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The Honorable John M. McHugh
Chairman, Subcommittee on the
Postal Service
Committee on Government Reform
and Oversight
House of Representatives

Dear Mr. Chairman:

This letter responds to questions raised during our meeting with the Subcommittee on September 21, 1995, when we discussed the status of the U.S. Postal Service's automation program and its efforts to increase the volume of barcoded letter mail. Specifically, we agreed to supply the Subcommittee with information on (1) changes in Postal Service employment subsequent to the 1992 downsizing decision and (2) actions taken and planned by the Postal Service to convert remote barcoding sites from contractor to Postal Service operations.

To obtain information on changes in Postal Service employment, we interviewed responsible Postal Service headquarters officials, analyzed postal employment statistics, and reviewed related Postal Service documents. We looked at the changes in Postal Service employment as of 4 dates from May 1989 to November 1995 and in 20 categories of career and noncareer employees. Because overall Postal Service employment reached a high point in May 1989 and the Service began to reduce hiring at that time, we selected that date as a baseline for showing subsequent changes in postal employment.¹ In addition to that date, we included employment information as of August 1992 when the most recent downsizing began, April 1993 when the downsizing was

¹For additional details, see our report entitled Postal Service: Automation Is Restraining But Not Reducing Costs (GAO/GGD-92-58, May 12, 1992).

substantially completed, and November 1995 when the Postal Service could provide the most recent employment data.

Regarding the conversion of remote barcoding sites, we obtained information from Postal Service officials on changes relating both to the facilities used for barcoding operations and employees required for the postal operations. We reviewed the Postal Service's design criteria for remote barcoding centers and its contracts for remote barcoding services. We also reviewed our previous reports, including the supporting working papers, on the Postal Service's remote barcoding operations.

We conducted our work with Postal Service officials in Washington, D.C. and Memphis, TN, from October to November 1995, in accordance with generally accepted government auditing standards. Various Postal Service officials, including four vice presidents, reviewed a draft of this letter and concurred with the factual data presented. We made changes to the letter as appropriate to address technical comments made by these officials.

GROWTH IN POSTAL SERVICE EMPLOYMENT

Soon after taking office in July 1992, Postmaster General Marvin Runyon announced plans for a top-down restructuring of the Postal Service. The restructuring was aimed at eliminating 30,000 overhead positions occupied by employees who were not directly involved in the processing and delivery of mail.

During the downsizing, total postal employment, including both career and noncareer employees, dropped by about 2.6 percent, from about 803,000 employees in August 1992 to about 782,000 employees in April 1993. Postal Service employment then grew by 9.5 percent, from about 782,000 employees in April 1993 to about 855,000 employees in November 1995. Thus, although the November 1995 career employment total still fell short of the May 1989 career level by about 34,000 employees, noncareer employment in the Postal Service had grown by about 44,000 during this same 5-1/2-year period.

Postal Service officials pointed out that from 1989 to 1995, the volume of mail processed by the Service also increased. The Postal Service's total mail volume was 162 billion pieces in fiscal year 1989. Total mail volume was 181 billion pieces in fiscal year 1995, an 11.7-percent increase since fiscal year 1989.

Following the downsizing in 1992, Postal Service employment increased in 17 of the 20 employee categories we reviewed. Special delivery messengers was the only category of career employees that decreased, dropping by 57 employees or 3.8 percent. The other two categories with decreases were both

noncareer employment: transitional employees (other than those doing remote barcoding) dropped by 8,743 employees or about 33 percent while casual and temporary employees dropped by 13,161 or also about 34 percent.

The largest percentage increase in career employment was at area offices (formerly regional offices), where the number of employees grew from 786 in April 1993 to 1,239 in September 1995, an almost 58-percent increase. The largest increase in noncareer employment was in the category of transitional employees assigned to remote barcoding centers, increasing from 0 in April 1993 to about 14,600 employees in November 1995.

In absolute terms, the vast majority of the Postal Service career employment growth during this period was in the four largest craft categories--clerks and nurses (increasing 9.1 percent), city carriers (13.8 percent), mail handlers (17.8 percent), and rural carriers (6.1 percent). Increases in these four categories accounted for about 84 percent of the total increase in Postal Service employment since April 1993.

Enclosure I provides additional details on changes in Postal Service employment as of the 4 selected dates and for 20 categories of career and noncareer employees.

ACTIONS TAKEN AND PLANNED
TO CONVERT CONTRACTOR REMOTE
BARCODING TO POSTAL OPERATIONS

As we explained in an earlier report,² the Postal Service had contracted for keying services at 19 sites when, in November 1993, the Service decided to have all remote barcoding done by postal employees. This decision was made to settle a dispute with the American Postal Workers Union over the Postal Service's use of contractor employees to provide the services. The Postal Service expects that all of these 19 sites, which were serving 27 mail processing plants, will be converted to postal operations by December 1996. Through October 1995, the Postal Service had converted 9 sites that serve 11 plants. Eventually, the Postal Service expects to operate up to 75 remote barcoding centers serving 250 processing plants.

Facilities

Following the November 1993 decision, the Postal Service developed design guidelines and criteria for all of its remote barcoding centers, whether newly established or previously operated by contractors. The guidelines and criteria include

²Postal Service: Performing Remote Barcoding In-House Costs More Than Contracting Out (GAO/GGD-95-143, Sept. 13, 1995), p. 1.

standards and requirements on handicap accessibility, fire safety, and physical security provided in federal law and applicable to the Postal Service, as well as various standards and codes issued by the Occupational Safety and Health Administration, local governments, and the building industry.³ The remote barcoding contractors had been responsible for complying with federal, state, and local building codes applicable to privately owned and similarly used buildings. The Postal Service's requirements and criteria for remote barcoding centers incorporated those codes and provided additional design standards and criteria not always applicable to the contractors. With the assistance of an outside architectural engineering firm, the Postal Service determined what changes would be needed to convert and operate the 19 contract sites in accordance with the guidelines and criteria.

For the nine sites converted as of October 1995, the Postal Service made certain changes to existing facilities and newly acquired space to ensure that they complied with the above-mentioned guidelines and criteria. Typically, these changes involved the addition or improvement of parking spaces, access ramps, and entry ways, as well as of door hardware and bathroom facilities for the physically handicapped. The changes also included an internal fire sprinkler system, firewalls, and improvement of the fire prevention system at one or more sites. Other changes were made to improve employee security, such as the addition of card access systems to control entry into the remote barcoding sites. In addition to these changes and as part of the conversions, the Postal Service increased the keying capacity at seven of the nine sites.⁴

The Postal Service continued to use the facilities previously used by contractors at six of the nine converted sites. For three sites, it moved barcoding operations from contractor facilities to newly leased facilities in the same metropolitan areas. The three relocations included one in San Diego, CA, which was relocated because the contractor had done remote barcoding in space that was part of its corporate headquarters.

³For example, the Architectural Barriers Act of 1968, as amended. 42 U.S.C. 414a., directs that the Postal Service "prescribe such standards for the design, construction, and alteration of its buildings to insure whenever possible that physically handicapped persons will have ready access to, and use of, such buildings."

⁴As discussed in our earlier report entitled Postal Service: Automation is Taking Longer and Producing Less Than Expected (GAO/GGD-95-89BR, Feb. 22, 1995), after the Postal Service began remote barcoding under contract in 1991, it decided to rely to a greater extent and for a longer period than anticipated on remote barcoding to achieve its automation goals.

The second relocation was for a facility in Lumberton, NC, which had been leased by the contractor and was not made available by the owner to the Postal Service. The third relocation was for a facility in Fayetteville, NC, which was located in a building found to contain asbestos.

Through October 1995, the Postal Service had committed a total of about \$6.6 million to convert all nine sites to Service operations, including the cost of changes made to meet handicap accessibility, safety, and security requirements. Data were not readily available to show what portion of the \$6.6 million resulted from these changes versus expansion of keying capacity. (See enc. II for additional information on conversions completed at the nine locations.)

Of the remaining 10 sites, the Postal Service had begun construction work at one location, in Nashville, TN, as of October 1995. At that location, the engineering firm hired by the Postal Service estimated that \$2.7 million would be needed to upgrade the facility used by the contractor, including changes to the parking lot, ramps, walkways, handrails, doors, windows, bathroom facilities, and lighting, as well as heating and air conditioning, electrical, and fire protection systems. The firm concluded that the construction work would require the Postal Service to temporarily relocate portions of the barcoding operation until the work had been completed. In addition, the Postal Service determined that the Nashville site was larger than needed for remote barcoding at that location. In light of the above factors, the Postal Service decided not to use the facility used by the contractor but instead to upgrade a newly leased building for remote barcoding in Nashville, a project which was estimated to cost about \$1 million. (See enc. III for additional information on the planned and ongoing site conversions.)

Employees

When converting sites to postal operations, the Postal Service hired many of the employees who worked for the contractors. The Postal Service requires that all remote barcoding center applicants, whether former contractor employees or new applicants, undergo security background checks, medical examinations, and drug tests to determine their suitability for permanent or temporary employment. It also requires that its employees be at least 18 years old; in addition, its career employees must pass a clerical abilities examination.

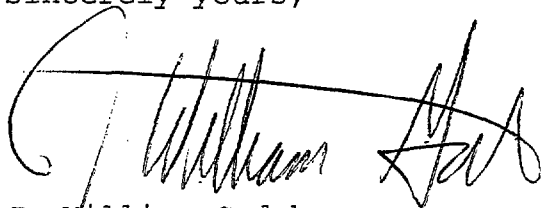
According to Postal Service officials, the Service could not always hire former contractor employees and so hired new employees instead. For example, they said that at one site, in Laredo, TX, the Postal Service hired 201 of the former contractor employees but could not hire 15 other such employees because they were not yet 18 years old. We were told by the Postal Service's

manager for another site, in Lynchburg, VA, that most of the contractor employees were hired by the Service, but that about 30 of the employees were not hired because they refused to take the drug test. According to Postal Service officials, to fill these 45 jobs formerly held by contractor employees at these two sites, they hired new employees.

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This report was done under the overall direction of James T. Campbell. If you have any questions on these matters, please contact me on (202) 512-8387.

Sincerely yours,

A handwritten signature in black ink, appearing to read "J. William Gadsby". The signature is written in a cursive style with a large initial "J" and a long horizontal stroke.

J. William Gadsby
Director, Government Business
Operations Issues

Enclosures

CHANGE IN U.S. POSTAL SERVICE EMPLOYMENT FOR SELECTED PERIODS AND CATEGORIES FROM MAY 1989 TO NOVEMBER 1995

Postal Service employment						
Employee category ^a	May 1989 ^b	Downsizing period		November 1995	Change after downsizing (Apr. 1993 to Nov. 1995)	
		August 1992	April 1993		Number	Percentage
CAREER EMPLOYEES						
Postal headquarters L'Enfant Plaza Field support	2,222 10,041	2,441 9,970	1,739 8,002	1,812 8,394	73 392	4.2% 4.9%
Area offices ^c	435	592	786	1,239	453	57.6%
Customer service districts and processing plants						
Clerks and nurses	299,428	264,419	245,139	267,476	22,337	9.1%
City carriers	239,603	221,361	207,324	235,984	28,660	13.8%
Mail handlers	51,393	48,151	47,240	55,640	8,400	17.8%
Rural carriers (full-time)	40,203	42,776	42,905	45,523	2,618	6.1%
Maintenance service	32,949	33,866	32,571	37,598	5,027	15.4%

Postal Service employment						
Employee category ^a	May 1989 ^b	Downsizing period		November 1995	Change after downsizing (Apr. 1993 to Nov. 1995)	
		August 1992	April 1993		Number	Percentage
Special delivery messengers	2,131	1,721	1,512	1,455	-57	-3.8%
Motor vehicle operators	7,278	6,968	6,642	7,826	1,184	17.8%
Vehicle maintenance	4,896	4,706	4,416	4,725	309	7.0%
Professional, administrative, and technical	10,592	10,487	10,330	11,047	717	6.9%
Supervisors	44,915	43,672	32,715	34,566	1,851	5.7%
General managers and postmasters	27,613	26,925	24,467	26,512	2,045	8.4%
Discontinued units and special assignments	-	-	1,182	7	-	-
Subtotal	773,699	718,055	666,970	739,804	72,834	10.9%
NONCAREER EMPLOYEES						
Rural carrier substitutes, assistants, and auxiliary	36,284	39,612	39,349	46,679	7,330	18.6%

Postal Service employment						
Employee category ^a	May 1989 ^b	Downsizing period		November 1995	Change after downsizing (Apr. 1993 to Nov. 1995)	
		August 1992	April 1993		Number	Percentage
Transitional employees	-	-	-	14,571	14,571	100.0%
Remote barcoding centers ^d	-	5,926	26,613	17,870	-8,743	-32.9%
Other	-					
Casual and nonbargaining temporary employees	25,193	28,182	38,273	25,112	-13,161	-34.4%
Postmaster relief and leave replacement	9,965	10,972	10,386	11,435	1,049	10.1%
Subtotal	71,442	84,692	114,621	115,667	1,046	0.9%
TOTAL	845,141	802,747	781,591	855,471	73,880	9.5%

^aContract employees and rehired annuitants are excluded. The Postal Service did not have comparative data for these employees for the periods we selected. Postal Service officials provided some information on these employees that had been gathered and furnished to the Postmaster General in April 1995. As of that date, there were 1,707 such employees in headquarters and field service units. Of these 1,707, almost half (865 employees) were in two functional areas--448 in information systems and 417 in engineering. In addition to the 1,707 employees, 674 such employees were assigned to area offices, customer service districts, and processing plants.

^bWe included May 1989 because the Postal Service began to reduce hiring in May 1989 when the number of paid career employees reached a high point of about 774,000. Career

ENCLOSURE I

ENCLOSURE I

employment fell by almost 39,000 from that peak to September 1991. For additional details, see our report entitled Postal Service: Automation Is Restraining But Not Reducing Costs (GAO/GGD-92-58, May 12, 1992).

^cBefore 1992, area office functions were assigned to regional offices.

^dThe Postal Service began using transitional employees in remote barcoding centers after a November 1993 agreement with the American Postal Workers Union to use postal employees instead of contract employees to do remote barcoding. Under the agreement, 70 percent of these employees are to be noncareer, transitional employees and 30 percent are to be career employees.

Source: "On-Rolls and Paid Employees Statistics," U. S. Postal Service.

INFORMATION ON NINE REMOTE BARCODING SITES CONVERTED TO
POSTAL OPERATIONS THROUGH OCTOBER 1995

Remote barcoding site	Site conversion		Type of conversion		
	Date	Cost ^a	In-place	Relocate	Expand
Laredo, TX	Sept. 94	\$508,300	X		No
Lumberton, NC	Sept. 94	1,064,128		X	Yes
Lynchburg, VA	Apr. 95	255,252	X		Yes
Martinsburg, WV	May 95	15,991	X		No
Tampa, FL	June 95	1,131,504	X		Yes
McAllen, TX	July 95	1,101,500	X		Yes
Salem, VA	Aug. 95	156,506	X		Yes
Fayetteville, NC	Aug. 95	1,008,200		X	Yes
San Diego, CA	Sept. 95	1,341,800		X	Yes
Total		\$6,583,180			

^aSite conversion costs are amounts that the Postal Service had committed to upgrade, or upgrade and expand, each site. In October 1995, nearly \$5.8 million of the approximately \$6.6 million had been expended.

Source: U.S. Postal Service.

POSTAL SERVICE TENTATIVE PLANS FOR CONVERTING 10
REMOTE BARCODING SITES TO POSTAL OPERATIONS DURING 1996^a

Remote encoding site	Site conversion date	Type of conversion	
		In-place	Relocate
Nashville, TN	Feb. 96		X
Bowling Green, KY	Mar. 96		X
York, PA	Apr. 96	X	
Oakland, CA	May 96		X
Twin Falls, ID	May 96	X	
Louisville, KY	June 96	X	
West Nassau, NY	June 96		X
Knoxville, TN	Sept. 96	Decision pending	
Harlingen, TX	Oct. 96		X
Madisonville, KY	Oct. 96	X	

^aAs of October 1995, the Postal Service had a site conversion cost estimate for only the Nashville, TN, site. The operation will be relocated, and the cost is estimated at \$1,008,800. There are no plans to increase its barcoding capacity. No decisions have yet been made regarding changes in barcoding capacity for the other nine sites.

Source: U.S. Postal Service.

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