

1022

8814
P84/10
P19/5/1964
3

Storage

THE FEDERAL PAPERWORK JUNGLE

PART 3 OF 5—WASHINGTON, D.C.

Y 4
. P 84/10
P 19/5/1
PT. 3



HEARINGS
BEFORE THE
SUBCOMMITTEE ON
POST OFFICES AND GOVERNMENT STATISTICS
OF THE
COMMITTEE ON
POST OFFICE AND CIVIL SERVICE
USE OF REPRESENTATIVES
EIGHTY-EIGHTH CONGRESS
SECOND SESSION

MAY 19 AND 20, 1964

Printed for the use of the
Committee on Post Office and Civil Service



4 Y
01/28 9.
12/19 9
E.T.9

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

TOM MURRAY, Tennessee, *Chairman*

- | | |
|------------------------------------|----------------------------------|
| JAMES H. MORRISON, Louisiana | ROBERT J. CORBETT, Pennsylvania |
| THADDEUS J. DULSKI, New York | H. R. GROSS, Iowa |
| DAVID N. HENDERSON, North Carolina | AUGUST E. JOHANSEN, Michigan |
| ARNOLD OLSEN, Montana | GLENN CUNNINGHAM, Nebraska |
| MORRIS K. UDALL, Arizona | GEORGE M. WALLHAUSER, New Jersey |
| DOMINICK V. DANIELS, New Jersey | ROBERT R. BARRY, New York |
| LINLEY BECKWORTH, Texas | KATHARINE ST. GEORGE, New York |
| HARLEY O. STAGGERS, West Virginia | EDWARD J. DERWINSKI, Illinois |
| ROBERT N. C. NIX, Pennsylvania | ROBERT F. ELLSWORTH, Kansas |
| JOE R. POOL, Texas | HOMER E. ABELE, Ohio |
| ALBERT W. WATSON, South Carolina | ALBERT W. JOHNSON, Pennsylvania |
| EDWARD R. ROYBAL, California | |
| CHARLES H. WILSON, California | |

SUBCOMMITTEE ON CENSUS AND GOVERNMENT STATISTICS

ARNOLD OLSEN, Montana, *Chairman*

- | | |
|-----------------------------------|--------------------------------|
| HARLEY O. STAGGERS, West Virginia | AUGUST E. JOHANSEN, Michigan |
| JOE R. POOL, Texas | GLENN CUNNINGHAM, Nebraska |
| ALBERT W. WATSON, South Carolina | KATHERINE ST. GEORGE, New York |
| EDWARD R. ROYBAL, California | HOMER E. ABELE, Ohio |

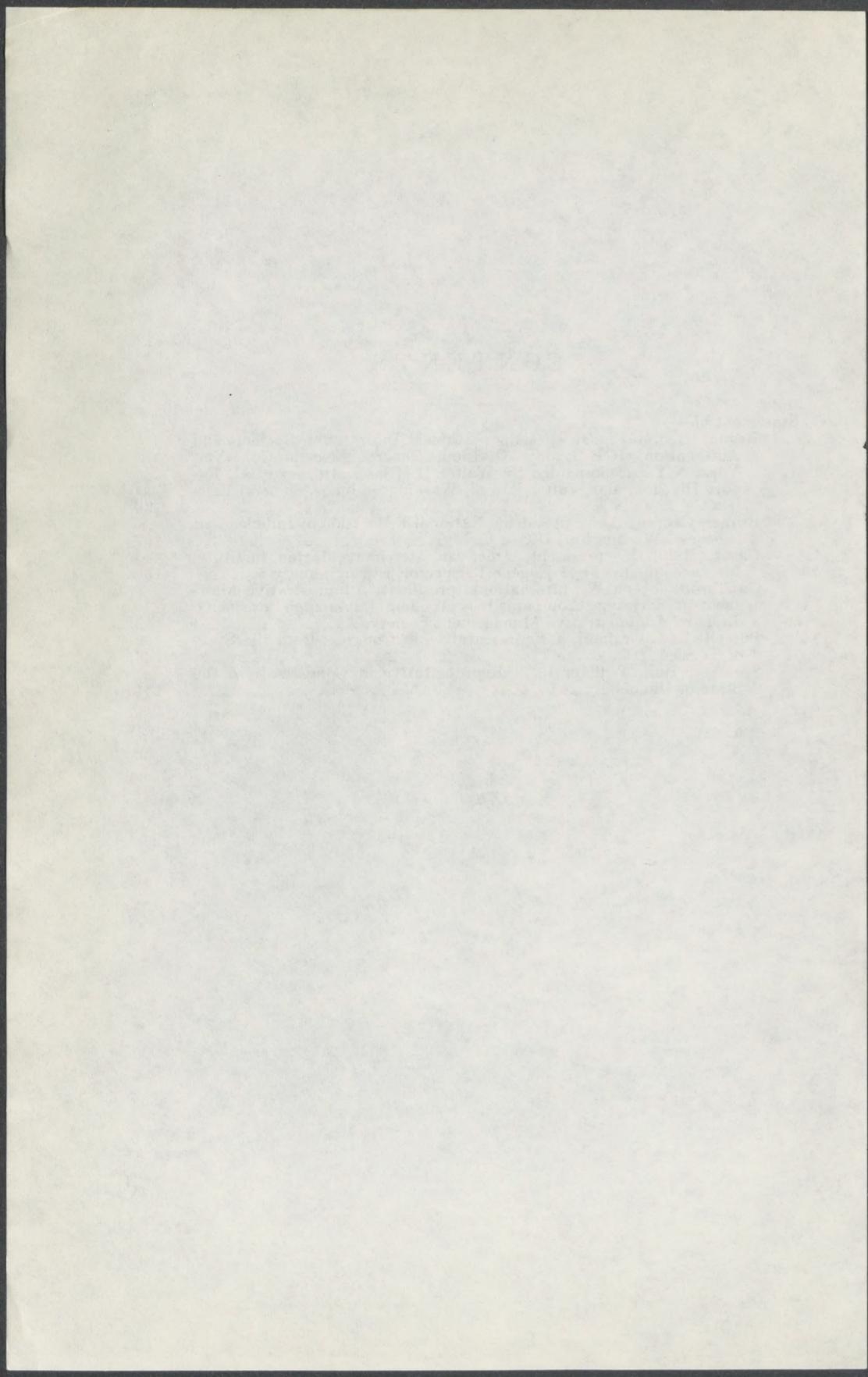
Ex Officio Members

- | | |
|-----------------------|---------------------------------|
| TOM MURRAY, Tennessee | ROBERT J. CORBETT, Pennsylvania |
|-----------------------|---------------------------------|

CONTENTS

Statement of—

Begnal, George F., Jr., specialist, Business Information Systems and Automation, IGE Export Division, General Electric Co., New York, N.Y., accompanied by Walter H. Glass, attorney, IGE Export Division, and Walter Powell, Washington office, General Electric Co.....	Page 186
Burger, George J., vice president, National Federation of Independent Business, Washington, D.C.....	167
Casey, Ralph E., president, American Merchant Marine Institute, Inc., accompanied by: Eugene P. Spector, research analyst.....	156
Gawthrop, Joseph W., international president, Administrative Management Society, accompanied by William Cavanaugh, executive director, Administrative Management Society.....	143
Purcell, Hon. Graham, a Representative in Congress from the State of Texas.....	138
Springer, Hon. William L., a Representative in Congress from the State of Illinois.....	141



THE FEDERAL PAPERWORK JUNGLE

TUESDAY, MAY 19, 1964

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CENSUS AND GOVERNMENT STATISTICS
OF THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m. in room 215, Cannon Building, Hon. Arnold Olsen, of Montana (chairman of the subcommittee), presiding.

Mr. OLSEN. The subcommittee will come to order.

Our purpose in meeting this morning is to continue the investigative hearings of our Subcommittee on Census and Government Statistics into the highly important subject of reducing the paperwork the Federal Government requires of businesses, manufacturers, and the public. I am sure the desirability of this goal and the difficulties of achieving it are familiar to all of us. I am hopeful we can reach a similar agreement that solutions to some of these problems will be found.

As early as the organization of the subcommittee in the 86th Congress, the members recognized the seriousness of excessive reports and other forms of paperwork requested of industry, business, and individual citizens by the Federal Government and decided to study the situation and to make recommendations regarding it. Although this has been done and others have assisted in these efforts, the volume and complexity of Federal paperwork continue to grow. Some months ago, I detected an acceleration in this rate of growth, and on February 8, 1964, I brought the matter to the attention of my colleagues in the House with a speech on the floor which I called the paperwork jungle. Moreover, on March 10, 1964, President Johnson requested Cabinet officers and agency heads to give their personal attention to this problem and at a later date, he directed the departments and agencies to cooperate in our work.

With these objectives in mind, the subcommittee conducted hearings on the subject of paperwork in Albany, N.Y., on May 1, 1964, and in Chicago, Ill., on May 8. The testimony taken during these sessions fully confirms our fears that business and the citizenry of our country are overloaded with Government requests for paper. One witness told us he spends more than half of his time filling out Government forms and in the time remaining he tries to make a living.

Another witness told us she closed her store and let all of her employees go because she couldn't keep up with Government paperwork. Still another witness said he would like to hire a teenager to help in his business but decided not to because of the Government paperwork he would be asked to complete in regard to his new employee. Witnesses told us that often they can't distinguish between a voluntary

report and a report required by law, and that some requests by the Government agencies include threatening language for failure to comply.

One witness protested that even in her small jewelry store, in which she was the sole employee now, where she had had many employees before, she said she now felt she was really working for the bookkeeper; the bookkeeper was no longer working for her.

Think for a minute, if you will, of the implications of what I have said, and bear in mind that we all want to help, not hinder, small business. But believe me when I say that Federal paperwork is stifling enterprise, discouraging employment, and creating a bad image for the Government.

Something appears to be wrong, and we are setting about now to find out what it is. I have no wish to prejudice the situation but one of the things we may want to consider is the need to amend the Federal Reports Act of 1942. We are hopeful the hearings will clarify this need and, if it exists, the hearings should be an effective means of determining the type of legislation required. The hearings may also suggest methods of better enforcement of legislation now in effect.

As to our hearings schedule, our plan is to meet again tomorrow and tentatively on June 1, 2, 3, and later on June 19, 22, 23, and 24. If there are changes in these dates, we shall announce them as we go along. We shall hear from Members of Congress, professional associations, the public at large, and departments and agencies of the Federal Government who have responsibilities in the paperwork area. Today, we shall hear from Congressman Graham Purcell, Congressman William Springer, Mr. J. W. Gawthrop, international president of the Administrative Management Society, and Mr. Alvin Shapiro, vice president of the American Merchant Marine Institute, Inc. The witness list for subsequent days is available from the staff.

Before proceeding with the first witness, I should like to note that without objection we shall place in the record at the appropriate point correspondence and statements which have been submitted to the subcommittee. Also, we shall keep the record open until June 30, 1964. I should like to insert in the record at this point the letter I have sent to each department and agency announcing the hearings and outlining the subjects to be discussed.

(The letter referred to follows:)

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CENSUS AND GOVERNMENT STATISTICS
OF THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE,

April 28, 1964.

DEAR MR. SECRETARY: Under authority of House Resolution 151, 88th Congress, the Subcommittee on Census and Government Statistics of the Committee on Post Office and Civil Service is continuing its program of investigating the reporting and paperwork requirements of the Federal agencies. Field hearings are scheduled to take place in Albany, N.Y., and Chicago, Ill., early next month to be followed by hearings in Washington beginning on May 19 and continuing into June. The purpose of this letter is to invite you and your representatives to appear before the subcommittee during the Washington sessions.

Our subcommittee has been concerned about what we consider to be an excessive paperwork burden imposed by the Federal Government on the businessmen of our country, especially upon the small businessmen, and the public in general. Beginning with the 86th Congress, when this subcommittee was organized, we have been studying and reporting on Federal Government paperwork and with good results in some cases. In spite of these efforts and those of others, however, the problem is even more critical today as I stated on the floor of the House of Representatives on February 8, 1964 (copy of my remarks enclosed).

Also, as you know, the President recognized this problem in his March 10, 1964, memorandum to agency heads and has directed the Bureau of the Budget to conduct a review of Federal paperwork management.

In the forthcoming hearings, primary organizational units under your direction will be invited to appear.

When appearing before the subcommittee, agencies should be prepared to report on the following items:

1. The volume of paperwork presently required of the public by departments and agencies of the Federal Government as compared with the volume at the time of the Hoover Commission Report in 1955, and the principal reasons for the increases and decreases.

2. The effectiveness of the Federal Reports Act of 1942, and the need for legislation which may be required to guard against the growth of unnecessary paperwork in the agency, including records retention requirements.

3. The administrative controls which exist in the agency to protect the public from excessive Federal Government paperwork. The success or lack of success of these arrangements in accomplishing this objective, and the reasons therefor.

4. Current agency programs for reducing the paperwork burden on the public, and the small businessman, including a description of specific problem areas and suggested solutions.

5. Estimated cost to the agency for collecting, compiling, processing, publishing, filing, storing or disposing of forms, records, reports, etc. (include here, in addition to regular programs, reporting requirements undertaken in behalf of Presidential committees, interdepartmental committees, and other public and private committees and groups staffed or served by the agency).

6. Estimated man-hours required by industry, business, and the public to complete all reports (voluntary and compulsory) sent out by the agency to 10 or more persons (include here, in addition to regular programs, reporting requirements undertaken in behalf of Presidential committees, interdepartmental committees, and other public and private committees and groups staffed or served by the agency).

7. Effectiveness of the agency's internal records management program and recommendations for improvements.

All hearings will begin at 10 a.m. in room 215 of the Cannon Building. Tentative plans call for Members of Congress and representatives of business, professional groups, and the public at large to testify the first 2 days, to be followed by representatives of the Federal agencies.

For further information concerning the hearings schedule, agency witnesses, prepared statements, exhibits, etc., please telephone Mr. Thomas F. Corcoran of the subcommittee staff (code 180, extension 3718).

Your cooperation in this important undertaking of our subcommittee will be fully appreciated by the undersigned.

Sincerely yours,

ARNOLD OLSEN, *Chairman.*

Mr. OLSEN. For the benefit of those who have not seen the letter, I shall give you in summary form the major items to be reported by the agencies. They are: (1) The amount of paperwork the Federal Government requires now as compared to 1955 at the time of the Hoover Commission report and the reasons for increases and decreases; (2) effectiveness of the Federal Reports Act of 1942, and needs for further legislation; (3) administrative controls which exist to protect the public against paperwork; (4) programs for reducing paperwork required of the public; (5) cost to the agency of paperwork; (6) cost to the public of paperwork; and (7) effectiveness of agency's internal records management programs and recommendations for improvement.

I might add that we shall want to include in these hearings a number of special problems. Among these are U.S. maritime and shipping forms, a comparison of the number of forms required to ship by air

versus shipment by vessel, international trade classifications, and tariff and customs paperwork.

Now it is our pleasure to have leading off this morning our friend and colleague, Congressman Graham Purcell of Texas. We are very grateful to you for coming, Graham, and we ask you to proceed as you will.

STATEMENT OF HON. GRAHAM PURCELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. PURCELL. Mr. Chairman, I first want to thank you and the members of this subcommittee for this opportunity to appear before you and testify in support of this most commendable inquiry into the excessive amount of Government paperwork. It is a problem we must deal with as effectively and competently as we can.

In my statement I wish to develop five major points: (1) The importance of small business in our economy; (2) the special problems of small business with time-consuming reporting chores; (3) the growth and complexity of the paperwork problem in American business; (4) the major role Government plays in the creation of paperwork; and (5) the urgent need for Government to review and make every reasonable effort to reduce the paperwork burden it places on business in general and small business in particular.

Half of the 2.6 million firms listed in Dun & Bradstreet's reference book have a worth of \$125,000 or less. This provides one measure of the preponderance of small firms. Another pertinent fact is that of the 11.2 million businesses filing tax returns in 1960-61, 85 percent had business receipts of under \$50,000. It is often stated that over 95 percent of all businesses can properly be considered to be small.

Because smaller firms play such an important part in our economy, their growth and prosperity is essential to the continued economic progress of the entire Nation. The competition they generate tends to keep prices competitive and to raise the quantity and quality of goods and services in the economy.

Smaller firms also provide the seed bed from which many new ideas and methods rise, and they do many things more efficiently than larger firms. That is not to deny, of course, that big business is vital, too. It is only to say that there is a definite and useful place for small as well as large firms in our economy.

From June 25 to 27, 1962, a special subcommittee of the Senate Small Business Committee held hearings to inquire into the reasons for failure of small businesses and into the problems of management services and management counseling for small business concerns. Mr. William A. Duvel, director of credit services development for Dun & Bradstreet, Inc., presented important evidence on this subject in testimony before the special subcommittee.

Dun & Bradstreet statistics over the past century show that half of all business failures have been firms with less than \$25,000 in liabilities, and another third between \$25,000 and \$100,000 in liabilities. In other words, firms failing with less than \$100,000 in liabilities make up five-sixths of the Nation's total business failures.

Most people assume that difficulty in obtaining equity capital is the major cause of the high rate of failure among small firms. However, a

witness testified before a Senate committee upon the fact that poor management is the underlying cause of failure and accounts for 91.3 percent of the business failures in 1961. Virtually all of the later testimony corroborated the fact that poor management is a more direct and important cause of small business failure than lack of capital. "Poor" management in the course of the testimony was generally equated with ignorance and irrationality in decisionmaking.

The paperwork burden of the small businessman is real. Of course, a great deal of the businessman's paperwork is necessary. But he should spend his time, his most valuable commodity, on paperwork and other endeavors which are directed toward the management and development of his business. The small businessman faces heavy demands on his time. He must do his own business decisionmaking and planning because, by the very nature of the size of his business, he cannot employ the use of expert advisers and expensive computers to provide information and give advice.

Let's look for just a moment at the general problem of paperwork in industry today. In the period since World War II, there has been a great increase in the Government demand for reports and data. Much of it, I feel, is needless. I will point out only one specific instance to emphasize the point. The Federal Power Commission is now requiring of numerous natural gas producers the answers to a questionnaire which rambles on for 428 pages. The questionnaire weighs 10 pounds. Companies involved estimate their cost of obtaining the information and completing the questionnaire at from \$80,000 to \$250,000.

Excessive paperwork squanders time, energy, and money. The present excessive Government demands on the small businessman cost him money, and takes his valuable time away from the pursuit of his business. It is estimated that in the average company filling out a business form costs 20 times more than the form itself. The cost of an average business letter has jumped from \$1.17, 10 years ago, to an unprecedented high of more than \$2 today.

Millions of dollars each year, up to \$600 million by one estimate, are wasted in unnecessary paperwork in business. Two closely related facts create this tragic situation: (1) no matter how vital, paperwork is only supplementary to business; small businessmen can only work on this as it aids their business; (2) there are few standards against which companies can measure their performance in terms of what their costs of paperwork should be.

It is reliably estimated that every year the Nation's economy uses a staggering 345 billion pieces of paper of all descriptions and sizes. The annual cost of business forms to industry is almost a billion dollars, and, when salaries are included, the total cost of handling the Nation's paperwork reaches an estimated \$11 billion annual level.

The Federal Government alone has an inventory of 5,500 standard report forms for obtaining information from businessmen weekly, monthly, quarterly, and annually. Because he cannot afford to hire the specialists, the small businessman himself must do the paperwork to comply with wage-and-hour laws, income and social security tax withholding requirements, sales and excise tax payments or withholdings, National Labor Relations Board procedures, Davis-Bacon and Walsh-Healey legislation, pricing policy restrictions of the Federal Trade Commission and the Department of Justice, workmen's

compensation, unemployment insurance, and numerous other regulations and responsibilities to which the Government subjects him.

Involved regulations which often require changes in normal business practices, complicated recordkeeping, and detailed reports to governmental agencies deprive the small businessman of the precious time he needs to know and conduct his business so he can meet competition, survive, and make a fair profit.

Ironically, many of the demands made by the Federal Government on small businessmen are made in the name of helping him. Indeed, the Hoover Commission Task Force on Paperwork Management found that over 4 million small businessmen spend 5 to 29 percent of their time in paperwork for Government.

In all fairness it should be pointed out that such agencies in Government as the General Services Administration and the Bureau of the Budget continually seek to alleviate the problem. One example of such efforts is a week-long training seminar designed to show Government workers the theories and techniques of simplifying paperwork.

However, the nature and proportions of the problem obviously demand much broader and intensive treatment than has thus far been administered. Under present circumstances it seems appropriate that a thorough review of Government practices and procedures be undertaken with a view toward eliminating or reducing the recordkeeping and paperwork requirements imposed on business, especially small businessmen, by Government. I, therefore, wholeheartedly support this subcommittee in its inquiry and strongly urge it to proceed with all deliberate speed toward the indicated goals.

Mr. Chairman, I want to thank you and the members of the subcommittee once again for taking this time to listen to me. I want to offer you whatever support and assistance I can possibly give to your noble efforts.

Thank you very much.

Mr. OLSEN. Thank you very much, Congressman Purcell. Thank you for a splendid statement on the subject.

I might say we plan to reassess our figures on the cost of paperwork to the public. Our estimate does not go as far as yours but we will reestimate ours. Also, we will have the Federal Power Commission in concerning their questionnaire of which you spoke and other questionnaires. Like yourself, we do not like to delve into paperwork, but we have to in order to understand the problem at all. We are eliminating the 25-copy rule, however. A person called me and said he evoked some laughter by a witness when he found we were requesting 25 copies of any statement made before our committee. We said we would permit them to talk whether they had a statement or not and it loosened them up and several talked, I might say, to their hearts' content and at great length. If you make them write it down it sometimes makes for a shorter statement.

We are very grateful to you for your excellent statement. Any questions?

Mr. WATSON. Mr. Purcell, you make the statement that ironically a lot of this paperwork required by the Federal Government of small businessmen is said to be to benefit the businessmen. Particularly addressing this to the small businessmen, you have been in Congress longer than I, how many of your small businessmen have been bene-

fited by it and what particular benefit is it they get that they let you know about?

Mr. PURCELL. Well, I think I would have yet to find my first businessman who felt he had been benefited by the Government paperwork. My statement tries to indicate that the object of much of the paperwork is with the idea of helping the businessman by showing him where his profit goes and things of that sort based on—I will use the word “bureaucratic” not in a derogatory sense but under the bureau system. We have apparently developed a necessity of having so much paperwork so that the Government knows what is going on, the idea being if the Government knows and can analyze the businessmen’s problems, it can benefit them. But I will have to say I believe I have my first businessman yet to say he finds Government paperwork is beneficial to him. Almost all of them use very descriptive terms to tell what they think of Government paperwork, and when you see what is required I cannot help but agree with them in most instances.

Mr. OLSEN. Will the gentleman yield?

Mr. WATSON. Yes.

Mr. OLSEN. I think it is well to suggest the Government is in a squeeze between the small businessmen making the reports and the trade associations and others that want information from other areas that they can use and that call on the Government for such information. Of course, businessmen do get services through the Bureau of the Census and other Government agencies that gather information.

Mr. PURCELL. I would like to say that to my way of looking at this it is more a sign of our times. I am not saying the governmental agencies are trying to make busy work or trying to make jobs for themselves. I think industry also has the same problem we have here. In my visits with my friends in industry, they complain of the same problem we have, that if they are in a business that is large they themselves complain of the necessity of such detailed reporting. They say back before the Second World War they could carry on their work with a very simple report. But I think we in Government should take the steps to try to alleviate the frustration we find in the excessive time used on reports that merely go to each other in many instances.

Thank you very much.

Mr. OLSEN. Thank you.

The next witness for this morning is Congressman William L. Springer of Illinois.

STATEMENT OF HON. WILLIAM L. SPRINGER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. SPRINGER. Mr. Chairman, first I would like to commend the chairman and the committee for the work you are doing. Literally tons of paper are used each year needlessly and uselessly by the various departments and agencies of our Government. Carrying this staggering load is the overburdened American taxpayer; and his load is double. Not only must he pay for the paper and the salaries of the thousands of Federal workers who handle it; much of it is thrown right back at him as forms to fill out covering nearly every activity of

his daily life. If he is a businessman, many of the forms required of him would tax the ingenuity of a Philadelphia lawyer to complete.

One such example, Mr. Chairman, has been brought to my attention by my constituent, Mr. F. W. Schaub of the Lindsay-Schaub newspapers, three of which—the Decatur Herald, the Decatur Review, and the Champaign-Urbana Courier—are in my district. It is the Department of Labor's Form D-2, employee welfare or pension plan annual report. Mr. Schaub questions, and I agree with him, the practicality and usefulness of this report. It is, according to the Labor Department, a matter of public record, and is available for inspection by the public.

Mr. Schaub had this checked out. Someone was sent to Silver Spring to ask to see a copy of the firm's report. The company's 1963 report was filed on March 28, 1964. The check was made on or about April 27, 1964. While the company's report was found to be available, it was the 1962 report, and not the report of 1963. This despite the statement by the Labor Department that an immediate notation of receipt is made.

Mr. Schaub informed me, Mr. Chairman, that it took his agent a half-hour to drive each way to and from Silver Spring, and that it took another hour to locate the 1962 report. That's a half-day shot.

Who uses these reports, Mr. Chairman? Who asks to see them? If scrutiny of these reports is in great demand, why could not a system of location be devised so that it wouldn't take an hour to locate them? If there are many such requests, say a thousand a day—that would mean that 1,000 man-hours would be needed to comply with the requests. If there are just a few such requests each day, out of the thousands upon thousands of such reports required to be filed each year, it would seem to me that the Labor Department is investing a lot of time and money in a worthless cause.

Mr. Chairman, a second example was called to my attention a few days ago by a laundry owner in Champaign, Ill. This is a rather sizable laundry and they do business with the Government both at Chanute Air Force Base and through contracts with the ROTC program at the University of Illinois.

Previously he had made his bid by merely replying by letter to a proposal of the ROTC unit. This is on a quarterly basis and a bid is taken every 90 days. Recently the armed services put into effect a new program which calls for the completion of a form which must be prepared in quadruplicate, and which is six pages in length. When the owner called this to my attention he said that for the size of the contract involved it was not worth his while to make a bid on the contract. I don't know who did get the contract, but I am sure you can see from all of this that there are many fine people who would like to bid on Government contracts of a small nature but who are simply not interested in filling out all the forms which are necessary. In these small bid matters, a proposal and a reply should be sufficient.

Through the years it seems to me that the Government requirements for paperwork have gotten so out of hand that the average person is utterly confused. Some of this increase in paperwork is so unreasonable that the average person detects it and does, naturally, resent it.

Mr. Chairman, a few years ago the public reaction was so severe that the Internal Revenue Service did revise some of its forms in an

effort to make them more simple. As a result, we got a simplified form for the person having less than \$5,000 income who chose to use the form. However, in the last 3 years, I can see a change. We are going back to the same useless detail which we had before. I had high hopes when the Internal Revenue Service came up a few years ago with their simplified forms that we were on the right track. There is nothing that is more needed now than simplified forms for the average person to use in preparing his income tax return. I hope that the committee will see fit to come up with some strong recommendations on this point.

Mr. Chairman, the taxpayers and "form fillers" of this country will be eternally grateful to you and your committee should you succeed in eliminating even some of the redtape and paperwork so prevalent in our Federal departments and agencies.

Mr. OLSEN. Our next witness is Mr. J. W. Gawthrop, international president of the Administrative Management Society, from Willow Grove, Pa.

Mr. Gawthrop, we are pleased to have you appear before the committee. You testified before us last year and gave excellent testimony at that time. We are certainly very happy to welcome you here again today.

STATEMENT OF JOSEPH W. GAWTHROP, INTERNATIONAL PRESIDENT, ADMINISTRATIVE MANAGEMENT SOCIETY, ACCOMPANIED BY WILLIAM CAVANAUGH, EXECUTIVE DIRECTOR, ADMINISTRATIVE MANAGEMENT SOCIETY

Mr. GAWTHROP. Thank you very much, sir.

Our executive director, Mr. Cavanaugh, is with me. Could he join me at the table?

Mr. OLSEN. Yes.

Mr. GAWTHROP. Chairman Olsen, may I say at the outset what a privilege it is to appear again before your committee. We are impressed and heartened by your recognition of paperwork as the important problem it is and by your aggressive efforts to do something about it.

I appear here as international president of the Administrative Management Society—until February 1, 1964, known as National Office Management Association—representing 15,000 members organized into 179 chapters in the United States, Canada, and Jamaica. The majority of our members are in the United States and represent about 9,000 corporations and businesses of all kinds and sizes. Most of these businesses are what we normally think of as small—that is, less than 50 employees; but many are among our Nation's largest corporations.

All these companies are concerned with paperwork they themselves generate and are likewise concerned about paperwork required of them by Government agencies. In addition, they are very much interested in the volume of paperwork that Government generates for itself.

In business and industry, as in Government, reports, forms, memos, and written communications of all kinds have a way of proliferating beyond the bounds of reason and necessity. They are expensive to create, expensive to process, and expensive to house. Frequent close study is necessary if any degree of control is to be exercised. Is the document really needed? Are all copies actually required? It is

hoped that all Government agencies have or will soon have a formal system of forms and reports control and design. Without such a program it is impossible to prevent a veritable quagmire of paperwork.

The advent of computers, which giving promise of simplification and efficiency, at the same time casts the shadow of a potential uncontrollable producer of unneeded paperwork. Indiscriminate, poorly planned computer use can build mountains of paper where only hills previously existed.

A general statement that there is entirely too much paperwork required of business by Government might well be true, but isn't of much help. If we are to be of help to this committee, some specifics—however small, however controversial—are needed and these we present in the form of actual case histories documented by a southern life insurance company which is a longtime member of the Administrative Management Society. The company name and location can be supplied if it is pertinent.

WELFARE AND PENSION PLANS DISCLOSURE ACT

This act was inspired by abuses in the administration of union insurance trust funds, but its scope includes a preponderance of plans where no such funds are involved. This has saddled the majority of regular employer-employee group plans which operate from corporate funds, with an expensive, bothersome compliance with an act not really directed toward them.

The secondary purpose of the act was to enable insureds to have access to financial and benefit information on their plans through inquiry at the Department of Labor. Since information on benefits plans becomes a matter of public record when filed, this seems again to have defeated the purposes of the act. The most numerous references appear to be by or on behalf of competing insurance carriers rather than insureds. Confidentiality of the information filed is not assured at all.

Receiving, indexing, and storing these annual filings of some 170,000 plans must surely require a staggering amount of space, equipment, people, paper, and money.

In 1962, 1,500 people looked at 32,000 of these filed reports. The remaining 138,000 were not referred to at all. The Department of Labor duplicated 26,000 pages upon request at 25 cents per page. The majority of requests were from investment houses obviously trying to drum up business, insurance companies seeking competitive information, and other people who want information for reasons other than those for which Congress passed the act.

The three pension plans and the employee welfare plan filing of this company required 36 hours and \$274 in executive and clerical time. The D-2 form used is 54 pages although not all pages are necessarily applicable. A copy of the completed form plus worksheets, receipts, vouchers, and so forth, must be retained in file by the company for 5 years. If this cost is average for 4 plans, it means that annual filing cost to businesses for 170,000 plans is about \$11.6 million exclusive of postage, storage, and other costs. In company cost alone this would be \$7,763 per person referring to the plans and \$364 per plan referred to. Government cost added to this would result in an exceedingly high reference cost.

In addition to their own filing, the company must provide data, forms, and assistance to its policyholders. This now totals \$1,805 annually for postage, materials, and so forth, plus 970 man-hours for \$3,970 and a total of \$5,775.

Since companies themselves must also retain plan copies, there is a complete duplication of filing. A logical conclusion is that both Government and business could save millions of dollars and reduce the paperwork load by millions of pieces if the act were appropriately amended.

FORM "HOLDINGS OF SECURITIES ISSUED BY THE UNITED STATES AND BY FEDERAL AGENCIES" REQUESTED MONTHLY BY BUREAU OF THE PUBLIC DEBT, FISCAL SERVICE, TREASURY DEPARTMENT

Completion of this form does not take much time, but it represents a monthly nuisance. It is difficult to understand there being any valid necessity for this form being requested of hundreds of businesses. However, a deliberate test delay in filing drew a rather sharp reminder letter that all but implied the entire Government would grind to a halt if the form were not immediately forthcoming.

The form could be inaccurately prepared either accidentally or by design. There is no apparent system of checking or balancing which casts further doubt upon its necessity.

Why could it not be eliminated entirely or at least reduced in frequency?

SECURING SOCIAL SECURITY NUMBERS FROM INSUREDS AND REPORTING TO INTERNAL REVENUE SERVICE ALL PAYMENTS OF \$10 OR MORE

There are thousands of insureds who leave dividends on deposit to accumulate at interest. The tax law always has required the individual to report such interest paid or credited as income.

Now, however, the companies are required to request social security numbers and report interest.

In a particular company in 1963, this requirement represented a substantial extra burden of cost. It took 1,400 man-hours totaling \$3,411 plus \$5,100 postage and \$4,326 for supplies—grand total \$12,837.

Paperwork summary: 80,000 letters printed, 160,000 envelopes, 80,000 report forms; forms had to be run, burst, folded, collated, inserted, metered, and mailed; replies had to be opened, contents removed, sorted, status determined, records changed, inquiries answered; 36,000 tab cards punched, 22,000 IRS form 1099 run, checked, stuffed, metered, and mailed.

An annual expense of more than \$2,000 is anticipated in continuing to provide this information.

It is very interesting to note that the average interest credited per policy involved in 1962 was only \$21. Taxable determination is made by the policyholders, not the company, so the question naturally arises "of what value is such reporting?"

Additionally, 44,000 of 80,000 people did not reply upon receipt of the Government approved form requesting social security number, and what appeared to be incorrect numbers were received from 4,000. This is a very high percent of noncompliance and error and makes one shudder to think of the monumental mixup this will cause and the

hundreds of thousands of letters that will necessarily be generated not to mention the dollar value of Government, business, and private time that will be involved.

FORMS CONTROL

Control of forms is an important element of any large business operation. Without it, paperwork can be both inefficient and staggering in quantity.

We commend this most heartily for consideration by all Government agencies.

In one life insurance company, such a program has existed for about 15 years during the time the company grew from small to large. Creation of forms is tightly controlled so that existing forms can be combined, simplified, or eliminated and no new ones created unless necessary and then only if an existing one cannot suffice.

There are about 3,200 different forms currently in use (including policies and certificates). Last year 355 new ones were added, but 297 were eliminated.

The size of Government is such as to be many, many times larger than this, so it is easy to visualize the helpful results that forms control can provide.

RECORDS RETENTION AND DESTRUCTION

An intelligently devised and administered program of records retention and destruction is an absolute necessity. Without it, records can require an enormous cost in equipment, space, and annual maintenance.

Most people and businesses—and Government, too—are like squirrels in their desire to retain everything forever and throw nothing away. In business, we frequently feel we must keep all our records and papers indefinitely because one piece might sometime be needed even though the expense of retention far exceeds the possible cost of not having the record. Some hardheaded decisions must be made in the area of taking calculated risks.

Insurance company records are retained largely (1) to safeguard the normal conduct of its business, (2) to comply with State insurance department records regulations in connection with regular triennial examinations, (3) to comply with State and Federal requirements.

The sheer volume of records makes purging and destruction a frustrating thing. However, much can be accomplished. In one company a purge of active policy records reduced housing from 160 to 100 five-drawer files. It took time, but was well worth it in space and equipment.

Prompt examinations by the Internal Revenue Service would be most helpful. No waivers extending examination dates would then be requested of companies and records could be destroyed instead of being retained. If this were done promptly annually, all parties would be helped. For example, right now one company is retaining records beyond normal destruction date because of IRS examinations. The bulk of these records pertain to normal daily transactions of expense (such as payment of claims) or premium income. These would all normally be destroyed at the end of 3 years after the usual thorough insurance department examination. But this examination is not

acceptable to the IRS so records must be held for their examination. Such records now occupy \$1,333 worth of file cabinets in \$1,056 worth of floor space and totals over 1.5 million pieces of paper.

Simplified tax laws would reduce or eliminate money problems. If their sole purpose were to produce revenue rather than their also being used as economic and social tools, the paperwork jungle would be reduced in size.

Mr. OLSEN. We are going to hear from the IRS, and we are going to ask the amount of revenue realized from much of this recording. We are also going to challenge the necessity for retaining corporate reports for such long periods of time.

In some instances, corporations can be required to retain their paper for 30 years. It seems outrageous to us.

Mr. GAWTHROP. The law passed requiring this reporting by insurance companies was done, I am sure, with the best of intent as most all of these things are done, and after some hearings too, I know, but really without technical knowledge of the problems that would be imposed upon companies, and in some cases, if their efforts had gone all the way—in some cases they were stopped—but had they gone all the way, they would have imposed some requirements that absolutely could not be complied with. Company records were just simply not available, as far as indexes were concerned, to provide the information required. This has caused a monumental amount of work, time, labor, and effort to produce these records, and as I have suggested, it is questionable as to their needs.

Mr. OLSEN. Speaking of insurance companies, I am familiar with the fact they are having to report voluminously in every State in which they do business also.

Mr. GAWTHROP. That is true.

Mr. OLSEN. In my own commissioner's office in Montana, the reports are moving the commissioner out of office. He has no place to put them.

Mr. GAWTHROP. The States are getting closer and closer together with their requirements. As you perhaps know, they for some years now have had an annual report which is acceptable to all States. This was not always true. The commissioners have gotten together, and this report is now the same. But other reporting is not the same.

In most cases, the State insurance commissioner's office is an elective office, it is not based on experience, so each time there is a change there is a change in philosophy and the operation changes. This is to be expected, I guess.

Then you develop some retaliatory laws and regulations, and away we go. This is a real problem for a company, particularly if they operate in many States.

My particular company operates in 26 States, Puerto Rico, the Virgin Islands, the District of Columbia, and in Western Europe selling military personnel. So requirements from all these States are different. Tax laws are different. Recordkeeping is different.

Mr. OLSEN. I can see the tax laws would generally be different. I think the reporting standard ought to be uniform. Now that we have gone to electronic computers, there ought to be greater emphasis for a standard reporting system.

Mr. GAWTHROP. It would certainly be helpful.

Business generally is perhaps even more anxious than government that postal service be prompt and efficient and thus certainly endeavor to be cooperative within the bounds of reason if results justify the effort.

The NIMS (national improved mail service) program probably has had good results. However, results announced by the Post Office are questionable if the method employed in one location is typical of the procedure in all locations.

Apparently incoming mail volume by pieces at specified hours is measured on a particular day of the month or quarter. A post office employee evidently phones heavy mailers a day ahead of time asking for special attention to early mailing on that particular day "so the report will look good." This, then, means that the resulting statistics are weighted favorably and are not indicative of normal operations.

The company involved here mails over 1.7 million items per year.

Mr. OLSEN. In that regard, the employees of the post office want to demonstrate by a report that their particular post office is doing a very high volume of business.

Mr. GAWTHROP. Prior to 5 o'clock, or prior to 12 o'clock. They measure the quantity of mail received before certain hours. They like to have morning mailings to reduce heavy afternoon mailings.

Mr. OLSEN. I can understand there is virtue in trying to have the early mailings so they can handle it through the day with a full crew. To make one day look better than all the rest does not seem to be logical.

Mr. GAWTHROP. That is the point we are making. Most all companies that are heavy mailers are assisting with this and are attempting to have morning mailings, either through an additional trip to the post office, or a delay of nonafternoon rush mail until the next morning. But for the post office to make an effort to have their particular report day look real good appears to me to be the wrong approach. This is not indicative of what it really is. It ought to be measured without notification to anyone.

Mr. OLSEN. In that regard, I was in a post office recently where it was obvious that the mail was not being cleared daily as is required, but the report says that it was cleared. The report of that day said the mail had moved that day when, as a matter of fact, there was mail there that was 3 days old that had not moved.

Mr. GAWTHROP. We would assume that to be true because in our company we periodically make mail surveys by sending a little enclosure with mail to our field offices asking them to let us know when they got the particular piece of mail. We might on the same day send to the same office third-class mail, first-class mail, and airmail, and the delivery times of some of these—well, it is rather shocking, let's put it that way. We know the mail handling is not in all cases as good as it has been represented, nor as good as we are entitled to.

As to ZIP codes in this same company, it will cost close to \$2,000 to add such codes to envelopes, letterheads, and forms. In addition, in one area of operations there are 160,000 premium mailing addresses which will need to be changed. This requires a rather involved hand procedure for altering at least two records. At a minimum, this will take 9,334 man-hours plus machine time, materials, and printing, for a grand total of \$23,738.

This is a heavy load to impose upon business unless corresponding financial benefits are forthcoming. There is ample reason at the moment to question the effort.

PENSION TRUST DEPARTMENT WORK REQUIRED IN CONJUNCTION WITH PENSION PLANS BECAUSE OF GOVERNMENTAL REQUIREMENTS

Most of the forms and filing requirements covered herein are obligations of the client, their trustee, accountant, or attorney. Since most of the information must be secured from our records, it is usually more satisfactory to complete forms for clients than supply the information on other forms. In many cases, additional man-hours are used by the client's trustee, accountant, and bookkeeper, in completing forms or preparing other forms (such as W-2 or 1099).

Using 1963 figures of plan installations (20) and servicing existing plans (80), total paper volume and man-hour requirements are estimated below. Figures for servicing do not take into account filing amendments (most plans will be amended at least once every 5 years). Approximately 10 percent of man-hours in department are spent directly on governmental requirements. Areas of administration are effected indirectly since some records are maintained to furnish information in form required.

Installations (20 plans) :		
Paper volume submitted ¹		1, 850
Man-hour requirements		150
Annual reviews (80 plans) :		
Paper volume submitted ¹		2, 763
Man-hour requirements		635

¹ Excluding covering letters of explanation in some instances.

No totals are provided for self-employed plans (H.R. 10).

Total paper volume, 4,613; man-hours (785), \$3,000.

Areas for improvement:

1. Many forms were designed for a noninsured, self-administered plan or a plan insured through a deposit administration or group annuity contract. Either existing forms should be revised or new forms for use by fully insured individual policy plans and by partial insured individual policy plans.

2. Form 990-P really appears to be unnecessary for fully insured individual policy plans under a trust arrangement.

3. Duplicate filings for approval and for first taxable year appears unnecessary. Initial papers could be used by IRS Audit Division. Actual experience has indicated that IRS fieldmen use employer files for audit rather than using information submitted.

4. Information reports on form 1099 by insurance company appear unnecessary in 90 percent of cases (referring to cash surrenders, interest payments to trusts, and death payments). Most payments are made to trust which is tax exempt. If trust pays to participating employees, trust must file 1099 also.

SOCIAL SECURITY REPORTS

Some method of combining social security reporting with W-2 (annual earnings) reporting would save time and paperwork in substantial quantities.

In preparing, balancing, and doing other necessary work for 4 separate payrolls totaling about 2,200 people, 1 company used approximately 386 man-days of work per year costing \$9,005. This does not include any cost for space, machines, furniture, utilities, or printing.

The paperwork generated is enormous, but the hours of labor required are even larger and most costly.

CONCLUSION

This presentation is intended to be as factually helpful as possible. Although it relates facts and figures from only one member company of the Administrative Management Society, these same facts in greater or smaller proportion are likewise true of many member companies in some cases and of practically all member companies in most cases.

Mr. OLSEN. On employer's quarterly reporting of wages, we find it unanimous among our witnesses that they would prefer this once a year instead of quarterly though they recognize the tax should be deposited monthly. In any event, payment of the tax would not govern the filing of the report.

The filing of the report could be annual—the listing of the employees, the time they started work and the time they left. The summary could be made annually instead of quarterly and this would be a substantial saving to all business.

We received an estimate there would be a \$25 million savings to business and I think that would be conservative.

Mr. GAWTHROP. I think you are far too conservative. I would not know what to guess, but I would guess it would be more than that.

Mr. OLSEN. We are heartened that everyone agrees on paying the tax. The IRS feels if there were a postponement of paying the tax over to the Treasury, there would be many more default cases than there are. The fact of the payment of the tax should not require the lengthy reporting time, and I think that is obvious to everyone.

Mr. GAWTHROP. Payment of the tax in a gross figure, adjustable as necessary at a later date, would be more simple than the itemization of all people, all numbers, and all amounts four times a year.

Mr. OLSEN. We are talking about Treasury Form No. 941.

Mr. GAWTHROP. Summary of earnings; yes.

In capsule form, then, we would recommend requiring fewer reports; more coordination between agencies concerning the requesting of data; making better use of report data once it is definitely established as a necessity; a closer working relationship between Government and business in the general area of paperwork elimination and simplification.

We are grateful to you for permitting us to participate in these hearings. It is a field we have a considerable interest in. I, representing the Administrative Management Society, and as an individual, assure you we have an abiding and continuing interest in this, and would hope to help in any way you would permit.

Mr. OLSEN. I wonder if you could tell us what is your impression of the image the Federal Government creates by the requests that it makes of industry and individual citizens for reports and other forms of paperwork. What is the image the Government creates?

Mr. GAWTHROP. We are on the record, but you want a frank answer?

Mr. OLSEN. Yes.

Mr. GAWTHROP. Let me think of an acceptable word: Very poor—very poor. Many of these requests, let's say, upon receipt, immediately make people and businesses very provoked and irritated, and I am here talking not solely about the Federal Government, but all governmental agencies. Having completed a Federal report, let us say, in 2 weeks, or 6 weeks, we get a report of a similar nature from a State or county. If they had been combined to begin with, if they were necessary, they could have been done all at one time. Here you have to do part of the same thing twice. It gets pretty infuriating, and obviously quite costly.

Mr. OLSEN. I would not be exaggerating then if I said the Government requests give the Government an image of being oppressive upon industry generally?

Mr. GAWTHROP. That is correct. One thing I mentioned in my paper but did not read—it is quite short, and if I could, it might illustrate your point—this with regard to a form called Holdings of Securities Issued by the United States and by Federal Agencies. It is requested monthly by the Bureau of the Public Debt, Fiscal Service of the Treasury Department.

It is a relatively short form and does not take a great deal of time, but it is more of a nuisance, let us say, than anything else. It is difficult to understand there being any valid necessity for this form being requested of hundreds of businesses, but one time our securities department made a deliberate test delay in filing this report and they drew a rather sharp reminder letter from some individual in the Fiscal Service, and in reading it, it all but implied that the entire wheels of Government would quit grinding unless they received this report, that the economy of the United States depended on getting this report. It was that sort of letter. The implication was pretty clear. As far as we can tell, this form could be inaccurately prepared, either accidentally or by design, and no one would know the difference. There is no balancing medium apparent.

Why cannot such things be eliminated? This goes to your point.

Mr. OLSEN. You say this is the Bureau of Public Debt?

Mr. GAWTHROP. It has to do with listings of securities held on the last day of the month—Government bills, notes, bonds, and such. I think that is it. I do not think it has a number. That is why I use the title.

Mr. OLSEN. Do you know how it is used?

Mr. GAWTHROP. I have no earthly idea.

Mr. WATSON. I wish to commend the gentleman on his very helpful testimony. Although it is a little bit north of South Carolina, I can see why Pilot Life Insurance Co. is getting along so well with men of your caliber.

Mr. GAWTHROP. Thank you, Mr. Watson. I believe you have a policy with our company.

Mr. WATSON. I made that comment several months back and I have not received any reduced premium.

I am trying to find out what use or benefit you, as an insurance company, or any of your member affiliates or your associates, get from all this information that is sent to Washington, or regional offices, and so forth.

How often do you use this information?

Mr. GAWTHROP. This baffles me momentarily, Mr. Watson, because I am trying to think of specific information that we prepare, or submit, that is then summarized and sent back to us in some form. At the moment I cannot think of any. Most of the things we send in have to do with earnings, taxes, that sort of thing. Not being in the manufacturing business, we do not have a product, the distribution of which we are interested in, or concerned about.

I suppose that our agency development department would use some Government reports in investigating future markets for expansion of our company. Other than that, at the moment, I am sorry, sir, I cannot think of any.

Mr. OLSEN. Could I suggest at this moment, for the purpose of your discussion, how about the reports of the Census Bureau on population in various places?

Mr. GAWTHROP. Well, the information along those lines would be considered and analyzed by us more on a local basis than otherwise.

For example, a chamber of commerce of a community, or some similar organization in a community, could give us a better valuation, we think, than a mere population figure. Population is important, but it does not mean too much. It is the earning power, the purchasing power, and the type of businesses in a community that would determine in our case more about whether we would be successful or not in entering a certain State or city.

As you know, if we are talking about duplication, I guess here we have a little bit more because every chamber of commerce in the United States is very proud of furnishing all kinds of growth statistics, financial statistics about the community, how many people live in the city and within 50 miles of it, and that sort of thing.

My own chamber of commerce likes to extend our city limits by 100 miles and say we have 3 million people. This takes in the biggest city in North Carolina, which is Charlotte.

Mr. OLSEN. I do submit that the chamber of commerce has as its basic source the Bureau of Census, and by various mathematical methods they project growth by use of utility connections in the community and other indexes.

Mr. GAWTHROP. I would agree some of the information available along these lines would have to be helpful to us. A great mass of it, though, is not.

Mr. OLSEN. I had an experience with an insurance company report being very valuable to everyone, including industry, because the report from the company was to the effect it was making money when, as a matter of fact, it was not making money. It took an examination of the company to find out the report was false. This kind of policing of the industry is healthy for the vast majority of the companies so they do not have competition from a ruthless competitor.

Mr. GAWTHROP. Well, as you know, I am sure, all legal reserve life insurance companies are required to undergo a thorough examination each 3 years by selected representatives of the State or States in which they are licensed to do business. This is the safeguard you mention.

A company could not do wrong long without detection, and as soon as they are unable to pay 100 cents on the required dollar, they are under control of an insurance department somewhere. Fortunately, since this has been the rule, there have not been many cases of companies of any size at least getting into financial difficulties.

Mr. OLSEN. But the requiring of reporting does bring up supervision earlier in insolvency. It is tragic for any insurance company to get to the point of insolvency before there is some supervision.

Mr. GAWTHROP. Well, the submission of the annual statement of the company to insurance departments during the interim periods would of course be the tipoff upon examination as to whether the company was deteriorating its assets, whether it had mismanagement and that sort of thing.

Mr. OLSEN. This is healthy for industry to have this kind of reporting. I think it would be helpful if there was standard reporting.

Mr. GAWTHROP. Yes.

Mr. OLSEN. So all the jurisdictions got the same standard report. It would be less burdensome upon industry as a whole.

Mr. GAWTHROP. Yes.

Mr. WATSON. So far as determining the stability and financial position of a company is concerned, the State insurance departments require annual statements to be filed?

Mr. GAWTHROP. That is correct.

Mr. WATSON. Actually, regarding all this information you send to the Federal Government, there is no checkback on it so you could put any figure in, so if you want to know the true worth of any insurance company you would look to the State insurance commission rather than all this stuff you send to Washington and elsewhere?

Mr. GAWTHROP. What we send in to Washington really has nothing to do with the annual report except that the IRS looks at that. Then they make their own examination and do not accept anything that the examiners have done.

Mr. WATSON. In addition to all of the cost of space and preparation of these various forms, generally when you have to retain them and someone comes in to examine the reports, you have to give preference to the Government inspector and oftentimes it inconveniences your normal operation so far as your business is concerned; is that not so?

Mr. GAWTHROP. Yes, sir; absolutely. For two reasons:

One, you are anxious the time they spend with you to be as brief as possible.

Secondly, you feel if you do not, you better.

Mr. WATSON. I was interested in a statement you made, that you got a letter back basically criticizing, or demanding you get in a report. I believe it was to the Bureau of the Public Debt.

Was that supposedly a voluntary report on your part, or was it a mandatory report?

Mr. GAWTHROP. Frankly, we do not know. We operate under the assumption that it is voluntary, but we better send it in, which gives the implication of it being mandatory. I frankly do not know which is true.

Mr. WATSON. So basically, the businessman treats all requests for reports from the Federal Government as a mandatory request rather than purely voluntary?

Mr. GAWTHROP. Essentially, yes.

Mr. OLSEN. That is what others have reported to us in our hearings. They cannot distinguish between what is voluntary and what is mandatory. We found many people felt, or concluded, it was mandatory simply because the reporting was authorized by Congress, even though

the words "under penalty of law" are absent. People feel this is mandatory. That is the way you have interpreted it?

Mr. GAWTHROP. Yes, indeed.

Mr. OLSEN. Even if you found out it was not mandatory, you would feel there was some hidden power in the particular agency that could force you ultimately to make a report, and you just as well give in friendly; is that right?

Mr. GAWTHROP. That is about right.

Mr. WATSON. Have you ever experienced any recriminations against you for failure to file any of these so-called voluntary reports?

Mr. GAWTHROP. I can recollect none, Mr. Watson.

Mr. OLSEN. But the Bureau of the Public Debt, is that compulsory?

Mr. GAWTHROP. That is the one Mr. Watson was discussing a moment ago. We think it is not, but we figure we better, so I do not know for sure. One that just comes to me as an aside.

The U.S. Forestry Service, I believe, is custodian for the Guilford National Battleground Park which is outside the city limits of Greensboro. This is a historic park from the Revolutionary War which has been preserved. Every now and then, I think every second or third year, the local ranger, or whoever he is in charge, has informed us that he is required by his Department to make a salary survey of local institutions employing people whose occupations are similar to his. He cannot do this by telephone. He must come around for a personal visit, fill out a separate form for each call that he makes for each person involved, and get this all bundled up and send it somewhere. The reason he calls on us is because our home office is out in the country on about a 250-acre tract of ground.

We employ several gardeners to keep the lawn mowed, so the only information we can give him, of course, is on this group of people, three of whom are really common laborers, and the other one is what we call a gardener of sorts, but not comparable to him at all. He always apologizes for having to do this, and apologizes for taking up time and is very nice about it, and gives the impression of why in the dickens does he have to do it, but he has to do it.

This is a small thing, but another one nevertheless.

Mr. OLSEN. We will make inquiry of the Forest Service.

It baffles me and our counsel here as to just why.

Mr. WATSON. To establish pay comparability.

Mr. OLSEN. That is what I was guessing. The clerk says he thinks it is a farm labor survey.

Mr. GAWTHROP. You may be correct, but I think not. Not the way it was described to us.

(According to information supplied by the Department of Agriculture, the wage board of the Forest Service collects salary and wage data for certain occupations in selected areas. This information on "prevailing wages" is not available from any other source, according to the Department.)

Mr. WATSON. Did you ever get the idea as a businessman that most of these forms are perfectly useless and the only basis for their existence is to give a job to some Government employee?

Mr. GAWTHROP. Yes, sir; we do.

Mr. OLSEN. That is sort of a necessary conclusion because you cannot see the logical reason for reporting, is that not so?

Do you have any particular specific remedy whereby we could perhaps solve some of this problem of paperwork?

Mr. GAWTHROP. I would have this to say, Congressman Olsen: I think with your evident interest and concern about it, your committee is definitely on the right track in bringing out publicly the objections to all this.

Mr. OLSEN. I want to say this: We feel very feeble about it. We hear all the complaints and about the best we are able to do is to expose the situation. Of course we are leaning heavily on the press and other news media to help us expose the problem. We think perhaps by the exposing of the problem, we will get some remedies.

The problem is, of course, tax reports are generally in the jurisdiction of the Committee on Ways and Means. The only report that is within the jurisdiction of this subcommittee, strictly speaking, is Bureau of Census reports and other Government statistics.

We are going to test our jurisdiction one of these days and find out. Especially we are going to try when we conclude the hearings. At least, that is the intention of this member, and I think Mr. Watson is in agreement with me.

Mr. GAWTHROP. Could I make this comment, if you would permit, in answer to your question?

We all recognize this as being a problem of what we would call heroic proportions. I would think an attack upon it would be multiplied in whatever quantity necessary by the way business attacks the same problem.

For example, in my own company we have, and have had for a long time, a forms control and design department, which has considerable authority in this field, and it operates day in and day out trying to eliminate forms by combining them, by questioning the need for one when it is requested. If there is one similar to it, or one that will produce the same information, it is not permitted. Through this, we have reduced the number of forms that existed before the system was in operation by a very handsome amount.

In addition to that, the records destruction program we have, were it not in existence, would mean we would have to build another building to house records. You have to take a calculated business risk. You have to be pretty ruthless about those things which you feel you must keep and do not have to be kept and get rid of them. We do not even microfilm; we just destroy these things.

About a year ago, in what we call our main policy records file, we had 165 drawer files full of paper—about your policy and Mr. Watson's policy and my policy. We knew that much of this was not needed; it had gotten in there because everybody creates a copy of everything that is written and it is dumped in the files. We had one of our retired people come back and set about the program of purging this file, as a result of which we emptied 300 file drawers. It was just junk, unnecessary paper. If we had not done this, this paper would still be sitting there in 1975 or 1985. So you have to have some rules. You have to make an attack on it.

I suggest these two things would go hand in hand and would be a part of it.

Mr. OLSEN. Thank you very much.

I want to have this much optimism for you and everyone. Because of the President's expressed attitude, and the attitude of the committee, there is some genuine hope we will reduce paperwork and slow its growth.

Now, Mr. Cavanaugh, perhaps you have something to add.

Mr. CAVANAUGH. Merely a note of congratulation.

In the eyes of most businessmen, the two inevitabilities used to be death and taxes, and they are beginning to add a third—Government paper. I think the message is finally fanning out that someone is really serious about doing something about it in an intelligent, understanding, analytical attitude throughout the country. I think as the word fans out, as people realize there is some hope for help, this committee, or what activity you spin off in this area, will get a kind of continuing support that you cannot imagine will come at this stage.

Mr. OLSEN. Thank you very much, Mr. Cavanaugh.

The next witness is Mr. Ralph E. Casey, president, American Merchant Marine Institute, Washington, D.C.

Mr. Casey.

STATEMENT OF RALPH E. CASEY, PRESIDENT, AMERICAN MERCHANT MARINE INSTITUTE, INC., ACCOMPANIED BY EUGENE P. SPECTOR, RESEARCH ANALYST

Mr. CASEY. I would like to have Mr. Eugene Spector sit with me. My people consider this subject of supreme importance. I came down myself this morning to testify on this subject.

I am not wholly unfamiliar with this problem because I spent 16 years in the General Accounting Office, and was up on the Hill several times as counsel to several investigating committees.

My name is Ralph E. Casey. I appear here today as president of the American Merchant Marine Institute, Inc., a national trade association representing the owners and operators of approximately 51½ million gross tons of U.S.-flag, passenger and general cargo vessels, liquid and dry bulk carriers in the domestic and foreign trade of the United States.

We greatly appreciate this opportunity to present our views on the scope of the paperwork problem in the shipping industry. This committee is to be commended for the interest it is taking in this important area. We in the shipping industry pledge our full support and assistance in your work.

The shipping industry has long been smothering under a mess of paper. All parties to an export shipment—the shipper, the freight forwarder, the shipping company, banks, and so forth, are subjected to an almost unbelievable volume of complex documentation imposed by Government at each port of call. Paperwork requirements imposed by Government are not only burdensome but they add substantially to the cost of goods and erect unnecessary barriers to the free flow of international commerce. Both industry and Government have for some time been working together to develop a modern paperwork system which will result in speedier and less costly procedures for the movement of goods and people in international trade and travel.

Five years ago the problem was defined by a study and report appropriately titled "Merchant Shipping on a Sea of Redtape," prepared

and published by three maritime groups in San Francisco. A copy of that study is enclosed. Its findings include the following:

The number of separate documents required of any ship—passenger, package, cargo, or bulk carrier—is staggering. The principal Government authorities making the documentation demands are customs, immigration, and public health. But in any given port there may be, and often are, documents required to satisfy the military authorities, coast guard, ministries of transport, police, plant and animal quarantine services, port officials, etc.

The actual number of separate documents varies from seaport to seaport. For example, Manila requires 34 documents to accomplish what make take 19 documents to accomplish in Bangkok, and only 11 in Rotterdam; yet the information sought is often identical in each port. The number of copies of some of these documents reaches ridiculous proportions. In one port the documents total 44 and the copies total 213. Further examples can be cited.

To the weight of variety of forms and number of copies of documents are added other burdens such as local language translations, consular visa requirements, variance in size of documents and in paper stock used, and the necessity for certifications and verifications by masters of vessels as to the authenticity of information submitted.

The scope of the problem was also well defined in a research study prepared at the University of California, Los Angeles, entitled "Documentation Simplification, Integration, and Automation." The author, Mr. Louis A. Selogian points out that:

One maritime firm may have as many as 250,000 transactions per year. When multiplied by 5 for just the key documents, this becomes 1,250,000. Since these have about 10 copies with 25 information cells each, this becomes 312,500,000 blocks of information per firm * * *. The additional components of the system include more information to exceed 100 billion blocks of information for all firms and agencies. Since it requires from 500 to as high as 8,600 forms per through transaction for each shipment, this gives a picture of the present paper problem. The U.S. Water Transportation Facilitation Committee study found that 5 billion blocks were used each year for just the Government alone.

In international trade the world over, Allen and Ely in their book, "International Trade Statistics," state that there are 50 million shipments of merchandise per year which require at least 2,500 billion blocks of information on all forms and all copies from producer to consumer.

It can be seen that we are dealing with astronomical numbers of information blocks in the overall international trade system.

The study goes on to say that:

Maritime documentation is one of the most complex systems of paperwork in the world. It interlocks the activities of all nations affecting most of the divisions of the national governments * * *. This system of paperwork is based on complicated international laws, regulations, agreements, and practices of all the nations on the face of the earth. As such, it has remained dormant as a manual system of patchwork redtape dating back to the days of wooden sailing ships. The causation for this stems from the fact that this paperwork comprises an ultramassive complex network of information flow in a complicated, undefined, poorly constructed, outdated, manual, communication system that is deeply rooted and interlocked in international governments, national laws and regulations, practices, tradition, and the various agencies of each government, complicated by the restraints and rules of the various industries involved such as: maritime firms, land carriers, banks, export and import agencies, manufacturers or producers, port operators, labor organizations, airlines, defense contractors, etc. * * *.

In summary, this research study concludes that this massive complex of paperwork just grew from "all corners of the earth." All of the various parties just kept adding to the complexity until documentation became a series of "patches upon patches" which has reduced the effectiveness to a low level. In the history of this maritime documentation system for several decades, very few of these pieces of paper were ever removed. Even though many laws were rewritten, large phases of the system were not changed. The system has never been totally defined because it roots too deeply into too many agencies and industries which suffer from redtape themselves.

The truth is that maritime paperwork has grown like 200 Topsy's over 200 years.

The airlines have made substantial progress in resolving this problem. For example, in New York only 4 documents are required to enter and clear an aircraft as compared with 22 documents covering vessel, crew, passengers, and cargo. Part of the explanation of these divergent requirements for documentation relates to the historic development of the two industries. The shipping industry has had a long history of ritualistic formalities by reason of the nature and value of goods carried and the historic danger of pirates and privateers.

A recent Government study found that at a typical U.S. port, a total of 117 forms are required to enter and clear vessels of which 28 relate to the vessel, 22 crew, 11 passengers, and 56 cargo. One of these forms contains the following language:

* * * All whom it doth concern * * * hath entered and cleared his said vessel * * *.

This quaint English was traced back to a form adopted in 1799 which in turn had been copied from a British form used in the reign of Queen Anne (1702-14). This is illustrative of the kind of problem the industry is dealing with.

I am pleased to report that subsequent to publication of "Merchant Shipping on a Sea of Redtape" substantial progress has been made. The Organization of American States (OAS) initiated an anti-redtape study at the Inter-American Ports and Harbors Conference held at San Jose, Costa Rica, in the spring of 1956. In July 1959, the OAS published a draft facilitation convention patterned closely after the ICAO Convention for airline entry and clearance procedures. At the Second Inter-American Port and Harbor Conference at Mar del Plata, Argentina, held May 29 to June 7, 1963, an Inter-American Convention on Facilitation of International Waterborne Transportation was adopted. Work is now proceeding on the technical annex to the convention.

In December of 1959, Ralph B. Dewey, president of the Pacific American Steamship Association and I, addressed a joint letter to Hon. Raymond J. Saulnier, then Chairman of the President's Council of Economic Advisors urging the White House to throw its influence behind current laws to cut shipping redtape and paperwork, pointing out that the Government itself would benefit financially from such simplification—

perhaps to an even greater degree than would the steamship industry.

The letter pointed out that—

the possibility of international action is much closer than the steamship industry had anticipated at the time it launched its antiredtape program.

At that time the documentation problem was before the Council of the Intergovernmental Maritime Consultive Organization (IMCO), the International Chamber of Shipping (ICS), the International Chamber of Commerce (ICC) and the OAS. In addition, the Danish, Swedish, and Chilean shipping interests, and others, had alerted their respective governments to the need for internal housecleaning and international action. The communique concluded by urging the Government to intensify its efforts in the area of remedial action to be taken on the shipping paperwork problem.

In July 1960, the Secretary of Commerce responded to the industry challenge by establishing the Water Transportation Facilitation Committee—

to foster the consideration of the efforts of the U.S. Government agencies in simplifying the documentation and related procedures and practices applicable to merchant shipping in the foreign commerce of the United States; and also to assist the Department of State by developing for consideration by that Department, position papers and recommendations on matters related to international travel and transport by sea.

This high-level intergovernment Department committee was later supplanted by the Trade and Shipping Subcommittee of the National Facilitation Committee. Thus, the groundwork was laid for a more effective and coordinated Government attack at the national and international level on the paperwork problem. Industry was invited to participate on these committees and has taken an active part.

In April of 1961, the IMCO assembly adopted an American-sponsored recommendation for the inclusion of an antiredtape project in its work program. The work of IMCO in the field of facilitation of transport and trade has snowballed and by last year a draft convention had been developed.

That word "snowballed" might be misleading. It means it has accelerated to a much greater degree than we ever anticipated when we first put the ball in their lap. Work continued this year at an estimated pace and within a year we expect there will be an IMCO facilitation convention. This year the working group and the expert group have drafted a technical annex of recommended practices and standards for industry and Government review for the 1965 conference.

The Water Transportation Facilitation Committee and later the Trade and Shipping Subcommittee of the National Facilitation Committee did outstanding work in shaping the proposed IMCO convention along lines acceptable to the U.S. Government and industry. Special mention must also be made of the valuable assistance rendered by the ICS in this critical endeavor to improve the paperwork situation at the international level.

The AMMI has intensified its own efforts in the field of export documentation. It has developed and presented to Government a general declaration form for the entry and clearance of vessels and is pressing for its adoption in U.S. ports. Our recommended general declaration form could eliminate various forms now prepared for arrival and departure of ships. Some, but not all, such forms are the quarantine declaration, shipmaster's declaration, certificate of discharge from national quarantine, tonnage tax form, customs clearance form, preliminary entry form, permit to proceed, and so forth. Furthermore, the use of a general declaration form could obviate the requirement for presenting at the customhouse such forms as certificate of registry, safety inspection, radio-telegraphy, load line, and Coast Guard inspection, the presence of which valid forms on board could be certified to by the boarding customs official. This would represent a giant stride forward in cutting unnecessary redtape. A copy of the AMMI proposal is attached to this statement. I might add that our proposal has been circulated to the subcommittee on trade and shipping and has been referred to the working party on IMCO-OAS matters for consideration.

Another significant development has been the work by industry, assisted by Government, to achieve a national standard bill of lading format. The AMMI in conjunction with PASSA, the marine exchange of San Francisco and the Subcommittee on Trade and Shipping of the National Facilitation Committee are cooperating to develop a bill of lading format acceptable to industry. Such a format would allow for the reproduction of almost every piece of paper needed to send goods on their way overseas from a master form with only one typing and one checking operation. The Government has promised its cooperation by aligning the shipper's export declaration and drawback application with the spacing of the new bill of lading format upon its general acceptance by industry. The resultant reproduction process (either machine or manual) should slash paperwork costs, eliminate errors caused by repeated typings of identical information onto the various export documents, and open the way for universal standardization or uniformity in export documents. Similar developments are taking place under the aegis of the ICS which has developed two basic formats which are under consideration by the Economic Commission for Europe and already in use by the Scandinavian countries. We view the national development as a significant step toward international standardization of the format of the ocean bill of lading and an important start toward a uniform through bill of lading for use by all modes of transport.

Certainly a substantial start has been made to unsnarl this paperwork mess. Much more needs to be done. For example, shipping articles are tied to 18th and 19th century laws. I might explain that shipping articles are those documents signed by a seaman every time he signs on a vessel and are in effect a contract between the seaman and the master of the vessel covering the length of the voyage.

Title 46 United States Code section 575 deals with the penalty for shipping without articles and is derived from the act of July 20, 1790. The form of the shipping articles was derived from acts of June 7, 1872, and June 15, 1873. Of special interest in this day and age is the scale of provisions to be allowed and served out to the crew during the voyage which must appear on the shipping articles. The Sunday schedule calls for—

5 quarts of water, $\frac{1}{2}$ pound of biscuits, 1 pound of canned meat, 1 pound of potatoes or yams, $\frac{1}{2}$ pound of canned tomatoes, $\frac{3}{4}$ ounce of coffee (green berry), $\frac{1}{8}$ ounce of tea, 3 ounces of sugar, $\frac{1}{2}$ pint of molasses, 3 ounces of dried fruit, 4 ounces of cornmeal, 4 ounces of onions, 1 ounce of lard, and 2 ounces of butter, plus mustard, pepper, and salt sufficient for seasoning.

The following is an actual menu aboard a freight vessel of one of our member companies for Sunday, March 22, 1964, and is representative of the entire industry:

BREAKFAST

Fruits: Chilled cantaloup, chilled orange juice, stewed prunes

Cereals: Hot rolled oats, assorted dry cereals

Entrees: Eggs cooked to order, plain and apple jelly omelets, grilled honey-cured ham, steamed salted mackerel, diced boiled potatoes

Dry toast, hot cakes, hot biscuits, jams and marmalade, coffee, tea, and milk

LUNCHEON

Stuffed olives, pickles

Soup: Chicken soup with noodles

Entrees: Roast young tom Vermont turkey with dressing, giblet sauce, cranberry jelly, steamed sliced oxtongue

Chef's platter with hard boiled eggs, potato salad, sliced tomatoes on lettuce, mashed potatoes, fresh squash, mixed vegetables
 Dessert: Blueberry pie, Coffee, Koolade, tea.

DINNER

Pickles, chow chow
 Soup of the day
 Entrees: Broiled sirloin strip steak with onions, Chinese pork fried rice, western omelets (to order)
 French-fried potatoes, brussels sprouts, fried eggplant
 Salad: Fresh potato salad
 Dessert: Ice cream, cookies, table grapes
 Coffee, tea, iced tea

From reading it, you can see that it is certainly better than I eat at home and probably better than most of us eat at home. I can assure you that the first time we tried to put on board a ship today the requirements that are contained in the shipping articles, the ship would not move from the dock.

My principal function and job in New York deals with labor relations. I was interested that Mr. Gawthrop mentioned the Pension and Welfare Disclosure Act of 1962. He referred primarily to those plans that are financed by corporate funds. Our plans are jointly administered between union and management trustees. The funds come from daily contributions to both pension and welfare.

It was primarily to these funds that the requirements of the act were directed. I am a trustee on all of the seven funds that pertain to the seven unions with whom we negotiate. I am certain from the amount of documentation that passes over my desk that it is not fulfilling the purpose that was sought to be achieved by the act when it was passed in 1962. The documentation is tremendous. I am sure it is not preventing the kind of malfeasance and irregularities that gave rise to the act itself. I think this in itself might be the subject of a separate inquiry.

In addition, the types of information called for and the manner in which they must be shown require the use of unstandardized and outsize forms. Serious study should be given to the use of an embossed plastic ID card for seamen based on the credit card system now in popular use. This plastic card could be used for payroll and personnel information and for such other purposes as preparing the crew list, landing permits, and so forth. To develop a modern and effective system of shipping seamen will require substantial changes in existing law and can only be accomplished with the full cooperation and support of the Coast Guard and other Government agencies.

Obviously, piracy, shanghaiing of seamen, and other problems of past centuries no longer apply and means of communication and transportation have developed tremendously since our basic maritime laws were promulgated, particularly in respect to seamen, and the entry and clearance of vessels. Procedures, paperwork, and laws must be updated from sailing ship days to the atomic age, not only at the national level but on a uniform international basis.

While we have no specific legislative recommendations to make at this time, it is apparent that the current joint industry-Government facilitation program will eventually result in proposals of remedial legislation quite probably submitted to the Congress through the executive branch of the Government. These hearings will prove of inestimable value in that connection.

I might, just as a final note, comment on your remarks with respect to the jurisdiction of this committee. This is one of the first questions that occurred to me when we were appearing here.

Obviously, most of the laws that we would ask for changes in would not come within the jurisdiction of this subcommittee or the full Committee on Post Office and Civil Service. I think that this committee, however, could render a very valuable service after all the facts and evidence are in by analyzing the record and referring to each of the respective committees of the House and Senate those areas where it obviously falls in the jurisdiction of that particular committee to take action, to urge, based upon the evidence presented to your committee, that immediate steps be taken by that committee to enact remedial legislation.

Mr. OLSEN. We certainly intend to do just that. I appreciate your recommendation very much. You are familiar with the fact that jurisdiction among the committees is a rather involved matter. It, too, is history and precedent.

In this field of statistics and statistics gathering, there has not been any experiment on the jurisdiction of this committee. Rather than being any kind of dog in the manger and because the goal is what we want to achieve, we are certainly going to call on other committees for cooperation. We will make a lengthy report on these hearings before we make any move concerning legislation.

I am happy that your industry, for instance, is entering into this broad study on your own. Obviously, something that the industry can settle and come forth with an answer on is much better than for the committees of Congress and particularly the unskilled Members—unskilled in maritime law—it is obviously better that the people in that business determine what the paperwork needs are than for any congressional committee to determine that.

This would be a happy circumstance, I think, in all of the areas where there is great and burdensome paperwork required by Government, business should come forth with the answers.

We will hear from the National Facilitation Committee later in our hearings. I think we will do that about the same time as when the Department of Commerce appears.

We are also going to hear from the Bureau of the Census, the Tariff Commission, Customs, and General Services Administration. It is going to be a long hearing. I really anticipate that it will spur some activity in other committees and among industry generally.

I am certainly grateful to you folks for coming here and giving us some light on what the future might be. I wonder if your colleague has anything to add.

Mr. CASEY. No, Mr. Chairman.

Mr. OLSEN. I am reminded that many of our members are at two other committee meetings. One is a subcommittee of our parent committee, the Subcommittee on Postal Operations. Another is the committee investigating un-American activities, which is also meeting. Some of our members are there. Otherwise you would find far more interest than has been shown this morning. I hope no one is disappointed at the absence of these other members. They will certainly review the record and will be in attendance at further hearings.

Thank you very much. With that, this meeting is adjourned.

(Whereupon, at 11:50 a.m., the subcommittee adjourned to reconvene Wednesday, May 20, 1964.)

THE FEDERAL PAPERWORK JUNGLE

WEDNESDAY, MAY 20, 1964

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CENSUS AND GOVERNMENT STATISTICS
OF THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 215, Cannon Building, Hon. Arnold Olsen of Montana (chairman of the subcommittee) presiding.

Mr. OLSEN. The subcommittee will come to order.

This is our second day of hearings in Washington on the subject of reducing the paperwork the Federal Government requires of businesses, manufacturers, and the public. For the information of those who are with us for the first time, previous sessions were held in Albany, N.Y., and in Chicago, Ill.

Now in review, yesterday we had the pleasure of being joined by Congressman Graham Purcell, of Texas, who made a fine statement and furnished the subcommittee with many facts and figures concerning the effects of Federal paperwork on the small businessman. Congressman William L. Springer, of Illinois, also submitted a thoughtful statement for the record.

Mr. J. W. Gawthrop, international president of the Administrative Management Society, described several case studies in which the Federal Government requires an inordinate amount of paperwork from business and, as he has in prior appearances before the subcommittee, contributed a great deal with his excellent testimony.

Mr. Ralph E. Casey, president of the American Merchant Marine Institute, Inc., very effectively related the views of the shipping industry in regard to Federal Government paperwork. He highlighted the magnitude of the problem and went on to discuss efforts being made by various organizations to solve it. We are indebted to Mr. Casey and the other witnesses for their testimony and their help.

Today, our schedule calls for hearing Mr. George J. Burger, vice president of the National Federation of Independent Business, and Mr. George F. Begnal, Jr., specialist, Business Information Systems and Automation, IGE Export Division, General Electric Co. I am sure their remarks will be interesting to all of us.

Before we hear our first witness, without objection, I should like to insert into the record an article which appears in NAM Reports in Depth, a publication of the National Association of Manufacturers, dated May 18, 1964. The article is entitled "Slashing Through a Paperwork Jungle."

(The article referred to follows:)

[Reprinted from NAM Reports in Depth, May 18, 1964]

SLASHING THROUGH A PAPERWORK JUNGLE

A LAWMAKER VOWS TO WAR ON COSTLY BUSINESS REPORTS TO WASHINGTON

By Representative Arnold Olsen of Montana

Let's face it, we are tackling an enormous problem—that of Government reports and paperwork—and we have no delusions about what we are getting into.

You may remember that back in 1955, the Hoover Commission estimated the cost of the Federal Government's paperwork at \$4 billion a year. Of this amount, \$2.8 billion goes for collecting, compiling, analyzing, and publishing reports of all kinds. The remainder, \$1.2 billion, goes for copying, filing, recording, and storing of these reports. Some \$30 million was used for records disposal and destruction.

Now, this \$4 billion figure applied to Federal costs alone. It did not include State and local government paperwork costs.

Nor did it include what it costs the public to keep all of these records and to fill in all of these questionnaires. It has been estimated that it can cost a business firm up to 10 times what it costs the Government to handle a questionnaire, especially if the firm's books and accounts do not readily supply the required information.

Is it any wonder then that when a request for voluntary information is sent out by a Federal, State, or local government agency, it often winds up in the wastebasket? Or, is it any wonder that the compulsory reports, like the census, social security, income tax forms, etc., are running into increasing public resistance all the time?

And, right away, let me say that the average citizen wants to obey the laws, but the Federal agencies in Washington (and some States and local government agencies, as well) are making it increasingly difficult for all of us to be law-abiding citizens.

The fact of the matter is that paperwork is often too onerous for the small businessman who does not have the employee numbers or skills to fulfill the reporting required of some Government-Federal or local agencies.

Paperwork requirement can often make the difference between profit or loss for the small businessman.

Let's look at the problem in somewhat more detail, and let's take first recent developments in the Internal Revenue Service and then go on to the situation in which the small businessman finds himself. How much are Government reports costing him, and how are they affecting him otherwise?

In a speech on the floor of the House of Representatives last February, in discussing the Internal Revenue Service, I said that many of us are disappointed with recent developments in the tax collection mechanism. We expected and we had a right to expect that electronic data processing or EDP, for short, would greatly reduce the paperwork flow, and also result in substantial manpower savings.

Instead, we find that the Internal Revenue Service has increased its employment by 13,000 since 1960, and its paperwork load is now over 500 million forms a year. Moreover, the cost of collecting \$100 in taxes has risen more than 30 percent since 1960. So now we begin to see what all the shouting is about and why this subcommittee is conducting these hearings.

I strongly support the statement of my esteemed colleague, the gentleman from Virginia (Mr. Gary), the chairman of the Appropriations Subcommittee:

"There is such a thing as being a little too meticulous in enforcement."

And further:

"You can spend more time on a tax return than is necessary with the result that the additional revenue added to the rolls does not justify the expenditures or the efforts to discover it."

Now, the Internal Revenue Service is not the only agency which appears to have gone overboard in the sea of paper. Our staff has listed some 20 other Federal agencies which are also deeply involved in this paperwork game. The activities of these agencies cover everything from the clearance of vessels in and out of our ports to the economic problems of the Blackfeet and Flathead Indians in my district in Montana.

Our subcommittee recently published a report with a 40-page list of studies and surveys sponsored by the Federal agencies including everything from how to guess your weight to the optimum size of frozen french-fried potatoes and whether they should be straight cut or crinkled.

The next example I am going to give you also is actual and probably occurring more frequently than you and I would like to think. It comes to me from Congressman O'Brien, of New York, and describes the plight of a druggist back home in his district.

The druggist has a small business and hires one or two employees to help him run it. After a full day at the store, ordinarily one would expect that the druggist could go home and relax, but not so. He must go home and do his bookkeeping, a significant amount of which is generated by Government report requirements.

If this were the end of it, the situation would be bad enough, but the druggist also finds it necessary to hire an accountant, who gets more money per hour than he does to prepare his income tax return and other Government reports.

Next, let's review the paperwork experience of a private corporation. Some of you may remember that back in 1959 our subcommittee looked into this matter, using case histories of individual companies. I would like to cite from our "Report on the Business Reporting Requirements of the Federal Government," the case history of a large manufacturing company in the Midwest:

"In one year, the company handled 173 different Federal forms ranging in frequency of filing from daily to annual, and involving the filing of 37,683 reports. The workload amounted to 48,285 hours. In addition, the company received a number of other Federal forms, presumably voluntary, which it did not respond to because it objected to the apparent duplication, felt that the data requested were confidential, or for other reasons. In this group were 33 different forms which would have involved 1,098 reports and an estimated workload of 424 hours.

"Requests from State agencies which were complied with included 63 different forms, involving the filing of 1,145 reports at a cost of 3,266 hours. State requests which were not filed included 6 different forms which would have involved 32 reports and an estimated 61 hours.

"Requests from cities, other local governments, and private groups (e.g., trade associations, chambers of commerce) which were honored included 36 different forms requiring 385 filings and 676 hours. Requests from similar sources to which response was not made included 27 different forms which would have involved 110 reports and an estimated cost of 234 hours."

It is noted that the proportion of total workload attributable to Federal forms was much greater in the case of this company than has been observed in other cases. This company deals largely in agricultural products, and 61 percent of its Federal reporting workload comprised work on the U.S. Department of Agriculture forms. In addition, the workload for the year included filing for the census of manufactures, which is conducted only once every 5 years. Hours chargeable to the census forms amounted to 26 percent of the total time spent on Federal forms.

It is probably true, however, that the larger the company the greater the relative impost of Federal filing requirements. Many Federal inquiries are limited to the larger enterprises, or require more detailed reporting from the larger ones. The workload tends to vary also according to the nature of the industry.

Firms operating in an economic area in which the Federal Government has a strong regulatory interest, such as agriculture or railroads, or a strong procurement interest, such as aircraft and missiles, are likely to have heavier reporting burdens than firms in other areas.

Now, after preliminary field hearings in Albany, N.Y., and Chicago, Ill., beginning on May 19 in Washington, we plan to call in the key Federal agencies responsible for generating most of this paperwork. We will ask them to tell us what controls or clearance procedures they use in the agency to hold down the paperwork and explain to us why these controls are not more effective. I look forward to these hearings, and I think we can get some results.

I have been involved in few undertakings in recent years which have prompted so much mail from sincere and thoughtful persons as my remarks pointing out that we have entirely too much Government paperwork and that we also require entirely too much of it from the public.

I value highly the warm and enthusiastic responses of my colleagues in the Congress, the reaction from individual citizens throughout the United States—from trade associations, banks, insurance companies, colleges, businesses, manu-

facturers, and many others, and they give me renewed confidence in our subcommittee's campaign to continue in our efforts to reduce Federal paperwork.

One letter said if you think the Internal Revenue Service creates too much paperwork, you should have a look at the Department of Defense, especially the reports required from defense contractors.

Another letter described a visit to a shipyard where work was being done on a small Government-owned vessel, and two toasters were being installed in the ship's galley, along with spare parts for the toasters. Now how many instruction manuals do you think the contract called for concerning the two toasters? Forty. I repeat, 40 instruction manuals for operating and repairing 2 toasters.

We will want to find out in our hearings how it is that some of these empire builders and paper pushers in the agencies always seem to come out on top and, if necessary, we will draft remedial legislation to stop some of these abuses.

I can tell you that this subcommittee means business and it looks like a "long hot summer" in Washington.

Mr. OLSEN. I would also like to insert into the record an editorial entitled "Paperwork Jungle" which appeared in yesterday's edition of the Washington Daily News. We greatly appreciate this statement in support of our work.

(The editorial referred to follows:)

[Reprinted from Washington Daily News, May 19, 1964]

PAPERWORK JUNGLE

We know a man in Evansville, Ind., who operates a fairly large business successfully without a paper in or on his desk. How he does it is a secret from his friends and associates, but he might make a good witness at the investigation into the "paperwork jungle" being conducted by a subcommittee of the House of Representatives in Washington. In the interest of saving a few billions for the national economy, he might consent to explain some of his tricks.

This investigation, headed up by Representative Arnold Olsen of Montana, is long overdue. A certain amount of recordkeeping and report filing obviously is necessary but the duplicate and triplicate copies of forms which are required by the Government are threatening to occupy even more storage space than the wheat surplus.

A Commission headed by Herbert Hoover reported some years back that Government paperwork alone cost the taxpayers \$4 billion per year. That's the Government cost alone. The Lord only knows the cost to business. The chairman of Montgomery Ward & Co. reported recently his institution filed 500,000 forms and reports to the Government last year. It is estimated a medium-sized corporation can spend in excess of \$250,000 a year on these reports.

The Hoover Commission found about 500,000 Federal employees spend their time collecting, compiling, and analyzing these reports. There have been inquiries before, without much luck except to compile still further stacks of paper in the form of testimony and findings. But now President Johnson has issued orders to cut out some of the excess paperwork and maybe this investigation will get somewhere. At least we hope so, and we wish Congressman Olsen much luck.

Mr. OLSEN. I would like now to call our first witness, Mr. Burger.

**STATEMENT OF GEORGE J. BURGER, VICE PRESIDENT, NATIONAL
FEDERATION OF INDEPENDENT BUSINESS, WASHINGTON, D.C.**

Mr. BURGER. I am George J. Burger, vice president, legislative activities, National Federation of Independent Business. We are a national organization composed solely of smaller, independent business and professional people. As of April 27, 1964, our membership consisted of 195,760 individual, directly supporting and participating independents. This figure continues to grow. Our members are distributed throughout all of the Nation's 435 congressional districts. They are a true cross section of all the vocations at all levels of America's smaller, independent enterprise community.

The federation performs many services for independents at both National and State levels. Our policies on legislation are set by direct vote of the entire membership, with each member having one and only one vote, which he registers on a signed ballot which is sent to his Congressman. The federation conducts these polls through its the Mandate regularly throughout each year. Members are given objective statements of the essence of issues polled, plus accompanying objective arguments on both sides of each issue. They reach their own decisions.

Additionally, and among other services, we conduct yearly factfinding surveys, to gain broader and deeper knowledge of the facts involved in independent enterprise problems. These surveys remain the same throughout each year. Each member receives only one questionnaire form. It requires us a year to cover our entire membership in these efforts.

We are glad to be here today because your subcommittee is investigating a matter that is most significant not only to independent enterprise but also to the prosperity of our country. As you know, independents now account for about 40 percent of all our employment. Findings through the first quarter of this year in our current factfinding survey "Jobs, the Nation's Most Critical Problem" (attachment A), indicate that given a fair chance this year independent enterprises will engage in expansions that could provide a great number of additional jobs for our workers.

Please refer to our seventh question. Here we ask members to tell us whether they are considering expansions and, if so, how many additional jobs will be provided.

It is interesting to read, in our report for first quarter 1964 (attachment B), that 3,391 of the 16,179 respondents, all of whom signed their statements, or 21 percent of all, indicated plans for expansion. These small business and professional people further stated that these expansions would provide an additional 15,622 jobs, for an average 4.6 additional jobs per expansion.

Now, it is a fact that trends established in these factfinding surveys usually hold for the balance of the year. It is a further fact that our membership is a representative cross section of all American inde-

pendent enterprise. The breakdown of types of enterprises reporting, on the right side of our report, confirms this.

For these reasons it is possible to project the 21 percent "planned expansion" figure to the total American small business community of 4,500,000 units. On this basis we can conclude that, as our president, Mr. C. W. Harder, has stated, some 945,000 of our independent enterprises may well be planning expansions which, if successfully realized, might provide an additional 4,347,000 jobs in our economy. Even if only part of these expansions are realized, there will be a significant impact on our unemployment situation. When you have time you might profitably study the figures for your own State.

We know you will agree that Government should do all that it can to encourage these expansions, mindful of the fact that there are many things which the enterprisers can and must do for themselves.

However, there are taxes, and Congress has just reduced them. There is the matter of fairness in competition. There is the problem of sensible labor regulation. There are many other areas in which action can be taken, and these include the eliminating of needless Government reporting and recordkeeping requirements.

That long and bitter experience has convinced many business and professional people that there are needless Government reporting and recordkeeping requirements is shown clearly in the response to the No. 1 question of our current factfinding survey, which deals directly with reporting and recordkeeping requirements:

Sixty-seven percent of our respondents feel there is need to streamline "business-census reports-records," 69 percent feel there's need to streamline "tax reports-records," and 52 percent feel there's need to streamline "labor reports-records."

This is not surprising. In one of its reports some years ago, the former Hoover Commission stated that smaller enterprisers spent, then at least, up to 29 percent of their time compiling records for Government.

It is not surprising, either, in view of the fact that when, in mandate No. 246 (attachment C), issued in March of 1959, we asked our members for a policy position on H.R. 1272 (Representative Laird, of Wisconsin), a bill that aimed to reduce the number of reports required yearly on social security and income tax withholdings, their response was 89 percent "for," 8 percent "against," and 3 percent "no opinion."

That this vote represented a deeply held conviction is shown by the results of two later policy position polls.

In mandate No. 261 (attachment D), issued in October of 1960, we polled our members on the substance of the Laird bill. Their response was 90 percent "for," 8 percent "against," and 2 percent "no opinion."

In mandate No. 266 (attachment E), issued during May of 1964, we polled members on H.R. 5874 (which was identical with the earlier presentations). Their response was 83 percent "for," 14 percent "against," and 3 percent "no opinion."

Now, let no one read any sense of contradiction into the returns on the various mandate polls and on the factfinding survey. Under varying circumstances we will get small differences in mandate returns. Additionally, in mandates we poll members on specific legislative issues, while in our factfinding surveys we question them on general problem areas. While no one can say what policy position our members would take today on the type of bill introduced by Mr. Laird, we would not at all be surprised to find the returns close to those recorded in the 1959-61 period.

(An interesting aside is furnished in the fact that when we made a special survey, for Members of Congress and the departments, during May and June of 1961 on the late President Kennedy's tax revision program, one of our questions dealt with his proposal to assign account numbers to all taxpayers and to permit Treasury to use electronic data processing in accounting for tax returns. Our response was 62 percent "for," 21 percent "against," and 17 percent "no opinion." But comments accompanying many of these responses indicated that approval was conditioned, in large measure, on the achievement of significant savings to Government and taxpayers.)

But these statistics, representing as they do the tabulated opinion of business and professional people themselves, do not tell the whole story. For this, we must turn to the comments which they have written on their responses to the factfinding survey.

About half the independents who have responded to our "jobs" survey have taken the time and trouble to tell us why they feel Government reporting and recordkeeping requirements are unduly burdensome, and in some instances how changes might be made for the better. All these comment-bearing responses are on file, by States, at our Washington office. They are available for your inspection, or inspection by your staff. We will be happy to let you look them over at the office. Just give us a call at Republic 7-3523.

In any case, while preparing to talk with you today we examined the thousands of comment-bearing responses to our No. 1 question. We selected only those which are most specific to report to you with this testimony (attachment F). We did not select others which, while general in nature, do emphasize the urgency of the need for action in reducing needless reporting and recordkeeping, because we feel that you do recognize the scope of the problem.

For a moment, let's turn to attachment F and read a few of these comments. They do give a real feel of the small business pulse on Government reporting requirements.

Now, just how does this Government reporting burden tie in with problems involved in small business expansion? Let's turn to the mill operator from Alabama who says he has had to detail one employee to work almost full time keeping up with required reports. In wages this might mean from \$3,000 to \$5,000 in additional overhead for his business. This, in turn, might well tie up the profits from \$30,000 to \$50,000 of his sales volume. Now, if he were free of the reporting requirements in question, or at least that share of them that is unneces-

sary, he might be able to take this \$3,000 to \$5,000 a year and invest it in inventory and/or services, turning same four to five times a year. This, in turn, could mean an additional profit of perhaps \$2,000 to \$3,000 for him—and out of this could come money for expansion and, perhaps another productive job. Remember, needless recordkeeping and reporting provide nothing but additional paperwork.

Multiply this 1 businessman by his 4,500,000 and you can quickly figure the penalty which needless Government reports exacts all down the line from our economy, in terms of production, sales, services, profits, taxes, and jobs.

“Needless” is the exact word to use. Don’t think that any members of the federation believe, or that we believe, that any business can be run in today’s world without necessary records and reports. Government, too, must have its records and reports.

However, we and our members, who realize that all organizations must run on sound principles, know that in any enterprise—be it private or governmental—there is always danger that some workers, whether out of misguided interest in their work or out of sheer bureaucracy, will demand either that unnecessary records be kept or that necessary records be made more detailed than called for. The larger the enterprise—and Government is our biggest business—the greater the danger. These are the people and the types of reports and records against which we must always be on guard.

We are, incidentally, happy to know of your interest in this area because we know that your vigilance has paid off in the past. As we understand it, just last year, due to your work, the Interstate Commerce Commission found it possible to relieve truckers of over 500,000 forms they had earlier been required to fill in and submit. We hope that your success will continue, since it is vital to our members and all small business.

Finally, in order to be of further service in your work, we have commenced an extra special survey (attachment G) among our more than 2,000 member district chairmen, all leading business and professional people in their communities throughout the 50 States, on the cost (in man-hours) of making our reports required by Government.

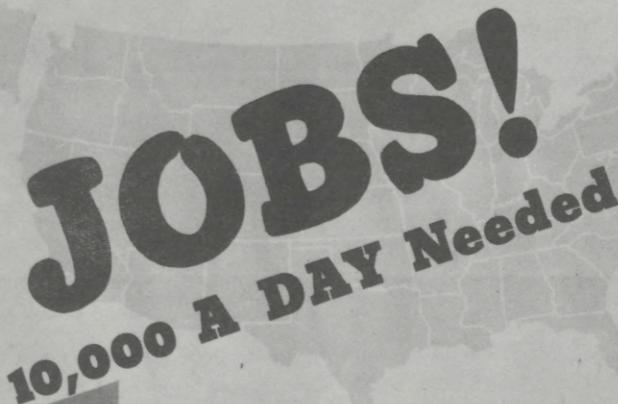
We are asking specifically to identify the reports which they must submit, which of these are the most onerous, which duplicate informational forms which must be submitted to the States, who and how many people must spend how much time making out these reports, et cetera.

We appreciate, and we know our members appreciate, the fact that your subcommittee chairman, Mr. Olsen, has decided to await the report of this survey before submitting recommendations to the Congress. We are doing our level best to get this report to him, and to you, at the earliest possible date. We know the information will be as helpful as it will be interesting, and are happy to have this additional opportunity to be of service to independents by being of service to those who represent them in Government.

On behalf of our members, and on our own behalf, we thank you.
(The attachments referred to follow:)

How's Business With You?

ATTACHMENT "A"



JOBS!

10,000 A DAY Needed

The Nation's Most Critical Problem . . .

It Can Affect YOU!

Only free enterprise prosperity can provide the new employment opportunities urgently needed to solve the problem of joblessness in our country.

IT'S TIME TO THINK OF MOVES THAT
MUST BE MADE IN GOVERNMENT TO
ENCOURAGE SMALL BUSINESS EXPANSION

URGENT

Your answers to the questions inside will be reviewed by Congressmen, their Committees, and top-level Executive Branch officials

ACTION

from NATIONAL FEDERATION of INDEPENDENT BUSINESS

Legislative Office — Washington Building — Washington, D. C. 20005.

... HERE IS WHAT IT MEANS TO YOU

Dear Federation Member:

The Administration has said that 10,000 new jobs will be needed weekly to absorb employees displaced by automation and people newly entering the labor markets from our colleges and schools.

Since big business is under pressure to increase strides in automation to maintain its competitive position, independent enterprise is the one and only source to provide the jobs needed by workers. To do this, independent business must receive every encouragement to grow and expand.

Maximum employment means circulation of money in business channels, a reduction in taxes for relief and unemployment compensation, and many other factors that directly concern you and your business.

As shown in the Progress Report below, much has been done by Government to build for greater expansion opportunities for independent enterprise. But a big job remains to be done.

Surveys of this nature, conducted by your Federation alone, are being used by Congressional Committees and Executive Branch agencies to learn the feelings of independent enterprisers from every corner of the country. The results of this survey will go to the President, all Executive Agencies, the Senate and House Small Business and other Congressional Committees concerned with this critical problem.

It is imperative that you participate actively in directing Federation activities and coordinating your thoughts with those in Government.

Sincerely,



C. WILSON HARDER, President
NATIONAL FEDERATION OF INDEPENDENT BUSINESS



PAST FEDERATION SURVEYS AND FEDERATION DIRECT ACTION WITH CONGRESSIONAL COMMITTEES HAVE PLAYED A VERY IMPORTANT PART IN HELPING GOVERNMENT TO BRING ABOUT MANY ACCOMPLISHMENTS SUCH AS:

- 17% speed-up in normal tax depreciation schedules
*Testimony May 16, 1961—enacted July, 1962
- 7% investment credit on purchases of equipment
*Testimony April 13, 1962—enacted October, 1962
- Tax allowance for private retirement programs
*Testimony Sept. 12, 1962—enacted October, 1962
- Over \$1 billion in financial assistance to small firms
*Testimony Sept. 12, 1962—continuing program
- Action to close loop-holes that provided special tax treatment for co-ops
*Testimony May 23, 1961—enacted October, 1962
- Curb on Communist propaganda mailings
*Testimony Sept. 26, 1962—enacted October, 1962
- \$6 billion in Gov't orders channelled to independent suppliers
*Testimony June 7, 1962—continuing program
- 30% to 100% increases in actions to curb unfair competition
*Testimony June 27, 1962—continuing program
- Protections written into international trade bill to protect interests of U.S. smaller firms
*Testimony Aug. 22, 1961—enacted October, 1962
- \$11 billion in tax reduction for corporations, unincorporated enterprises, and individuals
*Testimony March 15, 1963—bill passed by House, waiting action in Senate
- Tax advantage for those in business and professional fields with fluctuating incomes.
*Testimony March 16, 1963—bill passed by House waiting action in Senate.

IN ADDITION, YOUR FEDERATION IS ONE OF THE MOST FREQUENTLY QUOTED ORGANIZATIONS IN THE CONGRESSIONAL RECORD—DUE TO THE GREAT NUMBER OF STATEMENTS AND ALSO PERSONAL TESTIMONY MADE BY FEDERATION STAFF BEFORE CONGRESSIONAL COMMITTEES.

YOUR OPINIONS DO COUNT—Your Help Is Needed To Improve Business Opportunities and to find the means to Encourage Small Business Expansion.

What Are Your Opinions On These Proposals That Have Been Offered To Government?

They Can Affect You...



1 GOVERNMENT REPORTS: Do you approve of streamlining the following reports and record forms?:

- | | | | | |
|--|--------------------------|--------------------------|---|---|
| a. Business census reports-records (information about employment, sales, profits, inventories, purchases, etc.)..... | YES | NO | | |
| | <input type="checkbox"/> | <input type="checkbox"/> | 1 | 2 |
| b. Tax reports-records (withholdings, income, excise and sales taxes, etc.)..... | <input type="checkbox"/> | <input type="checkbox"/> | 3 | 4 |
| c. Labor and other reports-records (Wage-hour laws, etc.)..... | <input type="checkbox"/> | <input type="checkbox"/> | 5 | 6 |

Your Comments (including other recommendations) _____



2 TAXES: Do you approve of the following tax law changes?:

- | | | | | |
|---|--------------------------|--------------------------|----|----|
| a. Rewrite and simplify Federal Tax Laws, eliminating deductions of all types, and at the same time slashing tax rates substantially..... | YES | NO | | |
| | <input type="checkbox"/> | <input type="checkbox"/> | 7 | 8 |
| b. Maintain present Federal tax structure, but change to permit independents to plow-back, tax free, into their operations up to 20% (\$30,000 ceiling) of all earnings re-invested in plant, inventories, and accounts receivable..... | <input type="checkbox"/> | <input type="checkbox"/> | 9 | 10 |
| c. Gradually substitute a national sales tax for all income taxes..... | <input type="checkbox"/> | <input type="checkbox"/> | 11 | 12 |
| d. Replace the inventory taxes collected by States, Counties, or Cities, by new or increased State income or sales taxes..... | <input type="checkbox"/> | <input type="checkbox"/> | 13 | 14 |

Your Comments (including other recommendations) _____



3 SOCIAL WELFARE LAWS: Do you approve of the following changes in social welfare laws?:

- | | | | | |
|--|--------------------------|--------------------------|----|----|
| a. Require employees to pay half of taxes collected for unemployment compensation..... | YES | NO | | |
| | <input type="checkbox"/> | <input type="checkbox"/> | 15 | 16 |
| b. Permit those drawing Social Security to earn as much as they want in private employment, yet continue to receive their government checks in full..... | <input type="checkbox"/> | <input type="checkbox"/> | 17 | 18 |

Your Comments (including other recommendations) _____



4 LABOR LAWS: Do you approve the following proposals?:

- | | | | | |
|--|--------------------------|--------------------------|----|----|
| a. Enactment of new law to prohibit unions from calling nationwide strikes in individual industries (such as strikes that could tie up all transportation, thus preventing delivery of goods to business-professional people and customers)..... | YES | NO | | |
| | <input type="checkbox"/> | <input type="checkbox"/> | 19 | 20 |

4 LABOR LAWS: (Continued)

- | | | | | |
|---|--------------------------|--------------------------|----|----|
| b. Encouragement of 35-hour week in all basic manufacturing industries (steel, rubber, autos, etc.), to create additional employment..... | YES | NO | | |
| | <input type="checkbox"/> | <input type="checkbox"/> | 21 | 22 |

Your Comments (including other recommendations) _____



5 COMPETITION: Do you approve the following suggestions for more effective promotion of fair competition?:

- | | | | | |
|---|--------------------------|--------------------------|----|----|
| a. Increased effort needed to police unfair competition at the retailer level (such as aiming to curb cut-throat pricing by discount houses, misleading advertising by distributors)..... | YES | NO | | |
| | <input type="checkbox"/> | <input type="checkbox"/> | 23 | 24 |
| b. Increased effort needed to curb manufacturer favoritism in granting of rebates, co-operative advertising allowances, etc..... | <input type="checkbox"/> | <input type="checkbox"/> | 25 | 26 |

Your Comments (including other recommendations) _____



6 ADDITIONAL INDUSTRY: Do you feel that your community suffers due to a lack of industrial development (small manufacturing plants— electronics, foods, clothing, etc.)?:

- | | | | | |
|--|--------------------------|--------------------------|----|----|
| (Government agencies are interested in this information) | YES | NO | | |
| a. Please specify type _____ | <input type="checkbox"/> | <input type="checkbox"/> | 27 | 28 |
| b. Is there a pool of skilled, but unemployed, manpower in your local community that could be absorbed in the industries mentioned above?..... | YES | NO | | |
| | <input type="checkbox"/> | <input type="checkbox"/> | 29 | 30 |

7 EXPANSION: Are you considering an expansion of your operations?:

- | | | | | |
|---|--------------------------|--------------------------|----|----|
| a. If so, how many additional employees will this mean for your business? _____ | <input type="checkbox"/> | <input type="checkbox"/> | 31 | 32 |
|---|--------------------------|--------------------------|----|----|

(PLEASE PRINT ALL BUT YOUR SIGNATURE)

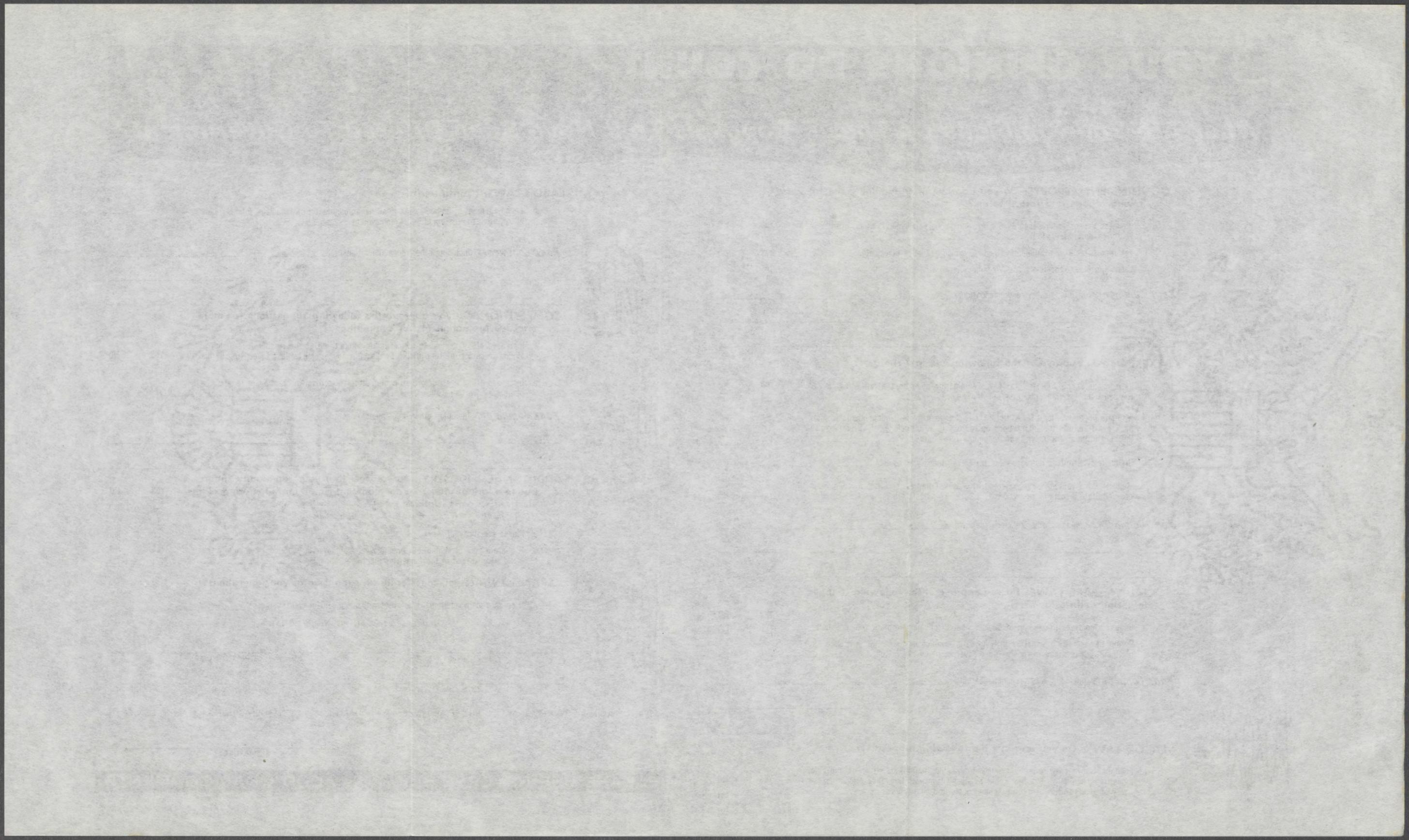
BUSINESS NAME _____ STREET & NUMBER _____

CITY OR TOWN _____ STATE _____ ZIP CODE NO. _____

TYPE OF BUSINESS: PROFESSIONAL 33 RETAIL 34 WHOLESALE 35 MANUFACTURING 36 SERVICE 37

SIGNATURE _____

PLEASE USE REVERSE SIDE FOR ADDITIONAL COMMENTS



For Period 1/1/64 to 3/28/64
 Based on 16,179 Survey Responses

"JOBS - THE NATION'S MOST CRITICAL PROBLEM"

HOW'S BUSINESS WITH YOU?

SUBMITTED BY NATIONAL FEDERATION OF INDEPENDENT BUSINESS — 150 WEST 20TH AVE. — SAN MATEO, CALIFORNIA

HERE'S WHAT INDEPENDENTS THINK WOULD HELP ENCOURAGE EXPANSION

(This Period)

	Total Ballots Received (Per State)	1. GOV'T. REPORTS			2. TAXES				3. WELFARE LAWS		4. LABOR		5. COMPETITION		6. ADD. INDUSTRY		7. EXPANSION			TYPE OF BUSINESS					
		Business Census Reports	Tax Reports	Labor Reports	Write new Tax Law	Enact Allowance	Enact National Sales Tax	Replace Inventory Tax	Employees pay half Unemployment tax	No Earning's Ceiling on Soc. Sec.	Prohibit Nation-wide strikes	35 Hour Week in Basic Industry	Curb Retail Price Unfairness	Curb mfg. Advertising Allowances	Need Additional Industry	Have pool of trained labor	Plan to Expand	No. of Adnl Employees	Professional	Retail	Wholesale	Manufacturing	Service		
ALABAMA	246	164	125	89	29	158	43	34	176	141	226	24	170	146	199	72	60	271	11	141	42	22	71	ALA.	
ALASKA	24	12	9	7	4	13	2	9	16	7	16	3	12	9	8	4	3	15	10	2	2	12	2	12	ALAS.
ARIZONA	42	30	31	24	13	22	17	23	34	24	36	15	35	31	32	20	18	69	1	33	9	1	28	ARIZ.	
ARKANSAS	151	113	106	83	12	97	29	24	106	108	131	17	114	98	115	96	39	92	18	93	12	8	77	ARK.	
CALIFORNIA	1,199	816	838	754	259	805	435	685	990	678	1,062	123	796	664	698	442	257	997	126	525	119	186	475	CALIF.	
COLORADO	275	75	83	56	32	69	44	64	147	83	172	19	128	103	97	57	35	376	28	152	52	20	152	COLO.	
CONNECTICUT	111	78	78	71	23	69	12	11	57	80	92	9	62	24	76	11	27	153	14	53	8	23	33	CONN.	
DELAWARE	16	8	8	6	4	4	3	3	13	9	15	4	11	9	7	3	7	28	3	8	1	1	9	DEL.	
FLORIDA	272	166	179	122	71	125	75	70	204	154	243	37	172	138	205	90	69	177	50	107	35	29	119	FLA.	
GEORGIA	208	158	171	66	27	160	65	78	162	156	179	32	168	158	157	108	43	206	15	134	26	18	94	GA.	
HAWAII	68	29	36	43	24	37	4	3	62	49	57	5	32	13	1	1	12	76	1	21	16	6	24	HAWAII	
IDAHO	386	214	230	110	28	308	42	161	323	151	341	23	267	222	331	225	88	175	36	221	47	33	247	IDAHO	
ILLINOIS	661	383	427	293	70	431	96	147	433	400	518	50	531	463	349	234	102	195	44	429	69	42	323	ILL.	
INDIANA	549	394	422	266	97	412	89	368	345	264	469	60	422	377	445	204	113	406	32	353	73	71	254	IND.	
IOWA	219	134	115	93	37	140	47	80	170	106	182	16	161	116	114	71	26	141	26	120	18	14	101	IOWA	
KANSAS	374	200	185	101	45	247	73	87	277	180	293	32	266	199	272	197	69	201	37	222	39	25	202	KANS.	
KENTUCKY	49	27	32	22	5	28	13	6	44	32	43	10	30	17	16	7	10	26	3	34	9	3	25	KY.	
LOUISIANA	322	167	147	118	50	103	113	76	233	184	246	39	219	162	191	91	54	231	39	149	31	22	140	LA.	
MAINE																									MAINE
MARYLAND	170	106	110	90	41	97	31	94	136	117	134	28	135	104	86	17	46	235	15	89	8	9	90	MD.	
MASSACHUSETTS	457	384	398	336	136	179	106	156	404	352	420	11	392	349	125	90	54	442	25	180	35	87	185	MASS.	
MICHIGAN	680	462	463	334	87	479	85	328	459	359	623	68	521	453	426	136	158	1,267	43	396	81	104	360	MICH.	
MINNESOTA	353	232	259	221	31	89	33	253	258	73	247	46	177	167	176	56	18	134	18	150	40	34	144	MINN.	
MISSISSIPPI	238	113	159	55	39	154	84	45	171	176	188	19	170	146	204	169	83	273	16	160	35	18	93	MISS.	
MISSOURI	569	493	496	430	69	385	35	67	358	411	530	44	431	412	452	271	115	485	53	323	69	42	238	MO.	
MONTANA	419	248	262	136	55	292	62	114	299	126	324	45	262	218	336	196	101	308	65	217	56	48	210	MONT.	
NEBRASKA	186	134	105	84	25	141	19	50	146	79	170	15	151	113	139	88	44	121	13	104	40	21	116	NEBR.	
NEVADA	8	3	5	4	3	1	2	4	5	4	7		5	3	2			4		4	3		3	NEV.	
NEW HAMPSHIRE	13	10	13	10	2	11	1	6	9	10	13	1	9	4	11	4	4	26		5	1	3	5	N. H.	
NEW JERSEY	260	215	218	211	90	239	79	134	182	193	248	48	153	126	73	11	56	329	11	116	9	37	98	N. J.	
NEW MEXICO	7	5	6	3	1	3	1	1	6	3	6		4	3	5	2	1	16		3	1	1	1	1	N. MEX.
NEW YORK	1,322	955	809	665	113	1,123	170	79	1,016	794	1,219	154	942	758	739	480	270	1,247	69	643	127	143	655	N. Y.	
NORTH CAROLINA	278	120	190	75	46	201	55	42	211	175	254	27	222	163	229	64	67	321	19	127	29	37	112	N. C.	
NORTH DAKOTA	92	29	35	25	12	15	6	69	70	8	78	9	22	18	20	7	11	27	7	41	5	2	25	N. DAK.	
OHIO	726	473	532	452	158	535	91	300	529	341	649	63	497	445	452	183	214	678	72	374	67	101	292	OHIO	
OKLAHOMA	142	110	112	104	20	90	23	23	100	71	129	12	101	89	115	25	20	95	19	77	16	5	65	OKLA.	
OREGON	317	193	220	144	32	264	31	192	267	197	262	29	227	176	150	77	106	335	32	161	46	44	133	OREG.	
PENNSYLVANIA	1,087	776	870	678	181	782	77	79	875	595	1,008	147	845	760	862	293	196	1,010	113	613	115	136	521	PENNA.	
RHODE ISLAND	42	36	36	34	4	32	5	6	18	29	40	2	26	13	32	10	12	67	4	23	3	9	9	R. I.	
SOUTH CAROLINA	72	52	52	38	19	37	26	39	57	53	67	11	57	44	58	27	12	47	6	51	11	10	28	S. C.	
SOUTH DAKOTA	53	39	43	39	2	7	8	30	34	7	39	9	27	23	6	3	4	24	1	32	4	1	20	S. DAK.	
TENNESSEE	734	642	631	165	28	636	36	48	426	102	566	14	472	270	459	95	126	655	28	453	69	43	268	TENN.	
TEXAS	708	471	474	344	135	511	213	125	562	443	645	40	498	433	452	243	178	960	104	347	89	62	272	TEX.	
UTAH	142	49	56	45	21	93	14	32	76	43	68	11	52	41	51	29	21	61	9	59	14	7	31	UTAH	
VERMONT	99	74	80	73	11	82	13	44	75	49	87	7	68	55	74	21	27	140	1	48	12	29	31	VT.	
VIRGINIA	565	462	394	272	60	396	90	310	379	351	531	35	386	256	458	76	143	1,438	37	257	72	68	230	VA.	
WASHINGTON	452	291	277	235	73	321	52	89	376	222	400	43	334	266	342	87	108	262	53	257	75	49	214	WASH.	
WASHINGTON, D.C.	32	21	21	22	7	20	7	17	25	17	29	3	28	22	20	8		26	3	19	4	4	17	D. C.	
WEST VIRGINIA	64	29	41	26	13	37	17	14	41	31	57	10	49	34	44	31	11	38	6	28	13	4	22	W. VA.	
WISCONSIN	660	543	551	506	201	381	119	434	515	374	626	70	552	500	502	113	131	476	33	416	70	68	222	WISC.	
WYOMING	60	44	39	36	19	26	10	25	46	29	57	5	47	36	50	26	11	40	3	33	8	5	25	WYO.	
TOTAL FOR ISSUES	16,179	10,982	11,179	8,416	2,564	10,887	2,803	5,178	11,923	8,640	14,042	1,544	11,458	9,449	10,463	4,671	3,391	15,622	1,362	8,611	1,835	1,757	7,121	TOTAL	

ATTACHMENT "C"

The Mandate

REG. U. S. PAT. OFF. Published by
NATIONAL FEDERATION OF INDEPENDENT BUSINESS
 The Largest Individual Membership of Any Business Organization in the United States
 A Non-Profit Corporation

North Shore National Bank Building, Chicago 26, Illinois
 Burlingame, California — Diamond 4-6811
 Washington 5, D. C. — RRepublic 7-3523



That Our Nation Remain the Land of Opportunity By Giving Small Business Fair Consideration

Copyright, 1959, National Federation of Independent Business, Inc. Bulletin No. 246

③ **H. R. 1272. REDUCE GOV'T REPORTS BURDEN**
 . . . a bill to reduce the number of reports which businessmen must furnish Gov't yearly on social security and income tax withholdings (Rep. Laird, Wisc.).

3. **Argument For H. R. 1272:** This bill would consolidate the reports which businessmen must file with Gov't on income and social security taxes withheld from earnings of employees. It would mean less pressure on independents who do their own paper-work, less cost for others who have this done outside. It's impossible to estimate savings from this. But some years ago the Hoover Commission found that businessmen spend from 5% to 29% of their time on Gov't reports, consuming 12 to 70 days out of the average 240 working days a year, losing valuable time from selling. Any correction would help out.

3. **Argument Against H. R. 1272:** The present reporting system on income tax, social security, and other pay envelope withholdings is working well. By having reports as they are submitted now, Gov't can adjust records of income and social security withholdings from time to time, keeping everyone's accounts up to date as changes occur. This means good service to the people whose money is being used. It helps avoid embarrassing errors. Furthermore, so far as is known, no businessman has been driven bankrupt due to the "burdens" that are imposed by the present reporting system.

Here's the NATIONAL SUMMARY of votes on issues in Mandate 246. This has been sent to all Congressmen and Senators, all Congressional Committees, and all agencies and individuals in the Executive Branch of our Government, for their information.

	FOR	AGAINST	NO VOTE
1. H. R. 2729. Equal pricing.....	86%	11%	3%
2. S. 748. Curb union "pressure" tactics	95%	4%	1%
3. H. R. 1272. Reduce Gov't reports burden.....	89%	8%	3%
4. H. R. 686. Insurance payment of estate taxes.....	71%	18%	11%
5. S. Con. Res. 1. Gov't spending control	74%	20%	6%

ATTACHMENT "D"

The Mandate

REG. U. S. PAT. OFF. Published by

NATIONAL FEDERATION OF INDEPENDENT BUSINESS

The Largest Individual Membership of Any Business Organization in the United States
A Non-Profit Corporation

Washington 5, D. C. — REpublic 7-3523
Burlingame, California — Chicago 26, Illinois
Cincinnati 2, Ohio — New York 19, N. Y.



That Our Nation Remain the Land of Opportunity By Giving Small Business Fair Consideration

Copyright, 1960, National Federation of Independent Business, Inc.

Bulletin No. 261

1 REDUCE GOV'T REPORTS BURDEN . . . Should Congress reduce the number of reports which businessmen must furnish Gov't yearly on social security and income tax withholdings?

1. Argument for reducing the reports. Gov't can and should consolidate the number of income and social security reports which businessmen must file yearly. The President's Special Cabinet Committee on Small Business said this could and should be done, in 1956. Bills were introduced into Congress during the following four years, but not enough Administration and Congressional pressure was put behind them to get action. This action could relieve independents particularly of part of their heavy reporting burdens and should simplify their jobs. Your vote for this will help start the ball rolling now for 1961.

1. Argument against reducing the reports: Experience is the best teacher. And experience teaches that present report forms and methods on income and social security taxes are getting Gov't the information it needs for efficient record keeping. This talk about costs and burden on business is all the bunk. Firms who have accounting sections to do this job charge their costs off against taxes. Certainly the forms aren't that complex they can't be made out by independents who don't want to hire others to do this work. If they can't do this, then they can hire outsiders to handle it for them, and charge off their expenses.

Here's the NATIONAL SUMMARY of votes on issues in Mandate 261. This has been sent to all Congressmen and Senators, All Congressional Committees, and all agencies and individuals in the Executive Branch of our Government, for their information. It also has been sent to all State Senators.

	FOR	AGAINST	NO VOTE
1. Reduce Gov't report burden.....	90%	8%	2%
2. Increase postal rates.....	22%	76%	2%
3. Advance notice on mergers.....	61%	34%	5%
4. Investigate wage-price increases	60%	36%	4%
5. Allow giant firms to use Gov't tools on defense contracts.....	15%	76%	9%

ATTACHMENT "E"

The Mandate

REG.-U. S. PAT. OFF. Published by

NATIONAL FEDERATION OF INDEPENDENT BUSINESS

The Largest Individual Membership of Any Business Organization in the United States
A Non-Profit Corporation

Washington 5, D. C. — REpublic 7-3523
Burlingame, California — Chicago 26, Illinois
Cincinnati 2, Ohio — New York 19, N. Y.



That Our Nation Remain the Land of Opportunity By Giving Small Business Fair Consideration

Copyright, 1961, National Federation of Independent Business, Inc. Bulletin No. 266

1 H. R. 5874. REDUCE THE NUMBER OF REPORTS
 which businessmen must file yearly with Federal
 Gov't on social security and income tax withholdings
 (Rep. Laird, Wisc.)

FOR AGAINST

1. **Argument for H.R. 5874:** This bill would consolidate the reports which businessmen must file with Gov't on income and social security taxes withheld from earnings of employees. It would mean less pressure on independents who do their own paper-work, less cost for others who have this done outside. It's impossible to estimate savings from this. But some years ago the Hoover Commission found that businessmen spend from 5% to 29% of their time on Gov't reports, consuming 12 to 70 days out of the average 240 working days a year, losing valuable time from selling.

1. **Argument against H.R. 5874:** The present reporting system on income tax, social security, and other pay envelope withholding is working well. By having reports as they are submitted now, Gov't can adjust records of income and social security withholdings from time to time, keeping everyone's accounts up to date as changes occur. This means good service to the people whose money is being used. It helps avoid embarrassing errors. Furthermore, as far as is known, no businessman has been driven bankrupt due to the "burdens" that are imposed by the present reporting system.

Here's the NATIONAL SUMMARY of votes on issues in Mandate 266. This has been sent to all Congressmen and Senators, all Congressional Committees, and all agencies and individuals in the Executive Branch of our Government, for their information. It also has been sent to all State Senators.

	FOR	AGAINST	NO VOTE
1. H. R. 5874. Reduce social security-income tax reports.....	83%	14%	3%
2. H. R. 2068. Deprive States of power to forbid closed shop.....	14%	84%	2%
3. H. R. 3883. Revise Unemployment Insurance programs	14%	84%	2%
4. H. R. 6258. Grant SBA free hand in establishing loan policies.....	61%	31%	8%
5. H. R. 229. Increase State power to rule on labor disputes.....	76%	20%	4%

ATTACHMENT F

Alabama

Retail drugs: "The employer that collects excise tax should be given a 2-percent rebate from the Federal Government for collecting said tax."

Mill: "There certainly should be a simple method for making out reports. We are small but have to have one employee working almost full time keeping up with required reports."

Wholesale grocer: "Business has so many reports that it takes our office employees about 15 days each January to catch them up. Of course, between Federal and State we have about 5 to 10 each month."

Auto dealer: "The time required on all reports is increasing all along."

Hatchery: "Small businessmen have a hard time finding competent book-keeping personnel to maintain the proper forms. The expense is usually higher, proportionately, for small businessmen to keep these forms."

Alaska

Radio-TV: "Tax and labor reports should be greatly simplified and possibly be required on an annual and not on a quarterly basis."

Arizona

Tire dealer: "What value is material obtained from BLS 790E trade?"

Auto supply: "Business census reports are very hard for us to fill out, as we cannot justify the expense for the breakdown needed for accurate information."

Arkansas

Hardware retailer: "Any simplification that could save time and labor would be desirable."

California

Unidentified line: "All reports should be simplified so as not to require too many hours to fill them out properly, since labor costs are so high the burden is too much on the employer."

Radio-TV: "All pertinent census information could be put on a form the size of a punchcard. Employers should be permitted to hold back enough of withholdings collected to cover their costs of collecting and reporting."

Unidentified line: "Government reports mean little to large corporations because of their high percentage of profit. To the little businessman it is a burden. He generally has to find the time (Sundays) to personally do this work."

Service-supply: "We surely need simplified types of reports. I have 11 Government reports to make out this month (January), as small as we are."

Drilling company: "Streamline the reports and stop changing them. We can hardly keep up with the changes."

Ice cream: "Make all reports standard so that figures from basic tax reports answer all questions. Reduce number of separate duplicating reports."

Architect: "Twenty-five percent of my overhead is caused by tax records and Government requirements."

Manufacturer: "Just spent 2½ days filling out a report for the Census Bureau."

Unidentified line: "Business census reports should state if applicable to a three-man business or a certain gross annual dollar volume."

Retail grocer: "Let's eliminate 'subtract lines 3 and 4 from lines 8 and 9,' and simplify business bookkeeping and take a direct percentage."

Lumber company: "The loss of productive time taken to prepare elongated and unnecessary reports that can do nothing to create business or jobs equals 4 percent of our time."

Certified public accountant: "Have census reports fall due at some time other than the first quarter of the year when businesses are rushed with year-end closing of books, quarterly payroll returns, forms W-2, and Federal and State income tax returns."

Oil company: "In our small organization it takes the time of one person just to keep Government records."

Auto supply: "Much of information for census report could be run by IBM from income tax reports. The recent business census is too expensive to the businessman to report and to Government to compile (probably not too accurate, as well)."

Unidentified line: "Change so the same figures taken from a company's records could be used and not have to be refigured for each report."

Insurance agency: "Why not provide certification forms for verifying travel and entertainment expenses?"

Unidentified line: "Perhaps a form could be designed to cover all tax agencies so that a businessman would only have to make out one report."

Colorado

Printing-stationery: "There are presently too many duplications of employment and job openings reports—local, State, and Federal all wanting same information on separate reports."

Nursery: "Business census reports are erroneous and by guesswork. As far as I can see reports of tree census in nurseries is of no value to anyone."

Construction company: "Card style like Colorado State withholding reports works real good and Colorado State includes a return envelope."

Plumbing-heating: "Normally a man in a small business expends approximately 3 days a month on Government reports."

Copy service: "At least one-third of office expense, or more, is incurred in Government reports—this is too much to ask of any business."

Connecticut

Marine service: "We have a one-girl office, and it took her 2 days to fill out the Census for Manufacturers report. This is ridiculous."

Florida

Manufacturer: "Up until about 6 years ago I was smart enough to fill out most of the Government forms. Now having lost a degree of intelligence, I must rely on our accountant."

Unidentified line: "Where a small amount of tax is due, as in certain payrolls, allow one annual report instead of four quarterly reports."

Unidentified line: "Wage-hour law is confusing to the average small businessman. He will be forced under present conditions, if his gross income reaches \$350,000, to have an auditor and lawyer including extra clerks in his office at all times."

Georgia

Automobile dealer: "Time surveys conduction by myself in regards to permanent recordkeeping, maintenance of bank accounts for all forms of tax collection and the reporting of sales and profit pictures of my business to census bureaus, reveals a tremendous part of overhead cost—to be specific, 1½ days out of each workweek."

Hawaii

Unidentified line: "Each State gets a record of these reports to the National Government. Work should be done by the States."

Idaho

Greenhouse: "Each month approximately 10 hours are spent on tax reports, and this does not include end-of-year tax forms."

Dentist: "Takes 8 to 10 hours every quarter, and costs approximately \$200 a quarter, to do this Government work. This is a loss that is not deductible."

Van storage: "Duplication of effort between State and Federal reports on taxes could be adjusted."

Illinois

Awning company: "Put these reports in language an average businessman can understand."

Screw corporation: "The census report requires too much time to fill. In one small business (25 people) it took 1 girl approximately 4 weeks to complete."

Unidentified line: "Do away with special formula on how to pay employees as required by the Wage and Hour Division. The minimum is OK, but no one knows how to do it right without being penalized upon investigation. First investigation should be warning and information and not penalty."

Retail hardware: "The crop form survey of prices takes time, etc. And then they send the merchant hog and grain prices instead of hardware breakdown."

Implement company: "Fifty percent of our bookkeeping costs are governmental forms of various kinds."

Indiana

Furniture moving: "Tax report forms could be simplified much—balance sheet minus allowable deductions and how profits are distributed each year."

Soft drink bottler: "Does the Government know that average small business must spend \$4,000 to \$5,000 per year just to keep records and fill out Government forms?"

Iowa

Unidentified line: "It is equally important to streamline all these reports. The increased cost of accounting for Government reports has become a serious problem."

Kansas

Soft drink bottler: "Time consumed by employees in filling out Government reports, records needed, etc., makes requirement almost of another employee for these purposes."

Bank: "Further streamlining of Treasury form 1099, and all other reports Treasury Department has piled on us and other banks to provide as a free service."

Furniture: "I am mostly interested in the tax forms. I think that the specialists who make these forms know exactly what they mean, but the poor layman who has to spend hours on end once a year trying to figure his tax returns out and usually ends up paying a lot of taxes that he shouldn't have paid because he didn't know how to figure it. Or you can take it to a lawyer and pay him."

Contractor: "All Government agencies should use same forms for Davis-Bacon and antikickback forms."

Louisiana

Equipment company: "Cost of recordkeeping by business for Government is a burden that is growing daily."

Insurance agency: "Business census reports sent by Department of Commerce are terrible and are incorrect in some business classifications. Example: Warehouse questionnaire sent to insurance agency."

Accountant: "The business census should be scheduled for the end or middle of the year to help the accountants, rather than at the beginning of the year."

Maryland

Accountant: "As an accountant, I find it impossible to meet deadlines on special reports for all of my clients. Employing additional personnel and passing on the cost would not solve the problem."

Massachusetts

Box company: "Eliminate the individual listing of each employee's wages, etc., on the quarterly statement of income tax and FICA withheld."

Unidentified line: "Government should give bookkeeping allowance per number of employees returns are made on, due part-time bookkeeping spent 3 part-days completing end-of-year figures."

Michigan

Milling company: "The business census people make the mistake of leaving a column for remarks—so I told them what I thought of it."

Hardware retailer: "Government could get all of this (specified) information from our schedule C—easier and cheaper."

Elevator company: "We are forced to keep all business records for 7 years. Where are we to store them?"

Variety store: "It is impossible to report the business census correctly. It should be eliminated."

Minnesota

Home developer: "Sometimes I believe the Government must think that all a private business has to do is keep records for the Government. At times one becomes so pressured for time that it is impossible to get them in on time. Then coercive letters arrive. They forget private business cannot afford to hire all unproductive work performed. This means the owner must do it when time permits."

Missouri

Certified public accountant: "Cut out the business census: All tax reports should be on a once-a-year basis."

Montana

Grocer: "Useless information called for by Census Department. Also, there are duplications with Internal Revenue Service."

Tire company: "It costs me \$30 a month for a small shop with two employees to have my books checked and reports made out, a job I could handle myself if it were not for required tax reports and records."

Lumber company: "The present quarterly Federal employer withholding report form could be revised to eliminate listing each individual separately. Simplify Federal form C-3 to eliminate listing separately all deductions."

Nebraska

Pipe and supply company: "Administrative costs are increasing at the same time Government reports required of our business increases, and takes more time to complete these reports."

Food market: "It should be borne in mind that all reports should be simple and kept to a minimum. The nonproductive work of the average businessman is robbing him of his productivity. The small businessman must be productive to survive."

Lawyer: "I do a bit of income tax work for farmers and small city income taxpayers (75 to 100), and have done this for over 10 years, so I have some idea regarding the intricacies and 'redtape' of the income tax law and regulations, and firmly believe many simplifications of it can be made. For instance, if instead of the recent involved change in the withholding of tax, why not merely increase the \$600 personal exemption to \$700. This would certainly benefit the small tax payer or family man. Second, instead of intricate deductions, exemptions for this or that and on this or that percentage of wages received, why not take a graduated scale percentage on the wages received, or the 'adjusted gross income,' which together with an increased 'personal exemption' would greatly simplify, and, in my opinion, eliminate much cheating and chiseling, and yet result in a tax return that could be much more quickly and easily audited. The items on schedule F (farmers) of both income and expense should be arranged in alphabetical order and kept that way. The depreciation schedule should be a separate sheet or page (or drop off the 'accrual basis' part—as I believe there are few that operate on an accrual basis—none of my clientele."

New York

Market: "The annual Federal unemployment form is needlessly involved. One subtraction of percentages multiplied by payroll would give the answer."

Unidentified line: "Eliminate the quarterly report on withholdings and FICA. Also, New York State is requiring withholding report and payment every month. This is an added report—eight a year."

Ceramics company: "I think that business census and labor reports and other records could be combined to further streamline this information."

Washington

Fruit company: "Make medical aid and industrial insurance, withholding and social security, State and Federal unemployment taxes into one report, using carbons to various departments of Government."

Feed and seed: "Our cost of bookkeeping is more than double due to the cost of keeping various accounting records."

Oil-gasoline distributor: "Too much paperwork for a small business. I used to do all the bookwork with seven men employed, but now I have a full-time bookkeeper with only four men employed."

Cleaner: "Pay monthly or quarterly or estimates with one annual report."

West Virginia

Motor company: "Report amount and tax due (tax reports-records) every quarter but report names and amounts only at end of year. This could be done with W-2."

Supply company: "Most businesses do not have breakdowns necessary to prepare census inquiries. Therefore the results are highly inaccurate."

Wisconsin

Hardware retailer: "The average small businessman spends about 2 solid weeks (average 10-hour days) per year, filling out Federal reports, and almost an equal amount of time on State reports."

Unidentified line: "One of the most costly routines involves social security numbers for nonworking wives. First, you make a request for a form. Second, you receive No. 3574. Third, you fill out the form and mail it to Baltimore. Fourth, you get the number."

ATTACHMENT "G"

NATIONAL FEDERATION OF INDEPENDENT BUSINESS

WASHINGTON BUILDING 450 COMMERCIAL SQUARE 150 WEST 20TH AVENUE NORTH SHORE NAT'L BANK BLDG. 250 WEST 57TH STREET
 WASHINGTON 5, D. C. CINCINNATI 2, OHIO SAN MATEO, CALIFORNIA CHICAGO 26, ILLINOIS NEW YORK 19, N. Y.

SPECIAL REQUEST FROM HOUSE POST OFFICE & CIVIL SERVICE COMMITTEE

May 18, 1964

Dear Mr. Chairman:

Here's your chance to help reduce the number, and streamline the reports, forms, and records which Federal Government requires of your business or professional enterprise.

The enclosed copy of letter received from Congressman Olsen (see page 4, inside - please read it), Chairman, Subcommittee on Census & Government Statistics, House Post Office & Civil Service Committee, gives you the background needed. The Committee has the job of overseeing, and recommending simplification of, all reports, forms, and records required by Government.

It all boils down to the fact that a Congressional Committee is again calling on your Federation for help, this time on a project that could result in real dollars and cents savings to you in your overhead costs.

The Subcommittee does get results. In 1963 it eliminated 500,000 pages of reports required of motor vehicle carriers by the Interstate Commerce Commission.

This year it's concentrating on reduction of YOUR Government paperwork burdens. But, it must first know exactly what these burdens are - what reports, records, forms Government requires of you, and what your costs are in doing this work, measured in man-hours of effort on this job.

The Subcommittee staff has worked closely with your Federation in drawing up the few, simple questions asked on the following pages. Please answer each as accurately as possible. If you haven't an exact record of man-hours involved, please estimate closely.

If you do all this Government paperwork yourself, you can answer the questions. If you have a staff that does this work, they can answer the questions. If independent bookkeepers and/or accountants do this work, turn the questionnaire over to them. If, on the other hand, this is a task shared jointly by two or more of the foregoing, please see that all have a chance to enter their part of the overall answers, including comments.

PLEASE BE SURE TO RETURN THIS QUESTIONNAIRE TO US WITHIN 10 DAYS TO 2 WEEKS AFTER YOU RECEIVE IT. Your Federation is working against a deadline, because the Committee is delaying its report, and recommendations, until it hears from us. We enclose a self-addressed, post-paid envelope for your convenience in replying.

Because of the need for speed, we're limiting this survey to District Chairmen alone. YOUR COOPERATION AND REPLY ARE VITAL.

With all best wishes,

Sincerely,


 C. WILSON HARDER
 President

2. Of the items you have named in your answer to Question No. 1, how many duplicate the reports, records, forms which your State or Local (county, city) Governments require?

GIVE NAME OF FEDERAL REPORT, RECORD, FORM	Which compares with	GIVE NAME OF STATE OR LOCAL REPORT, FORM, RECORD
.....	
.....	
.....	
.....	
.....	

What are your recommendations for improvements or changes?.....
.....
.....

3. Who makes out the reports, records, and forms which you have named in your answers to Questions No. 1 and No. 2?

A. THIS SECTION ONLY FOR PEOPLE WHO HAVE PART OF THIS WORK DONE BY THEIR OWN EMPLOYEES AND STAFF, AND PART DONE BY OUTSIDE BOOKKEEPERS AND ACCOUNTANTS:

Please give percentage done by each

Yourself Yes No

Your employees and staff? Yes No

(If answer "Yes," please give number of people who do this work.....)

Outside bookkeepers and accountants Yes No

(If answer "Yes," please give number of people who do this work.....)

B. THIS SECTION ONLY FOR BUSINESS AND PROFESSIONAL PEOPLE WHO DO ALL THIS WORK WITHIN THEIR OWN STAFF, OR WHO DETAIL IT EXCLUSIVELY TO OUTSIDERS:

Yourself? Yes No

Your employees and staff: Yes No

(If answer "Yes," please give number of people who do this work.....)

Outside bookkeepers and accountants Yes No

(If answer "Yes," please give number of people who do this work.....)

Your Comments.....
.....
.....

4. Time involved in making out these reports, records, and forms:

- a. Please estimate as closely as possible the total number of hours each month the people you have named in your answer to Question No. 3 spend working on the FEDERAL GOVERNMENT reports, records, and forms you named in this questionnaire Hrs/Mo.
- b. Please estimate as closely as possible the total number of hours each month the people you have named in your answer to Question No. 3 spend working on the STATE AND LOCAL reports, records, and forms you named in this questionnaire Hrs/Mo.

Your comments.....
.....
.....
.....

5. Please give total number of employees (including yourself) in your business or professional enterprise

6. A suggestion has been made that Treasury Department Form 941 (Employer's Quarterly Federal Tax Return) be changed from a quarterly (four times a year) basis to an annual basis. Question is why a quarterly report is necessary when the Treasury Department W-2 (withholding forms) are all on an annual basis.

- a. Do you think Form 941 should be changed to an annual basis?.....Yes No

Your comments.....
.....
.....
.....

USE PAGE 5 FOR ADDITIONAL COMMENTS

Please complete this questionnaire and return at once in self-addressed postage-paid envelope to:

**NATIONAL FEDERATION
OF
INDEPENDENT BUSINESS
150 West Twentieth Avenue
San Mateo, California**

Member Signature.....
 Title.....
 Prepared By
 Signature.....
 (Outside Accountant, or Bookkeeper)
 Title.....
 Type of business.....
 (Service, Migr., Wholesale, Professional, Contract-Construction)

For your convenience, your full name and address have already been imprinted at bottom of Page 5.

Mr. OLSEN. We are very happy with your statement and the splendid cooperation you always give us here at the Congress. This statement of yours is typical. It is very thorough.

I especially want to commend you on attachment F, which supports all the other statements of your people. They are direct quotations.

Mr. BURGER. I could have brought the original form this morning. These signed forms are open to any department of the Government to review, or even the President if he wants to see them.

Mr. OLSEN. I am very familiar with them. I am familiar with the report forms used by your members in sending them to the Members of Congress since I am one who receives them. I find it a valuable service. I really appreciate it.

This particular one, attachment A, I think it would be interesting if you would pass that form behind you and let the people see what that form looks like. It is very well detailed. It is surprising to me you got a 21-percent return.

Mr. BURGER. These records are always open for inspection. The same privilege is extended to the members of the press. Since it is all factual coming in from the grassroots, they are the ones who make the story, not us.

Mr. OLSEN. When you speak of 40 percent of all our employment, are you speaking of 40 percent of the total employment in the country or is that just 40 percent of the retail trade.

Mr. BURGER. The 40 percent of the total employment is employed by small business throughout the Nation. I believe that is from a Department of Commerce survey.

Mr. OLSEN. What kind of an image does Government generally have with the small businessman as a result of all these requests for reports from business?

Mr. BURGER. I am not a professional trade association man. I owned and operated an individual establishment for a quarter of a century. In the particular industry that I was connected with over half a century I know, from my visits with them, nationwide, of the trouble they are put to. After they go to the extreme of filing these forms, in their mind they wonder what happens to them.

Mr. OLSEN. It makes a very poor impression on business people when the Government burdens the businessman with so much reporting.

Mr. BURGER. From what we get from our members on the inconvenience and the inability to devote the time to these reports, they ask us in turn if we will intervene with the various Members of Congress. There is no letter that I can recall coming in commending the reports, but the opposite, condemning them.

Mr. OLSEN. We have been told by almost all witnesses they feel obligated to supply information to a Federal agency regardless of whether or not the questionnaire is required by law.

Mr. BURGER. The threat is made indirectly in many cases. They are told they have to comply with the form because of congressional authority. How far that goes, your guess is as good as mine.

Mr. OLSEN. It is very difficult for the ordinary businessman or citizen to determine whether or not a form is actually required by law?

Mr. BURGER. Yes.

Mr. OLSEN. So he does not want to take a chance on it?

Mr. BURGER. Exactly. He is afraid.

Mr. OLSEN. Out of that fear, he goes ahead and fills in all the forms sent him by the various governmental agencies?

Mr. BURGER. Take the tire company in Great Falls, Mont. They are a responsible institution. They are facing a highly competitive situation up there, and it takes time to fill out these forms.

Mr. OLSEN. It is an expensive proposition?

Mr. BURGER. That it is.

Mr. OLSEN. Thank you very much. We really appreciate your coming here. We always appreciate your contribution to our problems here on the Hill. I want to thank you very much. We are looking forward to visiting with you more on this problem as we go along.

Mr. BURGER. Thank you very much.

Mr. OLSEN. Our next witness is Mr. George F. Begnal, Jr., specialist, business information systems and automation, IGE Export Division, General Electric Co., New York, N.Y.

We welcome you to our committee. If you have some people with you, you may call them up to sit with you.

STATEMENT OF GEORGE F. BEGNAL, JR., SPECIALIST, BUSINESS INFORMATION SYSTEMS AND AUTOMATION, IGE EXPORT DIVISION, GENERAL ELECTRIC CO., NEW YORK, N.Y., ACCOMPANIED BY WALTER H. GLASS, ATTORNEY, IGE EXPORT DIVISION; AND WALTER POWELL, WASHINGTON OFFICE, GENERAL ELECTRIC CO.

Mr. BEGNAL. I thank you for this opportunity to tell you our story. I am George F. Begnal, Jr., specialist, Business Information Systems and Automation. I have been with the International General Electric Co., now referred to as IGE Export Division of the GE Co., for the past 23½ years.

I started originally in Schenectady, N.Y., as a clerk in the disbursements-accounting department, and later became an export license application clerk.

After serving 3½ years in the Seabees, I returned to the company as an order service clerk, work dealing primarily with export documentation. After a few years I worked my way up to group leader. Soon thereafter I was transferred to Washington as a specialist in order service, and eventually assumed the duties as sales specialist for the company's consumer goods export department.

In 1956 I was again transferred, this time to our New York office as supervisor, consumer goods order service. This position covered the responsibilities of handling our distributor and customer's orders from the date of receipt, until the final export shipment and providing required documents for collection.

In 1957 I assisted in developing the original automation of our order processing and invoice production, and have since continued to aid in the subsequent improvements thereto.

In October of last year, I was appointed specialist—business information systems and automation operation—primarily concerned with the export traffic documentation aspects of our business.

With this background, I would like to read the following statement for consideration of the subcommittee:

In the past, we in American industry have been able to rely upon our manufacturing know-how, specialized highly technical products, high capital investment in both plant and research, and high productivity to offset the great cost of labor differential that exists between the United States and foreign competition. The past few years, however have seen the European and Japanese make substantial increases in their capability, capacity, and productivity which has caused us to reevaluate our position in the world market.

We have heard much concerning the deficit in the U.S. balance of payments, its effect on our gold flow and possible threat to a continuous, effective American foreign policy abroad. Our last three Presidents have addressed themselves to this vital subject, and each has strongly recommended that the various Government agencies do all within their power to aid and assist American industry to greatly expand upon its export business as the most logical and effective way of overcoming this knotty problem. To do what is required to keep America competitive will demand the best efforts of "The American Team," meaning Government, industry, and labor. This national challenge should result, through desire—not decree, in the formation of a closer partnership and a wider view of our individual responsibilities as Americans.

To illustrate how important this worldwide market is to our Government, our industry, and our people, let us consider America's fifth largest employer, the General Electric Co., and its 45,000 U.S. suppliers.

May I deviate from the prepared text to point out that, while we are regarded as a large American concern, we nevertheless, in effect, represent these 45,000 American suppliers in the export marketplaces of the world. We are not referring merely to the activities of the GE factories per se. One-fourth of General Electric's export sales are for products and services of other American firms. This is primarily due to the fact that we must quote on a complete "turnkey" powerplant in order to sell our large electrical power-generating equipment abroad. Being the prime contractor often involves arranging for financing, consulting, design, and erection engineering, as well as procurement and shipment of all material concerned.

GE had 262,886 U.S. employees on the payroll as of the end of 1963 and the GE IGE Export Division had 955. If we allocated jobs on the basis of sales dollars, for every employee in our IGE New York office, there would be 20 employees at our GE factory locations or vendors' manufacturing plants who work exclusively on IGE's export business.

Our new president and chief executive, Fred J. Borch, stated recently at the GE shareowners' meeting: "Regardless of political changes in different countries and economic ups and downs, the most rapidly expanding market for electrical equipment in the next 25 years will be overseas."

The General Electric Co., and its IGE Export Division in particular, has for the past several years, exercised self-discipline preparing for the battle ahead. We have eliminated or reduced unnecessary and marginal work discovered in our operation. We have trimmed every category of expense with the realization that we cannot compete in the world marketplace with the traditional, costly U.S. operation. To cut

expenses we have moved out of the high rent area and are presently located in less expensive quarters.

We are trying to practice what we preach.

We have spent much time and effort making business system studies to automate our order processing and invoicing functions. We found it absolutely necessary, for economical reasons to move to a computer application. This is apparent when you consider problems of export complexity such as the fact that there are 6 times the number of typed characters, and 11½ times the number of calculations on an export invoice, versus a domestic invoice for the same items.

Mr. OLSEN. I take it, then, when you order from suppliers the order is made through electronic data processing?

Mr. BEGNAL. That is correct, sir.

Mr. OLSEN. And this is intercharged to your inventory, I suppose?

Mr. BEGNAL. Well, only to a small extent when you consider our overall operations. While we do maintain a modest inventory of major appliances, and a substantial quantity of houseware appliance items for export, by and large the vast majority of our orders are sourced direct from General Electric and vendor factories inland. In most instances it is far more economical to move goods direct from factory to steamerside, without the added expense of intermediate warehouse charges and capital lockup in inventories.

Mr. OLSEN. You depend on the inventory of your suppliers?

Mr. BEGNAL. Well, factory inventories for consumer goods. In the actual manufacturing of the products when we get into the heavy apparatus field such as boilers and the like.

It was soon evident that the paperwork problem in which an American export shipper becomes involved was an important limiting factor in reducing expenses to the extent necessary to meet our foreign competition. The entire maze of export traffic operations seemed almost insurmountable because of the number of documents involved and the complete lack of standardization or compatibility. In addition to taking care of our normal commercial needs and inland shipping documentation, we are faced with supplying the export carrier with ocean bills of lading (or airway bill), providing necessary U.S. Government export control documents, and a variety of other Government forms. We must satisfy the needs of the covering letter of credit and we must meet the country of ultimate destination import regulations, which often involve consular documents in either Spanish or Portuguese.

Despite the complexity, we reminded ourselves that "nothing was impossible for a willing heart." Therefore, we set about to define our problems and to see what we could do about overcoming this paperwork jungle.

Yesterday, you heard testimony from Mr. Ralph E. Casey, president of the American Merchant Marine Institute, who depicted the problem as seen from the steamship company point of view. He pointed out what has been accomplished since the publication of the report "Merchant Shipping on a Sea of Red Tape," published by the Pacific Coast Shipping Industry in cooperation with the School of World Business, San Francisco State College.

If you have not seen this report, I hope you will get it and read it. It is very worth while.

Mr. OLSEN. I assure you we will not only get and read it, but will have it made a part of the files and probably refer to it in our report.

Mr. BEGNAL. I might mention this, Mr. Chairman, as it does concern the documentation required of ocean carrier versus the air carrier. The air carrier has had a coordinated effort of controlling documentation while the older steamship industry has had it grow out of the various traditions of the past.

Mr. OLSEN. Do you know whether or not this publication has been updated? I understand from counsel this is 1959. Do you know if it was updated?

Mr. BEGNAL. That is the same date that I know of, sir. I have heard, however, that they have been working very hard to bring about desired changes and have a great deal presently under negotiation.

Mr. Casey furthermore touched on the work of AMMI's standard bill of lading subcommittee on which I had the pleasure of serving. This group, together with the marine exchange of the San Francisco Bay area and the Trade and Shipping Subcommittee on the National Facilitations Committee of the U.S. Government, worked together in developing a national standard short ocean bill of lading format.

In my years in the export business, to my knowledge this is the first time such a group has ever gotten together and come up with such fine results.

A brochure illustrating the use of a new reproducible basic master form will be distributed shortly through the shipping industry and within the Government. This form is the key to the efficient and inexpensive production of the following documentation:

U.S. Shipper's Export Declaration (Department of Commerce form 7525V alternate).

Notice of Exportation of Articles with Benefit of Drawback (Treasury Department form 7511B).

The Standard Short Ocean Bill of Lading.

Dock Receipt.

Delivery Instructions.

Certificate of Origin.

Insurance Certificate.

I am sure you will be pleased to learn that "The American Team" efforts brought about the results reported by Mr. Casey. However, we must be conscious that we cannot rest on our laurels.

Mr. OLSEN. I want the record to show that the General Services Administration will discuss these shipping forms you have mentioned with our subcommittee later in the hearings.

Proceed.

Mr. BEGNAL. Much remains to be done before we have a totally efficient and inexpensive paperwork system capable of supporting our American industry for the challenge ahead. We would like to suggest the following four points:

I. That the National Facilitation Committee be made a permanent body, charged with being the catalyst for coordinating the efforts of all American groups involved in exports. And I underline "coordinating."

This group was established by Secretary of Commerce, Luther B. Hodges, last fall to coordinate Federal efforts to simplify procedures involved in the movement of persons and goods across international

borders. Cooperating agencies include the Department of Commerce, Maritime Administration, Bureau of Census and Office and Export Control, and Treasury Department, Bureau of Customs. In addition, paperwork experts from the General Service Administration operate as consultants to the group.

May I add the comment that I, myself, have been associated with this committee's work party, and I know what they have done to keep our group moving ahead on this most important project. Believe me, it is nice to report good things about such a Government body. They have certainly done a tremendous job in our behalf.

Mr. OLSEN. We are glad to hear you say that because we have been downgrading a lot of the Government agencies with some of the criticism before the committee. I think, however, all of the criticism has been constructive and I am glad to note some progress and I think we will have more progress.

Mr. BEGNAL. In addition to ocean freight and air carriers, freight forwarders and customs brokers, American manufacturers, and the U.S. Government, it is further suggested that American banking be encouraged to participate. They could help greatly to simplify paperwork by developing practical and uniform documentation requirements for letters or credit originating in a foreign country, and solicit the support of their foreign correspondent banks to put such standards into effect.

Notwithstanding the efforts of the U.S. Government, industry and the like, we still must satisfy our customer abroad and oftentimes the letters of credit requiring documentation add manifold to the problems of the American exporter. We do not fool ourselves to the point that this will happen overnight, but we think much can be done by American bankers to develop standardization and provide the end result desired.

Mr. OLSEN. I might say at this point we will have the Commerce Department before the committee on June 2 and we will ask them about bankers generally participating in these programs.

Mr. BEGNAL. Thank you.

We also suggest, in order to assure proper continuity of effort, that the National Facilitation Committee conduct or act as consultants to the appropriate U.S. Government department that conducts negotiations with all foreign governments and/or international groups regarding our export trade practices as related to documentation.

This, I am happy to say, has happened. Mr. W. G. Allen from Maritime Administration, and Mr. Harold Harriman from National Archives and Records Service, General Services Administration, took part in negotiations in Europe last fall regarding an international bill of lading.

II. That the National Facilitation Committee review all existing U.S. Government forms involved in our export trade, as well as all subsequent forms that might be developed to determine:

- (a) if the form serves a useful and necessary purpose;
- (b) if the information already appears on an existing form, will a copy of that form be satisfactory;
- (c) if a separate form is necessary, does its format conform to the seven basic documents mentioned above?

AID, and all other U.S. Government agencies which are financing exports, should consider these questions. In addition, a number of foreign governments are now using AID forms in situations for which they are inappropriate.

For example, and I happen to be involved in this, in 1963 we received orders for 26 refrigerators from a single Latin American country. Each order covered one refrigerator, except for one order which covered two. None of the orders were AID financed; yet the purchasing government required the execution of form AID 18-24 as well as the usual certification from the insurance and steamship companies for each order.

This is three separate AID forms being filled out and appropriate signatures obtained on each order calling for but one refrigerator each. We estimate it would cost us something in the neighborhood of \$60 to process a normal order, yet here we have three additional forms that have to be prepared and signed by the supplier, the steamship company, and the insurance broker. No matter how much we sold the refrigerators for, I doubt we could break even, let alone make a profit on such transactions.

I read to you from Exporters' Encyclopedia having to do with Chile:

Documents for banking purposes: The following documents for banking purposes are necessary on all shipments to Chile—

not all AID shipments, but all shipments—

AID form 18-24 or 280 in quintuplicate signed by the supplier. When shipment is made on a U.S.-flag vessel—

Here again we are being discriminated against—

this form must give freight data and be signed by the steamship company or its agent, and when the goods are insured in the United States this form must show insurance charges, signed by the insurance company or its agents. As an alternative separate forms may be furnished in quintuplicate, one form signed by the steamship officials, the other by the insurance officials.

Two copies, or photocopies, of the commercial invoice.

Two copies, or photocopies, of the bill of lading.

This is what we mean by "paperwork jungle."

Mr. OLSEN. Let us get this firmly for the record. You are reading from an encyclopedia?

Mr. BEGNAL. Yes; from the Exporters' Encyclopedia. It is a publication.

Mr. OLSEN. And this publication is reciting the requirement that has been imposed by the Government of Chile concerning forms?

Mr. BEGNAL. Yes.

Mr. OLSEN. And the encyclopedia is a private publication?

Mr. BEGNAL. Yes.

I have also a statement that comes out of AID itself that mentions this situation, if you care to take the time to have me read it.

Mr. OLSEN. What I wanted to bring out was, how does Chile get the impression that the AID form is required on U.S. transactions even though not AID financed?

Mr. BEGNAL. There were some funds made available through AID to the Government of Chile for the exclusive use of paying for American products or services and AID required proof of this. I do not

know the real, full answer to this question. I can only suspect what it may be.

Mr. OLSEN. It is related, then, to the fact that AID money was provided the Government of Chile at some time and also related to the fact that there may be an American insurance company involved?

Mr. BEGNAL. That is correct. But these were not AID-financed transactions.

Mr. OLSEN. Was it an AID insurance program?

Mr. BEGNAL. No, it had no bearing on AID itself. It is merely that the Government of Chile has seen fit to make the AID forms a requirement of documentation to obtain U.S. dollar exchange.

Such use of AID forms is a serious and unnecessary burden on American exports and should be discouraged.

Furthermore, why are individual documents required for cost of material, ocean freight, and insurance each individually signed by the supplier, steamship company and insurance broker, respectively.

I would like to make it perfectly clear we are in no way complaining of the AID requirement of documentation when it is an AID-financed transaction. To make my point may I read from AID small business memo dated November 2, 1962, entitled "Government of Chile Import Regulations":

The Agency of International Development under a program in Chile has made available to the Government of Chile certain funds which may be used only for goods and services procured from, and having their origin in, the United States.

This we support and this we think is fine.

To assure that these funds are used for this purpose and to obtain certain additional information, AID requires the Government of Chile to provide various documents, including the form AID 10-160, transaction summary, prior to release of the funds. The Government of Chile has issued regulations making execution of form AID 10-160 mandatory for any import from the United States, regardless of the source of financing.

And this is the point I want to underscore—"regardless of the source of financing."

Since this is a Government of Chile regulation and not a requirement of the U.S. Government, any questions by suppliers as to requirements for submission of the form should be addressed to the customer in Chile and not to the Agency for International Development or other department of the U.S. Government.

In executing the form, merchant exporters or secondary sellers are advised that they need not execute block 18 if they do not wish to make this information available to the importer.

Block 18 requires a disclosure of the commissions paid to American suppliers-distributors in the foreign country.

Also, in the absence of instructions from the importer, the supplier may leave block No. 1 blank. The Government of Chile is being advised that the forms will be acceptable to AID with these omissions.

Attached you will find a copy of "Central Bank of Chile" circular letter of April 17, 1964, NFTC reference No. M-3817 which further illustrates the abuse of a foreign government making use of AID forms as a country requirement.

(The letter is as follows:)

NFTC Ref. No. M-3817

CENTRAL BANK OF CHILE CIRCULAR LETTER OF APRIL 17, 1964

Subject: Procedure for making payment for imports of merchandise from the United States into Chile through the use of dollar exchange arising from the 1964 credit granted by the Agency for International Development to the Republic of Chile in the amount of US\$40,000,000.

"We are pleased to advise you that the procedure indicated below will be followed for utilizing Credit No. 513/L-023 for US\$40,000,000, granted by the Agency for International Development (Alliance for Progress), an office of the Government of the United States, to the Republic of Chile and the Central Bank of Chile:

"(1) The Central Bank of Chile will sell exchange on a future basis, for the payment of importations of merchandise originating in the United States of America, included in the respective AID Code, which have been shipped starting from August 1, 1963, provided the following documentation is presented in good order:

"(a) AID Form 18/24 or 280, called Invoice Information (Supplier's Certificate), in five copies.

"With regard to the preparation of these forms, we must reiterate once again the provision of resolution taken in Session No. 215 of August 14, 1963, to the effect that the information requested must be supplied in a complete manner, "without omissions of any kind." We wish to mention especially the information relative to agents' commissions in order to make clear that in all cases where they have not been indicated in forms AID 18/24 or 280 due to the fact that North American regulations permitted it, the omission may only be corrected by also attaching two copies of the form called "Supplier's Certificate" which the Central Bank has implanted for imported merchandise originating in countries other than the United States of America, duly filled in and authenticated.

"In the case of merchandise transported on ships or airplanes under North American flag and/or insured by insurance companies included in the AID Geographic Code Book, Supplier's Certificate 18/24 or 280 relative to the value of freight and insurance signed by the freighting and insurance companies, or their agents, according to the case, must also be attached in five copies.

"(b) Detailed commercial invoice of the supplier in two copies or photocopies with their corresponding certification of origin, according to model made known by Circular Letter dated October 17, 1963.

"(c) Two simple copies or photocopies of the bill of lading or airway bill. In cases where the merchandise has been sent by parcel post, the certification of the original date of despatch, appearing on the document issued by the Chilean Post Office, will be sufficient.

"(d) Customs House Certificate that the merchandise has been cleared.

"(2) The mentioned sales will be made for the amounts indicated, in the following cases:

"(a) If the freight has been contracted with companies operating ships under North American flag and the insurance has been taken in any country included in the Geographic Code Book, up to the CIF value of the respective importation.

"(b) If only the freight or the insurance are eligible for financing with funds of the indicated credit, the value C and F or C and I will be sold, according to the case.

"(c) If both the freight and insurance are not eligible for financing under the credit, only the FOB value of the merchandise will be sold.

"When amounts relating to freight and/or insurance, are not eligible for financing with charge to the credit, as well as interests, banking expenses, taxes, or others, they will be covered with charge to availabilities of the future market of each commercial bank.

"(3) Delivery of the exchange will be made by means of Payment Orders issued by the Central Bank of Chile, drawn on North American commercial banks holding the Special Letters of Credit opened for this purpose. These Payment Orders will be issued at 30, 60, or 90 days so that reimbursement coincides approximately with maturity of the 120 days after date of shipment. To this effect, commercial banks must send the required documentation to the Central Bank of Chile as soon as it is complete, even though 120 days from date of shipment have not elapsed."

Mr. BEGNAL. Again we state that we have no quarrel with AID direct financed projects to require whatever documentation they may desire.

We would like very much to have the documentation compatible with the newly developed standard ocean bill of lading set mentioned above, because 85 percent of the information presently required on AID 18-24 forms is already included in this basic documentation makeup.

Mr. OLSEN. Your point is exceedingly well taken and of course we will encourage such procedure to the extent possible.

Mr. BEGNAL. While the above points are of immediate concern, all programs must include the long-range communication of business information from supplier's computer to that of the U.S. Government. A practicable application, for example, would be the elimination of the requirement for filing individual U.S. shipper's export declaration, particularly when no individual validated export license is required. It is understood that this document is required on all export shipments (except for parcel post shipments under \$50) for the purpose of obtaining export statistics by the Bureau of the Census. Even so, only a sampling is actually key punched and fed to the computers for compilation of our U.S. statistics.

Within the not too distant future, electronic data processing will be widely used by all American concerns large and small and it is suggested that we eliminate the necessity of filing individual export declarations one at a time, and instead feed this accumulated information on magnetic tape or punchcards directly to the Bureau of the Census on a monthly basis. This will eliminate the U.S. Government's expense in key punching this information for their computer compilation.

Mr. OLSEN. This would be a very sensible accomplishment.

Mr. BEGNAL. It certainly would.

It might be interesting to know that we are already supplying our social security withholdings to the U.S. Government by using magnetic tape and it has been proposed that we may do likewise with our income tax withholdings.

Mr. OLSEN. We are encouraging this also, especially with the larger firms. It is the best way to do it, especially those that have computer systems adaptable to reporting to the Government.

Mr. BEGNAL. I might mention the computer industry today is moving toward building smaller computers rather than larger ones, so that they are practical for use by the smaller business concerns. We happen to know of one example, a supplier of ours who is presently automating his warehousing, export packing, and trucking paperwork.

III. That the efforts of the Federal Maritime Commission be encouraged and supported in their program to utilize electronic data processing of ocean freight rates. This proposal will require the common carrier operating in foreign commerce, and conferences of such carries, to file tariff pages in a uniform manner utilizing the standard international trade classification (SITC).

At the present the ocean freight tariffs are extremely complicated, lack any semblance of useful order, and make upkeep very difficult. Under the proposed system, the SITC coding will be a standard definition of commodity. As changes are made in the rates to the Federal Maritime Commission, these changes will easily be supplied to industry by FMC, or an outside concern. Such a concern will maintain an upkeep service supplying information for direct machine

entry in punched card or magnetic tape form. American shippers will automate the production of a rated bill of lading, with appropriate conference and rate reference, which will easily be checked by the steamship company and thereby reduce their processing time and expense. We have talked in the past about producing a bill of lading, but this is one that is rated. Eventually the shippers will simultaneously prepare their check in prepayment for the ocean freight or air charges. A further benefit will be the ability for the shipper to predetermine the total c.i.f.—that is cost, insurance, and freight—charges and consequently accelerate the preparation of the consular invoice required by Central and Latin American countries, in many instances prior to steamer sailing.

Again, a side comment. Many a time we have to make the following week's steamer because we cannot get the paperwork through in time to satisfy consular requirements, and certainly we can perform a great deal better if we can predetermine these charges and start our consular paperwork beforehand.

I might also mention, Mr. Chairman, that any improvements along this line of standardization are as equally beneficial to the person who does the manual operation as the one who does it with a computer.

Mr. OLSEN. The standardization would benefit everybody.

Mr. BEGNAL. Absolutely, and I think our basic format, our bill of lading format set, will highlight this point.

IV. That plans already under consideration by the Office of Export Control and Bureau of Census be actively supported to replace the present five-digit schedule B commodity number with the same SITC coding. We suggest, however, consideration for an additional digit or two to provide the type of refinement that is necessary to eliminate subclassification of product groupings required for determining need for individual export licenses and to provide sufficient definition to the statistics as required by industry to reasonably measure, and therefore expand, its performance in world export markets.

This SITC code will also be compatible with the Bureau of Census Import Code, the proposed Unicode Description Dictionary, and also the Brussels' Code.

A single code will greatly facilitate—and I emphasize “greatly facilitate”—the American exporter in rating the ocean bill of lading, providing export control classification, import coding, and statistical reporting. It will facilitate the ability to produce, in an efficient and timely manner, necessary Government and commercial documentation involved in foreign trade.

Mr. OLSEN. You would say we should go directly to a seven-digit code?

Mr. BEGNAL. I would leave this to the experts.

Mr. OLSEN. While the experts are making the change we should probably take the larger seven-digit code rather than the six-digit.

Mr. BEGNAL. I think this is true. For example, today on electronic components we have to give not only the five-digit commodity number, but then it is subdivided into two processing classifications, and then into several subclassifications. I think once we go to a numerical code, it would be wise to take care of all the definitions needed. However, the specific details I would leave to the experts.

Mr. OLSEN. Are you expert enough to say whether or not a seven-digit code would give you sufficient detailed description to describe the transistors and all these things?

Mr. BEGNAL. Very definitely. Six may even do it. I believe there is work being done by the Department of Commerce and the United Nations at the present time in this regard.

Mr. OLSEN. Go ahead.

Mr. BEGNAL. These four suggested points are an ambitious undertaking, yet a practical and coordinated approach to our American export paperwork problems. With the proper cooperation and desire to improve our productivity, we will be doing our part to keep America competitive. U.S. industry needs this opportunity to reduce expenses and the export program of the United States will thereby be greatly aided and advanced.

Thank you.

Mr. OLSEN. Thank you again, Mr. Begnal. This is a splendid statement and all the more so because you have so many constructive ideas to present. Admittedly, they are very ambitious, though. If we can continue to get the committee for which you speak, the National Facilitation Committee, to work, and in turn if we can insist that the Federal Government do more deliberate work on the subject of eliminating the forms or standardizing the reporting to several agencies, we can be doing what is so necessary in the shipping industry and what is so necessary in Government. I think certainly by standardizing between the Department of Labor and the Bureau of the Census and the Internal Revenue Service and the Social Security Administration, if they would standardize among themselves, then perhaps one report from business would suffice, and maybe not as often, maybe quarterly reports instead of in some instances monthly reports, and maybe annual instead of quarterly reports in other instances. I think this would be to the advantage of the public regardless of what their bookkeeping is like. They could adjust their bookkeeping to a standard reporting system.

Again we thank you for your excellent statement.

Mr. BEGNAL. Thank you.

Mr. OLSEN. I want to announce that on June 1 we expect to have three witnesses: Mr. John Marshall, executive vice president, National Association of Dairy Equipment Manufacturers, Washington, D.C.; Dr. Raymond T. Bowman, Assistant Director for Statistical Standards, Bureau of the Budget, Washington, D.C.; and Hon. Mortimer M. Caplin, Commissioner, Internal Revenue Service, Washington, D.C.

I might say that we have already had considerable response from Mr. Caplin regarding criticisms that I myself have made and that have been made by others. He has a good case. But he also is energetic about improving the system of reporting to the Internal Revenue Service because he, too, wants to cut the cost to business people as well as to the Government, and if this can be done, not only will our tax revenue mean more to the Government if we cut the cost, but it will mean more to the businessmen.

With that, the committee will adjourn until June 1.

(Thereupon, at 11:40 a.m., the subcommittee adjourned until Monday, June 1, 1964, at 10 a.m.)

