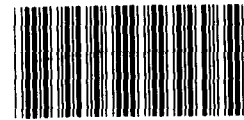


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UNITED STATES GENERAL ACCOUNTING OFFICE
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STATEMENT OF
JAMES G. MITCHELL
SENIOR ASSOCIATE DIRECTOR, GENERAL GOVERNMENT DIVISION
BEFORE THE
SUBCOMMITTEE ON POSTAL OPERATIONS AND SERVICES
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
HOUSE OF REPRESENTATIVES
ON
THE POSTAL SERVICE'S SELECTION OF
A LOCATION FOR ITS TECHNICAL TRAINING CENTER



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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to present our preliminary observations about the Postal Service's decision to build a new technical training center at Norman, Oklahoma, rather than relocating the center from Norman to the former Eisenhower College at Seneca Falls, New York.

We were requested by New York congressional members to evaluate the wisdom of the Postal Service's decision to locate its training center in Norman rather than Seneca Falls. As a part of our evaluation we were asked to estimate the costs of locating the center at each of the two sites and to examine the Service's internal decisionmaking process.

As you are aware, we are in the early stages of our evaluation. Considerable work remains to be done. Today, I will provide our preliminary observations on the adequacy of the Service's evaluation of the economic feasibility of relocating its training center to the Eisenhower College in Seneca Falls and discuss what further work we need to do to complete our evaluation.

Before doing this, I believe that a listing of certain key events which occurred prior to the Service's decision would be helpful.

August 1983 - The Service identified a need to consolidate the training center in Norman.

December 1983 - The Service requested proposals for land and/or building space in Norman; none were considered acceptable.

- April 1984 - The Service obtained an option on a tract of land in Norman as a possible building site for the new training center.
- October 1984 - Initial tour of Eisenhower College by Service officials.
- December 1984 - The Service's report on its evaluation of Eisenhower College for its training center was completed.
- January 1985 - The Service received a New York State proposal regarding using the Eisenhower College for its center.
- April 1985 - The Service requested and received the Board of Governors' funding approval to construct a new training center in Norman.

Some key future dates are May 1986--the scheduled date for award of the contract to construct the new center in Norman--and October 1988--the scheduled date for completion of the construction.

SERVICE'S EVALUATION OF THE FEASIBILITY OF LOCATING AT EISENHOWER COLLEGE

During 1984, the Service considered a number of vacant college campuses as possible sites for its consolidated training center. The Service first contacted the Rochester Institute of Technology, then owner of the vacant Eisenhower College, in October 1984 to obtain general information about the facilities. Service officials visited the College and toured the facilities that same month. On the basis of this visit, the Service prepared an evaluation of the College as the location for its training center in which it concluded that the College offered no unique economic or operational benefits to the Service. Costs evaluated by the Service and compared to costs

at Norman included acquisition costs of land and facilities, relocation costs for personnel and equipment, and student transportation costs to both locations.

Land and facility acquisition costs

In studying the possibility of relocating the center to the Eisenhower College, the Service had varying estimates of the cost to acquire the College land and existing facilities. The figure finally settled on was around \$11.7 million. At the time the Service was studying the situation, the Rochester Institute of Technology had title to the College land and facilities and there was some uncertainty as to the amount the Service would have to pay to obtain title.

In April 1985, ownership of the College was transferred to the Department of Education. We were informed by Education officials on June 11, 1985, that the Service can now obtain ownership of the College for its training center at no cost.

The Service's estimates of the cost to rehabilitate and construct additional facilities at the College to meet the space needs for its training center totaled \$53.6 million, or about \$9.0 million less than its estimated cost of \$62.6 million for facilities construction at Norman. Although we have not completed our evaluation of the Service's estimate of \$53.6 million, we have some concerns about the Service's space computation methods supporting its estimate. These methods may have caused the estimate to be overstated.

For example, we noted that the Service

--Used a square foot estimating approach, rather than performing a more detailed study of available space versus needed space.

--Used a ratio of gross square feet to net square feet in computing rehabilitation and construction needs that was much higher than it had experienced in its current leased space on the Oklahoma University campus, had used in planning its new Norman facility, and had used in evaluating the architect-engineer's plans for the new Norman facility.

--Provided for site preparation costs at the College for areas already fully developed and prepared.

It should be noted that the Service did not prepare its cost estimate for rehabilitating and constructing facilities at the Eisenhower College as thoroughly as they prepared the estimate for Norman. The Service contracted with an architect-engineer firm to help it prepare a cost estimate for new construction at Norman. Without (1) matching the Service's functional needs with available College space that could meet these needs and (2) costing out any required rehabilitation and construction needs at the College similar to that done for the planned new facility at Norman, a comparable cost estimate for

facilities at the College cannot be made. An estimate prepared by an architect-engineer firm using a similar analysis as that prepared for Norman would assure an "apples to apples" cost comparison.

Personnel and equipment relocation costs

The Service estimated that it would cost "a minimum of \$6.6 million" to move its equipment from Norman to Seneca Falls. This figure was apparently reached by extrapolating from some earlier relocations of a much more limited nature. Recently the Service has lowered its estimate by \$4.3 million to a revised figure of \$2.3 million. We believe this new estimate is more reasonable than the earlier one.

The Service also estimated that relocating the training center's staff to Seneca Falls would cost about \$3.8 million. It appears that the Service arrived at its estimate by assuming that all of its professional staff members, now 178 but projected to be 250 by 1988, would relocate, that all are married with families and household goods to be moved, and that all would have real estate transactions to be partially subsidized by the Service.

We need to further evaluate these assumptions. For example, we have found that about 16 percent of the current professional staff members are single. Further, it may be unrealistic to assume that all staff members would relocate. In

fact, we believe it is reasonable to assume that some employees would elect not to move, particularly some of those eligible for retirement at the time of the move, or those whose technical skills are transferable to other employers in the Norman area, and some who have few years of seniority in the Service.

However, the possible election of some employees not to relocate is a double-edged sword so far as costs are concerned. The greater the number of professional employees who would not move, the lower would be the cost of staff relocation. But, on the other hand, there is the possibility that the Service would incur moving and training costs to bring skilled replacements to Seneca Falls from other Service locations. These are the sorts of things we will have to consider in our later work.

Student travel costs

In its evaluation of Eisenhower College, the Service studied the air fare costs to Oklahoma City, Syracuse, and Rochester from 29 points of origin. The Service concluded that round trip air fares were less expensive for travel between Oklahoma City and 23 of the 29 points of origin, but did not compute the total potential savings.

In May 1985, after we began our review, the Service completed a more comprehensive study of travel costs. It determined the home locations of about 5,500 students who had travelled to the center during the current fiscal year and the airports that had probably served these students as their points

of origin. Using this information as a base, the Service then calculated estimated annual costs for students travelling from these airports to Syracuse and Oklahoma City. From a comparison of travel costs to the two cities, the Service estimated that travel to Oklahoma City would cost at least \$200,000 less per year than travel to Syracuse.

We have not fully evaluated the Service's estimates of savings or its methodology. We believe that a comparison of student travel costs, regardless of methodology, could be misleading since air fares to Syracuse and/or Rochester could change significantly through negotiations of government rates should training center students start using these airports. Also, airlines may add more scheduled flights to capture business on students' peak arrival and departure days.

Potential economies proposed
by New York State

In January of 1985, the State of New York submitted a proposal, prepared by the New York Department of Commerce, that set forth its estimates of economies available in various areas but most notably in the area of savings that could be realized by rehabilitating and constructing some facilities at the Eisenhower College instead of constructing a new facility at Norman. The proposal contained two estimates of the rehabilitation and construction costs--\$34 million as estimated by the Rochester Institute of Technology and \$23.5 million as estimated by the New York State Dormitory Authority.

We are unable to comment on the validity of these estimates but we question whether these two organizations had adequate information about the training center's space needs by functional type, i.e., administrative, classroom, laboratory, etc., to estimate the costs of rehabilitation and new construction. It is our understanding that these organizations were aware only of the Service's total square footage needs.

Summary

Our tentative observations are that the Service did not evaluate the costs of locating its training center at the Eisenhower College in nearly the depth in which it evaluated the costs for Norman and the estimated costs developed by the Service for locating at the College may be overstated. However, we have to perform additional evaluations to confirm our observations and to attempt to develop what we feel are the comparable costs.

FUTURE EFFORTS

I would like to discuss now the additional review work we need to perform. As you know Mr. Chairman, we were requested to make a comprehensive review of the Service's decision to keep its training center in Norman.

To respond to this request we will, before the end of the year, review and report on the process which led to this decision and will attempt to develop comparative cost data for Norman versus Seneca Falls. Such cost data should be developed for

- facility construction and/or rehabilitation
- operation and maintenance, and
- student transportation.

To develop comparative cost data on facility construction and rehabilitation and on operation and maintenance we must first determine the extent to which new construction and rehabilitation at the Eisenhower College is necessary. A major cost item at Eisenhower is new construction and rehabilitation to provide each student a private bath.

Currently, each student at Norman is provided a private room but shares a bath with one other student. The current student population averages about 41 years of age and the Service believes it is necessary to provide such students with private baths.

We will find out whether other government agencies and private-sector organizations with large training facilities provide private baths. We will also consider whether the length of a student's stay should be a consideration in deciding whether to provide a private bath or a share-the-bath arrangement. The Service's courses range in length from 2 days to 12 weeks.

Our consideration of student transportation will include cost as well as the accessibility of Seneca Falls to air and ground transportation during the winter months. The turnover of about 800 students every two weeks requires dependable ground and air

transportation and this is one of the Service's concerns about locating at Seneca Falls.

Other costs that we need to evaluate further are employee relocation costs and the potential impact on the continuity of the training program of moving from Norman.

The scope of our work has recently been expanded by a request from Congressman Dannemeyer. He believes that a location in Norman, referred to as the TOTCO site, is more desirable for the training center than the site selected by the Service. He also expressed concerns about a possible conflict of interests in the Service's acquisition of the site on which it plans to construct its new training center and about the treatment given to the TOTCO proposal by Service officials.

Mr. Chairman, I'm not optimistic about our ability to reach a clear cut conclusion on the most appropriate location for the Service's training center. However, the truth is somewhere in this maze of facts and opinions and we will do our best to get as close to it as possible.

This concludes my statement, Mr. Chairman. My associates and I will be happy to answer any questions you may have.