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Report to the Chairman, Committee on Appropriations, U.S. Senate

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POSTAL SERVICE

Transfer of Mail Processing From Parkersburg to Clarksburg, WV, Makes Sense

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The Honorable Robert C. Byrd
Chairman, Committee on Appropriations
United States Senate

Dear Mr. Chairman:

This report responds to the Committee's directive in Senate Report 101-105 that we examine the proposed transfer of outgoing mail processing operations from Parkersburg to Clarksburg, West Virginia.

Background

The United States Postal Service (USPS) continually strives to improve productivity and reduce labor costs, which amounted to $34 billion, or about 83 cents of every dollar spent by USPS during fiscal year 1990. A long-standing effort in this direction is a nationwide program known as area mail processing. Under this concept, mail collected at many post offices within a broad geographic area is consolidated at a central processing facility for sorting and dispatch to its eventual destination.

Consolidation of mail processing greatly facilitates the use of automated and mechanized sorting equipment whose efficiency depends on large volumes of mail. Automated mail processing equipment, which reads addresses and imprints a barcode on the envelope that permits mail to be sorted with minimal human attention, is much more productive than its alternatives of mechanical or manual sortation. According to USPS, manual sortation by clerks reading addresses and slotting the mail into pigeonholed cases costs $35 per thousand letters sorted. Mechanical sortation by clerks reading and keying ZIP codes at letter sorting machine consoles that then direct the mail to appropriate slots costs $15 per thousand letters. Automated processing costs $3 per thousand letters sorted.

In West Virginia there are two automated mail processing facilities—at the state capital in Charleston and in Clarksburg. As a centralized area mail processing facility, Clarksburg sorts outgoing mail trucked in from more than 100 cities and towns, including Morgantown, Fairmont, Buckhannon, and Elkins. Sorted mail for each location is returned by truck nightly in time for morning delivery.

Some citizens of Parkersburg, which lies about 75 miles west of Clarksburg, via a modern divided highway, have questioned USPS' plan to transfer its outgoing mail processing to Clarksburg, fearing that local

service would deteriorate. In response to the Committee's directive, we evaluated the Service's plans and capability to maintain service for its Parkersburg customers should the transfer proceed.

Results in Brief

Although the original USPS plan for handling Parkersburg's outgoing mail would have had an adverse impact on Parkersburg's service commitments, USPS has recently increased sorting capacity at Clarksburg that will enable it to meet service commitments to Parkersburg. The alternative of Parkersburg continuing to process outgoing mail with its current manual technology would add to USPS' costs without a service benefit and become increasingly anomalous as mail processing becomes fully automated nationwide, which is expected by 1995.

Approach

Our examination of the proposed transfer of outgoing mail processing operations from Parkersburg to Clarksburg was done in two phases completed in April 1990 and March 1991, respectively. In the first phase we counted the volume of Parkersburg mail for a 6-day period in early January 1990 and simulated the impact of this mail on Clarksburg's existing processing capability for the first 80 weekdays of fiscal year 1990. In response to our finding that Clarksburg's capacity was not sufficient to complete processing of both its own and Parkersburg's mail on 35 of the 80 weekdays, the Postmaster General modified the transfer proposal to increase capacity at Clarksburg.

In the second phase of our work we repeated the simulation using the expanded capacity level; confirmed the installation and successful operation of new equipment at Clarksburg's new facility, which opened in November 1990; and reviewed 1991 operational data. Our work included observations of mail processing at Clarksburg and Parkersburg facilities and was done in accordance with generally accepted government auditing standards. A more detailed description of our objectives, scope, and methodology is contained in appendix I.

Mail Originating at Parkersburg

The Parkersburg Post Office now serves as the mail processing facility for its own residents and businesses as well as for 37 smaller nearby communities that share with it a ZIP code beginning with 261. In developing its transfer proposal, USPS calculated an average daily outgoing letter mail volume of 68,000 pieces, not including mail that would be

placed in boxes designated as "local." This mail, estimated to be 13 percent of the total, would receive a Parkersburg postmark and be manually sorted at Parkersburg for primarily local delivery. For the 2-week period March 11 to 22, 1991, Parkersburg had a daily total of outgoing mail requiring sorting that ranged from 74,500 to 100,750 pieces, including mail that also had a local destination.

Stamped letter mail originating in Parkersburg now is run through a machine that cancels the stamps and faces the addresses in a uniform direction. After facing, mail is then turned over to clerks who read the addresses and manually sort it by ZIP Code for dispatch to its destination. Metered mail goes directly to clerks for sorting and dispatch.

Under the transfer as first proposed, all mail except that deposited in boxes marked "local" would be transported by truck to Clarksburg for processing. Two truck runs were initially planned: one to leave Parkersburg at 4:00 p.m. and arrive at Clarksburg at 5:30 p.m., and another to leave at 6:30 p.m. and arrive at 8:00 p.m. In response to customer complaints that this schedule would require a cutoff time for accepting mail at Parkersburg that was too early, USPS added a third truck to its plan, scheduling it to leave at 7:00 p.m. and arrive at 8:30 p.m.

Parkersburg mail would be processed at Clarksburg along with mail from all other locations in that section of the state. To meet service commitments, processing of outgoing mail had to be completed by 10:45 p.m. to meet the departure time of the first truck leaving with letter mail for the next morning's delivery. Mail for Parkersburg delivery, including some letters that would have been mailed earlier in the day at Parkersburg, must be returned to Parkersburg in the early morning hours for sorting to carrier routes.

Sorting Capacity at Clarksburg

Letter mail sorting capacity at Clarksburg as well as at all other area mail processing centers is determined by when mail is available for sorting and the earliest dispatch time for outgoing mail. Outgoing letter mail sorting at Clarksburg starts slowly around 4:00 p.m., builds to a peak between 8:00 p.m. and 10:00 p.m., and must all be ready for dispatch at 10:45 p.m. if service commitments are to be met.

The Postal Service's cost/benefit study of the transfer as originally proposed was based on a mail availability profile of 38 percent of Parkersburg's mail volume on the 4:00 p.m. truck and 62 percent on the 6:30 p.m. truck. Our 6-day count of mail available in Parkersburg that could

have been transported to Clarksburg showed that a more realistic mail availability profile would be 15 percent of the outgoing mail volume on the 4:00 p.m. truck, 48 percent on the 6:30 p.m. truck, and the remaining 37 percent on the 7:00 p.m. truck. For each of the 6 days, Parkersburg mail arriving in Clarksburg at 5:30 p.m., 8:00 p.m., and 8:30 p.m. was combined with actual volume processed at Clarksburg to determine hourly processing capability requirements for the combined volumes.

To simulate the impact of combined volumes (Clarksburg and Parkersburg) on the processing capacity of the Clarksburg facility, we applied the above mail availability profile and hourly processing data to total pieces that would have been worked[1] during the first four accounting periods (80 weekdays) of fiscal year 1990. The simulation showed that Clarksburg's plant capacity of 85,000 pieces per hour was not sufficient to have all outgoing letter mail ready for dispatch at 10:45 p.m. on 35 of the 80 weekdays.

The Postmaster General's Revised Proposal

On April 17, 1990, we informed the Postmaster General of our tentative conclusion that the consolidation should not be implemented as planned because of the potential adverse effect on service commitments. In response, the Postmaster General said on July 26, 1990 (see app. II), that the new Clarksburg general mail facility would be given increased plant capacity that would enable it, when it opened several months later, to meet the capacity shortfalls we had identified and provide ample processing time to meet service commitments. Specifically, the new facility was to be given additional automated letter processing equipment that would provide a substantial increase in plant capacity.

In fact, the new Clarksburg facility, opened in November 1990, has the newest and fastest example of postal processing technology—a multiline optical character reader. This piece of equipment had not been contemplated in the original consolidation proposal. The Clarksburg facility also retained its less advanced single line optical character reader and its mechanical letter sorting machine. The original USPS consolidation proposal and our original analysis of processing capacity had been based on the capacities of these pieces of equipment alone.

[1]To compute total pieces that would have been worked we multiplied daily cancelled volumes (letter mail) by 2.037. This calculation, as confirmed by Clarksburg's Director of Operation Services, accounts for mail that is not cancelled, such as metered mail, and necessary second handlings.

Analysis of the Revised Transfer Proposal

To determine if the increased capacity of the new facility in Clarksburg would provide sufficient processing time to handle Parkersburg mail and meet service commitments, we repeated our simulation using a letter mail sorting capacity of 115,000 pieces per hour (85,000 plus 30,000 for the multiline optical character reader). We used 30,000 rather than the 38,000 pieces per hour mentioned in the Postmaster General's letter both to be conservative and because the USPS' Operations and Performance Department said that the lower figure corresponded more closely to actual nationwide operating experience and data.

The increased capacity substantially reduced the number of days in our simulation on which plant capacity would have been exceeded—from 35 to 11. These 11 days were all clustered around the Christmas and New Year holiday period, when letter mail volume is at its highest annual level. For such high-volume days, USPS routinely seeks to minimize the impact on service commitments by using alternative measures—such as increased overtime, earlier pick-ups from collection boxes, and additional transportation—rather than by investing in additional hardware.

On 2 days in March 1991, we observed the processing of outgoing mail at the new Clarksburg facility and examined daily operations records for the 2 weeks preceding our visit. The new multiline optical character reader was fully operational and processing outgoing letter mail at a rate of 34,000 pieces per hour, attended by 2 clerks. The single line reader was operational but was little needed or used for outgoing mail processing at present volumes. The total run time of the single line reader on outgoing mail was less than 4 hours during the 2-week period we examined. There was also unused time available during the 2 weeks for outgoing mail processing on the mechanized letter sorting equipment. For a daily processing time of 5 hours (5:30 p.m. to 10:30 p.m.) for outgoing mail, available time on the Clarksburg letter sorting machine ranged from 1-1/2 to 2-1/2 hours. In short, we observed substantial excess mail processing capability at Clarksburg for its present processing workload and plenty of capacity, including room for expansion in the new building, to process increased volumes of mail that could result from new business activity, such as the recently announced transfer of Bureau of Public Debt functions to Parkersburg.

Further evidence of substantial excess mail processing capability at Clarksburg is comparative use of multiline optical character readers. For example, a USPS nationwide report on multiline utilization shows that during the second week of accounting period 7 (March 16 to March 22, 1991), Clarksburg processed 1.7 million pieces of letter mail on its

multiline reader. Charleston processed 3.1 million pieces on its multiline reader. The weekly average for 17 automated processing centers in the USPS Eastern Region was 2.9 million pieces per multiline reader.

We also observed the manual sorting process at Parkersburg on several occasions. While the clerks appeared diligent and capable, their sorting speed was only a small fraction of that of either the mechanical or automated equipment at Clarksburg. Further, we observed that letters in the mailstream already prepared for automated handling (such as reply envelopes with the barcode already applied, or 9-digit ZIP code mail) were treated no differently from other pieces. Mail processed at Parkersburg also differed from mail that had been through the optical character readers at Clarksburg, in that no barcode was imprinted for subsequent sorting on a barcode reader. This makes it more likely that such mail will require additional processing time at its destination, a likelihood that will increase steadily as the rest of USPS moves toward full automation.

Conclusion

On the basis of our reevaluation of the proposed transfer with the capacity addition to Clarksburg, we now believe that Clarksburg can easily handle the outgoing mail processing now being done in Parkersburg while still meeting its service commitments. While capacity would be exceeded on a few high-volume days at the peak end-of-year holiday period, this is not an unusual situation, and alternative measures to cope with it would be more economical than further increasing plant capacity to handle such unusual volume without stress. Furthermore, without additional mail to process, the new Clarksburg facility has substantially more capacity than it needs for its present workload. Maintaining an increasingly outdated and comparatively inefficient manual processing capability in Parkersburg as the rest of USPS turns to automation could be justified only if it were necessary to maintain service standards. We have no reason to believe this to be the case. Conversely, as letter mail processing becomes more fully automated nationwide, manual sortation of outgoing mail at Parkersburg could result in delivery delays, especially for mail destined for locations outside Parkersburg's delivery area.

A draft of this report was reviewed by USPS officials, who said that it accurately describes mail processing operations both currently and after the proposed transfer. Copies of this report are being sent to the Postmaster General, the Postmasters in Clarksburg and Parkersburg, and the

postal oversight committees of Congress. Copies will be made available to other interested parties upon request.

The major contributors to this report are listed in appendix III. Please call me on (202) 275-8676 if you or your staff have any questions.

Sincerely yours,

L. Nye Stevens
Director, Government Business
Operations Issues

Objectives, Scope, and Methodology

Our examination of the proposed transfer of outgoing mail processing operations from Parkersburg to Clarksburg was done in two phases. The first phase was begun in November 1989 and completed in April 1990. The second phase was completed in March 1991.

The primary objective of the first phase was to determine if the proposed transfer of outgoing mail processing operations from Parkersburg to Clarksburg could be made while retaining the same service commitments. To make this determination, we focused on when Parkersburg's outgoing mail would be available for processing in Clarksburg and the impact of the transferred volume on Clarksburg mail processing capacity.

To determine when Parkersburg's outgoing mail would be available at Clarksburg for processing, we counted the mail that could have been transported to Clarksburg on 6 days during the first 2 weeks of January 1990. On the basis of this count and a transport time of 1-1/2 hours, we established a mail availability profile of 15 percent of outgoing mail volume on a 4:00 p.m. truck, 48 percent on a 6:30 p.m. truck, and the remaining 37 percent on a 7:00 p.m. truck.

Available processing capacity at Clarksburg was measured by computing—for each hour of the outgoing mail processing time frame (4:00 p.m. to 10:45 p.m.)—actual volume processed at Clarksburg on the same 6 days used to develop the mail availability profile for Parkersburg. To simulate the impact of combined volumes (Clarksburg and Parkersburg) on the processing capacity (85,000 pieces per hour) of the Clarksburg facility over a longer period, we applied the above mail availability profile and hourly processing data to total pieces that would have been worked during the first four accounting periods (80 weekdays) of fiscal year 1990 had Clarksburg been handling Parkersburg's mail as well as its own. This period covered September 23, 1989, to January 12, 1990, and was the highest volume period of the year. The first phase of our work was completed by informing the Postmaster General that the proposed transfer would have a significant adverse impact on mail delivery services and it should not be implemented as then planned. Clarksburg's plant capacity was not sufficient to complete processing of the combined volumes at the scheduled dispatch time for 35 of the 80 weekdays.

The objective of the second phase of our work, completed in March 1991, was to test the Postmaster General's response to us that additional automated letter sorting equipment to be installed at the new mail

processing facility in Clarksburg in February 1991 would provide sufficient processing time to meet service commitments for the combined volumes (Clarksburg and Parkersburg mail). We did this by repeating the above simulation using additional letter sorting capacity of 30,000 pieces per hour, observing the operation of mail processing equipment at the new facility in Clarksburg, and examining equipment operational data for the period March 11 through 22, 1991.

Our work included observations of mail processing at Clarksburg and Parkersburg facilities and was done in accordance with generally accepted government auditing standards. Oral comments on a draft of this report were obtained from USPS officials.

Comments From the Postmaster General

THE POSTMASTER GENERAL
Washington, DC 20260-0010

July 26, 1990

Dear Mr. Stevens:

This refers to your April 17 letter in which you tentatively concluded that the proposed transfer of outgoing mail processing operations from Parkersburg to Clarksburg, West Virginia, would have an adverse impact on mail delivery services and should not be implemented as planned.

If the Postal Service did not agree with your conclusion, you asked how we would cope with the shortages in processing time that your letter projects and the effect of our proposed solution on the consolidation's original cost/benefit analysis and on our current service commitments.

We would first like to state that the centralization of operations, such as is being proposed in Clarksburg, is not new. It is part of an overall plan to consolidate processing, wherever practicable, in order to benefit from the use of automated processing systems. We have, since the early 1970's, consolidated operations via our Area Mail Processing (AMP) program, which has enabled us to hold down costs while at the same time providing the same or improved service to our customers.

We have established plans and set aggressive goals for the automated processing of virtually all mail by 1995. We have, and are making substantial investments in automated equipment in order to achieve this objective. In order for us to reap the benefits of automated processing, we must consolidate operations to achieve maximum utilization from the equipment.

The Clarksburg AMP proposal has been reviewed at all levels in the Postal Service and has been confirmed as accurate and reliable. The increased plant capacity, as discussed below, provides more than adequate processing time to meet our service

commitments. In fact, Clarksburg has been processing Parkersburg mail as a weekend AMP for over a year and a half with no service degradation. We successfully implemented the transportation and manpower adjustments necessary to make that happen.

The new Clarksburg facility is scheduled to be opened in early 1991. Within the new facility there will be more and better automated equipment installed to handle their increasing letter mail volumes. This additional automated letter equipment will provide an increase in plant capacity of over 38,000 pieces of letter mail per hour. Additionally, mechanized Flat Sorting Machines are scheduled within the following two years.

Finally, we asked our operations and field managers to review the specific issues your letter raised. A detailed analysis was conducted at the Clarksburg Management Sectional Center and the conclusions were reviewed and concurred with here in Washington.

Thank you for allowing us an opportunity to comment on your concerns.

Sincerely,

Anthony M. Frank

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