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REPORT TO THE CONGRESS



Savings Available Through Reduced Use Of Air Parcel Post Shipments By The Department Of Defense

B-157476

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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MAY 6, 1971



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

B-157476

To the President of the Senate and the
Speaker of the House of Representatives

This is our report on the savings available through
reduced use of air parcel post shipments by the Depart-
ment of Defense.

Our review was made pursuant to the Budget and Ac-
counting Act, 1921 (31 U.S.C. 53), and the Accounting and
Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director,
Office of Management and Budget; the Secretary of De-
fense; the Secretaries of the Army, Navy, and Air Force;
and the Director, Defense Supply Agency.

A handwritten signature in dark ink, reading "James B. Axtell". The signature is written in a cursive style with a large, stylized initial "J".

Comptroller General
of the United States

D I G E S T

WHY THE REVIEW WAS MADE

In fiscal year 1970 the Post Office Department billed the military departments about \$177 million for costs it had incurred to ship military mail by various modes of transportation. Prior work performed by the General Accounting Office (GAO) indicated that military supplies were being shipped by air parcel post although they could have been shipped by more economical methods.

That practice is contrary to the stated policy of the military departments, which is to employ the method that will effect delivery of supplies by the required time at the lowest cost to the Government. This review was made to examine into the extent and effect of the practice at selected Army, Navy, and Air Force installations.

FINDINGS AND CONCLUSIONS

Supply depots of the Army, Navy, and Air Force have been using air parcel post more than is necessary because transportation officials at those locations have not, in all cases, established controls to ensure that the most economical, yet timely, methods of shipping are selected. The potential savings from such controls seem substantial. For three of the seven installations covered by its review, GAO estimates that a total of about \$520,000 could be saved each year. About \$450,000 a year is being saved at two other locations as a result of the adoption of controls recommended by GAO.

Alternatives to shipping by air parcel post include

- Navy and Air Force contractor-operated domestic cargo airlift systems (see pp. 7 to 11.)
- special types of lower cost airlift postal services to overseas areas (see pp. 12 to 18.)
- surface transportation. (See pp. 19 and 20.)

The Navy could realize substantial savings if its fleet post offices at the postal gateways screened official mail bound for overseas destinations to select the least costly shipment method consistent with delivery requirements. (See pp. 22 to 25.)

The Army established such a screening program at the military postal gateways to screen official mail from Army, Air Force, and other Department of Defense (DOD) activities and, in fiscal year 1969, saved over \$5.4 million. GAO believes that those cost reductions could have been increased substantially had DOD regulations provided for showing the delivery dates on all parcels entering the military postal system, to facilitate the screening operations at the postal gateways. Army supply activities are already required to show the delivery dates. (See p. 22 and pp. 25 to 28.)

RECOMMENDATIONS OF SUGGESTIONS

The Secretary of Defense should see that procedures at military supply installations are revised to bring about the shipping of supply parcels by the least costly modes of transportation that will permit delivery in the required time. Those procedures should ensure that all acceptable means of delivery are considered by military supply installations before a shipping method is selected. (See p. 20.)

The Navy should adopt a mail-monitoring program at the Navy fleet post offices to select the least costly means of sending official mail overseas. (See p. 25.)

DOD should issue policy guidance similar to that of the Army, requiring all military services and other Government activities using the military postal system to indicate delivery dates or similar information on supply parcels so as to facilitate the screening process at the postal gateways. (See p. 26.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Deputy Assistant Secretary of Defense (Installations and Logistics) agreed that military supply installations should ship parcel post packages by the least costly means that would permit delivery in the required time. (See p. 33.) He indicated that the military services had reemphasized their policies and procedures on the use of the least costly modes of shipments.

Maximum use will be made of available space on Navy and Air Force contractor-operated aircraft to ship supply parcels. Each of the military services has reaffirmed or instituted procedures to use

special types of low-cost airlift postal services, in lieu of air parcel post, whenever such services will meet the required delivery dates.

The Deputy Assistant Secretary of Defense found considerable merit in GAO's recommendation that the Navy establish a mail-monitoring program at the postal gateways. (See p. 34.) The Navy said that it could not accomplish such a program without more manpower; the Office of the Secretary of Defense indicated that it was exploring alternative means of providing the program to the Navy.

The Deputy Assistant Secretary of Defense did not agree with GAO's recommendation that DOD regulations be revised to provide for showing delivery dates on parcel-post-sized supply packages entering the military postal system. (See p. 34.) He said that such a revision would alter the entire military supply system and that DOD did not consider such an alteration either practical or desirable.

From subsequent discussions with officials from the Deputy Assistant Secretary's Office and from the Department of the Air Force, GAO established that the additional step of marking supply parcels with delivery dates or similar information would not alter the military supply system or its criteria for establishing supply and transportation priorities. GAO therefore believes that the Secretary of Defense should further consider revising DOD's regulations to require all users of the military postal system to mark supply parcels with delivery dates.

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report is being issued to notify the Congress of the potential for savings by the military departments through the use of more economical modes of transportation to ship supply parcels.

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ABBREVIATIONS

DOD	Department of Defense
GAO	General Accounting Office
LOGAIR	Air Force Logistics Airlift System
MOM	Military Official Mail
QUICKTRANS	Navy Logistics Airlift System

D I G E S T

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FINDINGS AND CONCLUSIONS

Supply depots of the Army, Navy, and Air Force have been using air parcel post more than is necessary because transportation officials at those locations have not, in all cases, established controls to ensure that the most economical, yet timely, methods of shipping are selected. The potential savings from such controls seem substantial. For three of the seven installations covered by its review, GAO estimates that a total of about \$520,000 could be saved each year. About \$450,000 a year is being saved at two other locations as a result of the adoption of controls recommended by GAO.

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From subsequent discussions with officials from the Deputy Assistant Secretary's Office and from the Department of the Air Force, GAO established that the additional step of marking supply parcels with delivery dates or similar information would not alter the military supply system or its criteria for establishing supply and transportation priorities. GAO therefore believes that the Secretary of Defense should further consider revising DOD's regulations to require all users of the military postal system to mark supply parcels with delivery dates.

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CHAPTER 1

INTRODUCTION

The General Accounting Office has examined into the practice of shipping supplies by air parcel post from selected supply installations of the Departments of the Army, Navy, and Air Force. In fiscal year 1970 the Post Office Department billed the military departments about \$177 million for costs it had incurred to ship military mail by various modes of transportation. We made this review to determine whether significant numbers of supply packages were being mailed by air parcel post when they could have been transported in the required time by more economical methods. The scope of our review is described in chapter 4.

DOD guidance for selecting the mode of transportation for supply shipments is set out in DOD Regulation 4500.32-R, entitled "Military Standard Transportation and Movement Procedures." Although this regulation does not address itself specifically to the use of air parcel post, it has stipulated since prior to our review that airlift is the preferred mode of transportation for "high priority materiel."

The supply issue priority of materiel is designated by the requisitioning activity and can range from a priority 1 item, which is materiel urgently needed for combat operations, to a priority 20 item, which is materiel needed for routine stock replenishment. Regulation 4500.32-R groups the 20 supply priorities into four transportation priorities and stipulates time standards for military supply installations to process requisitions and to accomplish delivery of the items to the requesting activities. The following table illustrates these requirements.

Issue priority <u>designator</u>	Transportation <u>priority</u>	<u>Time standards from date of requisition to delivery of materiel</u>	
		<u>Continental United States</u>	<u>Overseas</u>
1 through 3	1	120 hours	168 hours
4 through 8	2	8 days	30 days
9 through 15	3	20 days	45 days
16 through 20	4	30 days	60 days

The stated policy of the military departments is to employ the mode of transportation that will effect delivery of supplies at the final destination by the required time at the lowest overall cost to the Government. Air parcel post is used frequently as a means of shipping transportation priority 1 and 2 parcels when the items to be shipped are within the weight and size limits established by the Post Office Department.

At certain supply installations covered by our review, transportation audits had been made by internal auditors of the responsible military departments; however, these audits did not relate to the selection of air parcel post as a transportation mode. At the other supply installations, internal auditors advised us that their audits had not covered the use of air parcel post.

CHAPTER 2

OPPORTUNITIES FOR REDUCING VOLUME AND COST

OF MILITARY AIR PARCEL POST SHIPMENTS

Supply installations of the Army, Navy, and Air Force have been shipping by air parcel post substantial quantities of supplies which could be delivered expeditiously by less costly modes of transportation. We believe that air parcel post is used more extensively than necessary because personnel at the installation level have not adequately considered the use of alternative methods of delivery and have not established controls to ensure that the least costly, most suitable, methods of shipping are selected. Also, we found that guidance disseminated to and within some supply installations was not always fully consistent with transportation instructions issued by DOD and the military departments.

Other modes of shipping parcels which have not been adequately utilized are

- Navy and Air Force contractor-operated domestic cargo airlift systems, referred to as QUICKTRANS and LOGAIR, respectively,
- special types of lower cost airlift postal services to overseas areas, and
- surface transportation.

At three of the seven military installations which we visited, we were able to identify potential annual savings estimated at about \$520,000 if other shipping modes were used in lieu of air parcel post. Annual savings of about \$450,000 are already being realized as a result of the adoption by two Air Force Air Materiel Areas of revised shipping procedures which we recommended previously.¹

¹See GAO report to the Congress, "Management Of The Logistics Airlift System Contracted For By The Air Force" (B-157476, December 18, 1969).

USE OF LOGISTICS AIRLIFT SYSTEMS IN LIEU OF AIR PARCEL POST

Logistics airlift systems known as QUICKTRANS and LOGAIR have been established by the Departments of the Navy and Air Force, respectively, to provide rapid transportation of high-priority materiel within the continental United States. These systems are operated by commercial air carriers under contracts providing for scheduled airlift service over established routes. These routes link major supply installations with using activities as well as with aerial ports of embarkation.

Contract payments for the operation of QUICKTRANS and LOGAIR aircraft are based on the distances flown and the landings made, without regard to the amount of cargo transported. Therefore, when aircraft space is available for additional cargo, the cargo can be transported without any increase in the contract payments.

Our review of QUICKTRANS and LOGAIR aircraft utilization reports showed that the aircraft seldom had been loaded to capacity. Space was very often available to ship air parcel packages either on partially loaded pallets or as baggage compartment cargo. We also found that some Navy and Air Force installations had routinely shipped high-priority supply parcels by air parcel post to activities serviced by the airlift systems. This practice, which we believe is contrary to Navy and Air Force instructions encouraging maximum use of logistics airlift systems, has resulted in postal costs which could have been avoided.

Department of the Navy

Our review at the Naval Supply Centers in Oakland, California, and Charleston, South Carolina, indicated that about \$243,000 could be saved annually if these two installations used QUICKTRANS rather than air parcel post for selected shipments.

Since prior to our review, the instructions in the Naval Supply Command Manual have provided that supply parcels which will be shipped domestically and which qualify for air

transportation be moved by commercial contract airlift systems, such as QUICKTRANS, to the extent that such systems are available. Neither Center, however, had established procedures to ensure that supply parcels scheduled for domestic shipment by air parcel post would be considered for shipment by QUICKTRANS. Our analysis of QUICKTRANS aircraft utilization reports showed that many of the parcels sent by air parcel post could have been shipped in unused QUICKTRANS aircraft space.

Our analysis of postal shipments made from Oakland during a 76-day period showed that about 276,000 pounds had been shipped domestically by air parcel post and by special handling, a type of postal service in which parcels are moved by expeditious surface modes. Further analysis showed that 41 percent, or 113,000 pounds, had been shipped to naval activities regularly serviced by the QUICKTRANS system. Since the QUICKTRANS aircraft utilization reports showed that unused aircraft space was generally available, most, if not all, of the 113,000 pounds could have been shipped by QUICKTRANS.

We estimated the costs of shipping the 113,000 pounds of parcels to QUICKTRANS stations during the test period by using average Post Office Department costs applicable to domestic air parcel post and to special handling. Projecting these costs to an annual basis, we estimated that the Oakland Supply Center could reduce postal service costs by approximately \$175,000 by using QUICKTRANS to ship parcels to stations serviced by that system.

By making similar analysis of postal shipments from the Charleston Supply Center, we estimated that postal costs of about \$68,000 annually could be avoided if the Charleston Center used QUICKTRANS in lieu of air parcel post.

We advised officials at the Oakland and Charleston centers, as well as officials of the Naval Supply Systems Command, Washington, D.C., of our observations; and they agreed with the principle of using QUICKTRANS in lieu of air parcel post. Oakland officials stated that they had sent to the Naval Supply Systems Command certain information concerning the use of QUICKTRANS aircraft for shipping supply parcels and that they had asked for its evaluation.

Officials of the Charleston Supply Center stated that some additional documentation and handling was required for a QUICKTRANS shipment. In reviewing the shipment-processing time standards established at the Charleston Center, we confirmed that certain documentation and handling effort which was not required for air parcel post shipments was required for QUICKTRANS. However, the additional cost involved--estimated to be \$1.11 a shipment, compared with a cost of \$4.84 for an average air parcel post shipment--still indicates that substantial savings are available through the use of QUICKTRANS. We included an estimate of this cost in our computation of the potential savings that Charleston officials could realize by using QUICKTRANS in lieu of air parcel post.

Department of the Air Force

For materiel requiring air transportation, Air Force Manual 75-1, since prior to our review, has stated that LOGAIR should be fully utilized when available. Also, instructions issued in December 1967 by the Air Force Logistics Command to its Air Materiel Areas state that air-eligible parcel-post-sized shipments should be moved by LOGAIR unless more than one en route transfer is required. This requirement does not apply to items that are critically needed.

Our review at the San Antonio Air Materiel Area indicated that numerous parcels had been shipped by air parcel post rather than by LOGAIR because local instructions for determining the mode of transportation were not fully consistent with those issued by the Air Force Logistics Command. The local instructions appeared to encourage the use of air parcel post rather than the use of LOGAIR. These instructions provide that high-priority parcels be shipped by air parcel post or by weapons system pouch to activities serviced by LOGAIR when any en route transfer is required. Weapons system pouch is a type of airmail service used for registered parcels.

Our tests of shipments made during a 7-day period showed that at least 878 high-priority parcels had been mailed by air parcel post and by weapons system pouch to activities serviced by LOGAIR. In many instances these parcels could have been shipped by LOGAIR and could have been

delivered without any en route transfers. Our analysis of aircraft utilization records for scheduled LOGAIR flights departing San Antonio during the 7-day test period showed that none of these flights had been fully utilized.

Since our test at the San Antonio Air Materiel Area was very limited, we did not attempt to estimate the postal costs for shipments made to activities receiving LOGAIR service. The records of that activity, however, showed that it mailed 149,000 air parcel post shipments weighing more than 1,756,000 pounds to installations in the United States during the 12-month period ended January 31, 1969. In our opinion, substantial reductions in postal costs could be achieved by the San Antonio activity if an effort were made to divert air parcel post packages to the LOGAIR system.

Other Air Force activities have diverted air parcel post packages to LOGAIR. By diverting substantial quantities of supply parcels from air parcel post to LOGAIR, the Air Materiel Areas at Warner Robins, Georgia, and Sacramento, California, were able to reduce postal costs by about \$337,000 annually.

Before October 1967 the Warner Robins activity normally used air parcel post for transporting high-priority parcels to activities serviced by LOGAIR when en route transfers of cargo were required. From the Warner Robins activity, LOGAIR shipments can be made to all 73 LOGAIR stations by direct flight or by flight with one transfer en route. We discussed the practice of shipping priority parcels by LOGAIR with Warner Robins transportation officials in October 1967, and they agreed at that time with our proposal that LOGAIR should be used in lieu of air parcel post for most of these shipments. Our analysis of shipments made from the Warner Robins activity before and after its change in shipping procedures indicated that, during the 12-month period subsequent to October 1967, parcels weighing a total of at least 497,000 pounds were diverted from air parcel post to LOGAIR. On the basis of reported Post Office Department costs, we estimated that postal costs during this period were reduced by about \$240,000. Warner Robins transportation officials advised us that space on LOGAIR aircraft normally was available for transporting supply parcels.

As a result of our inquiries, the Sacramento Air Materiel Area also increased its use of LOGAIR for shipping supply parcels. Our analysis of shipments made before and after our discussions with Sacramento transportation officials showed that shipments to LOGAIR destinations by air parcel post and by weapons system pouch had been reduced substantially. We estimate that the Sacramento activity's change in procedures will result in annual postal cost reductions of about \$97,000.

USE OF OTHER TYPES OF POSTAL SERVICES IN LIEU OF AIR PARCEL POST

Other types of postal services, such as Military Official Mail (MOM) and special handling, are available for shipping supply parcels to overseas areas at considerably less cost than that of air parcel post. MOM parcels mailed from installations in this country are transported by surface modes to postal gateways and then airlifted to overseas areas at special rates which are lower than air parcel post rates. MOM does not receive the expedited service and handling given to air parcel post. Parcels shipped by special handling receive first-class handling to expedite shipment by surface transportation modes within this country and receive airlift service similar to MOM from postal gateways to the overseas destination. The postal rates for MOM and special handling are the same except that, for special handling, a fee ranging from 25 cents to 50 cents a package is charged for the preferential treatment necessary to expedite the processing of the package.

For cost purposes, both MOM and special handling are considered as fourth-class mail by the Post Office Department and their total costs are accumulated with the costs of all fourth-class mail. The most recent Post Office Department Revenue and Cost Analysis Report, dated April 6, 1970, showed that the cost for shipping parcels domestically by fourth-class mail (surface modes) averaged 21.5 cents a pound. In comparison, Post Office officials advised us that the cost for shipping priority mail, which includes domestic air parcel post, averaged 37 cents a pound. With respect to the postal costs for airlifting these parcels from the continental United States to overseas destinations, Air Force and Army directives contain the various Post Office Department rates per pound for shipments to various overseas locations. The average rate set forth in these directives is 61 cents a pound by MOM, compared with 88 cents a pound by air parcel post.

As mentioned in chapter 1, the military standards for delivery of transportation priority 1 and 2 items to overseas activities are 7 days and 30 days, respectively, from the date on which the supply requisition was initiated. A priority delivery date is established for each supply item

requisitioned and is based upon the (1) priority assigned to the requisition by the ordering activity, (2) military delivery standards, (3) location of the ordering activity, and (4) requisition date. Under certain circumstances, an activity requisitioning an item may specify a required delivery date different from the usual priority delivery date.

In the narrative that follows, we use the term "delivery date" to denote either the required or the priority delivery date. At the seven supply installations which we visited, we tested a significant number of transportation priority 2 parcels shipped by air parcel post, to compare the number of days remaining before the delivery of the package was required with the maximum average of transit times for MOM shipments to destinations in various countries. We found that, for a very high percentage of these shipments, sufficient time remained to permit shipment by MOM. On the basis of our test, we believe that there is a real potential for reducing shipping costs by using MOM in lieu of air parcel post. (See p. 15.)

We found that it was impractical to fully measure the cost savings which could be realized if MOM or special handling were used in lieu of air parcel post. There were too many variables involved with respect to requisition delivery dates, transit times, and shipping distances. However, at two of the installations reviewed--the Naval Supply Center, Oakland, and the Warner Robins Air Materiel Area--we identified annual savings amounting to about \$324,000. Following is a discussion of our tests of delivery days remaining for selected transportation priority 2 packages at the installations that we visited; the mailing practices at these installations; and the Army, Navy, and Air Force regulations describing the types of postal services available.

Test of delivery days remaining on selected priority 2 items

Army and Air Force directives contain average transit times for the various types of postal services. These times are computed on the basis of shipments mailed from the central area of the continental United States to the

specific overseas country. Some examples of transit times by MOM, air parcel post, and surface mail are shown in the following table.

<u>Overseas area</u>	<u>Average days of transit time</u>		
	<u>MOM</u>	<u>Air parcel post</u>	<u>Surface mail</u>
Japan	9	4	23
Korea	8	4	36
Okinawa	9	4	30
Thailand	9	4	44
Vietnam	9	4	41
Germany	7	3	21
Spain	7	3	27
Italy	7	3	25

The transit times shown in Army and Air Force directives compare favorably with those which we computed from information contained in a Navy directive and a Post Office Department study. The Navy directive showed average transit times for MOM shipments from the postal gateways to overseas areas, whereas the Post Office Department study showed average transit times for surface shipments from various locations within the continental United States to the postal gateways. Combining the two documents, we have computed that the maximum average transit time for shipping Navy supply parcels from installations in the continental United States to overseas destinations by surface mail and MOM varies from 4.3 days to 13.8 days.

In our test of the shipment of transportation priority 2 parcels by air parcel post, which was designed to determine if that mode of transportation seemed necessary, we considered 14 or more days remaining before expiration of the delivery date as sufficient time to permit the use of MOM in lieu of air parcel post. Our test showed that, of all the parcels shipped by air parcel post from the installations to overseas areas, 89 percent--3,183--could have been shipped by a less costly method and still could have been delivered by the stipulated delivery date. The details of our test are summarized in the following table.

<u>Supply installation</u>	<u>Test period</u>	Number of parcels shipped (note a)	Parcels shipped with 14 or more days of unex- pired delivery time	
			<u>Number</u>	<u>Percent</u>
Army Depots:				
Atlanta, Ga.	Nov. 4 to 11, 1968	264	232	87.9
Anniston, Ala.	Nov. 1 to 7, 1968	123	66	53.7
Naval Supply Centers:				
Charleston, S.C.	Sept. 1 to 30, 1968	393	319	81.2
Oakland, Calif.	Nov. 27, 1968, to Feb. 11, 1969	129 ^b	91	70.5
Air Materiel Areas:				
Kelly Air Force Base	Feb. 16 to 22, 1969	527	482	91.5
McClellan Air Force Base	Oct. 1 to Nov. 30, 1968	151 ^b	138	91.4
Robins Air Force Base	Sept. 19 to 29, 1968	1,996	1,855	92.9
Total		3,583	3,183	88.8

^aItems having an expired delivery date when mailed were excluded from our test.

^bRandom sample of items shipped. At other locations the amounts shown are the number of parcels shipped during test periods.

Department of the Army regulations

Army guidance for determining the appropriate type of postal service is included in Army Regulations 55-16, dated September 18, 1968, and 341-10, dated April 24, 1968. These regulations set forth postal costs and transit times for MOM, air parcel post, and surface mail shipments to overseas areas and provide that the most economical type of postal service which meets requirements of the requisitioner be used. In regard to the use of MOM, Army Regulation 341-10 states that:

"*** the advantage of MOM service is that it provides a cheaper mode of airlift, yet assures delivery within a time span approximating that of a premium airmail service."

At the Atlanta Army Depot, Atlanta, Georgia, and at the Anniston Army Depot, Anniston, Alabama, no use was being made of MOM to ship priority 2 items to overseas destinations. Priority 2 items were routinely mailed by air parcel post at these depots.

Transportation officials at both depots advised us that air parcel post was being used for mailing priority 2 items to overseas locations because they believed that the preferred mode of transportation for priority 1 and 2 items was airlift. A statement to this effect is included in DOD's Military Standard Transportation and Movement

Procedures regulation. The regulation also provides, however, that, when airlift is unnecessary to meet the required delivery date, other high-speed modes of transportation be used.

Prior to completion of our review, transportation procedures at the Atlanta Army Depot were revised to provide for the use of MOM for priority 2 shipments. We estimate that the Atlanta Army Depot makes about 24,250 priority 2 shipments to overseas locations annually.

At the Anniston Army Depot, however, officials turned down our suggestion that selected priority 2 shipments be made by MOM. They advised us that they felt that their mission was to provide a service which could be accomplished best by using air parcel post. We estimate that the Anniston depot makes about 9,700 priority 2 shipments to overseas locations annually.

Department of the Navy instructions

Navy guidance for selecting the most economical type of postal service is contained in Notice 2700, dated March 2, 1968, issued by the Office of the Chief of Naval Operations. One type of service described in this notice is special handling. The notice also sets forth transit times for shipments of various classes of mail to overseas areas.

At the Naval Supply Center, Oakland, instructions had been issued by the commanding officer that priority 2 items be mailed by special handling. Other instructions issued by the installation's Material Department, however, provide that priority 2 items having certain project codes be mailed to overseas areas by air parcel post.

Our analysis of postal shipments made from the Oakland Center during a 76-day period showed that priority 2 parcels weighing, in total, about 251,700 pounds and 204,400 pounds had been shipped by special handling and by air parcel post, respectively, to overseas areas. Our analysis also showed that about 93 percent of the air parcel post shipments had been mailed through the San Francisco Fleet Post Office, located only a short distance from Oakland.

According to personnel at the fleet post office, parcels marked "special handling" and "air parcel post" are shipped on the same airplane from the United States. Although the air parcel post parcels are entitled to receive preferential treatment after the airplane has landed, experience has shown that, with few exceptions, parcels marked "special handling" are delivered on the same day as are air parcel post parcels.

On the basis of the volume of priority 2 shipments mailed to the San Francisco Fleet Post Office during our test period, we estimated that annual savings of about \$212,000 could result from the use of special handling in lieu of air parcel post for priority 2 shipments to overseas areas from the Oakland Supply Center.

We discussed this subject with transportation officials at the Supply Center, who recognized that their instructions concerning the shipment of priority 2 items were inconsistent. As a result, new instructions were issued, requiring the use of special handling in lieu of air parcel post for shipping priority 2 items to overseas areas.

At the Charleston Center, we found that priority 2 items were being routinely shipped to overseas areas by air parcel post and that no items were being shipped by special handling. Transportation personnel advised us that they were not familiar with special handling. At the conclusion of our review, officials at the Charleston Center stated that they saw no reason why special handling could not be used for mailing priority 2 parcels to overseas areas and that they would give consideration to its use.

Department of the Air Force instructions

Air Force Manual 75-1 states that priority 2 parcels will be mailed by MOM except in unusual cases when airmail is required because of the delivery date. Transit times by MOM, air parcel post, and surface mail are included in Air Force Manual 10-5.

At the three Air Materiel Areas covered by our review, large quantities of priority 2 parcels were being mailed to overseas areas by air parcel post. The use by these

activity of air parcel post for mailing priority 2 items apparently resulted from guidance issued by the Air Force Logistics Command in May 1968. This guidance provided that priority 2 items in certain Federal supply classes and groups be mailed by air parcel post. The guidance did not provide for considering the delivery dates.

As a result of the Air Force Logistics Command's May 1968 instructions, the Warner Robins activity's monthly priority 2 shipments by MOM have decreased from an average of 5,310 to 1,430 and those by air parcel post have increased proportionally.

Before receiving the mailing guidance, the Warner Robins activity was realizing substantial postal savings by using MOM in lieu of air parcel post. As early as October 1967, Warner Robins officials had acted on our suggestions to revise their procedures to provide for the use of MOM for such shipments. Our analysis of priority 2 shipments mailed before and after the activity's change in procedures showed that, during the 7-month period October 1967 to May 1968, parcels weighing a total of about 375,000 pounds were shipped by MOM which, under prior procedures, would have been shipped by air parcel post. On the basis of costs reported by the Post Office Department, we estimated that postal savings within the continental United States approximated \$112,000 for these shipments.

USE OF SURFACE TRANSPORTATION
IN LIEU OF AIR PARCEL POST

In our analysis of air parcel post shipments, we noted instances in which shipments were made by air parcel post which should have been made by surface transportation. These shipments involved supply parcels not normally eligible for air transportation because of their low priority and supply parcels sent to nearby destinations where air transportation offered little or no advantage.

Although all installations generally were shipping low-priority supply parcels by surface transportation, we found noteworthy exceptions at the Naval Supply Center, Charleston, and at the Atlanta Army Depot.

At Charleston we tested the air parcel post shipments made during September 1968 and found that approximately 12 percent were low-priority items which, under normal circumstances, are not eligible for shipment by air parcel post. Similarly, at the Atlanta Army Depot, our test during the period November 4 to 11, 1968, showed that about 10 percent of the parcels shipped by air parcel post had been assigned low priorities.

We discussed these shipments with transportation officials at both installations. They assured us that there were no justifications for the shipments and that, in the future, controls would be established to prevent unnecessary air shipments.

Also at the Atlanta Army Depot, we found that high-priority supply parcels were being mailed by air parcel post to activities located within 150 miles of the depot. Conversely, at the Anniston Army Depot, procedures had been established for using surface mail in lieu of air parcel post for shipments to activities located nearby in Alabama and adjacent states. Similar procedures were subsequently established at the Atlanta Army Depot after we brought this matter to the attention of depot officials. On the basis of the volume of air parcel post shipments made from the Atlanta Army Depot to activities located nearby in Georgia and adjacent states during an 8-day test period and of the Post Office Department's average costs applicable to air

parcel post and surface mail shipments, we estimated that annual savings of about \$67,000 should result from the depot's new shipment procedures.

Navy and Air Force directives are silent with respect to shipment of supply parcels to nearby installations. All but one of the Navy and Air Force installations covered by our review, however, had established local procedures for shipping high-priority parcels to nearby destinations by ordinary surface mail or by special handling. The procedure at the San Antonio Air Materiel Area was to ship high-priority parcels to nearby, as well as distant, domestic destinations by air parcel post. We noted, however, that the volume of parcels shipped to nearby destinations by the San Antonio Air Materiel Area was small.

Recommendation

We recommend that the Secretary of Defense take action to have revised procedures adopted at military supply installations to bring about the shipping of supply parcels by the least costly mode of transportation that will permit delivery in the required time. These procedures should ensure that all acceptable means of delivery are considered by military supply installations before the method of shipping supply parcels is selected.

DOD comments and our evaluation

In a letter dated May 27, 1970, the Deputy Assistant Secretary of Defense (Installations and Logistics) commented on a draft of this report and advised us that DOD agreed that military supply installations should ship parcel post packages by the least costly modes of transportation which would permit delivery in the required time. The military services have reemphasized their policies and procedures relating to the use of the least costly modes consistent with the need to deliver the supplies to the consignee by the required delivery date.

The Assistant Secretary further stated that maximum use would be made of available space on QUICKTRANS and LOGAIR aircraft to ship supply parcels. The San Antonio Air Materiel Area has revised its procedures to comply with Air Force

policies. This should minimize the use of air parcel post for shipments from that supply activity. Also, the Department of the Army has issued instructions to its shipping depots to assure that local procedures provide for consideration of the use of QUICKTRANS and LOGAIR when these services can meet military requirements.

The Assistant Secretary went on to state that each of the military services had either reaffirmed or instituted procedures to use MOM and special handling in lieu of air parcel post whenever these services could meet the delivery dates. He indicated, however, that this action may not result in as great an expansion in the use of MOM between the shipping installations and the military mail gateways as was contemplated in our draft report, because MOM parcels move as surface mail in the domestic system and this fact may dictate the use of air parcel post to the postal gateways in order to meet delivery dates.

We believe, however, that the tests which we conducted (see pp. 13 to 15) indicate that the use of MOM in lieu of air parcel post can be greatly expanded. These tests included a comparison of the number of days remaining before the required delivery of transportation priority 2 parcels with the maximum average transit times for MOM shipments to overseas destinations. The criteria used in this comparison took into consideration the fact that MOM parcels move as surface mail in the domestic system.

Despite this, we found that a high percentage of the parcels selected in our test could have been shipped by a less costly method than air parcel post and still could have been delivered by the stipulated delivery date. It is therefore our opinion that DOD postal costs for overseas shipments could be reduced substantially if greater use is made of MOM and other less costly modes of transportation in lieu of air parcel post.

CHAPTER 3

THE MAIL-MONITORING PROGRAM

The Department of the Army operates a mail-monitoring program at the continental United States postal gateways, which resulted in postal cost reductions in excess of \$17 million during the period July 1964 through December 1968 and in excess of \$5.4 million for fiscal year 1969.

The mail-monitoring procedures involve changing the designated mode of transportation of official mail, including parcels, to the least costly mode by which the mail will reach its overseas destinations within delivery requirements. Under the Army program, airmail from Army, Air Force, and other DOD activities--except the Navy--is monitored to determine whether it can be reduced to either MOM or surface transportation and MOM is monitored to ascertain whether surface conveyance would be appropriate.

The mail-monitoring program is conducted at U.S. Army military mail terminals, which are located at the postal gateways in San Francisco, California; New York, N.Y.; and Seattle, Washington. The Army Postal Service Agency is responsible for monitoring all DOD official mail except mail addressed to Navy fleet post offices, which are also located at the postal gateways.

The Navy has not established a similar program at the postal gateways to monitor the mail addressed to overseas Navy activities.

SUBSTANTIAL SAVINGS POSSIBLE THROUGH ESTABLISHMENT OF NAVY MAIL-MONITORING PROGRAM

In our opinion, savings of approximately \$1.6 million annually might be realized if the Navy established a mail-monitoring program.

In view of the significance of the savings reported by the Army, we inquired at the fleet post offices in San Francisco and New York about the reasons why a similar program had not been adopted by the Navy. Our inquiries

revealed that the San Francisco facility had attempted to initiate a mail-monitoring program at that location in 1968. Specifically, we found that in March 1968 the officer in charge of the San Francisco facility had recommended through channels to the Chief of Naval Operations that consideration be given to monitoring the official mail processed at that facility. He estimated that the monitoring program could result in reducing transportation costs by about \$400,000 annually but would require an increased staff of 13 additional enlisted men at a total cost, including related supplies and equipment, of \$63,000.

Initially, the Commander Service Force, U.S. Pacific Fleet, while acknowledging that the proposal had merit and that it could result in savings in mail shipping costs, expressed the view that a monitoring operation could result in added delays and could create problems that would negate any dollar savings resulting from reductions in the costs of shipping. In addition, this activity reported that it could not provide the additional personnel needed to implement such a program.

The Commander, Naval Supply Systems Command, and the Chief of Naval Operations, however, reviewed the proposal favorably in June 1968. As a result, in November 1968 the Chief of Naval Operations prepared guidelines for the implementation of a monitoring system at the San Francisco facility and solicited comments on the guidelines from interested activities. In transmitting the guidelines to these activities, Navy officials stated, in part, that prior responses from the commands had indicated that:

"The consensus of the commands *** was concurrence in principle with the objective of the proposed system of transporting official mail at the lowest overall cost consistent with the requirements of the users.

"The feasibility of providing personnel to implement the monitoring system on a six (6) month trial basis at the Fleet Post Office, San Francisco is being considered. The implementation of the system on a U.S. Navy wide basis would depend on the results of the tests."

Subsequently, the Commander Service Force, U.S. Pacific Fleet, which has responsibility for the San Francisco Fleet Post Office, responded to the proposed guidelines by recommending the establishment, on a permanent basis, of the mail-monitoring system at the facility. In a letter to the Chief of Naval Operations, dated December 20, 1968, however, it stated that mail monitoring would begin as soon as the necessary postal clerk billets were established and that no such billets were available within their command. Consequently, on May 9, 1969, the Chief of Naval Operations advised the Commander Service Force that:

"*** in light of the stringent manpower assets throughout the Navy, implementation of the subject mail monitoring system is held in abeyance. Should additional manpower resources become available or the situation dictates, this entire subject will be re-examined."

At the close of our review, the status of the Navy's program remained unchanged.

Precise computations of the savings that are possible through a mail-monitoring program would require information--including the volume of official mail in pounds--not presently available at the fleet post offices in San Francisco and New York. The officers in charge of these activities, however, indicated that downgrading airmail to MOM would be possible. The officer in charge at the San Francisco facility estimated that 95 percent of all official airmail parcels received could be downgraded to MOM.

On the basis of this estimate and of our own limited test of what the average annual volume of mail in this category could be, we estimated that the monitoring savings at the San Francisco facility would total about \$1.3 million yearly. In addition, we estimated that the savings possible at the New York facility, which has a total mail volume of about one-fifth that of the San Francisco facility, could approximate \$265,000 yearly. While we acknowledge that these estimates cannot be considered a precise measurement of the savings available through a monitoring program, we do believe that they demonstrate the significant potential savings that are available in this area.

Recommendation

We recommend that the Department of the Navy reconsider its position and determine whether there are any major obstacles precluding the establishment of a mail-monitoring program at the postal gateways. In our opinion, the relatively small number of personnel identified by the Navy as being needed for a monitoring operation--13 in San Francisco, seven in New York, and three in Seattle--should not preclude the Department's achieving the savings that appear to exist in this area.

DOD comments

In his comments of May 27, 1970, the Deputy Assistant Secretary of Defense (Installations and Logistics) advised us that our proposal that the Navy establish a mail-monitoring system at the postal gateways had considerable merit. He indicated that, although the Navy reported that it could not accomplish the mail-monitoring program within its assigned strength, DOD was exploring alternative means of providing the program to the Navy.

OPPORTUNITY FOR INCREASED SAVINGS IN ARMY'S MAIL-MONITORING PROGRAM

The Army, through its mail-monitoring program, has achieved substantial savings for DOD. As previously indicated, the Army reported that in fiscal year 1969 its monitoring operations resulted in reduced transportation expenses in excess of \$5.4 million. One of the factors that has enabled the Army to achieve this degree of success has been its ability to identify essential delivery dates. This information is mandatory in determining whether an item can be safely downgraded.

Army activities are required by regulation to show a delivery date on all official airmail and MOM parcels introduced into the military postal system. Army regulations also provide that, when no delivery date is shown on parcels mailed between Army activities, such mail be shipped by surface means.

A considerable volume of the mail monitored by the Army military mail terminals is non-Army-originated mail which is not subject to Army regulations and requirements. For example, in fiscal year 1969 available data indicated that 78 percent of the airmail and 48 percent of MOM monitored by the terminals represented mail from the Air Force, other DOD activities, and other Government agencies. During our review we observed that substantial portions of this mail had not contained either delivery dates or equivalent information which could be used at the terminals to maximize the savings attainable through the monitoring operation. The commanding officer of the New York Mail Terminal told us that the omission of delivery dates by non-Army activities which originated MOM had seriously limited the terminal's ability to maximize savings. At this location we noted that approximately 40 percent of MOM had not shown delivery dates.

Similarly, our test of 375 MOM parcels not downgraded by the San Francisco Military Mail Terminal revealed that 52 percent had not shown delivery dates or the basis for computing them, which precluded any downgrading action.

Recommendation

We recommend that the Secretary of Defense issue policy guidance, similar to that of the Army, that would require all military services and other Government activities using the military postal system to mark supply parcels with delivery dates or similar information. We estimate that the lack of this information could be costing DOD about \$934,000 annually in unnecessary shipping costs. We further recommend that any guidance issued provide, as do the Army regulations, that the absence of a delivery date on any parcel automatically results in its downgrading to surface transportation.

DOD comments and our evaluation

The Deputy Assistant Secretary of Defense, commenting on a draft of this report, advised us that DOD did not agree that its regulations should be revised to provide for the showing of delivery dates on parcel-post-sized packages of supplies which enter the military postal system. He

explained that the military supply system was customer (requisitioner) oriented and that the customer established his urgency of need by selecting the proper priority for his requisition. Since the customer-designated priority is the base against which the whole supply system reacts, DOD does not consider it practical or desirable to alter the entire system to effect a minor adjustment in one segment of the delivery process.

We discussed the Deputy Assistant Secretary's response with an official in his organization and were advised that his response had been influenced primarily by comments that he had received from the Department of the Air Force. Therefore we discussed the matter with Air Force officials and pointed out that our proposal would not alter the supply system or the criteria for establishing supply and transportation priorities. Our recommendation merely would require the supplier to mark each parcel with the delivery date which was established by the requisitioner so that personnel at the gateways would have the option to select the most economical mode of transportation for the overseas portion of the shipment that would still permit receipt within the priority delivery commitment.

Air Force officials agreed that this additional step would not alter the supply system. They felt, however, that it was unnecessary because the information required by Air Force regulations to be marked on these types of parcels was sufficient for personnel at the gateways to determine a delivery date.

In spite of Air Force regulations, we found that the information was not being marked on the parcels in all cases. For example, of the 375 MOM parcels which could not be downgraded by the San Francisco Military Mail Terminal, 196--or 52 percent--did not show sufficient information to compute a delivery date. Of that amount, 98 were parcels mailed from various Air Force installations. In our opinion, the lack of this type of information prevents personnel at the postal gateways from achieving the maximum savings possible through the mail-monitoring programs.

We therefore believe that the Air Force should, as a minimum, reemphasize its regulation requiring all parcels

to be marked with information from which a delivery date can be computed. To be consistent and to facilitate the mail-monitoring program, however, we recommend that the Secretary of Defense revise DOD's instructions with the intent of having all users of the military postal system mark supply parcels with delivery dates.

CHAPTER 4

SCOPE OF REVIEW

We reviewed the instructions, policies, and practices relating to the shipment of supply parcels by air parcel post and by certain other transportation modes. We also reviewed pertinent records relating to the shipment of supplies and interviewed responsible transportation officials.

Our review involved a determination of whether shipments made by air parcel post could have been made in the required time by other less costly transportation modes. It was directed toward those transportation areas in which deficiencies were identified by us during prior assignments and toward air parcel post shipments which appeared to warrant particular attention as our work progressed. Our examination did not include a review of the validity of priorities assigned to supply requisitions.

Our review was performed at the following supply installations.

Department of the Army:

Atlanta Army Depot, Atlanta, Georgia
Anniston Army Depot, Anniston, Alabama

Department of the Navy:

Naval Supply Center, Charleston, South Carolina
Naval Supply Center, Oakland, California

Department of the Air Force:

San Antonio Air Materiel Area, Kelly Air Force
Base, Texas
Sacramento Air Materiel Area, McClellan Air Force
Base, California
Warner Robins Air Materiel Area, Robins Air Force
Base, Georgia

Some work was also done at the Army and Air Force post offices and the fleet post offices in New York and San Francisco; the Navy Transportation Coordinating Office, Alameda, California; the Army Postal Service Headquarters, Washington, D.C.; the Air Force Postal and Courier Service, Springfield, Virginia; the Naval Supply Systems Command, Washington, D.C.;

the Air Force Logistics Command, Wright-Patterson Air Force Base, Ohio; the Post Office Department, Washington, D.C.; and the Department of Defense, Washington, D.C.

APPENDIXES



ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

27 MAY 1970

TS
INSTALLATIONS AND LOGISTICS

Mr. C. M. Bailey
Director, Defense Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Bailey:

This is in response to your letter of March 30, 1970 to the Secretary of Defense which forwarded copies of your draft report to the Congress entitled, "Savings Available Through Use of Air Parcel Post Shipments by the Department of Defense," Code 87611 (OSD Case 3104).

The Department of Defense concurs with the recommendation that military supply installations ship parcel post packages by the least costly mode of transportation which will permit delivery in the required time. The Military Services have reemphasized their policies and procedures relating to the use of the least costly mode consistent with the need to deliver the supplies to the consignee by the required delivery date.

Maximum use will be made of available space on QUICKTRANS and LOGAIR aircraft to ship supply parcels. The local procedures at the San Antonio Air Materiel Area have been revised to comply with Air Force policies and thus minimize use of air parcel post for shipments from that Air Materiel Area (AMA). The Army has issued instructions to its shipping depots to assure that local procedures provide for consideration of the use of QUICKTRANS and LOGAIR when these services can meet military requirements.

Each of the Military Services have either reaffirmed or instituted procedures to use Military Ordinary Mail (MOM) and special handling mail in lieu of APP whenever these services will meet the required delivery dates. It is pointed out, however, that the use of MOM between the shipping installation and the military mail gateways may not expand as greatly as contemplated in the draft report because MOM parcels move as surface mail in the domestic system and this fact may dictate the use of APP to the postal gateways in order to meet delivery dates.

APPENDIX I
Page 2

The proposal that the Department of the Navy establish a mail monitoring system at the postal gateways is recognized as having considerable merit. However, the Navy reports that it cannot accomplish the mail monitoring program within its assigned strength. The Department of Defense is exploring alternate means of providing the mail monitoring service for the Navy.

This Department does not agree that MILSTRIP should be revised to provide for the showing of a Required Delivery Date (RDD) on parcel post-sized packages of supplies which enter the military postal system. MILSTRIP is a customer oriented system in which the customer (requisitioner) establishes his urgency of need by selecting the proper priority for his requisition. Inasmuch as the customer designated urgency of need is the base against which the whole supply system reacts, it is not considered practical or desirable to alter the entire system to effect a minor adjustment in one segment of the delivery process. The overall advantages which result from the retention of the customer established urgency of need within the MILSTRIP system outweigh the relatively small advantage that would be gained by establishing an RDD requirement for those packages of supplies which are suitable for moving by parcel post.

We wish to express appreciation for the opportunity to comment on the report and consider that the report will assist in the improvement of the overall management of Defense transportation.

Sincerely,

A handwritten signature in dark ink, appearing to read "Glenn V. Gibson", written in a cursive style.

Glenn V. Gibson
Deputy Assistant Secretary of Defense

PRINCIPAL OFFICIALS OF
THE DEPARTMENT OF DEFENSE AND
THE DEPARTMENTS OF THE ARMY, NAVY, AND AIR FORCE
RESPONSIBLE FOR THE ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT

		<u>Tenure of office</u>	
		<u>From</u>	<u>To</u>
<u>DEPARTMENT OF DEFENSE</u>			
SECRETARY OF DEFENSE:			
Melvin R. Laird	Jan. 1969	Present	
Clark M. Clifford	Mar. 1968	Jan. 1969	
DEPUTY SECRETARY OF DEFENSE:			
David M. Packard	Jan. 1969	Present	
Paul H. Nitze	July 1967	Jan. 1969	
ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND LOGISTICS):			
Barry J. Schillito	Jan. 1969	Present	
Thomas D. Morris	Sept. 1967	Jan. 1969	
<u>DEPARTMENT OF THE ARMY</u>			
SECRETARY OF THE ARMY:			
Stanley R. Resor	July 1965	Present	
UNDER SECRETARY OF THE ARMY:			
Thaddeus R. Beal	Feb. 1969	Present	
David E. McGiffert	July 1965	Feb. 1969	
ASSISTANT SECRETARY OF THE ARMY (INSTALLATIONS AND LOGISTICS):			
J. Ronald Fox	June 1969	Present	
Robert A. Brooks	Oct. 1965	June 1969	

<u>Tenure of office</u>	
<u>From</u>	<u>To</u>

DEPARTMENT OF THE NAVY

SECRETARY OF THE NAVY:

John H. Chafee	Jan. 1969	Present
Paul R. Ignatius	Aug. 1967	Jan. 1969

UNDER SECRETARY OF THE NAVY:

John W. Warner	Feb. 1969	Present
Charles F. Baird	July 1967	Jan. 1969

ASSISTANT SECRETARY OF THE NAVY
(INSTALLATIONS AND LOGISTICS):

Frank Sanders	Feb. 1969	Present
Barry J. Shillito	Apr. 1968	Feb. 1969

DEPARTMENT OF THE AIR FORCE

SECRETARY OF THE AIR FORCE:

Robert C. Seamans, Jr.	Jan. 1969	Present
Harold Brown	Oct. 1965	Jan. 1969

UNDER SECRETARY OF THE AIR FORCE:

John L. McLucas	Feb. 1969	Present
Townsend Hoopes	Sept. 1967	Feb. 1969

ASSISTANT SECRETARY OF THE
AIR FORCE (INSTALLATIONS
AND LOGISTICS):

Philip N. Whittaker	May 1969	Present
Robert H. Charles	Nov. 1963	May 1969