

GAO

United States General Accounting Office
Report to Congressional Committees

October 1988

POSTAL SERVICE

**Final Report on
Compliance With the
1988 Budget
Reduction Mandate**





United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-232239

October 31, 1988

The Honorable John Glenn
Chairman, Committee on Governmental Affairs
United States Senate

The Honorable William D. Ford
Chairman, Committee on Post Office
and Civil Service
House of Representatives

This report is provided in accordance with subsection 6003 (c)(4) of Public Law 100-203, the Omnibus Budget Reconciliation Act of 1987. The subsection requires the General Accounting Office to submit a final report to you on whether the U.S. Postal Service complied with provisions of the act requiring the Service to make payments of \$160 million into the Employees Health Benefits Fund, and whether such funds came from savings in the Service's 1988 operating budget. As required by the act, our preliminary report was provided to you on September 1, 1988.

A handwritten signature in cursive script that reads 'Richard L. Fogel'.

Richard L. Fogel
Assistant Comptroller General

Executive Summary

Purpose

The Omnibus Budget Reconciliation Act of 1987 requires the U.S. Postal Service to reduce operating costs by \$160 million in fiscal year 1988 and \$270 million in fiscal year 1989 and make corresponding payments to the Employees Health Benefits Fund. The act requires GAO to (1) determine and report to the postal oversight committees each year on whether the Postal Service achieved the reduction in operating costs and (2) provide recommendations, if needed, to enforce compliance. This report concerns the 1988 reduction.

Background

The Reconciliation Act prohibits the Postal Service from funding its health benefits payments by borrowing or increasing postal rates. To help ensure that the payments result from savings in operating costs, the Postal Service is required to submit to the oversight committees each year a plan saying how the necessary budgetary savings will be achieved.

The Postal Service's cost reduction plan for 1988 was submitted, as required, on February 26, 1988. It called for reductions in administrative personnel, travel, training, supplies and services, and research and development funds; use of less expensive or less frequent mail transportation; efficiencies in mail processing; fewer mail collections; and reductions in customer services, including window service. The Postal Service estimated that these initiatives would save \$173.8 million—a margin of \$13.8 million above the required amount.

During its review, GAO worked with the Postal Inspection Service which was also reviewing Postal Service management's compliance with the act. GAO and the Postal inspectors reviewed implementation actions at 32 locations throughout the country, plus the five regional headquarters offices and Postal Service headquarters.

The amounts cited in this report are current as of September 23, 1988, the end of the Postal fiscal year. Final audited figures adjusted for the end of the federal government's fiscal year, September 30, 1988, will not be available until later in 1988.

Results in Brief

While GAO could not determine if all of the individual cost reduction initiatives achieved their intended savings, the Postal Service's overall efforts produced more than the \$160 million in savings mandated by the Reconciliation Act. Thus, GAO concludes that the Postal Service complied with the act in 1988.

GAO's Analysis

Postal officials considered numerous cost savings initiatives and adopted 10 that they estimated would save \$173.8 million. The plan, as submitted to Congress, detailed the initiatives but not the dollar savings attached to each. GAO examined the individual estimates prepared by the Service and noted minor errors in the estimates for two initiatives. These overstated the total estimated savings by about \$3 million. However, this was not enough to affect the overall validity of the reduction plan, which provided a margin for error of about 9 percent.

Operating budget allocations were reduced by \$173 million and the related cost reduction initiatives were being carried out at the locations GAO visited. The initiatives produced documented savings in excess of \$188 million, putting the Postal Service in compliance with the Reconciliation Act requirement, even though its overall costs may exceed budgeted levels. The act did not specify an overall ceiling on expenditures.

Initiatives covering about \$98 million of the initial \$173.8 million goal produced savings that significantly exceeded planned savings. For example, although savings in field administrative personnel costs, travel, training, and supplies and services were planned to be \$67 million, actual reductions amounted to about \$126 million. Transportation savings were about \$53 million versus \$23 million planned.

GAO could not determine the actual amounts saved for initiatives such as curtailing window service and Sunday collections that comprised the remaining \$75 million of the \$173.8 million savings goal. This was because savings depended on a reduction in operational work hours, and an unknown number of those hours may have been shifted to other duties and functions.

As a matter of policy the Postal Service does not borrow to fund operating expenses, and, as stipulated in the Reconciliation Act, did not borrow to pay the \$160 million to the Health Benefits Fund in 1988.

Postal rates increased on April 3, 1988, as a result of a request filed by the Postal Service on May 7, 1987, with the Postal Rate Commission. The request was not related to the Reconciliation Act, which was enacted the following December.

Recommendations

Because the Postal Service complied with the Reconciliation Act provisions for 1988, GAO is making no recommendations.

Agency Comments

Responsible officials of the Postal Service reviewed a draft of this report and suggested clarifications that have been incorporated where appropriate.

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Abbreviation

GAO General Accounting Office

Introduction

The Omnibus Budget Reconciliation Act of 1987 (Public Law 100-203), enacted on December 22, 1987, requires the U.S. Postal Service to contribute \$160 million to the Federal Employees Health Benefits Fund in 1988 as partial payment toward the cost of benefits for retirees. The act further requires that these funds come from a corresponding reduction in the Postal Service's 1988 operating budget and are not to be derived from increased borrowing or raising postal rates.

The Postal Service was required to submit an implementation plan to the Senate Governmental Affairs and House Post Office and Civil Service Committees by March 1, 1988, specifying how the budget reduction would be achieved. An interim report on the status of achieving the savings was due to the Committees on July 15, 1988.

By October 31, 1988, we are required to report on compliance with the act and, if necessary, make recommendations to enforce compliance.

The Reduction Plan

In response to the Reconciliation Act, managers from postal headquarters and field units considered various cost reduction measures.

Since part of fiscal year 1988 had elapsed, the Service had to choose initiatives that would produce savings immediately and save at least \$160 million between the time they could be implemented in early 1988 and the end of the fiscal year on September 30. Postal officials agreed upon the following 10 cost initiatives which were listed in the cost reduction plan submitted to the oversight committees on February 26, 1988:

- Convert some mail from air to cheaper highway transportation.
- Reduce AMTRAK service and more fully use other ground transportation.
- Delay dispatch of vans from bulk mail centers to reduce the number of trips.
- Reduce administrative personnel costs, travel, training, supplies and services.
- Reduce research and development funds for innovative projects in the field.
- Increase sorting productivity on certain optical character readers.
- Suspend the service of looking up ZIP+4 codes associated with processing changes of address.
- Eliminate collecting and processing outgoing mail on Sundays.

-
- Reduce retail operations and collections the day after Christmas and New Year's Day.
 - Reduce window service hours.

Internally the Postal Service estimated that the initiatives would save \$173.8 million, which provided a buffer of \$13.8 million above the required amount. The Service's plan, including the individual savings estimated for each initiative, is included in appendix I.

The operating budgets affected by the reductions were reduced by \$173 million in February 1988. Of the \$173 million in budget reductions, \$30 million occurred in accounts controlled by Postal Service headquarters (\$23 million in transportation and \$7 million in innovation fund authority). The remaining \$143 million applicable to the other initiatives was taken from field budgets, which were reduced from \$30.134 billion to \$29.991 billion on February 11, 1988.

In his interim report to the oversight committees on July 14, 1988, the Postmaster General reported that planned savings were generally being realized or exceeded. In addition, he said that \$1.8 million in innovation funds were restored in July and that window service hours would be restored on September 10, 1988.

Objectives, Scope, and Methodology

To carry out our objective of reporting on Postal Service compliance with the Reconciliation Act, we assessed the reasonableness of the estimates associated with each of the cost savings initiatives; verified that appropriate budget allocations to operating units were reduced by the estimated amounts; verified that the specific measures in the plan were being carried out; and determined whether operating units and the Postal Service as a whole were meeting their budgets.

We did our work from March 1988 to October 1988. It was done at the Postal Service headquarters in Washington, D.C., and at regional and division headquarters and operating facilities in Boston and Springfield, Massachusetts; Philadelphia, Pennsylvania; Baltimore and Capital Heights, Maryland; Atlanta, Georgia; Memphis, Tennessee; Chicago, Illinois; Des Moines, Iowa; Denver, Colorado; and Oakland and San Francisco, California. The locations were selected to give audit coverage to all five Postal Service regional headquarters and to division headquarters and postal operating facilities throughout the country.

We interviewed Postal officials to determine how they planned the budget reduction initiatives and estimated their savings potential. We reviewed those estimates to determine if they were based on current and appropriate data at the time. We documented fiscal year 1988 operating budgets in effect before and after the reduction to determine if they were reduced by the appropriate amounts. We interviewed employees responsible for carrying out the budget reduction initiatives to obtain their observations on the extent to which planned initiatives were implemented.

We also observed applicable operations and reviewed activity records to see if the required changes in procedures and practices were taking place. To determine the effect of the initiatives on costs, we reviewed work hour and financial reports and evaluated the extent to which these reports can document savings due to the cost reduction initiatives. We relied on accounting and budget documents but did not independently verify their accuracy. Also, the amounts cited in this report are current as of September 23, 1988, the end of the Postal fiscal year. Final audited figures adjusted for the end of the federal government's fiscal year, September 30, 1988, will not be available until later in 1988.

The Audit Division of the Postal Inspection Service was also reviewing the Postal Service's compliance with the Reconciliation Act. We worked jointly with the Inspection Service at several locations and shared the results of our work.

Our work was done in accordance with generally accepted government auditing standards. Responsible officials of the Postal Service reviewed a draft of this report and suggested clarifications that have been incorporated where appropriate.

Initiatives in the Budget Reduction Plan

While we found errors in the compilation of the \$173 million savings estimate, they were minor and did not affect the overall validity of the reduction plan. At the locations we visited the initiatives in the budget reduction plan were essentially being carried out. The following is a discussion of the basis for the individual savings estimates in the plan and the extent to which the initiatives were being carried out.

Convert Mail From Air to Highway Transportation

Mail traveling about 500 miles or less is usually transported by highway, while shipments over longer distances ordinarily go by more expensive air transportation in order to achieve delivery standards. This cost reduction initiative was intended to correct situations where shipments that should be going by highway had, for one reason or another over time, been changed to air transportation. The effect on service was expected to be minimal.

The Transportation Office at Postal Service headquarters asked its 23 field offices to estimate and commit to amounts that they believed they could save from this initiative. On the basis of initial proposals from the field offices, the Transportation Office committed itself to \$10 million in savings for converting mail from air to highway transportation. After making the commitment, the office realized that this was an annual savings that would not be achieved during the remainder of the year, from mid-January through September 30. The Transportation Office asked its field offices for additional commitments, increasing the total savings to \$12.5 million annually. When this amount was prorated for the remainder of the year, the Transportation Office was about \$2.1 million short of its original \$10 million commitment. The office decided to reduce the budgets of its air transportation networks by this amount without saying how the savings were to be achieved.

Our visits to the field transportation offices disclosed that they had diverted mail from air-to-surface transportation in accordance with the initiative, but that they would not be able to achieve the intended savings. For the most part this appears to be because many of the air routes that were candidates for conversion could not be switched without adversely affecting service.

However, at about the same time the Postal Service's Office of Transportation implemented the initiatives to comply with the Reconciliation Act, it also adopted several other measures that were designed to reduce air transportation costs. These included negotiating more favorable rates

with contract carriers, taking maximum advantage of the lowest available rates, filling containers fuller, and using available space on planes flying the express mail network. Also, savings resulted from regulated transportation rates in Alaska that were lower than anticipated. As a result, air transportation costs through September 23, 1988, were \$1.032 billion, a reduction of \$16.5 million from the amount planned before implementation of the Reconciliation Act.

Reduce Amtrak Service

In January 1988, Postal Service amended its contract with AMTRAK and reduced the contracted space for the Chicago to Los Angeles route from three to two cars a day at a cost savings of about \$2 million for the remainder of the fiscal year. A regional program analyst said that the car was not needed and its elimination would not affect service.

Increase Van Utilization

Under this initiative, rail and highway vans which were dispatched from bulk mail centers according to specific schedules would instead be delayed until they were 75-percent filled, with the delay not to last more than 24 hours.

The Postal Service Transportation Office asked each of its 23 field offices to estimate the number and cost of trips that would be saved in each 4-week accounting period under the revised policy. The \$11.2 million in the reduction plan is the total of these estimates multiplied by nine for the number of accounting periods remaining in the year that the initiative would be in effect. The total estimated savings was reduced by \$2 million, representing the estimated additional highway transportation costs that would be incurred from the separate initiative of diverting mail from air to highway transportation.

Our field visits confirmed that bulk mail centers were essentially complying with the new procedures. While some locations significantly reduced the number of vans dispatched, others did not. The inability to reduce dispatches was attributed to a limited number of trips offering savings opportunities or high mail volume that precluded filling vans any fuller.

Overall, the field transportation offices reported that as of August 26, 1988, they had achieved actual savings of \$9 million under this initiative, compared to \$10.8 million planned to that date.

As with air transportation costs, the Postal Service's transportation office implemented initiatives other than Reconciliation Act measures to reduce surface transportation costs. These included further reductions in the number of trips, efforts to reduce fuel surcharges, and diversion of mail from the highway to rail vans. Some offices also experienced reduced highway transportation costs because of the elimination of outgoing mail processing on Sundays. As a result, through September 23, 1988, highway and rail transportation costs were \$1.183 billion, a reduction of \$36.6 million from the amount planned before implementation of the Reconciliation Act.

Reduce Costs for Administrative Personnel, Travel, Training, Supplies and Services

The Postal Service decided that savings of \$67.1 million would be achievable in 1988 in these four areas. Field offices were notified of their allotted reductions in February 1988. Included in the total estimate was \$13.6 million that resulted from deferring the implementation of an upgraded automated time and attendance reporting system at large post offices. At the locations we visited, work on the time and attendance system upgrade was eliminated or severely curtailed. We also confirmed that savings were being realized by not filling positions and approving only the most essential requests for supplies, services, travel, and training. Officials remarked that they were deferring various studies and projects that, while not yet directly affecting operations, will in the long run decrease the efficiency with which mail is delivered.

Actual savings in the four areas making up the administrative cost reduction were substantially greater than the \$67.1 million planned in 1988 as shown in table 2.1.

Table 2.1: Savings in Administrative Costs

Dollars in millions			
	Original budget	Spent	Difference
Supplies and services	\$489.4	\$435.3	\$54.1
Training	39.9	34.7	5.2
Travel	41.2	34.6	6.6
Administrative personnel	1,484.3	1,424.0	60.3
Total	\$2,054.8	\$1,928.6	\$126.2

Reduce Research and Development Funds for Innovative Projects in the Field

Before the Reconciliation Act, each of the Service's 74 divisional offices were authorized to spend up to \$100,000 in 1988 for innovative technology projects that would benefit the organization by reducing costs, increasing revenues, or improving service. The five regional offices had authority to use an additional \$2 million in innovation funds. The divisional office authority, totaling \$7.4 million, was withdrawn when operating budgets were reduced. In June 1988, the Postmaster General reinstated \$25,000 of innovation fund authority per division for the remainder of the year. Innovation fund expenditures totaled \$409 thousand in 1988, about \$9 million less than the \$9.4 million originally authorized for divisions and regional offices.

Increase Sorting Productivity on Certain Optical Character Readers

One project developed with earlier innovation funds increased the sorting capability of certain optical character readers through addition of a microcomputer and software. The modification permits the machines to sort mail to carrier routes which would otherwise have been sorted on less productive letter sorting machines or manually.

The modification is a temporary measure that will produce savings until these single line optical character readers are upgraded to a multiline read capability, which began in 1988 and should be complete midway through 1989. Postal officials believed that although the initiative was only temporary, it was worthwhile because it was relatively inexpensive and immediately improved productivity. The Postal Service estimated that this initiative would save \$13.6 million during the year. The savings was based on the estimated additional work hours that would have been required to sort the mail manually and on letter sorting machines versus the hours needed by the modified optical character readers.

The reduction was allocated to offices according to the number of modified optical character readers in use. Though we confirmed that the systems were being used, the various locations we visited used different methods to estimate the savings. Some methods appeared to be overly optimistic about the work hours being saved, but the consensus was that the systems were saving a significant number of work hours. The exact savings, however, cannot be determined because work hours saved at one particular task may be utilized elsewhere, and the net effect on personnel costs is not known.

Postal Service management reports indicate that through August 26, 1988, over 2 billion pieces of mail were processed through the modified

optical character readers. At current mail processing work hour compensation rates, the cost of the estimated extra hours that would have been required to sort this mail by other means totals about \$28.5 million compared to the \$13.6 million estimate associated with the cost reduction plan.

Suspend the Service of Looking Up ZIP+4 Codes Associated With Processing Changes of Address

Until this procedure was discontinued in January 1988, clerks at approximately 200 sites around the country looked up the 9-digit ZIP code for each change of address request. Postal officials estimated that about 300,000 hours were spent annually on this task at a cost of about \$4.2 million. Since part of the year had passed when the service was stopped, they estimated that \$2.7 million savings could be achieved. To be conservative, they included this item in the budget reduction plan at an estimated savings of \$2 million.

We confirmed that the look up service had been discontinued at the locations we visited. On the basis of the number of work hours that were directly used for this function, planned savings were probably being achieved.

Eliminate the Collection and Processing of Outgoing Mail on Sundays

This initiative was proposed by one of the Service's regional offices. Not all the regional offices agreed that it would produce savings because the mail still has to be processed on Monday and the change could cause job rescheduling, retraining, and other disruptions.

The expected savings established for this initiative was \$18 million. The methodology called for estimating the work hours that would be eliminated on Sunday; reducing this by two-thirds to account for the hours that would be required on Monday; reducing this result by 40 percent on the assumption that not all savings will be captured the first year because of phase-in delays and job rescheduling and training; and applying basic and Sunday premium hourly labor rates. The assumptions were not based on specific information but on the general knowledge of the person who prepared the estimate. The basic premise for savings underlying this initiative was the elimination of Sunday premium pay and greater productivity on Monday.

The detailed savings calculations were not available in the Service's files, but applying the methodology described above apparently resulted in a savings estimate of \$39.3 million annually. An adjustment to

account for the number of Sundays remaining in the year from mid-February reduced the estimate to about \$24.2 million. The final figure of \$18 million was set in a meeting of senior Service managers. Regional office managers could not agree on their respective shares, and the Assistant Postmaster General for Mail Processing settled the matter by assigning each of the five regions an equal budget reduction of \$3.6 million.

Field activities have discontinued Sunday collections and the processing of outgoing mail except in cases of operational necessity, such as picking up mail from overflowing boxes. Activity records indicate that the applicable Sunday operations have been sharply curtailed at the locations we visited. However, the Service's financial reporting system is not designed to show the net cost savings specifically attributable to eliminating selected Sunday operations. In order to gauge how much money is being saved by this change, the Assistant Postmaster General, Department of the Controller, directed a before and after cost study. All affected postal facilities have been asked to identify and report detailed information on work hour, vehicle, and contract costs, including costs shifted to other days because of the change, for 2 Sundays in January and February (before the change) and 2 in March and April (after). The results were coming in from the field offices and being summarized by the Controller's office when this report was being prepared.

Reduce Retail Operations and Collections on the Days Following Christmas and New Year's Day

The days immediately following the Christmas and New Year holidays were Saturdays. To estimate the savings from this initiative, Postal officials used data from a management information system and determined that Saturday window hours comprised about 4 to 6 percent of total window hours, depending on the region. They conservatively estimated that 3 percent of 1 week's window hours could be saved by closing the windows on these 2 days. Applying an average labor compensation rate resulted in an estimated savings of \$570,000 per Saturday or \$1.14 million per year (1988 and 1989). In compiling the total estimated savings for fiscal year 1988, \$2.5 million was inadvertently attributed to the 1988 plan.

Field officials said that before the Reconciliation Act, they had already made plans to reduce retail service these 2 Saturdays because they expected that business would be slow. Employees were allowed to take annual leave, reschedule days off, or work mail at other facilities. Although activity records indicate that retail work hours were reduced

on these days, actual savings cannot be determined because work hours were shifted elsewhere.

To determine the amount of money that was saved by curtailing service on these days, the Assistant Postmaster General, Department of the Controller, asked division offices to submit detailed information on personnel costs for these 2 Saturdays compared to the Saturdays after Christmas and New Year's the year before. The study will also include savings from reduced collections as well as reduced window hours. At the time this report was prepared, this study was not yet completed.

Reduce Window Service Hours

Savings of \$40 million were estimated from reducing window hours up to 10 percent or about a half day per week. The savings estimate assumed a 9-percent reduction instead of 10 on the assumption that not every work hour saved at the windows would be a net work hour saved. Nine percent of the scheduled window work hours for 1988, adjusted for the amount of time remaining in the year and at the average national hourly compensation rate, totaled about \$57.8 million. Postal officials believed they would not achieve all of these savings because of implementation delays, job rescheduling and training, increased costs in related areas such as vending service and stamps by mail, increased work load during remaining open hours, and the cost of publicizing the curtailed hours. They did not know how much these offsetting costs would be, but decided that they could achieve \$40 million of the \$57.8 million calculated. Accordingly, operating budgets were reduced by \$40 million for curtailed window hours.

Field offices were given the latitude to decide how to adjust their hours within the general policy that they should consider customer needs and not just operational convenience. Offices were to determine customer preferences and protect extended and Saturday hours by staggering office schedules in a community. Individual post offices were not specifically prohibited from reducing hours by more than 10 percent. Through September 23, 1988, the Postal Service used 51.2 million work hours at the windows, compared to the 54.8 million hours planned for 1988 before the Reconciliation Act and the 52.4 million hours planned after the act.

As anticipated in the Service's estimate, the number of net work hours saved will not equal the number of hours that the windows were closed. The work hour reporting system is not capable of recording the number of hours that were switched from the windows to other duties. For

example, a window clerk, because of curtailed window service hours might switch to mail sorting duties and displace another employee who might in turn displace a part-time employee or cause less overtime to be needed for another work activity. Because it is not feasible to track all the possible work hour interactions, the net actual savings due to curtailing window hours cannot be determined. The retail operations function, which includes window service and other duties, such as mail sorting at the delivery offices, was \$4.370 billion in 1988 versus \$4.345 billion planned when the Reconciliation Act reductions were made.

On July 7, 1988, the Postal Board of Governors was told savings from other initiatives were considered sufficient to satisfy the requirements of the Reconciliation Act and that normal window service could be restored. On July 8, 1988, the Postmaster General announced that window services would be restored to their approximate original levels on September 10, 1988.

Compliance With the Reconciliation Act

As discussed in chapter 2, actual savings significantly exceeded planned savings for the administrative, transportation, and innovation fund reductions. The savings goal for these initiatives was \$98 million. Actual savings, including the related transportation initiatives that were implemented at about the same time, were over \$188 million, exceeding the \$160 million mandate of the Reconciliation Act. Savings under the other initiatives are unknown, primarily because they derive from a reduction in work hours and many of these work hours may have been shifted to other areas. Because the Reconciliation Act does not specify a starting budget figure or place an overall ceiling on expenditures, we believe that generating demonstrable savings of \$160 million was sufficient to satisfy its requirements.

When the Postal Service made the Reconciliation Act adjustments in February of 1988, it forecast operating expenses for the Service at \$36.134 billion, including \$29.991 billion for field activities. Actual field expenses for the Postal fiscal year ending September 23, 1988, were \$30.087 billion, \$96 million above the \$29.991 billion planned. For the Service overall, 1988 spending was \$36.253 billion, \$119 million above the \$36.134 billion planned. Postal officials said that spending may be within the budget for the government's fiscal year ending September 30.

Payments Were Not Financed From Borrowing or a Rate Increase

Section 6003(b) of the Reconciliation Act provides that the Postal Service shall make the payments to the health benefits fund from the resources of its operating budget without increasing postal rates or borrowing. Postal rates increased in April 1988, and the Service increased borrowing in December 1987, but neither action was related to the Reconciliation Act.

The rate increase was the result of a request for changes in postal rates filed by the Service with the Postal Rate Commission on May 7, 1987, more than 7 months before the Reconciliation Act passed.

On December 1, 1987, the Service borrowed about \$1.5 billion to finance capital investments. As a matter of policy, the Postal Service does not borrow to fund operations and has not done so since 1976.

Conclusion

The Postal Service saved at least \$160 million under certain cost savings initiatives that it implemented as a result of the Reconciliation Act. The Service did not increase borrowing or postal rates in order to make the

Chapter 3
Compliance With the Reconciliation Act

payment to the health benefits fund. Therefore, we believe that the Postal Service has complied with the Reconciliation Act in 1988.

Postal Service Budget Reduction Planned for 1988

Note: GAO inserted dollar amounts that were obtained from the Postal Service.



IMPLEMENTATION PLAN

FISCAL YEAR 1988

OPERATING BUDGET REDUCTIONS

PUBLIC LAW 100-203

**IMPLEMENTATION PLAN
FISCAL YEAR 1988
OPERATING BUDGET REDUCTIONS
PUBLIC LAW 100-203**

- | | (\$ Millions) |
|--|---------------|
| 1) Initiate Servicewide Administrative Cost Reduction Program | \$67.1 |
| <i>Institute significant reductions in administrative personnel costs, travel, training and supplies and services budgets. Activities affected by personnel cost reductions are finance, human resources, marketing, and general administrative. This action does not impact Postmasters. These costs generally support postal operations but do not directly involve the processing and delivery of mail.</i> | |
| 2) Reduce and Centralize the Innovation Fund | \$7.4 |
| <i>The purpose of the innovation fund is to encourage research and development projects in the field at a no cost / no risk condition to field operating budgets. These funds have been reduced. However, limited funds are still available to encourage projects.</i> | |
| 3) Carrier Route Information System Sortation | \$13.6 |
| <i>We intend to implement nationally a locally researched and developed effort that increases the sorting capability of our single-line optical character readers. The Carrier Route Information Sortation System requires minimal investment and will pay for itself almost immediately.</i> | |

**IMPLEMENTATION PLAN
FISCAL YEAR 1988
OPERATING BUDGET REDUCTIONS
PUBLIC LAW 100-203**

(\$ Millions)

4) Convert Some Air Transportation to Highway Transportation \$10.0

Conversion to cheaper highway transportation will reduce overall transportation costs. This action is expected to result in minimal service impact but will involve a significant reduction in operating flexibility and some potential risk due to longer ground transport times.

5) Eliminate Selected AMTRAK Service \$2.0

Contracts for dedicated space on AMTRAK trains will be terminated and mail will be diverted to more fully utilize existing ground transportation. No service deterioration is anticipated.

6) Increase Load Requirements for BMC Rail/Highway Vans Transportation \$11.2

Bulk mail center rail and highway van dispatch procedures will be revised to encourage increased van utilization. BMC vans are currently dispatched according to specific schedules linked to service expectations regardless of whether they are loaded to capacity. Some vans will now be delayed for dispatch until they are full, but will not be held beyond an additional 24 hours. Some deterioration in Bulk Business Mail Service is anticipated.

**IMPLEMENTATION PLAN
FISCAL YEAR 1988
OPERATING BUDGET REDUCTIONS
PUBLIC LAW 100-203**

(\$ Millions)

- 7) Eliminate ZIP+4 Look-Up Service Provided Through
Computer Forwarding Sites** \$2.0

Suspend ZIP+4 look-up service associated with change of address requests processed by computer forwarding sites.

- 8) Elimination of Outgoing Distribution on Sundays** \$18.0

Eliminate outgoing distribution on Sunday. This action essentially eliminates the collection and processing of outgoing mail on Sunday. This action would not affect Express Mail, drop-ship arrangements, and some platform operations.

- 9) Close Selected Retail Operations and Reduce Collections** \$2.5

Service reductions were implemented the days following Christmas and New Years.

- 10) Reduction in Window Service Hours** \$40.0

Reduce window service hours up to 10%. This roughly equates to all offices losing about 1/2 day's service per week. The field has been instructed to accomplish this reduction while considering local service needs. While minimized, some inconvenience to the public will occur.

TOTAL \$173.8

**OMNIBUS BUDGET RECONCILIATION ACT
OF 1987
PAYMENT SCHEDULE**

The following is the Payment Schedule for compliance with the Omnibus Budget Reconciliation Act of 1987:

	<u>(\$Millions)</u>	
	<u>FY 1988</u>	<u>FY 1989</u>
Health Benefit Payment to Office of Personnel Management September 30, 1988	\$160	\$270
Payment to Civil Service Retirement Fund - September 30, 1988	350	
Payment to Escrow Fund - October 31, 1988		465

Major Contributors to This Report

**General Government
Division, Washington,
D.C.**

L. Nye Stevens, Senior Associate Director, (202) 275-8676
Willis L. Elmore, Group Director
Leonard Hoglan, Assignment Manager

**Atlanta Regional
Office**

Fredrick W. Felder, Site Senior

Boston Regional Office

Marcia M. Cook, Site Senior

**Chicago Regional
Office**

Jack R. Mester, Site Senior

**Philadelphia Regional
Office**

Ronald D. Leporati, Site Senior

**San Francisco
Regional Office**

Bruce K. Engle, Site Senior

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