and commercial firms. About 97 percent of these vehicles are used for collecting, transporting, and delivering the Nation's mail. Vehicles are used on various types of collection, delivery, and transportation routes and range in size from 1/4-ton jeeps to tractor trailers.

At the request of the Chairman, Subcommittee on Postal Personnel and Modernization, House Committee on Post Office and Civil Service, GAO evaluated the Service's procedures and methods for determining whether to purchase or lease delivery vehicles.

To meet its needs, the Service generally purchases postal vehicles rather than leases them. Service officials maintain that the size of the fleet is now stable and future requests will be primarily for replacement vehicles.

The Service's existing policies require fleet managers to consider leasing vehicles and to make an economic analysis when replacement and/or new service vehicles are needed. However, GAO found that the Service's policies were not consistently followed. (See ch. 2.)

GAO found that 68 percent of the vehicle fleet managers contacted did not consider leasing at all and only one-fourth of those managers who said they considered leasing made economic analyses. (See ch. 2.)

GAO made 28 cost comparisons between similar owned and leased Service vehicles used in the same area. Although the Service's cost data on leased and owned vehicles is adequate, there are differences in report formats which make valid cost comparisons difficult. In some cases leasing appears to be more economical and in other cases purchase appears to be cost beneficial. (See ch. 3.)

CONCLUSIONS

Based on the comparisons made, GAO could not conclusively determine whether leasing or purchasing vehicles was generally more economical. It is apparent, though, that both leasing and purchasing should be considered locally if the Service is to insure that the most economical choice is being made. Service Headquarters officials agree.

AGENCY ACTIONS

During this review, the Service issued a more comprehensive policy which reemphasizes the Service policy that leasing be considered in meeting all vehicle needs. This policy requires that an analysis be made to determine whether to lease or purchase vehicles; the initial analysis will be done at the district level. Additionally, a new vehicle accounting system is being implemented which will accumulate data on owned vehicles by each vehicle. This new system should provide the Service with the necessary data to perform valid lease-versus-purchase comparisons.

As requested by the Subcommittee, written agency comments were not obtained. However, GAO discussed the results of this review with Postal Service officials and considered their comments in this report.

C o n t e n t s

	<u>Page</u>
DIGEST	i
CHAPTER	
1	INTRODUCTION
	Background
	Meeting vehicle needs
	Vehicle maintenance
	Scope of review
2	EFFORTS BEING MADE TO INSURE COMMERCIAL LEASING IS CONSIDERED
	Service's previous leasing policy
	Policy was often not followed at local levels
	Service policy has been tightened
3	COST DATA IS ADEQUATE BUT REPORT FORMAT MAKES VALID COST COMPARISONS DIFFICULT
	Cost data is adequate
	Data format makes comparisons difficult
	Cost comparisons between lease and purchase
	Owned 1/4-ton vehicles and their leased equivalents
	Comparisons of larger capacity vehicles
	New vehicle accounting system
4	CONCLUSIONS
APPENDIX	
I	Letter dated April 15, 1976, from the Chairman, Subcommittee on Postal Facilities, Mail and Labor Management, House Committee on Post Office and Civil Service
II	Vehicles owned and leased by the Postal Service as of June 18, 1976

CHAPTER 1

INTRODUCTION

The United States Postal Service operates one of the largest owned vehicle fleets in the United States; at the end of fiscal year 1976, this fleet consisted of 117,170 vehicles. During fiscal year 1976, the Service supplemented its owned fleet by leasing 17,081 vehicles from employees and 15,272 vehicles from commercial firms. Thus, the Service controls about 150,000 vehicles costing the Service about \$240 million to operate and maintain for the year. Of these vehicles, about 144,000, or 97 percent, are used for collecting, transporting, and delivering the Nation's mail. The remainder of the fleet is composed of administrative and maintenance vehicles. (See app. II.)

BACKGROUND

During the 1950s the Service began a motorization program; under this program, most carriers were assigned vehicles to use for delivering mail on their routes. Before this, many carriers in metropolitan areas walked their routes and used public transportation between the delivery route and the post office. Implementing the motorization program increased the Service's need for vehicles. Today, motorization is virtually completed and future procurements primarily will replace existing vehicles.

Both the leased and owned vehicles are used for various types of mail delivery services:

- Regular - using a vehicle to deliver and collect all classes of mail (for example, curbside, dismount-door, or a combination of these).
- Park and loop - using a motor vehicle first for transporting mail to the route and then as a moveable container while the carrier walks segments of the route.
- Standby - making available a limited number of vehicles for each post office to assure continuity of service.
- Emergency - using a motor vehicle for transporting mail when the assigned vehicle is temporarily inoperable.
- Temporary - using a motor vehicle for transporting mail during peak periods or when the assigned vehicle is not available to transport mail.

MEETING VEHICLE NEEDS

To meet its needs, the Service generally purchases postal vehicles rather than leases them. Generally, each vehicle type (such as 1/4-ton jeeps or tractors) is purchased under a separate contract. Once the contract is awarded, the vehicles are delivered over several years.

Each post office designates its vehicle needs either replacement or new service. The replacement needs are developed by the local fleet operations managers based on the disposal criteria for each vehicle type. For example the disposal criterion for a 1/4-ton vehicle is 42,000 miles or 6 years. New service needs are developed by Service delivery and collection personnel.

Once vehicle needs have been determined, fleet managers determine if the replacement of vehicles is economically justifiable and indicate whether they should be leased or purchased. These requirements are then forwarded to the district which reviews vehicle requirements from all locations; the district also does an economic analysis to determine the (1) operating cost of similar owned and leased vehicles, (2) economic life of the vehicles, and (3) estimated repair costs. After the district has determined its vehicle needs, the requirements are forwarded to regional headquarters. The region reviews the district's recommendations for additional vehicles and consolidates these requirements before forwarding them to the Office of Fleet Management at Service Headquarters.

The Office of Fleet Management consolidates the vehicle needs from all regions and establishes procurement priorities by vehicle type. Once it is decided that additional vehicles are justified, a lease-versus-purchase cost comparison is done using existing leased and owned vehicle cost data. The owned cost data is used to compare with bids received from major auto manufacturers. If new vehicle costs are too high, the Service may defer a purchase. However, this has occurred only four times since 1966. After the comparison is done, the Service requests the General Services Administration to procure the vehicles.

A Service official stated that although such a comparison is done, leasing at the national level is not a viable alternative because of the numbers involved. Attempts to solicit proposals from national leasing companies did not provide positive results.

According to Service officials, the vehicle procurement system is self-perpetuating. This means that postal-owned vehicles meeting the Service's disposal criteria normally will be replaced with owned vehicles and that vehicles currently leased will generally be replaced with other leased vehicles.

VEHICLE MAINTENANCE

Once acquired, owned vehicles are maintained through a network of vehicle maintenance facilities and auxiliary maintenance facilities. These vehicle maintenance facilities are responsible for repairing and maintaining all postal-owned vehicles and are staffed by postal personnel. There are approximately 300 of these facilities located in the larger metropolitan areas where the majority of postal vehicles are assigned.

Owned vehicles are also assigned to post offices in outlying areas where no postal-operated repair facilities are provided. These post offices are called nonpersonnel offices and are generally located in smaller cities and towns where the size of the fleet does not warrant having a maintenance facility. Most of the maintenance and repair of vehicles assigned to nonpersonnel offices is contracted out to local service stations.

For leased vehicles, the lease agreements require that the lessor provide all maintenance necessary to keep the vehicle in safe operating condition. Generally, lessors obtain maintenance agreements with commercial repair facilities in the areas where the vehicles are assigned.

SCOPE OF REVIEW

Our review was conducted at Service Headquarters and Eastern, Southern, and Western postal regions. We visited or telephoned 10 district offices, 25 management sectional centers, 62 vehicle maintenance facilities, and 22 post offices. We reviewed Service policies and practices, inquired into verification techniques for determining the accuracy of the various vehicle cost reports, and reviewed current vehicle lease agreements. We held discussions with headquarters and regional officials to determine the relative merits of leased and owned vehicles. Our review of leases was limited to long-term leases with commercial firms.

CHAPTER 2

EFFORTS BEING MADE TO INSURE

COMMERCIAL LEASING IS CONSIDERED

Service policies regarding the use of leased vehicles to deliver mail were not being followed consistently. In many instances, leasing was not considered by fleet managers. Since leasing is not a viable alternative at the national level, headquarters officials agree that leasing to meet vehicle needs must be determined by local vehicle managers. A revised policy was instituted on March 17, 1977, to insure that leasing is evaluated by lower management levels.

SERVICE'S PREVIOUS LEASING POLICY

Two sections of the Service's Fleet Management Handbook contain Service policy pertaining to leasing as an alternative to purchase. One section presents the policy for replacing postal-owned vehicles. It states that before requesting replacement vehicles, managers of

***fleet operations must make certain that performance of required vehicle service with units presently assigned is impossible, and that contract vehicle hire has been given adequate consideration."

Discussions with Service officials disclosed differences in interpreting this section. One regional official stated that this section applies to any situation where a need exists for replacement vehicles. Another regional official maintained that the section applies only to replacing inoperable or uneconomically repairable vehicles, that is, emergency situations. Headquarters officials stated, however, that leasing should be considered in meeting any vehicle replacement needs.

The other section of the handbook concerns the initial establishment of vehicle service. It states that initial vehicle service will generally be by vehicle hire (lease) but further qualifies this by stating

***use vehicle hire when the contract cost is lower than the prevailing rate of postal-owned vehicles of similar type, make and model, and/or when postal-owned vehicles are not available."

In addition to the handbook guidelines, a regional instruction requires periodic evaluation of existing vehicle service. This instruction states that periodic studies are to be done to determine the desirability of continuing an existing type of vehicle service. In doing the studies, consideration is to be given to replacing postal-owned vehicles with leased vehicles especially when an office has only a few postal-owned vehicles assigned; consideration should also be given to replacing contract vehicle service with postal-owned vehicles.

POLICY WAS OFTEN NOT FOLLOWED AT LOCAL LEVELS

Although Service policy requires that adequate consideration be given to leasing and that periodic studies be made, in many instances neither was being done. Discussions with 62 fleet operations managers in the three postal regions revealed that 42, or approximately 68 percent, have not considered leasing in meeting vehicle needs. Several of these officials did not want commercially leased vehicles except as a last resort. Some reasons given by fleet managers for not leasing were:

- Failure on the part of the lessor to provide proper vehicle maintenance.
- Inability to obtain functional vehicles (that is right-hand drive).
- High lease rates.
- Difficulty in locating a replacement vehicle when a leased vehicle becomes inoperable.
- Excessive administrative time required to administer the leases.

Not all managers were against leasing; some managers and other postal personnel who had leased vehicles assigned to their locations were satisfied with the arrangement.

- Hollywood, Florida, officials informed us that leased vehicles cost less than owned vehicles and that the lessor had provided excellent service.
- Charlotte, North Carolina, officials stated that the leased vehicles had served their purpose adequately and had been maintained properly.

- Pittsburgh, Pennsylvania, officials said that their area-wide, multi-year lease of 170 vehicles had been good cost wise; they said this type of lease had permitted transfer of the vehicles within specific geographic boundaries to meet unexpected service needs.
- San Antonio, Texas, officials maintained that although their need for leased vehicles had decreased, they would lease again if the need arose.
- The Long Beach, California, fleet operations manager told us that where possible he would lease vehicles because his experience had shown that leasing was less expensive.
- Riverside, California, Service officials said the contractor had provided good maintenance; if a vehicle needed major repairs, the contractor supplied a substitute vehicle.

The differences in the extent of commercial leasing among the five postal regions seem to indicate that some regions are more willing to lease than others. At the end of postal fiscal year 1976, the number of commercially leased vehicles by region was as follows.

Comparison of Leased Vehicles
to Owned Vehicles

<u>Region</u>	<u>Leased vehicles</u>	<u>Owned vehicles</u>	<u>Percent of leased to owned</u>
Northeast	307	19,394	1.6
Eastern	307	18,956	1.6
Southern	2,016	26,574	7.6
Central	6,324	27,811	22.7
Western	3,991	24,435	16.3
Headquarters	<u>2,327</u>	<u>-</u>	
Total	<u>15,272</u>	<u>117,170</u>	13.0

Only 13 of the 62 fleet managers contacted, or 21 percent, said they had made cost comparisons between leasing and purchasing of vehicles. Of these 13, one made a "rough" study, one made comparisons only for individual routes, and one made comparisons only when requested to do so. However,

only the manager who made comparisons for individual routes could supply us with documentation on these comparisons. This lack of analysis is contrary to Service policy which requires that periodic studies be made to determine the desirability of continuing an existing type of vehicle service.

SERVICE POLICY HAS BEEN TIGHTENED

In discussions with Service Headquarters officials, we stated that a majority of fleet managers contacted were not making cost comparisons between leasing and purchasing of mail delivery vehicles to replace or meet new service needs. At the time, these officials said that a more comprehensive policy on meeting vehicle requirements was being drafted. On March 17, 1977, the new policy was put into effect.

This new policy emphasizes the district's and the region's responsibilities for determining replacement and/or new service needs. The policy requires that, in developing budgetary requests for replacement vehicles, both the district and the region must determine the potential advantages or disadvantages of leasing versus purchase through an economic analysis. For new service vehicles, the policy requires that an analysis be made in all cases to determine whether owned or leased vehicles are the most economical. All factors must be considered before reaching a conclusion. These factors include, but are not limited to, cost, functional need, and the availability of maintenance.

CHAPTER 3

COST DATA IS ADEQUATE BUT REPORT FORMAT MAKES VALID COST COMPARISONS DIFFICULT

Our review showed that Service cost reports accurately represent those costs associated with leased and owned vehicles. However, inconsistent reporting formats make cost comparisons difficult, and Service officials recognize this problem. Leased vehicle data is accumulated by the type of service for which the vehicle is used. Owned vehicle data is accumulated by the various vehicle categories. Service officials pointed out that a new accounting system for owned vehicles is being developed which will enable vehicle use to be determined and allow more valid comparisons to be made.

Our comparisons of leased and owned vehicles using the Service data did not produce an overall conclusion that one alternative was superior to the other. Where valid comparisons could be made, lease was best in some cases and purchase was best in others.

COST DATA IS ADEQUATE

We were requested to determine whether the Service was considering all costs associated with the maintenance and operation of owned vehicles. We believe that the cost data accumulated by the Service provides a reasonably accurate representation of both owned and leased vehicle costs.

The Service has two reports that provide cost information for owned and leased vehicles--the Make/Model Cost Report and the Contract Vehicle Hire Cost Report. In both reports the data is presented on a cost-per-hour basis. The Make/Model Cost Report, which is prepared quarterly, provides cost data on postal-owned vehicles. The Contract Vehicle Hire Cost Report, which is compiled each accounting period, presents data for leased vehicles.

Our review of the Service vehicle cost reporting system shows that all direct costs related to the maintenance and operation of postal-owned vehicles are included in the system. Direct costs are separately identified for each vehicle type and include (1) parts and material, (2) labor, and (3) contracted maintenance; the direct costs are required for general maintenance and repairs, road calls, minor repairs, accident repairs, minor component rebuilding, shuttle time, gasoline, oil, and depreciation.

Vehicle maintenance facility costs which cannot be directly charged to postal vehicles are included in overhead; these costs are distributed among the work orders as a percentage of direct costs. Overhead costs include (1) supervisory and administrative salaries, (2) undistributed labor, (3) rent, (4) equipment and building depreciation, (5) garage maintenance, (6) shop equipment repairs, (7) employee training, (8) travel costs, and (9) utilities.

The Contract Vehicle Hire Cost Report shows only those costs paid to the lessor for vehicle use. It does not include postal costs associated with awarding and administering the lease contracts. On the other hand, certain management and procurement costs associated with Service vehicles are also not included in the Make/Model Cost Report. We believe costs not included cancel each other out.

DATA FORMAT MAKES COMPARISONS DIFFICULT

Operating or vehicle use data for leased and owned vehicles is accumulated differently. Because of the difference, valid comparisons between leased and owned vehicles are difficult to make.

The Service maintains records based on the type of service for which leased vehicles are used; for example, whether they are used on park and loop routes or regular routes (curbside). Leased vehicles are also classified by vehicle type. The Service does not maintain type of service data for its owned vehicles. Instead, owned vehicle data is maintained by the various vehicle types as shown in appendix II. At each location where vehicles are assigned, average cost is shown for all the vehicles of a particular type.

This presents a problem particularly when attempting to compare postal 1/4-ton jeeps (the majority of owned vehicles) to their leased equivalent (passenger cars). The type of service a vehicle is used for can greatly affect the cost of that vehicle. For example, vehicles assigned to park and loop routes normally cost less than vehicles on regular routes. This is caused by differences in mileage which will affect fuel costs and frequency of maintenance and repair. This problem's effect is demonstrated more clearly in the following sections.

COST COMPARISONS BETWEEN LEASE AND PURCHASE

During our review, we examined 28 leases in detail. We were looking for leases which provided vehicles similar

to those owned by the Service and used in the same area. Most commercially leased vehicles are classified as passenger cars/station wagons (about 10,300 out of 15,300) and are used primarily on park and loop routes. Service officials state that these vehicles are used in place of postal-owned 1/4-ton jeeps.

In making our cost comparisons, local cost data was used for both owned and leased vehicles since vehicle operating costs vary significantly among geographical areas. For example, in the Service's Eastern Region, the average hourly operating cost for a 1/4-ton jeep by vehicle maintenance facility ranged from \$.45 to \$1.31; by district the average ranged from \$.63 to \$.80. The regional average of \$.75 an hour compares favorably with the national average but is misleading when compared to the vehicle maintenance facility hourly cost. The use of national vehicle operating costs (as used in Service headquarters analyses) may make one alternative appear more cost beneficial than another, yet this alternative may not be less costly if the vehicle operating cost for the region, district, or vehicle maintenance facility were used.

Owned 1/4-ton vehicles and their leased equivalents

As stated before, the postal-owned vehicle accounting system does not identify the type of route on which owned vehicles are used while the leased vehicle accounting system does. Several of the 18 comparisons we made of owned 1/4-ton vehicles and their leased equivalents are discussed below.

In Pittsburgh, Pennsylvania, the Service leased 170 passenger cars and jeeps which were generally used on park and loop routes. That lease represented over half of the commercially leased vehicles in the Eastern Region. The average hourly operating cost is \$.49 for leased vehicles and \$.82 for all postal-owned 1/4-ton jeeps used for all types of services in the Pittsburgh area. Depending upon the location of the owned vehicles, the average costs ranged from \$.40 to \$1.31. Since we could not isolate hourly operating costs for owned vehicles used on park and loop routes, we could not say conclusively that the leased vehicles were less expensive.

In the Southern Region, we reviewed seven leases involving passenger cars and jeeps. All of these leases provided vehicles that were less expensive than the average cost of operating postal-owned vehicles. In North Carolina the Service has two leases, totaling 76 vehicles, which appear

to be cost beneficial to the Service. The operating cost for postal-owned right-hand drive 1/4-ton jeeps in the area where the leases are in effect is approximately \$.92 an hour, whereas the leased vehicles cost the Service about \$.56 an hour.

A lease in Arkansas provides 15 vehicles for park and loop routes at an hourly cost of \$.66. The average hourly operating cost for a postal-owned vehicle in this area is \$.97. However, we could not isolate postal-owned vehicle costs for park and loop routes in these areas to determine whether the leased vehicles were in fact cheaper. This was also true for the other four leases reviewed.

Only in the Western Region were we able to identify any 1/4-ton postal-owned jeeps where cost data could be isolated by type of route. Ten comparisons were made--six comparing postal-owned 1/4-ton jeeps with leased passenger cars used on park and loop routes and four comparing right-hand drive owned and leased 1/4-ton jeeps. On the leased vehicles, factors were included to cover administrative costs associated with recordkeeping and damage claims paid to lessors by the Service. A factor for taxes foregone was added to the owned vehicles.

In the six comparisons involving owned and leased vehicles used on park and loop routes, leased vehicles were less expensive at two locations; the difference in cost was \$.17 a day in the first location and \$.24 in the second. The other four comparisons revealed owned vehicles to be cheaper by \$.18 to \$.29 a day. It should be noted that according to a Western Region study issued in August 1976, about 60 percent of the overhead cost charged to owned vehicles is fixed and would not be changed by switching from owned to leased vehicles, at least in the short term. This amounts to about \$.43 a day for each 1/4-ton vehicle in the Western Region. In the four comparisons involving only right-hand drive vehicles, the owned vehicles were less expensive in all cases. The difference in costs ranged from \$2.48 to \$3.31 a day.

Comparisons of larger capacity vehicles

We examined 10 leases involving 1/2-ton or larger capacity vehicles, one each in the Service's Southern and Eastern Regions and eight in the Western Region. The cost comparisons involving these leases showed owned vehicles to be less expensive than leased vehicles in all but two instances.

The two leases which provided vehicles at a rate less than the cost of maintaining similar postal-owned vehicles were in the Western Region. One lease provided eight 5-ton trucks and the other provided seven tractors. The lease rates were cheaper by \$9.54 and \$9.21 a day, respectively. Examination of six other leases involving large-sized vehicles in the Western Region revealed owned vehicles were less expensive by \$.60 to \$16.33 a day.

The large vehicle lease examined in the Eastern Region involved 24 trailers. Although the lease rate was more expensive than the cost of maintaining owned trailers, an official stated that they leased the trailers because there were not enough owned trailers available when the Pittsburgh Bulk Mail Center opened.

NEW VEHICLE ACCOUNTING SYSTEM

In chapter 2 we pointed out that cost comparisons were seldom made to determine whether leased or owned vehicles were more economical. The Service has revised its policy to reemphasize the need for cost comparisons at the lower levels. Additionally, the Service is developing a new vehicle accounting system which will permit cost data to be accumulated for each postal-owned vehicle.

Service officials recognize that because of the present makeup of owned vehicle cost data, it is difficult to make valid cost comparisons between owned 1/4-ton jeeps and their leased equivalents--generally passenger cars. However, according to headquarters officials, this new system should enable lower management levels to identify owned vehicles by type of service and make cost comparisons between owned and leased vehicles more meaningful.

CHAPTER 4

CONCLUSIONS

The Service has not given adequate consideration to leasing mail delivery vehicles. In part, this is because local managers do not consistently follow Service policy and because there are inadequacies in the vehicle cost report formats which makes valid cost comparisons difficult.

The Service has taken, or is in the process of taking, corrective action. A revised regional instruction was issued on March 17, 1977, clarifying and reemphasizing the Service's policy on leasing. The instruction also pointed out the factors to be considered in an economic analysis when replacement and/or new service vehicle needs are determined. The Service is in the process of initiating a new vehicle accounting system which will record operating expenses for each owned vehicle by the vehicle's serial number. This new system will enable vehicle managers to identify the type of service the vehicle provides so that valid cost comparisons can be made.

Headquarters officials stated that both leasing and purchasing vehicles should be considered to meet vehicle needs and that this should be done locally. The Service would likely benefit from consideration of both alternatives to insure that the most economical vehicles are obtained. The revised regional instruction and the implementation of the new vehicle accounting system should make the Service capable of performing valid lease-versus-purchase analyses. However, the Service's policy change must be followed by field vehicle personnel if it is to have any lasting effect.

NINETY-FOURTH CONGRESS

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U.S. House of Representatives

SUBCOMMITTEE ON POSTAL FACILITIES, MAIL, AND
 LABOR MANAGEMENT

OF THE

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

122 CANNON HOUSE OFFICE BUILDING

Washington, D.C. 20515

April 15, 1976

Hon. Elmer B. Staats
 Comptroller General
 General Accounting Office
 441 G Street, N.W.
 Washington, D.C. 20548

Dear Mr. Staats:

Pursuant to the request I made of Mr. William Anderson, Deputy Director of the General Government Division, at my Subcommittee's hearing on the Bulk Mail System on March 29, I am herein presenting a formal request.

It would be of great assistance to my Subcommittee's efforts if the General Accounting Office would audit the United States Postal Service's purchase and leasing of all of their motor vehicles. My Subcommittee would like to know the cost benefits, if any, of purchasing postal vehicles versus leasing those vehicles from private companies. As you know, your office completed a review of the purchase versus lease program on a certain class of postal vehicles, "Postal Service Justified in Purchasing Mail Delivery Vehicles." (1/9/76) What I am requesting now is a review of the leasing versus purchase program on all postal vehicles. Specifically, I would like to know the following information:

1. The cost benefit of purchased vehicles
2. a complete review of the vehicle procurement procedures
3. the true vehicle operating costs
4. the management costs associated with the vehicle maintenance facilities

5. the depreciation cost associated with the life of the purchased vehicles, their insurance costs and federal, state and local taxes applied to the vehicles

6. the repair costs including parts and labor, along with the cost for replacing parts such as tires and batteries

7. the cost for the facilities maintained to service or store these vehicles, including salaries for supervised personnel and fuel and oil costs

8. the costs associated with licenses and tags

I would hope that the results of this study could be shared with the Subcommittee as soon as possible inasmuch as we are now in the midst of our investigation.

In advance, thank you very much for your assistance.

Very truly yours,

A handwritten signature in cursive script that reads "Charles H. Wilson". The signature is written in dark ink and is positioned above the typed name and title.

CHARLES H. WILSON
Chairman

VEHICLES OWNED AND LEASEDBY THE POSTAL SERVICEAS OF JUNE 18, 1976

<u>Description of vehicle</u>	<u>Owned</u>	<u>Leased</u>	<u>Total</u>
1/4-ton left-hand drive jeeps	14,224	440	14,664
1/4-ton right-hand drive jeeps	59,519	1,662	61,181
1/4-ton electric jeeps	331	-	331
1/2-ton left-hand drive jeeps	102	232	334
1/2-ton right-hand drive jeeps	25,186	132	25,318
Passenger cars/ station wagons	-	27,128	27,128
3/4- and 1-ton trucks	7,548	126	7,674
2- and 2-1/2-ton trucks	1,101	3	1,104
5-ton trucks	1,793	236	2,029
Tractors	877	118	995
Trailers	1,631	1,563	3,194
Miscellaneous (note a)	<u>4,858</u>	<u>713</u>	<u>5,571</u>
Total	<u>b/117,170</u>	<u>32,353</u>	<u>b/149,523</u>

a/Vehicles not used for mail delivery purposes.

b/Excludes 6,376 postal-owned vehicles in storage which have met the Service disposal criteria and are waiting to be sold.